Socio-economic Issue In Free Trade Era

Ady Soejoto
Surabaya State University

Abstract
An export-import current, modal, human resource, technological transfer and international income strengthen by the free trade era. The free trade era has positive and negative impact that could causes social, economy, and national culture problems. Indonesia fastened by the free trade era, and therefore needs a readiness as a state that sign up an agreement to rise up by it’s national industry development that may be able to fulfill domestic requirement, capable to compete and an active economic player in this free trade era. Beside to the fore, what we will do is eliminating the impact by planting a knowledge about the economic and social issues of the free trade to the students at school and growth an opportunity become a money economic player with an entrepreneurship character.

A. International Trade
Economic that includes an export an import activity named open economic or four-sectors economic. In this model, there will two new ideology in income current circulation : (i) income current that accepted from exporting (ii) expenditure current to buy the imported goods.

Both of this current influence the balance of National economic. Export increasing will increase national income to the balance, so it will make an economic raising. While import will reduce national income to the balance, so it will involute economic problems that state must face.

From the Classic Economics’ view, International trade has a potential to give an important contribution in economic development. It’s role, in summary is as follow: (1) Heighting the efficiency of production factors employing; (2) expanding domestic production market; (3) heighting the productivity of
economic activities.

International trade activity has some important contribution to the economic development. Exporting will expand the market of home made products enable domestic companies to develop their activities. But, a superfluous import will reduce economic activity inland, it was because consumer will better use foreign products and don’t use home made products.

The usage of foreign products and reduction of home made products, that means reduction of home made products’ request take place, that have the impact to reduction of home made products. Furthermore, that product’s reduction will cause the utilization of man power or labour to manufacturing home made products reducing too, the further consequence is the appearance of many more unemployments arise thereafter. And what is more, domestic modal will flow out of land, so that the unbalance of money flowing, between inland money flowing to outland arise therefrom.

A country is able to export their home made products to another countries when: (1) that products are needed in another countries and they can’t produce those products themselves; (2) the ability of a country to product some products that compeatable at international market.

Whereas, rate of import that a country does determined by: (1) where does the ability of products that manufactured in another countries comes unto to compete with the products that manufactured in that country; (2) the ability of that country’s inhabitant to pay that imported goods (3) amount of national income.

Generally, for the developing countries their export consist of some sort of direct material (primary production) that have supply demand elasticity of an inelastic price change. If international prices are high, the demand is not added immediately and if the prices are low, the demand is not reducitable immediately. Beside that, the primary production goods have bigger price fluctuation than price of manufactured goods, it will do unprofitly terms of trade for poor countries. This condition felt on a long term: export increasing will increase consumption goods import, because there only direct material export industries inland.

After international trade is there, so the economic of poor countries become inelastic. Export sector rapidly developed and increasing more and more, whereas another sectors left at the subsistence level with an old production ways. Finally, this country is over depending on rapidly developed exporting sector. But actually this situation is very ominously for domestic economic stability because international prices are fluctuatable.

As the foreign investment flowing at the export sector, means that the big
funds flow outland as profits for the investors, so that the poor country stay on its prosperity.

This condition is relative as compared to if that profit fell within their nation, so that profit investable to another sectors that need to be amended, for example either to the industry and service sector or primary commodity production.

B. ASEAN - China Free Trade Agreement (ACFTA)
ASEAN - China Free Trade Agreement (ACFTA), is a free trade area agreement that include goods commerce between China and the first five countries of ASEAN members (Indonesia, Malaysia, Singapore, Philippine, and Thailand). ACFTA, is the third biggest free trade after Europe Union and North America Free Trade Agreement (NAFTA).

Since 1st of Januari 2010, ACFTA has completely effective to introduce free tariff toward 6682 tariff posts including 17 work sectors, including 12 at manufacturing sectors and 5 at agriculture, mine, and maritime. By signing up the free trade agreement with China, ASEAN hopes this can increase it's tasteless position at international trade. As the one of the key country in ASEAN, Indonesia actively played it's important role to promote ACFTA. The trade resistance abolition between ASEAN and China expected it will be able to reduce production cost by economic scale, intra-regional trade increasing and economic efficiency increasing. The corporation in ASEAN and China will be more efficient and continue to specialization in order to increase competitiveness with another hemisphere. This case expected to be able to increase productivity and economic prosperity and captivate many more invests to this region.

