

## **EFFECT OF THE IMPLEMENTATION OF ASEAN CHINA FREE TRADE AREA (ACFTA) ON THE IMPORT OF BATIK TEXTILE PRODUCTS IN INDONESIA YEAR 1998 - 2014**

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### **Abstract**

ACFTA affect many economic trade sectors in Indonesia either from the Import, Export as well as the state's finances and its policies. The objective of free trade around the world is more on looking at the benefits to both countries that entered into the agreement. The ACFTA will influence competitiveness and comparative advantage among members of ASEAN in the textile, one of the Textile products become an image of Indonesian nation culture, it is call Batik, as it continues to spread worldwide and is recognized as a primary need that should be preserved our country. However, much of the existing literature on ACFTA seeks to provide qualitative estimates of the overall effect of ACFTA on ASEAN and China. In line with this, this research aims to determine the effect of Batik Imports from China that become bigger after the enactment of ACFTA. This study examines the value of Batik Textile Imports from 1998 to 2014. To see the implementation of ACFTA since 2007, the researchers divided the value of imports into two periods: 1998-2006 for before ACFTA and 2007-2014 for after ACFTA. This study uses a difference test method of non-parametric Mann Whitney. The results indicate that the value of batik imports from China after the ACFTA is greater than before ACFTA with significant value of  $<0.05$ .

**Keywords:** ACFTA, Import, Batik Textile

### **Introduction**

The ASEAN-China Free Trade Area (ACFTA) is a free trade area between ten member states of the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China. Sheng (2003) said in November 2001, ASEAN and China launched negotiations for an ASEAN-China FTA and signed the Framework Agreement on Comprehensive Economic Cooperation (FACEC) in the following year. The Agreement on Trade in Goods was signed in 2004 and implemented on 1 July 2005 by the ASEAN countries and on 20 July 2005 by China. In January 2007, the Agreement on Trade in Services was signed and entered into force in July 2007. The Agreement on Investment was signed in August 2009 and implemented on 15 February 2010.

Pressure from the industrialists to delay the implementation of ACFTA signifies the magnitude of negative effects on the industry in Indonesia. Meanwhile, the government still runs the agreement but still going to assess and evaluate various things in order to keep improving the competitiveness of Indonesia related to infrastructure, high economic costs,

transportation costs, and other macro sectors (Pangestu, 2010). Because even if the government delay the implementation of ACFTA for a certain time and for certain products, in the end such protection should also be eliminated based on the agreement. If the government violates the agreement and protects the domestic industry, consumers will be harmed by having to pay the products at higher prices and the economy will not grow.

One of the domestic products that are gaining considerable influence on the implementation of ACFTA is the textile industry in Indonesia. Long before the enactment of ACFTA, China's textile products have flooded the market. This is very intimidating for Indonesian textile entrepreneurs because there is price competition between them. China's textile products are sold at prices far cheaper than Indonesia's textiles although in terms of quality, Indonesia's products are better (Ocean, 2010).

According to Hassen (2006), one of the non-oil industries with the largest contribution for more than 20 years on the trade balance is the textile industry and textile products (TPT).

Indonesia is also known as one of the largest textile exporting country in the world. This industry can absorb a lot of unemployment large enough to reach 1.84 million workers. Until now, Indonesia's textile industry faces various problems. They are high energy costs, the unfavorable port infrastructure, textile machinery which mostly are very old, and the many of illegal imports mainly from China.

In the sector of textile and textile products (TPT), the invasion of Chinese products in the form of fabrics and garments is already felt by the domestic market since the beginning of the enactment of ACFTA. This threat is felt by both large textile industries and Small to Medium Industries because people tend to prefer the textiles from China which is relatively cheap. All of this time, fabric and garment products coming from China are cheaper by 15% - 25% when compared to domestic products. Additionally, apparel products imported from China are admitted by a number of traders are appeals the community more because of the quality and style that more closely follow the trend (ILO, 2011). However, there are also other factors such as public taste, style, and quality of fabrics that can affect the purchasing power of China's product purchase.

