

# IMPLEMENTATION OF ASEAN-CHINA FREE TRADE AGREEMENT POLICY FOR DRIED VEGETABLES ENTREPRENEURS IN INDONESIA

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**Abstract.** The Free Trade Agreement (free trade area) is a form of cooperation between several countries in the economic sector which has the aim of helping each other's economies between countries. The forms of products that are traded in the "free trade area" have no boundaries. One of the products to be discussed in this study is included in the food category, namely processed products of dried vegetables. This product is indispensable for the world community including the Asian community because the processed dry vegetable product is a seasoning for serving food. Indonesia has abundant natural resources, it's no wonder that many export commodities come from the management of natural resources, one of which is chili agriculture. Even so, the processed products derived from vegetable farming have not been maximized, including processed dry vegetables, there are several factors that have caused Indonesia to not be maximized in the processing of dry vegetables. In this research, we will later explain the market opportunities for dry vegetable processed products in the free trade agreement, especially ASEAN-China, the problems faced by dry vegetable processed product entrepreneurs in Indonesia and efforts to solve problems for dry vegetable processed product entrepreneurs in Indonesia in order to increase competitiveness. market for processed dry vegetables in the export sector. This study uses an empirical juridical approach, descriptive analytical research specifications, data collection methods by interview and literature study, and qualitative analytical methods as a method of analyzing data. The results of this study indicate that the export activities of processed dry vegetable products through the Asean-China free trade agreement (AC-FTA) policy have great potential for dry vegetable entrepreneurs.

**Keywords:** Dried Vegetables, Asean-China Free Trade Agreement, Dried Vegetable Entrepreneurs in Indonesia

## I. INTRODUCTION

Free Trade Area or so-called Free Trade Agreement is an agreement between two or more countries to form a free trade area. This free trade includes trade in goods and services, later the member countries that follow this free trade agreement will not be subject to tariff barriers or non-tariff barriers when entering the territory of fellow member countries that follow the Free Trade Agreement.

Indonesia has abundant natural resources, of course making the Free Trade Agreement / Area a field to sell its agricultural products to other countries, the goal is to increase macro and micro economic growth in Indonesia. In the world bank rankings in 2020, Indonesia is ranked 112 in the GNI (gross national income) cluster. Gross national income in Indonesia is ranked 112 in the world, followed by Malaysia, Vietnam, Singapore, and Thailand. Even though in the GNP (Gross National Product) cluster, Indonesia is ranked 7th in the world. The comparison of GNP and GNI in Indonesia can be said to be like the Land and the Sky, this is because Indonesian people are still a consumptive society, not a productive society.

The level of productivity that is still weakening occurs in several sectors, one of which is processed vegetable products, namely dry vegetables. Usually the use of dried vegetables is used for supporting materials in packaged noodles, serving food in restaurants, and other supporting materials. There are several factors that cause the weak level of production (quality and quantity) of processed dried vegetable products made in Indonesia, including: unsupported technology, large capital strength, human

resources who have not been able to use this technology, and weak Indonesian government actions in terms of providing facilities for entrepreneurs who produce processed dry vegetable products.

The free trade agreement is currently being intensified by other countries including the Asian region, especially Southeast Asia, one of which is the Asean-China Free Trade Agreement / Asean-China Free Trade Agreement (AC-FTA). The benefits created from the policy of the agreement are the occurrence of trade creation and trade diversion. Trade creation is the creation of trade transactions between FTA members that have never occurred before, due to incentives due to the formation of FTAs. Trade diversion occurs as a result of tariff reduction incentives.

Therefore, the background and opportunities that are present for dry vegetable entrepreneurs in Indonesia are in the policies of the Asean-China Free Trade Agreement. The author makes the coherence of the two objects (AC-FTA policy into a scientific paper product in the form of a paper entitled "Implementation of the Asean-China Free Trade Agreement Policy Against Dried Vegetable Entrepreneurs in Indonesia".