1. China's Perspective

China see ACFTA as an asset to response the arising challenge as a result of regionalism competition in international economic, gluing it's growing economic together with South East Asia, securing basic material, and assuring a safe environment to support the growing effect of China and keep the dominance libration with America and Japan.

2. ASEAN's Perspective

ASEAN expect to be able to increase it's tasteless position at international trade arena. The maker of ASEAN policy, feels that ACFTA is able to increase economic that needed by South East Asia that once dissolved because of economic crisis at 1997. A shortage of natural resource resistance to support China's economic growth, become an important offer to ASEAN export at the future. The next profit from ACFTA, ASEAN will get profit
from the increasing amount of Chinese tourist because of the increasing amount of the middle class in China. ACFTA also visible from ASEAN's view as a potential fortress toward enmity behaviour of China toward South East Asia region. Even though the closeness relationship between the bilateral, China still an attention for ASEAN countries.

3. Indonesia’s Perspective

As the biggest and richest country in natural resource matter, Indonesia’s position is very important and strategic for the development of all regions in South East. As the one of key countries in ASEAN, Indonesia hold an important role too, in promoting ACFTA which have been held since 1st of January 2004, by Early Harvest programme, and tariff reduction for agriculture products. Just the same, not all of Indonesian people certainly support that agreement implementation. There are supporters and rejacter too with many reason.

C. China’s Power

China not only has position as regional economic power in Asia Pasific region, but predicted as a global economic giant at next which will finish Japan, Europe Union, and AS domation. By Asian Development Bank fact, from 2010 untill 2012 China’s economic growth get the first rank than 9 other countries, get up to 10,3 % at 2010. Even China on the downgrade become 9,3 % at 2011 and 9,1 % at 2012, but still get on the first rank.

<table>
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<th>Tabel 1</th>
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<td>Economic Growth of 10 countries in the world</td>
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<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>USA</td>
<td>1.8</td>
<td>1.8</td>
<td>2.2</td>
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<tr>
<td>Japan</td>
<td>-0.9</td>
<td>1.7</td>
<td>1.6</td>
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<tr>
<td>Europe</td>
<td>1.6</td>
<td>-0.5</td>
<td>0.8</td>
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<tr>
<td>China</td>
<td>10.3</td>
<td>9.3</td>
<td>9.1</td>
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<tr>
<td>India</td>
<td>8.5</td>
<td>7.9</td>
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<tr>
<td>Indonesia</td>
<td>6.1</td>
<td>6.6</td>
<td>6.8</td>
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<tr>
<td>Malaysia</td>
<td>7.2</td>
<td>4.8</td>
<td>5.1</td>
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<tr>
<td>Philippine</td>
<td>7.6</td>
<td>4.7</td>
<td>5.1</td>
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<tr>
<td>Thailand</td>
<td>7.8</td>
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<td>Vietnam</td>
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China market expansion pasar Cina, although look done carefully, but it quiet fidgeting the neighboring country (such as Japan, South Korea, and ASEAN countries), because it followed by sturdy economic growth basic of China. China appeared as the new miracle of Asia. Rapidly economic growth of China inseparable from economic stagnation which USA, and unrecovered economic of Europe Union and Japan. China's Economic power predicted will be the main role at Asia Pasific region, and the prime motor to led the growth of global economic.

As compared to Japan which is running a programme "zero growth", the succes of China in economy is a part of market economy strategic which become Chinese orientation after Jiang Zemin. By the reformation of The communist Party of China, not only have to totally shuffled the relationship between boss and labour in Chinese communist eellite tradition as a purpose, but it also strengthen the basic support from the Chinese industrialist and communist to expansive the big markets of Chinese product all over the world in order to accelerate economic growth.

Another important factor behind Chinese economic defence is an economic stimulus about 586 billions USD which flow out by Chinese Government to face the global financial crisis sometimes ago. This economic stimulus works perfectly in the middle of export reduction as an impact of the global market slack. This is differ from the stimulus policy from US government about 787 billions USD which practically unpresent the expected result yet up to now. US economic growth is still negative and unemployment amount in USA is predicted still big quiet up to now. Ironically, USA is now depend on China.