Research from Iswandari (2014) describes the development of Chinese textile products in Indonesia after the implementation of ACFTA. The research is using descriptive methods, which describes and analyzes government policies of Indonesia in facing ACFTA and its impact in the marketing of Chinese textile products in Indonesia. Data presented based on the secondary data by literature study through books, the internet, and other techniques. The analysis used is qualitative. The results of this study indicate that the cooperation in free trade between Indonesia and China in ACFT give effect to the trading of textile products. However, this literature on ACFTA seeks to provide descriptive research of the overall effect of ACFTA on ASEAN and China.

Wattanapruttipaisan (2003) analyzed the effect of ACFTA in Cambodia, Laos, Myanmar and Vietnam as a small and poor country in ASEAN concluded that the countries' economy require treatment and flexibilities of the ACFTA rules. Roberts (2004) use a gravity trade model to

the four countries so that other countries and China support and help those countries. Using Computable General Equilibrium (CGE) models, Toh & Gayathri (2004) examined the qualitative impact of ACFTA on Vietnam; the result indicates that the ACFTA bring significant economic benefits and changes in the economic structure towards the improving industry. However, much of the existing literature on ACFTA seeks to provide qualitative estimates of the overall effect of ACFTA on ASEAN and China.

But because of high production costs and infrastructure conditions that do not support the production yet, such as poor road conditions or high electricity rates causing the price of our products are still more expensive than the Chinese products in Indonesia Business (Winarno, 2011). Therefore, the most disadvantaged sectors are cotton business such as cotton batik textiles. Chinese batik and local batik almost indistinguishable because some batik materials from Chinese silk have even use the label of Indonesia.

Indonesia is known as one of the countries with rich cultural heritage in the world. One of Indonesia's cultural heritage that is popular in the world is batik. We wants to convey that batik industry is very interesting and very rapidly growing in Indonesia itself or in neighboring countries, where this rapid development proved supported by a lot of things in terms of technology, manpower also business value, the author highlights the amount business value generated in this business especially with the ACFTA which ASEAN countries can easily cooperate with the Chinese state to establish business relations. The business in question is related to the free trade agreement (ACFTA) mainly through the value of imports into Indonesia from China in the period before it starts and after.

The purpose of this study is to determine whether the value of batik textile imports after ACFTA larger than before ACFTA.

## **Literature Review**

Free Trade Agreement (FTA) was accepted because the profits gained by the countries involved in this trade, which comes from the concept of comparative advantage. A country will specialize itself in producing a product that has a

comparative advantage. With this specialization, in general, the world can develop the total world output with the same amount of resources, and at the same time economic efficiency will continue to rise. The result, theoretically, FTA ensures that the countries involved in this agreement, will receive profits from the trading and trade diversion.

Free trade or regional cooperation is expected to lead to efficiency and increase the welfare. It is undeniable that trade cooperation will also increase the competition among members. However, if it is addressed wisely, the benefits that can be achieved including the increased specialization and increased trade. With the comparative advantages of each country, each country can focus on the production of goods that have comparative advantages so that there will be a reallocation of factors of production. In the end lower prices balance will be created and more output so as to provide greater prosperity to the countries involved.

ASEAN-China Free Trade Area (ACFTA) is an agreement between state ASEAN country members with China to realize the free trade area by eliminating or reducing the product trade barriers either tariffs or non-tariff, increasing market access services, rules and regulations of investment, as well as an increase in the aspect of economic cooperation to encourage economic relation of ACFTA members in order to improve the welfare of citizen of ASEAN and China.

The government has coordinate measures in a comprehensive, holistic, and systematic covering the talks, team building, and the strategy to be taken. In the talks, the government, in this case the Ministry of Commerce has sent a letter to the Secretary General of ASEAN, which is about Indonesia that will continue to implement FTA commitments on schedule, but there are certain industrial sectors which are facing the threat of weakening competitiveness.

The objective of ACFTA is to strengthen and enhance economic, trade and investment between the member countries, progressively liberalize and promote trade in goods and services as well as creating a transparent system and to facilitate investment. Also, exploring the new areas of cooperation and developing the right policy in the framework of economic cooperation among the member countries and facilitate more effective economic integration of the new ASEAN members

and bridging the gap of the economic development between the member countries.

Import in a simple language is an activity of purchasing goods from abroad into the country. Referring to the tax laws, the import is an activity of supply goods from outside the Customs territory of Indonesia (overseas) into the Customs territory of Indonesia. While definition of the customs territory is the territory of the Republic of Indonesia including land, waters, and airspace above as well as certain places in exclusive economic zones and continental shelf in which the applied the law No10 of 1995 on customs.

