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“The Readiness of ASEAN Countries
in Facing CAFTA”



Universitas Ahmad Dahlan



University of Nueva Caceres

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“The Readiness of ASEAN Countries in Facing CAFTA”

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IMPROVING INDONESIA'S BARGAINING POSITION IN FREE TRADE (CAFTA) THROUGH ENTREPRENEURSHIP DEVELOPEMENT

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ABSTRACT

Integrating national market into global level such as AFTA, CAFTA and other developed countries' market, provides broad opportunities to Indonesia to promote its products and services to its counterpart countries as long as the prerequisites can be met. As such could be realized if there is an equivalent capacity between the countries to compete. A cursory look at into the Asean Free Agreement (AFTA) and Chinese-Asean Free Trade Agreement (CAFTA), seems that Indonesia loses the competition, both in terms of human resources and quality of its products. One way to overcome the problem is that we have to improve the quality of our human resources by strengthening their entrepreneurial spirit, so they have a high work ethic, creativity and willingness to work hard, innovative and optimistic.

Keyword: CAFTA, Capacity and Entrepreneurship Development

A. Background

Trade liberalization has become imperative for every country, if a country wants to take advantage of competition and make use of other countries as its domestic product market. Indonesia has ratified free trade agreement with the ASEAN members (AFTA) that further extended the trade deal with China (CAFTA). Despite of being unprepared to compete with China, Indonesia could - not avoid the pact. As a member of the ASEAN, Indonesia with all its inadequacy should join the free trade agreement between ASEAN and China (CAFTA), which took effect on 1st January 2010. By doing so, Indonesia is expected to take advantage from the deal by which China, with more than one billion populations, offers huge market opportunities to Indonesia's products.

However, predictions that Indonesia can benefit much from the China's market have not been supported by industrial comparative studies of both countries. As a result, after one year of the CAFTA implementation, we realize, that we still lose the competition, underlining that there is imbalance between our exports-import to China. Many Chinese products with their lower prices have flooded Indonesian markets, sparking concerns among local companies over the abundant of the Chinese products.

Free trade arrangement with China (CAFTA) is indeed a big problem for the national economy. If we continue the pact we will lose, but we cannot quit from it as we had signed it. Annulment of the agreement will only add to the problem that we should find out it best solution for the sake of the nation.

There are some competition strategies that can be adopted and further developed; we can pose our nation as leader, challenger and lower. For the time being, we are still on the lower stage, given the fact that our resources lag far behind China. Porter argues that many things can be done in the process of competition such as marketing, sales, distribution and production and etc. (Porter, xvi). In this context, the writer would focus on the labor or human resources competition.

B. Lose of Market Competition

ASEAN-China Free Trade is considered the most difficult agreement for Indonesia, Ratna Shofi Inayati said (Akbar, 154), noting the strength of the Chinese industry and its cheap products. Indonesia joined the cord (CAFTA) because ASEAN members have been wanting for it, thus it signed the pact in dilemma.

CAFTA pact requires 0% tariff for a total of 1516 industrial posts from the previous 5%. Indonesia however suggests that 228 out of 1516 tariff posts should be revised, citing its industry in the sector is not ready to compete. CAFTA Implementation has negative impact on agricultural products, by which importers monopolize the market with Chinese fruits. Rotten-made furniture producers also perceive that Chinese is a tough rival in the industry. (Akbar 155-156).

The Abundant of foreign industrial products in a country may be derived from two things; efficiency or dumping policy. Production efficiency occurs when raw materials in a producer country are abundant and cheap. Likewise, it provides cheap labor force. Meanwhile, dumping policy occurs when a country sells its export products cheaper than the price of the products within the country itself. In short term, both production and dumping policy are beneficial to consumer but detrimental to the state and industry. Of main of duties of the Indonesian Antidumping Committee (KADI) is to investigate alleged dumping of goods. If it found the allegation is proved to be true, it then recommends to the Minister of Industry to impose antidumping duties temporarily that may be subject to permanent anti-dumping duties. (Customs and Excise Directorate General). If the committee found the case is of production efficiency, it would suggest the domestic industry to run business efficiently.

C. Indonesia Lags Behind China

Various factors that led to our society backwardness compared to those of Chinese:

1. The Chinese have long been known for their hard work, especially of migrant Chinese (those live in another state). As a minority and migrant they usually face discrimination, excluded from the political decision making process, having no access to be civil servants and no enough plots of land to cultivate. The only business that can be lived and strengthened, is in the field of business, even this concept is instilled in their offspring continuously. Meanwhile the Indonesian natives scramble for State employee positions and political positions, the Chinese are familiarized themselves with the business world's competition. State officials and political positions are limited, but in business, there are wide opportunities, including at global level. Hence the Chinese people are very competitive in the business.
2. Chinese are very well known for their cost-effectiveness. Looking back to the Dutch colonial era, when the VOC brought Chinese people into Indonesia to support its agriculture business. They, the Chinese, were hard workers, resilient and efficient,

contributing much to the VOC industry for 3.5 centuries in Indonesia. These people and their descendants eventually settled in the area and developed its territory.

