

AFTA : Indonesian Industrialist And Customs Perspective

Thomas Stefanus Kaihatu

Lecturer of Economic Faculty, Management Department – Petra Christian University

ABSTRACT

AFTA is the concept of eliminating tariff barriers among ASEAN countries with a view to integrating the ASEAN economies into a single production base and regional market. The main objective of AFTA is to increase ASEAN's competitive edge as a production base geared for the world market. The critical step in this direction is the liberalization of trade in the region through the elimination of intra-regional tariffs and elimination of non-tariff barriers.

In Indonesian industrialists view, the implementation of liberalization of trade in AFTA scheme is not only a challenge, but more likely a massive problem, for they have minimum competitive advantage compared to other ASEAN countries (especially Singapore, Malaysia and Thailand).

Since the 1970s, Indonesian economic development was built on the basic pattern of the bureaucratic-industrialist relationship, which caused fragile industrialists and corrupt bureaucrats. These bureaucrat-industrialist relationships grew immensely in Soeharto's era, and are still sustained until now.

Recently, Indonesia had to face the competitive trade among ASEAN countries as the consequences of the implementation of the regional integration commitment through AFTA. Moreover, as a member of ASEAN, it looks like Indonesia has no choice but to join this competition.

Until now, there is so much resistance in implementing AFTA in Indonesia, especially accepting the Common Effective Preferential Tariff (CEPT) scheme in the import sector (for both industrialist and customs). The implementation of CEPT scheme, in the import sector, makes Indonesian industrialists worry of losing their dominance on local markets. On the other side, the bureaucrats, especially the Indonesian customs, will lose their revenue from import duty and also their 'under-table business', that causes a high cost economy and creates so many inefficiencies.

Keywords : AFTA, Common Effective Preferential Tariff (CEPT), Industrialist, Customs.

AFTA HISTORY AND THE BACKGROUND CONCEPT

AFTA was established by the 22nd ASEAN Economic Ministers Meeting (AEM) in Denpasar, Bali, on 29-30 October, 1990, where it was agreed to apply a Common Effective Preferential Tariff (CEPT) on selected industrial products, initially including cement, fertilizer, and pulp. On 4-5 October, 1991, the ASEAN Senior Officials Meeting (SEOM) in Kuala Lumpur agreed on amendments to the Thai proposal to establish AFTA.

At the 4th ASEAN Summit Meeting in Singapore, 27-28 January, 1992, the ASEAN heads of Government, which consisted of all six member countries (Brunei, Indonesia,

Malaysia, Philippines, Singapore and Thailand) formally agreed to establish AFTA and signed the Singapore Declaration and the Framework Agreement on Enhancing ASEAN Economic Cooperation. At the same time, the ASEAN Economic Ministers Meeting (AEM) signed the agreement on the Common Effective Preferential Tariff (CEPT). This agreement provided for the elimination of tariffs and non-tariff barriers within 15 years from January 1993, which was revised later to start from January 1994, with the completion date set for 2008. Until then, tariffs would be reduced to less than 5%.

The main instrument of tariff liberalization under AFTA is the Common Effective Preferential Tariff (CEPT). The CEPT scheme will cover manufactured goods and processed agricultural products. Considering the rapid development of regional cooperation in North America and Western Europe, the 1995 ASEAN Summit Meeting decided to move the deadline for the elimination of trade barriers forward to 2003 and the coverage of the CEPT scheme was extended to unprocessed agricultural products, as well as services. Facing the deterioration of the regional economic situation following the financial crisis in 1997, the summit meeting of ASEAN in December 1998 decided to speed up trade liberalization by accelerating the period to 2002, with hope of making ASEAN a more attractive environment for Foreign Direct Investment (FDI).

In the 1990s, four more countries joined ASEAN: Vietnam in 1995, Myanmar and Lao PDR in 1998, and Cambodia in 1999. These four new members also agreed to participate with the six senior members on AFTA, with deadlines set for Vietnam in 2006, Myanmar and Lao PDR in 2008 and Cambodia in 2010.