The decision to undertake import activities cannot be separated from their own domestic demand to meet the needs that cannot be supplied by local companies. For example, the government recently decided to import fruits from abroad to meet the needs of domestic consumption of fruit that cannot be produced by local farmers. The imports decision could be due to the harvest season in Indonesia are erratic so there should be supplies to meet the demand for the fruit in the country. Likewise with the government's decision to import rice to meet the growing needs in Ramadan month.

Since when the existing of the textile industry in Indonesia cannot be ascertained, but the ability of the Indonesian community in terms of weaving and knitting clothes had already started since the kingdoms Hindu in Indonesia in the form of craft, which are loom-weaving and batik that are just grown up around the palace and also is intended only for the sake of art and culture as well as consumed or used by themselves.

Generally speaking, textiles are fabrics. Textile can be used as clothing and other necessities for the household, industrial, and other uses such as curtains, bags, suitcases, tablecloths, car seats, hoses for oil and firefighters, and others. Indonesian textile industry is technically and structurally divided into three sectors of complete industry, vertical, and the integration from upstream to downstream (Handriani, 2010). Upstream industry sector is an industry that produces fiber / fiber (natural fiber and man-made fiber or synthetic) and the spinning process into yarn products (unblended and blended yarn). The industry is capital intensive, full automatic, large-scale, the amount of labor that is relatively small and big output per worker.

### Hypothesis Development

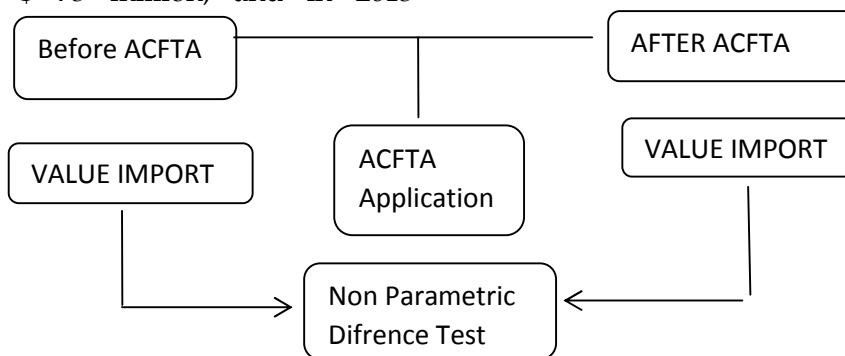
Indonesia is known as one of the countries with rich cultural heritage in the world. One of Indonesia's cultural heritage that is popular in the world is batik. Since October 2nd, 2009, batik has been designated as one of Indonesia's cultural heritage by UNESCO. This makes the perception of batik which was originally identical as 'wedding guest dress' began turning into a fabric that can be transformed into a fashion product of high value so that the demand for batik in the market began to rise into the primary needs that are often formalized as clothes required in every institution and cover all ages. Even if the demand for batik is already high, but an appreciation of the value contained in it is still small. This is shown by the batik maker wages that range from Rp 7,000 s.d. Rp 25,000 per day depending on the capabilities of batik making owned.

Based on the data from the Central Statistics Agency (BPS), there were 1,037 tons of batik products coming from China to Indonesia with a value of 30 million US dollars. Ministry of Trade records the imports of textiles and textile products (TPT) of batik and batik motif from 2012 to 2014 increased 17.9% or US \$ 13 million, in 2012 amounted to US \$ 73 million, and in 2013

amounted to US \$ 80 million. 2014 had reached US \$ 87 million. From the data above, it shows that ACFTA affect the value of imports of batik from China than before ACFTA, therefore, the authors propose a hypothesis: Imports Value of Batik Textiles from China to Indonesia bigger than after the implementation of ACFTA

### Resarch Method Design Research

From various research studies on the textile industry that has been done, in general gives an overview of the development of textile imports and the factors that influence it, both at national and international levels. In addition, many studies that predict the development of the textile industry in the post-quota of 2005. The aggregate and descriptive study of textile industry tends to lead to the conclusion that is non-specific, whereas micro-scale research will also lead to the conclusion that can not be generalized. Therefore, on this occasion analyzed the development of the textile industry in a holistic manner, both the textile industry and specifically Batik textiles. Based on the description above, obtained a conceptual framework of this study:



**Figure 1**  
**Conceptual Framework**

### Types and Source of Data

This study uses secondary data drawn from the Central Bureau of Statistics. Secondary data is data obtained from the parties through a particular medium, such as financial reports, the company deed, survey data reports agencies, and so forth. Import Value Analysis is used to analyze the impact of ACFTA on the level of imports. Imports after the implementation of ACFTA compared to imports before ACFTA. The step done is to calculate the increase or decrease in imports after ACFTA summed or subtracted to the

value of imports before the ACFTA. The results of the calculation of the increase or decrease of the imports are used as data in statistical testing.

Data were obtained from the Central Bureau of Statistics on request categorized by HS code and import country origin, which is China. The period shown also in accordance with the researcher's request which are before ACFTA 1998 - 2006 and after ACFTA 2007- 2014.

## **Measurement**

In this study, there is a hypothesis being tested and based on the test, we concluded that the hypothesis is supported by the data tested with Mann whitney U Test. Statistics testing done by testing the value before and after the ACFTA, and the test results are expected to determine whether the imports value after ACFTA is greater than before ACFTA.

Non-Parametric Statistics, the statistical free distribution (does not require the distribution of population parameters, either normal or not). In addition, non-parametric statistics usually use social measurement scale, that is nominal and ordinal that are generally not normally distributed.

## **Result And Discussion**

We focused our research on data from Central Bureau of Statistics in the form of import value of textile commodities from China in 1998-2014, so that the data obtained are two periods, before and after the ACFTA. Textile products are then sorted based on the HS Code for Batik Textile which includes a 3-digit code forefront '620,621,630' then summed the import value based on the unit of US dollars per year.

The results in the sample of ACFTA before and after the total is 17 sample got the minimum Import Value US \$155.963 and maximum value US\$ 30.051.962. The maximum value got from year 2013 and the minimum is from year 1998 (before ACFTA). The Mean value we get on US\$ 9.126.663 and the standard deviation is US\$ 8.998.502 (0,514 ACFTA). The Mann Whitney test we get is 2.000 with Asymp. Sig (2 Tailed) 0,001.

In the test results, in SPSS 23 test for Mann Whitney was found that the data from the year 1998 to 2006 as many as 9 years with an average ranking of 5.22 and a total ranking of 47. The Import value in USD after ACFTA as many as 8-year with an average ranking of 13.25 and a total ranking of 106. After this data processed, obtained statistical results in Table 3 shows the value of the Mann Whitney U test which was 2.000 and significance value of 0.001 the authors conclude that the hypothesis is accepted by comparing the value of U test calculated compared to U test table and compares the significant value with an alpha value  $0.000 < 0.05$ . Analysis hypotheses obtained are the significant results for the value of batik

textile imports after ACFTA is greater than before ACFTA.

## **Discussion**

The increased of batik textile imports after ACFTA is evident after ACFTA given the large demand for batik in the country which now can be regarded as the primary requirement for domestic consumers. Market trading participants also saw this opportunity to look for a lot of batik which is cheaper and more efficient, especially with the ease of the ACFTA where the cost of imports becomes cheaper. The increased varieties of batik commodities are also more visible so that more ease the international trading business.

Seen before ACFTA, the import value of batik in average is still under 10 million USD per year, while after ACFTA namely in 2007 and above the value of imports jumped by over 10 million USD, in fact up to 30 million USD in 2013. It should be highlighted as important in the international world trade, because many Chinese batik products will flood the local market in some time. To lure this significant thing, the international trade needs more attention so that this increase does not continue to soar uncontrollably and disproportionate to the value of exports of domestic manufacturers.

The textile and clothing industry in Indonesia plays an important role in economic growth and development. The industry is the second largest export earner after the oil and gas sector. Clothing and textiles are a strategic industrial sector and the industry has grown from being a small sub-sector to a major contributor to the Indonesian economy over the last three decades. The textile and clothing industry in Indonesia is ranked as the fourth largest textile and clothing industry in the world. The T&C industry in Indonesia is labor intensive and workers are underpaid. In terms of labor costs, the average wage rate of a textile production worker is only US \$0.50 per hour while the figure for clothing workers is a mere US \$0.27 per hour.