The appearance of Chinese economic which become more invulnerable, certainly not taken for granted. It appear strongly passing through a Chinese zig zag way, with a famous decision and hard work from this nation. China is totally realizing that modernization doesn't always prepare a way to reach both of main purposes which are the dream of all nations: economic prosperity and democratization concurrently. One of the both must getting the start of other. Such as modernization that goes on the developing countries generally, China pioritise an economic prosperity, and slowly set up the democratic policy system.

Concerned with Chinese economic power that grow hugely, have our leaders take thought or make a calculation for the morrow of Indonesian economic endurance in ACFTA context within 15 or 25 year forwards? When the government sign up ACFTA agreement at 2003 ago, have they properly prepared the important prerequisites which have to release, such as an infrastructur readiness, regulation synchronization (even in keeping
and upgrade the competitiveness of national products or domestic market security), human resource and education, industrial scenario, UMKM role, and certifiable agriculture sector, financial policy and competitive bank rate, government managing and an effective public service, bureaucracy reformation and high cost economy cutting, law enforcement and corruption eradication and another dozen important aspect in ACFTA implementation context.

D. Socioeconomic Issue In Free Trade Era

Many serious public controversion in Indonesia turned up by ACFTA; some premises regard that as an opportunity, while the other regard that as an economic threatening for Indonesia. For it’s supporters, ACFTA run the chance of local bussiness to export many more goods to important markets at China and increasing the trade and bilateral investment in all region. For it’s rejecters, ACFTA potentially shatters domestic industry and causes massive dismissal.

1. Trend of Joining FDI

The developing countries and economic transition receive about half from the global trend of joining FDI at 2011. FDI outflow to Asian developing countries tended to slow as an impact of European ongoing crisis, while Latin American country and economic transition record growth increment on the contrary. FDI outflow to Asian country grow 11.4% yoy at 2011 (UNCTAD at BI, 2012).

After dissapear from the big ten of FDI object developing countries in Asia at 1998-2000, Indonesia recorded as Asian developing country that become the fifth biggest of FDI receiver (by disregard Korea’s position which has incategorizable as the developing courtries). at 2010-2011, Indonesia receive FDI outflow average about (Table 2), step over Malaysia and Thailand in that period. That condition, isn’t impossible to caused by ACFTA.

Table 2. The Biggest FDI Receiver in Asian Developing Coutries
(Yearly Average, USD Mn)

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<tbody>
<tr>
<td>1</td>
<td>China</td>
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<td>1</td>
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<td>2</td>
<td>Malaysia</td>
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<td>Hongkong</td>
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<tr>
<td>3</td>
<td>Singapura</td>
<td>3</td>
<td>Korea</td>
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<tr>
<td>4</td>
<td>Hongkong</td>
<td>4</td>
<td>Singapura</td>
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<td>5</td>
<td>Thailand</td>
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<tr>
<td>7</td>
<td>Taiwan</td>
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<td>Taiwan</td>
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<tr>
<td>8</td>
<td>Korea</td>
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<td>India</td>
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<td>Thailand</td>
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<td>9</td>
<td>Filipina</td>
<td>9</td>
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<td>Vietnam</td>
<td>10</td>
<td>Filipina</td>
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Based on: BI, 2012 a.
Although the economy in emerging country is resilient enough until this time, indeterminancy crisis solution process in some developed countries apprehended potentially restricting FDI outflow to emerging country. Sovereign debt crisis in Euro region apprehended potentially drag the world economy back to contraction period, especially in developed country. This matter need to be guarded, in view of more than half of world FDI outflow including FDI outflow to Asian emerging country, come from the developed country.

Moreover, FDI outflow from China that begin to shift to Asia since 2006 (per 2010 reach more than 65% from the total of Chinese FDI outflow from 36% at 2005) apprehended potentially endured if China’s economic getting quiet significantly slowdown as an impact of the crisis in developed country. But, the concentration of Chinese FDI outflow to Asia not equilibrate yet even the trend is increasing. About more than 85% of the total of FDI outflow from China to Asia address to Hongkong, while another Asian country one with another less than 2%. This development predicted because trade intensity between China and Hongkong is high enough.

Trade activity between ASEAN country during a last few years always indicate advance trend, if global economic condition is relatively conducive, the potential of FDI outflow increation from China to ASEAN countries is still high.

China’s Condition that able to face global crisis. Actually, that is the perfect moment to collect many more investments come into Indonesia.

2. Impact on Income Inequality, Unemployment, and Population Mobility

Free trade is one of the characteristics of a perfectly competitive market. Perfectly competitive market provides a homogeneous goods and low prices, with ease in and out of the market.