The concept of Free Trade Area (FTA), such as European Economic Community (EEC), inspired AFTA establishment on the way to an ASEAN Economic Community. By eliminating trade barriers among member countries, the Free Trade Area (FTA) removes discrimination between partner countries and domestic firms. The liberalization of trade in the region through the elimination of intra-regional tariffs and the elimination of non-tariff barriers will have the effect of making ASEAN's manufacturing sectors more efficient and competitive in the global market. At the same time, consumers will source goods from the more efficient producers in ASEAN. As a consequence, relatively inefficient domestic production will decrease in favor of partner countries production. This is called a trade creation. However, the Free Trade Area (FTA) creates a new discrimination between imports from partner countries and those from non-partner countries. Imports from partner countries therefore may replace more efficient non-partner products in the home market. This is called a trade diversion. The net trade effect of Free Trade Area (FTA) will depend on the degree of trade creation compared to the degree of trade diversion.

The trade creation and trade diversion effects are static, referring to a one-time change in the locative efficiency. The Free Trade Area (FTA) also generates dynamic effects, which refer to long term implications for economic development of partner countries. Some of these dynamic effects can be summarized as follow. First, since the market is expanded beyond each partner's national economy, the economies of scale in production can be reaped and thus production of final goods, as well as intermediate goods, will be concentrated in the most efficient site. The international competitiveness of these products will be stronger and exports will be expanded, resulting in a new trade creation effect. Second, direct investment flows from non-partner countries are expected to expand for three reasons. One is that the Foreign Direct Investment (FDI) is induced by the new expanding market in the Free Trade Area (FTA). Another reason is the reaction of

Multinational Corporations (MNCs) in non-partner countries to the trade diversion effect, such as Foreign Direct Investment (FDI) is undertaken to overcome the disadvantage brought about by discriminated tariffs. This is a type of direct investment diversion from non partner-to-partner countries. One more reason is that along with the implementation of trade liberalization and other reform measures, the member countries of the Free Trade Area (FTA) appear to be less risky. The Foreign Direct Investment (FDI) can thus be expected to increase. A third dynamic effect is that, under the framework of Free Trade Area (FTA), the pressure of competition among partner countries will be stronger and therefore resources will be re-allocated from less efficient areas to more efficient industries (Tran Van Tho, 2002).

As the cost competitiveness of manufacturing industries in ASEAN is enhanced and with the larger size of the market, investors can enjoy economies of scale in production. In this manner, ASEAN hopes to attract more Foreign Direct Investment (FDI) into the region. This will in turn stimulate the growth of supporting industries in the region for many direct foreign investments.

ASEAN also realized that traditional economic structures based largely on primary commodities such as oil and mineral were not providing growth opportunities. This was brought home sharply in the mid-1980s, when their terms of trade worsened. The substantial decline in oil and commodity prices between 1982-1986 resulted in a significant deterioration in the terms of trade for the ASEAN countries. These external negative environments were severe shocks for the commodity-based ASEAN economies.

The AFTA basic objectives are to improve ASEAN economic competitiveness and attracting direct foreign investment. Therefore, large benefits can accrue to member countries with the realization of AFTA objectives, namely :

1. To expand intra-ASEAN trade by tariff reductions and to eliminate non tariff barriers contributing to the openness and overall liberalization of ASEAN economies;
2. To attract more Foreign Direct Investment into ASEAN;
3. To make ASEAN manufacturing sectors more efficient and their products more competitive, internally first and externally at later stages.

Therefore, the process of industrial restructuring and upgrading in ASEAN is likely to be accelerated by AFTA. This process is considered inevitable as the ASEAN economies are more integrated with the world economy. In this respect, for each ASEAN economy, the industrial upgrading will be determined by the AFTA implementation programs. To be specific about industrial restructuring in ASEAN, it is necessary to know the AFTA including its schedule of implementation. The program can then be compared to the existing industrial production. In short, to be competitive internationally, ASEAN must increase its comparative advantage, such as extensive labors and resources, by enlarging its market size and economy of scale through the framework of regional economic cooperation.

Past setbacks in regional cooperation are largely due to the fact that the member countries were unable to achieve cooperation for the liberalization of their domestic markets. With each country pursuing its own industrialization policy, it was difficult to promote cooperation when similar industries were involved. As ASEAN implementing AFTA through tariff reduction and removal of non-tariff barriers, by using of CEPT scheme, market liberalization inevitably leads to industrial adjustment and upgrading among member countries (Hank Lim, 2003).