The export of textiles and clothing in Indonesia in 1990 accounted for US \$1,241 million and US \$1,646 million respectively, and exports of both commodities have increased to US \$3,675 million and US \$6,285 million in 2008. However in 2009 the export of clothing declined to US \$3,208 million, while the exports of clothing decreased to

US \$5,915 million. The global economic downturn since 2008 and the end of temporary safeguard quotas by the USA and the EU along with the China factor were causes for the plunge in demand for Indonesian textiles and clothing. On the other hand, imports of textiles in 1990 was about US \$785 million increasing to US \$3,262 million in 2008 before declining to US \$2,802 million in 2009. Imports of clothing in 1990 recorded US \$16 million and soared to US \$299 million in 2008 before decreasing to US \$269 million in 2009. In the case of ASEAN-China trade, exports of T&C of Indonesia to China has increased from US \$132 million in 2001 to US \$221 million in 2009, while in Indonesia the import of T&C products from China has increased from US \$159 million to US \$1,123 million. In terms of trade balance the Indonesia T&C sector is losing ground to China.

According to Winarno (2011) the huge influx of imported Chinese products such as textiles, garments, footwear, electronics, toys, furniture, steel, chemicals and machinery into the Indonesian market has caused a dent upon a wide range of local manufactures and business. The establishment of the ACFTA has created public debate in Indonesia pertaining to what extent the FTA can provide good economic opportunities to local businesses, and for how long would local goods survive in comparison to cheaper goods from China. The industry trade association particularly the Indonesian Chamber of Commerce and Industry (KADIN) has been vocal to the Indonesian government regarding the impact of the ACFTA on Indonesian businesses. There were many reports about the losses and closures of local companies due to the inability of local firms to compete with Chinese firms in the production of cheap goods. The primary reason offered by the Indonesian association for losses, closures, and inability of firms to compete was the negative impact of the ACFTA on the local T&C industry diminishing the competitiveness of local textiles and clothing in the domestic market

If the import-export balance achieved, then large and small import value would not be worried by a lot of parties. One way to improve exports also need to be supported by the government enough by encouraging the efforts of batik in the country that are largely still in the form of UKM which are focused in the excellence

of Batik Tulis. This excellence of Batik Tulis is a reliable way to increase the value of exports that could become the progressive increase in GDP and not to worry about the value of imports which are likely to continue to rise.

The industry association, particularly the Indonesian Textile Association (API), Indonesian Association of Iron and Steel Industries (IISIA) have fears about suffering from unfavourable impacts of the ACFTA AntaraNews (2009). These associations believe that a free trade agreement between ASEAN and China will likely threaten the Indonesian textile and clothing industry and steel producers and that China will dominate local market share. These two industries believe that they are the most likely candidates to experience a double competitive squeeze and major pressure under intense competition from China. The Indonesia Employers Association (Apindo), a group consisting of Indonesian manufacturers also feels uneasy with the ACFTA. Moreover, because the impact of the ACFTA on the Indonesian economy is real, local workers are also against the ACFTA. The Apindo and the Indonesian Labour Union for Prosperity (KSBSI) has organized a National Bipartite Forum to demand that the government re-visit the ACFTA, and if possible delay the implementation of the ACFTA in Indonesia Mustaqim (2010). Imports data for January 2010 clearly reveal that due to the ACFTA, there was a surge of imports from China into the Indonesian market without import duties charges on goods including steel and T&C products. Chinese imports accounted for 83 percent of 8738 imports.

Mr. Ade Sudrajat, the Head of the Indonesian Textile Association (API) in the region of West Java stated that imports of textiles from China might increase from US \$900 million to US \$1.8 billion as illegal China textiles would become legal and that the smuggling of textiles was no longer necessary. Mr. Ade mentioned that in the T&C industry Indonesia and China are not comparable. In 2006, China's textile and garment exports amounted to US \$115 billion, roughly about 30 percent of its total production, while Indonesia exported about US \$9.47 million which accounted for about 70 percent of its total production. Additionally, Mr. Ade observed that before the ACFTA was enforced in January 2010, Chinese products in the Indonesian market were

valued at US \$900 million in 2009, representing about 15 percent of a US \$7 billion total for the local T&C markets.