In a perfectly competitive market, profit position will occur when the average cost (AC) in the ascending condition. It’s mean that the benefits will only be obtained by companies with large production capacity. It will give the impression that only companies with the large production capacity that will win the market. Thus, free trade synonymous with the capitalism concept that who has a large capital will dominate the market.

With such concepts, free trade will trigger income gap between manufactures importing country to country producers. This income gap occurs due to the lack of readiness of the domestic producers to compete with foreign producers. Foreign producers with technological capabilities and resource management capabilities, has been able to produce goods with a large
production capacity. China have been able to see the business opportunities in the exports destination country, so as to dominate the world market. This country, can classify the needs of consumers in destination countries, and see that the needs of consumers in each country is different.

Indonesia, not ready for competition in the free trade. With the technological capabilities and the ability to manage current resources, Indonesia has not been able to develop its production capacity to compete in international markets.

Inequality of income due to the concept of capitalism, will lead to unemployment. Companies that are not able to compete, that unable to cover the cost of production would be lost and out of the market with bankruptcy. When companies lose money, the company will reduce it's production costs by reducing the amount of one worker, so it will cause unemployment.

Free trade not only causes income inequality and unemployment. Furthermore, companies that lose money and not be able to accommodate more unemployed workers will encourage mobility or migration. Mobility or migration is driven by the need to obtain a decent job.

3. Readiness of Indonesia

ACFTA came into effect in January 2010, but the agreement has actually been signed since eight years ago. Unfortunately, the Indonesian government is not doing various preparations to welcome the entry into force of the agreement. There are many problems in the country that make Indonesia less competitive if it has to compete with China. Among the issues there is a clear absence of state partisanship, no implementation of social security laws, poor infrastructure and high transport costs and strong symptoms of de-industrialization. This situation is certainly not favorable to workers.

Many expressed support and controversy from many quarters when Indonesia decided to implement ACFTA. If further disclosed, is a free trade agreement will cause some sectors will be under pressure, but there is no doubt that it will also benefit some specific sectors. The biggest challenge there is the potential negative impact de-industrialization and unemployment.

Today of course is not a wise thing to reconsider the positive or negative impacts that will result from the effects of the agreement, due to the fact that Indonesia has implemented the agreement.

What we need to discuss is how to improve and develop local industries to be able to compete with foreign products in the era of free trade. And how to anticipate the negative impact of the implementation of the agreement. It is important to protect the public interest and prepare related elements.

Government can provide protection against a local businessman who
may be weak in the absence of serious scrutiny from the public, monitor and 
detect layoffs that do not comply with applicable law and procedures, business 
development training, reform the National Social Security System (Navigation) 
effective and massive investment to improve national infrastructure and 
education.

For the business, the industry can develop a lot of the training-business 
development training, to keep track of the global economy so as to know 
how the future prospects of the industry, and to increase motivation for more 
competitive.

ACFTA will not give any advantage for Indonesia if he readiness of 
Indonesia not built. Moreover, against trade as China who are alredy far ahead.

ACFTA shoud not be a scary thing, it would be better if it was regarded as 
a whip in the improvement efforts. Potential implementation of ACFTA, can 
generate posirive effects for he development of the ndonesian economy.

E. Implementation of Socioeconomic Issues of Free Trade Era at School
The era of free trade is a very interesting issue to be preented to the students at 
the school. The substance and the presentation has a special character with the 
goal of future, students have insight into and form a free trade opportunities 
into economic actors who spirited entrepreneurship.

The substance of free trade, such as:
1. History of the emergence of free trade
2. Factors that influence the emergence of free trade
3. Product opportunities in the free trade
4. The state of ideological,poitical, economic, social, and cultural country 
entered free trade
5. Socio-economic impacts of free trade

The presentation is using collaborative learning model with an emphasis 
on facts, data, concepts and generalizations. The collaboration model between 
the model of direct learning and the model of cooperative, as well as other 
models, understanding of socio-economic issues of free trade through 
collaborative learning model, is an alternative. Through the collaboration of 
direct learning and cooperative learning model, students’ understanding of the 
substance obtained through demonstration, practice, feedback, and discussion 
groups. The main target of the understanding of socio-economic issues of free 
trade, and the outcome unit regarding product education.
References