Table 1. Intra-ASEAN Export by Country (1993-2001) (Value in Million US \$)

COUNTRY	Export								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
Brunei D.	487.2	468.2	529.7	446.4	496.4	220.8	375.1	639.5	774.8
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	76.0	72.6
Indonesia	4,997.2	5,867.1	6,475.9	8,310.1	8,850.9	9,346.7	8,278.3	10,883.7	9,507.1
Malaysia	12,986.9	15,256.9	18,435.6	22,694.0	23,248.7	21,611.4	21,885.0	24,408.6	21,024.2
Myanmar	0.0	0.0	0.0	0.0	0.0	0.0	236.8	393.5	951.3
Philippines	795.3	1,425.5	2,357.5	2,970.3	3,436.2	3,821.0	4,989.1	5,982.6	4,986.0
Singapore	18,406.1	27,562.4	31,770.7	34,441.4	35,793.8	25,998.2	29,269.3	37,784.0	32,815.4
Thailand	6,008.4	7,991.4	10,609.6	12,111.5	13,525.7	8,314.7	9,901.9	15,099.7	14,356.6
TOTAL	43,681.1	58,571.5	70,178.9	80,973.7	85,351.8	69,312.9	74,935.7	95,267.5	84,487.9

Source: ASEAN Secretariat 2003, edited.

Table 2. Intra-ASEAN Import by Country (1993-2001) (Value in Million US \$)

COUNTRY	Import								
	1993	1994	1995	1996	1997	1998	1999	2000	2001
Brunei D.	886.3	983.5	1,013.0	2,848.6	976.8	591.1	895.6	534.4	544.8
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	549.1	1,091.7
Indonesia	2,658.7	3,270.9	4,218.9	5,549.0	5,413.0	4,559.2	4,783.6	6,781.2	5,726.8
Malaysia	8,903.6	10,947.9	12,522.6	14,682.3	14,840.1	12,940.0	12,412.8	15,934.8	15,254.3
Myanmar	0.0	0.0	0.0	0.0	0.0	0.0	1,038.6	1,113.3	1,319.2
Philippines	1,883.0	2,463.8	2,489.1	4,011.8	4,872.8	4,428.9	4,461.0	4,955.4	4,664.8
Singapore	18,760.5	22,166.7	24,537.6	27,362.2	30,396.9	23,647.6	26,241.0	33,291.3	28,991.0
Thailand	5,671.2	7,079.0	8,820.8	9,757.2	8,121.6	5,438.1	7,987.4	10,475.9	10,047.0
TOTAL	38,763.3	46,911.9	53,602.1	64,211.2	64,621.2	51,604.9	57,820.0	73,635.5	67,639.5

Source: ASEAN Secretariat 2003, edited.

Table 1 and 2 indicates that the value of Indonesia export-import activities were in 4th position of intra-ASEAN trading. It could be said that Indonesian industries is not competitive enough to gain intra-ASEAN market compared to Singapore, Malaysia and Thailand. This situation could be worsed (especially for export sector), if AFTA fully implemented in 2010.

CEPT SCHEME AS THE MAIN INSTRUMENT OF AFTA

The Common Effective Preferential Tariff (CEPT) scheme is a cooperative arrangement among ASEAN member countries that would reduce intra-regional tariffs and remove non-tariff barriers over the 15-year period commencing January 1st, 1993. The goal of the CEPT scheme is to reduce tariffs on all manufactured goods to 0 – 5 % by the year of 2008, later moved to 2003. As indicated in Table 3, the total percentage of the CEPT scheme applied through 2002 had already reached 86,85% by member countries, and 96.24% has been applied by the six original members.

The CEPT scheme is the main instrument for creating AFTA. This means that ASEAN member countries shall have common effective tariffs among themselves in AFTA, but the level of tariff with non-ASEAN countries shall continue to be determined individually.

Table 3. Number of Tariff Lines 0-5% According to CEPT Scheme 2002

Country	Number of Tariff Lines			Percentage		
	0-5 %	> 5%	Total	0-5%	> 5%	Total
Brunei D.	6.260	16	6.276	99,75	0,15	100,00
Indonesia	7.139	67	7.206	99,07	0,93	100,00
Malaysia	9.127	914	10.041	90,91	9,09	100,00
Philippine	5.371	205	5.576	96,31	3,69	100,00
Singapore	5.859	-	5.859	100,00	-	100,00
Thailand	8.747	457	9.204	95,03	4,97	100,00
Total ASEAN-6	42.503	1.659	44.162	96,24	3,75	100,00
Cambodia	238	2.877	3.115	7,64	92,36	100,00
Lao PDR	1.295	803	2.098	61,73	38,27	100,00
Myanmar	2.850	730	3.580	79,61	20,39	100,00
Vietnam	3.623	1.936	5.559	65,17	34,83	100,00
Total ASEAN-4	8.006	6.346	14.352	55,78	44,22	100,00
Total ASEAN-10	50.509	8.005	58.154	86,85	13,76	100,00