3. The Chinese have been familiarizing their children with business, building shops and residences. There are remarkable differences between the native Indonesian and the Chinese. Indonesian people who got married usually build homes to live comfortably while the Chinese build store houses, the building with two functions; business and residence. The philosophy behind it is that the shop packed with merchandise would ease them in doing business. They can open the store at any time convenient to them. Chinese children growing with such environment will learn about their parent's business activities. Even, they are taught to involve and run the business in their earlier years (childhood), such as becoming purchaser, shop keeper, cashier and so on (Riyan Sugiarto).
4. Chinese people used to help their families to run a business and did not request compensation for it, even though their families have developed successfully. (Ryan Sugiarto). Chinese entrepreneurs are very concerned with their family who are unable to run businesses, helping them out of poverty. They provide the family capital for business and that successful family to lend the capital to other members of the family, especially the poor, to help them doing business.

Coordinating Ministry for Economic Affairs has set up four measures in order to mitigate the negative impact of CAFTA for Indonesia:

1. First, the ministry would ask Chinese government to increase imports from Indonesia in order to balance its trade. "Given the fact that the trade of a number of products with the Chinese is imbalance.
2. Second, the Indonesian government will implement import duty security measures (BMTP) or safeguards against Chinese products that prove dumping. This is intended to help the domestic industry better compete with products from the Chinese.
3. Third, the government will set up capacity building policy to enhance the competitiveness of domestic products, including the provision of adequate infrastructure.
4. Fourth, the government is to minimize the rampant smuggling of goods into the country. Data shows that not all Chinese products entering Indonesia's market are via CAFTA facilities, but also through smuggling.

D. Restoration of Entrepreneurship Mentality

Indonesia backwardness from its counterpart countries has made it less competitive as indicated by the smaller number of export goods compared to those of import. This would be very detrimental to the country's economy. Free trade means free to export by all means, either by direct exports or through franchising model (Levy: 63) on certain products which have an international reputation. We sometimes prefer to export products of mining industries and other natural resources which are very limited, un-renewable and unreliable in long term. Therefore, we have to shift the focus into human resources development and competition, in order to create more value-added services, improve our bargaining position and win the competition.

The only way to deal with our shortcoming is through the development of human resources. The strategy should focus in increasing the number of young entrepreneurs (Asmani, 2011, 45) which would create more jobs instead of seeking employment. Such a goal can be achieved through the establishment of entrepreneurship school, specializing in the

matter or by teaching entrepreneurship courses at general schools and providing opportunities for young graduates to be involved in the entrepreneurship.

Data on Human Resources Index among nations issued by the United Nations Development me (UNDP) in 2001 shows that Indonesia ranked 102 of 162 countries, just slightly below Vietnam (101) and far behind the Philippines (70), Thailand (66) and Malaysia (56). A similar survey also found Indonesia at the lower level, ranks 47th of 48 countries (Asmani, 47-48).

David McClelland perceives that a state will prosper if it has the number entrepreneurs by at least 2% of its population. Based on the idea, Ciputra compared the number of entrepreneurs' population in Indonesia with other countries, concluding that Singapore has adequate population of the entrepreneurs. Ciputra counted that the number of the entrepreneurs in Indonesia is only 0.18% of its population, far behind Singapore which has 7.2% of its population and the U.S with 2.14%, suggesting that Indonesian requires 12 times the existing number of entrepreneurs in order to prosper (Nugroho, xi). According to Ciputra, the low number of entrepreneurs in the country is because many young generations have not been raised in an entrepreneurship culture but civil servant (*ambtenaar*). (Riant Nugroho, 144).

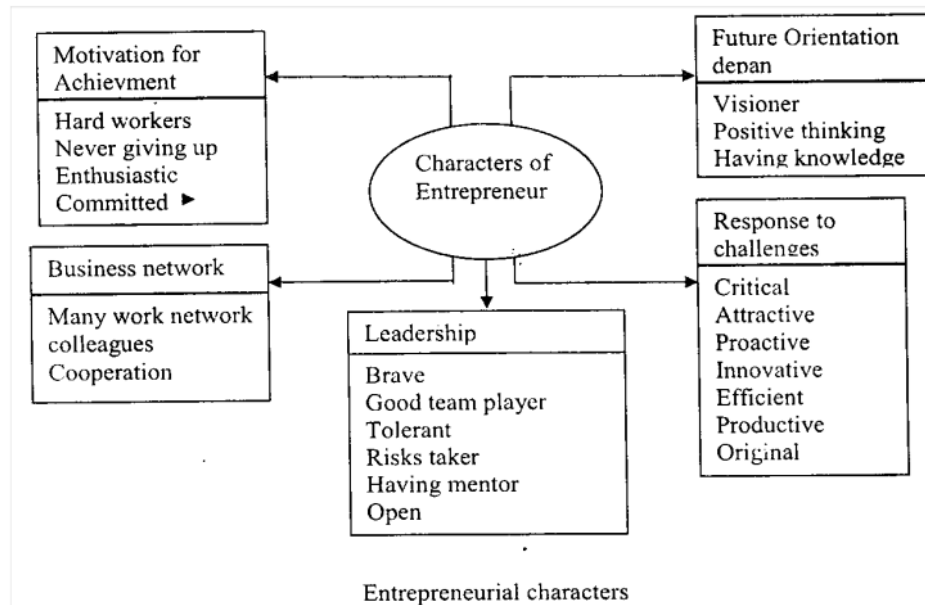
Due to complexities in the human resources, their development should include human resource planning, human resources training and strategies development. Human resources training program can be in forms of a strategy training in the global market competition, technology training, fighting spirit and self-development training, all skills training and so on (Sherman & Bohlander, 212). Theses trainings should be flexible, it can be provided with a lot of materials or a specific material matching a specific need, but it should be designed to have strategic values and able to develop the spirit of entrepreneurship.