## II BASIC THEORY

### A. Dried Vegetables

Dried vegetables are vegetables that are dried using infra-red technology. The goal is to preserve these vegetables so they last longer but do not remove most of the nutrients, remove the color of the vegetables and the aroma from the vegetables is maintained. There are ways to produce dry vegetables, one of which is far infra red

radiation (FIR). Infrared light in this technology has a wavelength between 25-1,000  $\mu\text{m}$ , this means that the color of dried vegetables does not change significantly and the aroma of vegetables is still strong.

The drying process with FIR technology is very efficient because radiant heat directly penetrates the inside of the molecule and breaks the bonds of water molecules in the material molecules without going through an intermediary medium so that the instant vegetables produced have high quality with an efficient process.

Various kinds of vegetables that have a high water content, celery, carrots, green beans, cabbage, edible mushrooms, leeks, shallots can be dried through this technology. Even vegetable products such as meatball and chicken sausage can be dried using FIR technology. "The storage capacity of these dried vegetables can increase up to 8 months when they are packed," said Ridwan Rachmat, a researcher at the IAARD who conducted research on FIR in 2003.

To produce dry vegetables, the ingredients are cleaned, cut into thin strips, washed, blanched, and then dried. Blanching is the process of rapidly immersing vegetables into water at a certain temperature to deactivate the browning-causing enzymes. Drying time ranges from 9-20 minutes, depending on the raw material.

## B. Asean-China Free Trade Agreement

The ASEAN-China Free Trade Area (ACFTA) is an agreement between ASEAN member countries and China to realize a free trade area by eliminating or reducing trade barriers to goods, both tariffs and non-tariffs, increasing access to service markets, investment regulations and conditions, as well as increasing aspects of economic cooperation to encourage economic relations between ACFTA Parties in order to improve the welfare of the people of ASEAN and China.

The agreement to establish the AC-FTA free trade was initiated by the agreement of the participants of the ASEAN-China Summit in Brunei Darussalam in November 2001. This was followed by the signing of the Framework Agreement on A Comprehensive Economic Cooperation by participants of the ASEAN-China Summit at Pnom Penh in November 2002, where this text became the basis for the establishment of the ACFTA in 10 years with some flexibility given to certain countries such as Cambodia, Laos, Myanmar and Vietnam.

In November 2004, ASEAN-China Summit participants signed the Framework Agreement on Trade in Goods (The Framework Agreement on Trade in Goods) which took effect on July 1, 2005. Based on this agreement, ASEAN-5 countries (Indonesia, Thailand, Singapore, Philippines, Malaysia) and China agreed to eliminate 90% of commodity tariffs by 2010. For other ASEAN countries, the implementation of the agreement could be postponed until 2015.

Indonesia has ratified the ASEAN-China FTA Framework Agreement through Presidential Decree Number

48 of 2004 dated June 15, 2004. After the negotiations were

complete, formally the ACFTA was first launched since the signing of the Trade in Goods Agreement and the Dispute

Settlement Mechanism Agreement on 29 November 2004 in

Vientiane, Laos.

The ACFTA Services Agreement was signed at the

12th meeting of the ASEAN Summit in Cebu, Philippines, in January 2007. Meanwhile, the ASEAN China Investment Agreement was signed at the 41st ASEAN Economic Ministerial Meeting on 15 August 2009 in Bangkok, Thailand.

## c. Dried Vegetable Entrepreneurs

Arif F. Hadipranata. Entrepreneurs are people who make decisions in a company that will provide many benefits to many people. and that figure becomes the core of the entrepreneurs involved in a business. Meanwhile, the dry vegetable entrepreneur is a legal entity that has a business in the field of horticulture, especially dry vegetables.

Entrepreneurs are not only looking for a profit but also develop and make good use of resources. Especially for dry vegetable entrepreneurs, the objectives are to develop processed horticultural products, increase the value of horticultural raw materials, create jobs and make Indonesia strong in food security (dry vegetables) so that it does not depend on other countries.

## III METHOD

This research will use an empirical juridical approach method, descriptive analytical research specifications, data collection methods by interview and literature study, and qualitative analytical methods as a method of analyzing data.