Sources: The Sixteenth Meeting of AFTA Council, September 11th, 2002, Brunei Darussalam

All manufactured products, including capital goods and processed agriculture products are covered by the CEPT scheme. The manufactured products and processed agriculture products that involved and implemented in ASEAN intra-region trading under CEPT scheme could be classified into four categories (as seen in Table 4):

1. Inclusion List (IL) is the list of products that have some character of non-quantitative restrictions, have permanent schedule of tariffs reduction, and have the criteria of its non-tariffs that must be eliminated in 5 years after implementing the CEPT concession.
2. General Exception List (GEL), is the list of products that may excluded with the consideration of the necessary for the protection of ASEAN member's national security, public morals, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic or archeological value.
3. Temporary Exclusions List (TEL) is the list of products in which ASEAN member countries temporarily are not ready to include, that is certain sensitive products in the

CEPT scheme, and may exclude such products on a temporary basis. After the temporary period, all of these products would have to be transferred into the Inclusion List (IL) and begin a process of tariff reduction. Products in the Exclusion List cannot be categorized in the CEPT tariff from other ASEAN member countries. The Exclusion List does not in any way relate to products covered under General Exception provision.

4. Sensitive List (SL) is the list that categorized as Unprocessed Agricultural Products (UAP). These Unprocessed Agriculture products that are included in Sensitive and Highly Sensitive List are excluded from the CEPT scheme for some longer period before being integrated to the CEPT scheme, especially agricultural raw materials and unprocessed products covered under Chapters 1-24 of the Harmonized System Code (HS) number, and similar agricultural raw materials and unprocessed products in other related with HS number's headings; and also products which have undergone simple processing with minimum change in form from the original products, such as sugar and rice.

Table 4. Number of Tariff Lines Contained of IL, TEL, GE, and SL Projected for CEPT Scheme 2003

Country	Number of Tariff Lines					Percentage				
	IL	TEL	GE	SL	Total	IL	TEL	GE	SL	Total
Brunei D.	6.337	-	155	-	6.492	97,61	-	2,39	-	100,00
Indonesia	7.217	-	68	-	7.285	99,07	-	0,93	-	100,00
Malaysia	10.124	218	53	-	10.395	97,39	2,10	0,51	-	100,00
Philippine	5.642	-	16	-	5.658	99,72	-	0,28	-	100,00
Singapore	5.859	-	-	-	5.859	100,00	-	-	-	100,00
Thailand	9.211	-	-	-	9.211	100,00	-	-	-	100,00
Total ASEAN-6	44.390	218	292	-	44.900	98,86	0,49	0,65	-	100,00
Cambodia	3.115	3.523	134	50	6.822	45,66	51,64	1,96	0,73	100,00
Lao PDR	2.533	856	74	88	3.551	71,33	36,36	2,08	2,48	100,00
Myanmar	4.182	1.224	48	18	5.472	76,43	33,32	0,88	0,33	100,00
Vietnam	6.296	-	139	51	6.486	97,07	11,36	2,14	0,79	100,00
Total ASEAN-4	16.126	5.603	395	207	22.331	72,21	33,02	1,77	0,93	100,00
Total ASEAN-10	60.516	5.821	687	207	67.231	90,01	8,66	1,02	0,31	100,00

Sources: The Sixteenth Meeting of AFTA Council, September 11th, 2002, Brunei Darussalam

The CEPT scheme has set a local content requirement of 40% for products considered as originating from ASEAN member countries if at least 40% of its contents originate from any member countries. This 40% local content requirement refers to both single country and cumulative ASEAN content.

Basic on 40% local content requirement, the firm that is trading under CEPT eligible product must apply in writing to the relevant Government authorities in his country requesting for the pre-exportation verification of the origin of the product. At the time of carrying out the formalities for exporting the product under preferential treatment, the exporter shall apply for a Certificate of Origin (COO). The government authorities designated to issue the COO shall carry out the proper examination to determine conformity with the rules of origin. The COO shall be issued at the time of exportation or soon thereafter.