Efforts to develop the entrepreneurial spirit of Indonesian people face many obstacles from internal society its self. Barriers to entrepreneurship development in Indonesia (Choirul Tanjung, 13) include cultural, religious and educational factors. Each is described as follows:

Cultural factors or culture that hinder entrepreneurship development, are possibly derived from the existing habits: (1) Indonesians' work ethic is deemed to be not competitive in the current globalization, (2) lack of the courage to take risks, (3) work at the offices is perceived to more valuable and exclusive than to become entrepreneurs.

Religious factor include; (1) religious life and rituals is not detached from economic life or business, (2) Perceptions that religious life is contradictory to the real life in world. Educational factors are characterized by (1) quality gap in the educational standard among regions, (2) the curriculum does not meet the needs of entrepreneurial world and (3) it could not give insight and cultivate the spirit of competitiveness and hard work ethic.

In order to instill hard work and high work ethic, it is recommended to adopt entrepreneurs' characteristics in the daily life. It should realized that changes in the physical condition can be reached in short period, as long as there is capital to finance it, but extra works and longer periods are required in improving and changing human behavior and mental, even sometimes there would resistance and conflict. However, the formation of entrepreneurial character is a necessity, urgent and strategic value, it must be done and should begin now. Suryana and Bayu developed the following frameworks in order to develop entrepreneurial spirit.



Such characteristics of entrepreneurs (Suryana, 54) need to be invested in all our human resources, especially the younger generation that is growing and has a high sensitivity to develop and to face the nation's future. Major issues facing by Indonesia citizens of Indonesia require an overhaul of entrepreneurial spirit of all citizens and the government's commitment to realize the objective. To the younger generation, particularly university students, as a stakeholder in society, who will lead the country's future (Choirul Tanjung, 14) need to establish entrepreneurial spirit by the following ways:

1. Building an innovative and creative learning process that lead to the risk taking behavior.
2. Conducting result oriented performance for lecturers at universities.
3. Implementation of good corporate governance, transparency and accountability principles.

According to Chairul Tanjung (15), entrepreneurs as the pillar of the nation's building have six characteristics: (1) Self-confidence that will push entrepreneurs perform better than average, (2) optimistic about the future of a business he initiated, (3) have not give up easily, (4) able to create innovative products / services with higher business advantages compared to competitors, (5) able to see business opportunities in the future, (6) able to work hard in realizing the dream.

Entrepreneurship training model can be implemented in 12 steps (Riant Nugroho, 157-158) of training program:

1. Holistic training program
2. Preparation of the best trainers for each of the competencies required
3. Understand the needs of each trainee.
4. Entrepreneurial training program should be attached with the corporate network or the business community.
5. Boosting confidence of the participants.

6. Measurable progress and documented process.
7. Adoption of strategies and practical tips that have proven to be success.
8. To plan monitoring program carefully.
9. To make sure that the entrepreneurial training program is very practical but has a theoretical basis.
10. To focus the training programs on targeted groups' needs.
11. To make the program credible and maintain work ethics training and ethics during the courses.
12. To balance both formal and informal learning.

The entrepreneurship program is to be conducted through primary and secondary education and tertiary education, (Ciputra in Riant Nugroho, 158-159). Entrepreneur learning thought at the primary and secondary schools should be integrated into national curricular, while entrepreneurship training at tertiary education should be directed at the creation and development of entrepreneurial centers, entrepreneurial education in the community to create a national movement of entrepreneurial training both by governments and communities in order to reach out to the wider community outside of the formal education institutions.

E. Conclusion

Indonesia as a developing country should be able to recognize that in the free trade competition, each country has its advantages but also on the other hand has its drawbacks. We have to be grateful of the advantages by using them in best way to maximize our value added while at the same time we correct our shortfalls and find out more strategic solution to deal with them either for long-term or short-term interests.

In a free trade competition, developed countries also have a shortage in natural resources, but they usually have advantages in the quality of human resources. Developing countries including Indonesia must acknowledge their shortcomings in the cooperation of the free trade, but we must assive. We have to jump and move quickly in order to pursue and match their travel. We are lagging in human resources, therefore it is very strategic and very urgent to develop our human resources through entrepreneurship development.

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