And using the RCA calculation, RCA is calculated by the formula:  $(X_{ijt} / X_{jt}) / (W_{it} / W_t)$ . An RCA value above

1 indicates that the exported product has high competitiveness in the export destination country. The higher the RCA value of an export product, the higher its comparative advantage. Mathematically, RCA is obtained from the comparison of the export value of product  $i$  in country  $j$  in year  $t$  ( $X_{ijt}$ ) to the total export value of country  $j$  in year  $t$  ( $X_{jt}$ ) with the export value of product  $i$  in the world in year  $t$  ( $W_{it}$ ) to the total value of world exports in year  $t$  ( $W_t$ ).

## IV. DISCUSS

### A. Dried Vegetable Market Potential in the Asean China Free Trade Agreement

Indonesia's dry vegetable export competitiveness is still weak compared to other world supplier countries. This is indicated by the RCA value of Indonesia's dry vegetables in 2015 of 0.04. In fact, the RCA value was the lowest during the 2011-2015 period. The types of dried vegetables that Indonesia exports include cassava, dried onions and dried mushrooms. Among the ten largest dry vegetable suppliers in the world, Tanzania has the highest competitiveness with an RCA value in 2015 of 101.45 followed by Myanmar and Cambodia with RCA of 43.79 and 29.21 respectively. Thailand and Vietnam are

the largest suppliers of dry vegetables from ASEAN with RCAs of 14.50 and 4.37.

Apart from RCA, the competitiveness of the export products of the four horticultural product groups can be seen through the calculation of the Constant Market Share Analysis (CMSA). The CMSA calculation considers three criteria, namely the competitiveness effect, initial specialization (development) and adaptation (response to the market). The competitiveness index of processed fruit and vegetables is positive, meaning that the exports of these two groups of horticultural products have great potential to compete with similar products from other countries even though Indonesia's exports for these two products are still relatively small, ranging from 2.88% and 0, respectively. 22% compared to the total world market demand.

### B. Problems Faced by Dried Vegetable Product Entrepreneurs in Indonesia

For fresh fruit and dried vegetables, the calculation results show a negative competitiveness index, indicating that the competitiveness of these two products is still weak. This weak competitiveness is thought to be influenced by several factors, including less competitive prices and high logistics costs in Indonesia, as well as a trigger for inefficient marketing management of fruit and vegetable products, especially for export purposes.

The good news can be seen from the development index of the four groups of horticultural products which is positive, meaning that in general the four products have the ability to penetrate export destination markets and can further develop their exports to world markets. Meanwhile, in terms of the market response index, the results obtained were similar to the competitiveness index where processed vegetables and fruit scored positive. This means that the product's ability to adapt to tastes or changes in demand in the destination market is classified as good. The negative response index value indicates that the group of fresh fruit and dried vegetables is less responsive to world demand.

### C. Problem Solving Efforts for Dried Vegetable Products Entrepreneurs in Indonesia

Based on the results of calculations, using both RCA and CMSA, it can be concluded that Indonesia has a fairly good capability in supplying the supply needs of horticultural products in export destination countries. However, these horticultural products must receive support from various related agencies in order to have higher competitiveness in the export market. Horticultural commodities have the potential to increase production optimally in the future. Therefore, to achieve the production target and increase the contribution of horticultural product exports in the future, the support of all parties is needed in an integrated and synergic manner according to their duties and functions. Quoted from the Strategic Plan of the Directorate General of Horticulture 2015-2019, the government through the Director General of Horticulture, the Ministry of Agriculture will carry out several concrete steps, including; a) Increasing the planting area to meet consumption, industrial and export raw materials, b) Provision of quality horticultural seeds, c)

Availability of quality seed supply chains to farmers, d) Application of Good Agricultural Practices (GAP) through the application of environmentally friendly organic cultivation systems, including the development of

250 horticultural crop-based organic villages and garden / business land registration. In addition, no less important, the arrangement of export and import of horticultural products must be able to provide benefits to all parties involved, including farmers and domestic business actors.

## IV. CONCLUSION

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