Apart from tariff reduction, the CEPT scheme provides for the elimination of quantitative restriction and non-tariff barriers, as well as exceptions to foreign exchange restriction on CEPT products. Member countries shall eliminate all quantitative restrictions (quotas, licenses, etc.) on CEPT products upon the implementation of the concessions applicable to these products. As regards non-tariff barriers, these shall be eliminated by member countries on a gradual basis within a period of 5 years after the implementation of the concessions applicable to the CEPT products. Member countries shall also make exceptions to their foreign exchange restrictions relating to payments, as well as repatriation of such payments, on CEPT products.

To supplement and complement the liberalization of trade within ASEAN, member countries have agreed to explore further measures on border and non-border areas of cooperation. These include the harmonization of standards, reciprocal recognition of tests and certification of products, removal of barriers to foreign investments, macroeconomic consultations, rules for fair competition, and promotion of venture capital.

As CEPT goes on line, member countries have started taking steps to insure its effective implementation. For one, products beyond the HS, 6 level are being reviewed to insure comparability of product nomenclature. The ASEAN Economic Ministers Meeting (AEM) has also established the ASEAN Consultative Committee on Standards and Quality (ACCSQ), which has already started working on the following areas:

- Harmonization of standards
- Testing and accreditation of laboratories
- Conformity assessment
- Technical information

In addition, the first Consultative Forum on Foreign Direct Investment in ASEAN Countries was convened in February 1993, and have met regularly, to exchange views and consult on how to enhance the investment climate for foreign direct investment in the ASEAN region.

So far, the implementation of CEPT scheme has been made according to the revised accelerating target for trade liberalization, except for some products, such as automobile and petrochemicals. For these products, some ASEAN countries requested to be allowed to postpone the schedule for tariff-cuts, due to the difficulties they faced after the financial crisis. Under the export oriented industrialization regime, increasingly large number of products made in ASEAN have gained international competitiveness. Under these conditions, the tariff-cutting schedule has progressed significantly (ASEAN Secretariat, 2003).

INDONESIAN INDUSTRIALIST AND CUSTOMS RESPON ON AFTA

In general, Indonesian industrialists state that they are still not ready yet for the race of trade liberalization, as Aburizal Bakrie, chief of KADIN, proposed to delay AFTA implementation. The response to delay AFTA implementation is the reflection of Indonesian industries unpreparedness and incompetence in facing region free trade based on zero tariff barriers. Chief of HKTI, Siswono Yudohusodo, and Permana Agung (formerly was Director-General of customs department) also mentioned that Indonesia still unprepared to face the regional liberalization, especially for manufactured products (Soedradjad Djiwandono, 2003).

The main problem that actually causes the unpreparedness of Indonesian industries is that their historical development was strongly influenced by protectionism policy, applied by Soeharto's regime since the 1970s and maintained for almost 30 years. This protectionist treatment formerly was motivated by the desire to developed Indonesian industries in order to fulfill the local market demands, reduce the dependency of imports, and create job opportunities for the Indonesian workforce.

As the Indonesian population grew, the local demand also grew and this potential local market must be supplied properly as well. The needs to cover this local market demand created the opportunity to build industries to meet the business needs. Business created investment growth as well as the growth of local trade. At the same time, the workforces would fulfill the job opportunities that appeared from industrial development, meanwhile the macro-economic situation also grew and developed as the result of these chains.

The development of Indonesian industries, through a protectionist concept, created many distortions indeed. The industrialists were likely to be rent-seekers, that is capitalist who try to establish government connections for business advantages. Essentially, they seek opportunities to become the recipients of the rent that the government can confer by disposing of its resources, offering protection, or issuing authorization for certain types of activities it regulates.

In fact, there were strange breeds of capitalists such as crony capitalists and bureaucratic-capitalists. In addition, there were political leaders, their sons, relatives, and friends involved in industrial businesses. What they sought was not only protection from foreign competition (i.e. imports), but also concessions, licenses, government subsidies (usually in terms of low-interest loans from government financial institutions), and monopoly of the local markets. As the result, all sorts of irregularities have flourished in the economy. The rise of these crony capitalists and bureaucratic-capitalists in Indonesian industries were named ersatz capitalists (Yoshihara Kunio, 1988).