After January 2010 the figure may increase by double or more than this amount Mustaqim (2009). Industrialists also predicted that the effect of the ACFTA upon Indonesian Small and Medium Enterprises (SMEs) in 2011 and beyond is growing stronger. For instance, the importation of cheaper, finished textiles and clothing products into the country have threatened and hurt the domestic industry including batik products. The domestic textile and clothing industry is believed to be vulnerable to Chinese cheaper imports and will lead to the destruction of small and micro businesses in Indonesia. In this scenario, labor-intensive firms and hundreds of small companies will bear the brunt of the market downturn and would shut down entirely because they are unable and do not have the capacity to compete with China's cheaper products. Based on data from the Indonesia Textiles and Clothing Report in 2009, the export growth of textiles and clothing that averaged 13.9 percent in 2008 will decline to 7.6 percent in 2013. The reduction in exports indirectly affects employment in the industry. There are estimates that as many as 2.5 million workers in the labor-intensive leather and clothing factories, and agribusiness industries could potentially lose their jobs because firms cannot outperform their China rivals. For a worst case scenario, a budget of more than Rupiah 1 trillion has been prepared in order to fund employees for termination claims Lim & Kauppert (2010).

Based on the Bank Indonesia Survey, it was reported that the domestic textile and clothing industry would face intense competition from other competitors with the implementation of the ACFTA in 2010. Therefore, banks will be more cautious and reluctant to make loans to the textile and clothing sector because the industry will become riskier in the long term. In a longer period, i.e, after the implementation of the ACFTA, the textile and clothing industry may find it difficult to secure funding from financial institutions. Less or no loans from financial institutions mean that industry growth and expansion will be retarded.

However, there were optimistic views from other groups including government agencies, that the ACFTA could bring more advantages than losses in the textile and clothing industry in

Indonesia and that the FTA will create better opportunities for local businesses by opening up the local market to foreign competitors. Based on field research in Tanah Abang Market and Cibaduyut, the State Minister of Cooperatives and SMEs of Indonesia concluded that local garments and shoes industries are basically fitted to compete with foreign industries with the implementation of the ACFTA. Since the ACFTA was implemented in January 2010 Indonesia has received investments from China. Chinese T&C firms have invested in or relocated operations to two regions in West Java, Karawang and Bekasi. For these operations, Chinese firms utilized Indonesia as a base from which to export their products to the United States. Additionally, the investment will create employment opportunities. In this respect some people argued that the ACFTA will benefit both China and Indonesia and that the FTA should be considered as a win-win situation for both countries.

In this international trade also found a lot of sectors that can be processed for us to achieve benefits for every country that has a lot of good sources of both oil and non-oil. The increase in imports from China cannot be avoided because of a profitable business for international traders. In terms of technology owned by our country, we are still far behind in China that has many sources of machine technology that support the world of textile industry. Nowadays, seeing the existing economic conditions, we that are still minimum technology must continue to improve the sectors that is still lacking and fall behind in order to balance the trading conditions continues to grow rapidly.

We need to preserve a strong and good tradition so that an appreciation to the type of Batik Tulis will continue to rise so the high sales value need not be feared by producers and small business in the country. Therefore a high enough value in batik tulis in the country can be compared to batik prints that only played in the quantity enters into the country. With the support from the government, the high import need not be a concern because excessive export strength of Batik Tulis and the high appreciation of Batik Tulis in the country.

## **Managerial Implication**

Batik is a reflection of national culture that has always been the pride of Indonesia, cultural preservation is one factor most cherished nationalist supporters in the land of the Asia region. Textile continues to be seen as an important commodity in the trade because it concerns a primary need for clothing and daily necessities that continue to appeals all walks of life and community groups. Ministry of Trade and Ministry of Industry are expected to maximize the benefits of the ACFTA and minimize the negative impacts of ACFTA. Both ministry formulate strategies delivered to their representative in each area and then socialized it to the perpetrators of the textile industry in the area.