The partner-relationship between the bureaucrats and industrialists is that the industrialists paid (illegally) some amount to the bureaucrats to have the legal concessions of monopoly. This 'win-win solution' effected mutual symbiosis, that is, one part (the industrialists) would take the advantages from some concessions in their businesses while the other part (the bureaucrats) got extra income that could cover their needs beyond their standard salary from the government.

In order to protect the industrialists interests and to accelerate industrialization's growth, Indonesia's government implemented the strategic-policy of Import Substitution Industrialization (ISI). In the concept of ISI, the rise of tariff barriers were significantly

allowed. Meanwhile the government, once again supported the ISI concept by campaigning the statement of 'I Love Indonesian Products' (Aku Cinta Buatan Indonesia). This effort purposed to manipulate market's mind by using nationalistic-patriotic approaches. Behind the walls of protection at that time, Indonesian infant industrial sector grew rapidly as reflected in the Five Years Periodic Development Programmed (PELITA). In PELITA I the industrial sector grew 13% per year. In PELITA II, the growth average was 13.7% per year. And in PELITA III, the growth average was 8.9% (Thee Kian Wie, 1988).

Besides the advantages gained by the industrialists (who have been helped by the implementation of high-level tariff barriers), it can be said that they also had to face a dilemmatic problem. The problem had its roots on the insufficient supply of local raw materials quantitatively and qualitatively. It drove them to find other possibilities to fulfill their needs by looking to some sources abroad. However, a condition that at first was favorable for them (the high tariff barrier implementation), now became the constraint to them.

Facing this situation, industrialists tried other possibilities for eliminating the constraints mentioned above by trying to persuade or negotiate with customs people. Some of them had the privilege or 'super license' for an import monopoly (i.e., Humpus group), while others did not have the same opportunity. Since the high level of tariff barriers implemented intensively (as the consequence of ISI), the industrialists had no choice but to take illegal actions by manipulating import documents (i.e., under-invoicing), in order to reduce the cost of goods sold that were significantly influenced by the import duty level.

At the same time, the implementation of the ISI concept, that logically allowed the high level of tariff barriers and the restrictions of quantitative products of import (such as quotas), created multiply effects on customs person's behavior. Since they played a big role in export-import activities, the customs people had a tendency to take advantage for their private interest. Influenced by the desire to have extra income beside their standard salary, the customs people widely possible to be negotiate to conduct an illegal action as well.

Long enduring and structured 'take and give' relationship nowadays have to face a new turning point that requires each of them (either industrialist or customs) to adapt to the new situations. The implementation of AFTA gives the same opportunity for all industrialists in Indonesia to import their raw material from ASEAN countries with a very low import duty. In this situation, they have to learn to adapt with their competitor within free competition environment. They also have to face some trader who might see some opportunities to fulfill local market needs by importing qualities of goods with a very low import duty. Industrialist that were formerly protected by government policy or relationships with customs must now learn to stand on their own feet in order to survive.

Moreover, for customs people, they also have to deal with the changing situations. The low import duty gives the industrialists an opportunity to import their raw materials and any components or items involved with the production process legally. The industrialists do not have to do some 'under table business' with customs people in order to reduce their materials costs.

Since the customs people lost their long standing business with industrialists, now they react in a manner that could be said to be tight and carefully monitoring to the customs clearance process. The main logical reason, as they said, is to anticipate the

possibility of illegal action from importers who might misuse the AFTA facilities of very low import duties, to smuggle the products coming from outside ASEAN countries or for the products that contain less than 40% of local ASEAN content.

CONCLUSION

Regional liberalization, through AFTA implementation, is a challenge for Indonesia's industries. Considering the protectionism policy so far has created ersatz capitalists and fragile industries, the industrialists have no other choice but to change the strategy and make a massive restructurizations in order to create an industry based on highly efficiencies and competitiveness. As a tool towards ASEAN economic integration, AFTA main objective is to increase ASEAN's competitive edge by reducing tariff barriers and waives non-tariff barriers among its members.

Besides upgrading the industrial competencies towards efficient and competitive industry, the setup changing of industrialist's mind and moral also needed at same time. The dependency of bureaucrats for protection and customs for illegal export-import activities has to be eliminated immediately. The law that rules about anti-collusion has to be made and strickly implemented, and to be tightly monitored by the press or other independent institutions.

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