Opportunities for the textile industry after the ACFTA is not much, there are only two opportunities for the textile industry post ACFTA which are the coming of Chinese investment in the form of Chinese textile mill in Indonesia which can absorb a lot of the local workforce as well as direct technology transfer. Second opportunity, the removal of tariff exports to China, which at first around 17.5% - 25% is an opportunity for the local textile industry to market their products to the most populous countries in the world without worrying about tariffs. However, the potential of the Chinese market has not been used seriously by the textile industry in Indonesia. This is because of government's socialization which is still lacking and does not rule out the possibility textile businesses are reluctant to use state facilities because it was feared would be complicated and subject to lots of extortion by some elements and the image of Indonesian bureaucracy that is too long.

If a country imports increased mainly import of raw materials and semi-finished goods for re-produced in the country, it will have an impact on increasing productivity in the country. Thus, the high ability to pay and the excess of supply in the country will cause exports. The increasing and decreasing of the supply and demand in this import-export activity is dependent on several macro-economic aspects, such as domestic policy and also the domestic demand. In addition, the exchange rate and the Gross Domestic Product (GDP) is also a major factor in deciding whether to export or import. The formula of  $GDP = \text{consumption} + \text{investment} + \text{government spending} + (\text{exports} - \text{imports})$ . Of

the many studies that have been raised shows that the greatest contribution that affects the GDP figures are very dependent on government policy. If economic conditions change not in accordance with the previous forecast, the policy implemented by the government will change and adjust to the existing economic conditions so that the existing relationship is shown not in accordance with the existing theory.

### **Conclusion**

This study examined the effect of ACFTA on the value of Batik Textile Imports in Indonesia year 1998-2014. Through the Mann Whitney test to test the hypothesis that the import values of Batik Textile Products from China to Indonesia is larger after the implementation of ACFTA proven accepted. This study used difference test to compares the value of Batik Textile Imports per year between before and after the ACFTA. Difference test conducted in this research is using non-parametric test, because the samples obtained are just a little and because of the difference in the number of samples being compared. Non-parametric test that researchers use is the Mann Whitney test which showed significant result to the hypothesis of import values after ACFTA is bigger than before ACFTA.

One of the major issues in negotiating and signing an FTA agreement with trade partners is that governments seek views, opinions, and advice from industry groups such as manufacturer associations. As discussed at length it seems that government members of ASEAN seek advice from manufactures and traders associations. With regard to competition in global markets manufacturers know better than governments. Governments rely on hired consultants in preparing feasibility studies but consultants are not manufacturers. Consultants' views merely consolidate theories of international trade particularly pertinent to free trade areas or customs unions. However, trade theories as presented in textbooks do not match up to the real world

### **Research Limitation**

A widely discussed means of strengthening the economic partnership between ASEAN and China is to form an ASEAN-China Free Trade Area (ACFTA). Our paper is to examine



quantitative the economic feasibility of ACFTA as well as its desirability, especially from the ASEAN perspective. In doing so, we complement and broaden the existing literature which focuses on providing qualitative estimates of the effect of ACFTA. Our analysis is based primarily on Central Bureau of Statistics, in particular the various criteria underlying static trade diversion versus static trade creation. On balance, our examination of the extent to which ACFTA satisfies the theoretical static criteria for integration provides some, but not unqualified, support for ACFTA's feasibility and desirability. Our cautious optimism about ACFTA's prospects is consistent with the quantitative literature, which also draws mildly optimistic conclusions about ACFTA's prospects. The large and growing level of pre-ACFTA trade between ASEAN and China suggests that ACFTA will yield substantial economic benefits for both ASEAN and China.

The limitation of this study is need more of the number of samples tested and includes data other than the import value. The other limitation is in terms of the variables where there are still other variables that are not taken into account such as exports, GDP, exchange rates, import duties, taxes and other variables that concerns of international trade.

### **Suggestion for Future Research**

More development of research may add variables Export to determine the level of export in Indonesian country considering current government program that invites people to use domestic products. Further research may also extend to assess the influence of export after ACFTA and also the Financial Monetary so they can determine whether the ACFTA also affect International Monetary in Indonesia. This has implications for the Government not only on manufactures but also maintain ACFTA investment to next level.

Based on the conclusions that have been outlined, the results of this study are expected to be used to provide optimum benefit to the next research object. Subsequent research could also be extended to look at the effect of ACFTA on other textile products commodities as well as the commodity product with greater contribution in the economic trade and finance for the

achievement of the welfare state in the nation and for the nation's progress in the future.

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