

# KEK

Vol 14 No 3  
September, 2010

## KAJIAN EKONOMI DAN KEUANGAN

- Analisis Faktor - faktor Yang Mempengaruhi Minat Investasi di Daerah : *Study Kasus* Di Kabupaten Jember Jawa Timur
- Faktor – Faktor Yang Mempengaruhi Pencapaian Target Penerimaan Pajak (Studi Pada KPP Pratama di Lingkungan Kanwil DJP Jakarta Pusat Tahun 2006-2008)
- Model Proyeksi Ekspor Dan Impor – Volume Dan Harga
- The Prospect Of Indonesia China Economic Relation
- Analisis Keterkaitan Antar Industri Dan Sektor Kunci Di Indonesia

Kaj. Eko. & Keu.	Vol. 14	No. 3	Jakarta 2010	ISSN 1410-3249	Terakreditasi B (No. Akreditasi : 308/AU2/P2MBI/08/2010)
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# KAJIAN

## EKONOMI

## KEUANGAN



Pusat Kebijakan Ekonomi Makro  
Badan Kebijakan Fiskal  
Kementerian Keuangan RI

- Analisis Faktor-faktor Yang Mempengaruhi Minat Investasi Di Daerah :  
Study Kasus Di Kabupaten Jember Jawa Timur
- Faktor-faktor Yang Mempengaruhi Pencapaian Target Penerimaan Pajak  
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Sektor Kunci di Indonesia



## KATA SAMBUTAN

Kami panjatkan rasa syukur kepada Tuhan Yang Maha Esa atas terbitnya Kajian Ekonomi dan Keuangan edisi ini ke hadapan pembaca sekalian. Pada edisi ini, kami menyajikan berbagai topik yang berkaitan dengan analisis dan dampak kebijakan publik di bidang ekonomi dan keuangan negara.

Kajian pada volume kali ini diisi oleh berbagai topik tulisan yaitu Analisis Faktor-faktor yang Mempengaruhi Minat Investasi di Daerah : *Study Kasus di Kabupaten Jember Jawa Timur*; Faktor-faktor yang Mempengaruhi Pencapaian Target Penerimaan Pajak (Studi Pada KPP Pratama di Lingkungan Kanwil DJP Jakarta Pusat Tahun 2006-2008); Model Proyeksi Ekspor dan Impor – Volume dan Harga; *The Prospect of Indonesia China Economic Relation*; dan Analisis Keterkaitan Antar Industri dan Sektor Kunci di Indonesia. Adapun para penulis yang berkontribusi pada penerbitan kali ini yaitu Anifatul Hanim, Ragimun, Haris Faisal, Abdul Aziz, Rudi Handoko, Suparman Zen Kemu, dan R. Pramono Soedomo.

Demikianlah kata pengantar yang dapat kami sampaikan. Ibarat peribahasa tiada gading yang tak retak, maka kami menyadari kajian ini tentunya masih terdapat kekurangan baik yang disengaja maupun yang tidak kami sengaja. Oleh karena itu, kami mengharapkan masukan dari para pembaca guna perbaikan di masa yang akan datang. Selanjutnya, kami berharap jurnal ini dapat memberikan manfaat kepada para pembaca sekalian. Selamat membaca!

Jakarta, 2010  
Dewan Redaksi



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**MAJALAH KAJIAN EKONOMI DAN KEUANGAN****ISSN 1410-3249****KEK Terakreditasi B****No. Akreditasi : 306/AU2/P2MBI/08/2010****Volume 14 Nomor 3 Tahun 2010*****Keywords used are free terms. Abstracts can be reproduced without permission or charge.*****ABSTRAKSI****Hanim, Anifatul, dan Ragimun, et. al. (Fakultas Ekonomi Universitas Jember, dan Badan Kebijakan Fiskal, Kementerian Keuangan)****Analisis Faktor-faktor yang Mempengaruhi Minat Investasi di Daerah :  
Study Kasus di Kabupaten Jember Jawa Timur****Kajian Ekonomi dan Keuangan Volume 14 Nomor 3 Tahun 2010, halaman  
1-20**

*The trend of economic growth in Jember region is tremendously sophisticated. It needs more resources support especially from potential investors either government or private sector. Investigation on the partner's environments is normally been conducted before coming to the field. The perceptions of this potential investor will derive their expectation and contribute significantly to investment climate in Jember.*

*The aims of this research are: (1) to determine the economic and non economic potential factors in Jember region and to attract the investors (2) to test the reliability and validity of the potential factors.*

*Besides twenty two economic and non economic factors, there are six variables produced by EFA method. These variables are potentially influence the investors' attractiveness. There are economic stabilization, administration, government policy, institutional, and securities. Reliability and validity test imply that the factors are able for further statistical analysis.*

*Keywords : minat investasi, faktor ekonomi dan non ekonomi, analisis faktor,*

*perkembangan ekonomi*

**Faisal, Haris, dan Aziz, Abdul, et. al. (Fakultas Ekonomi Universitas Indonesia, dan Badan Kebijakan Fiskal, Kementerian Keuangan)****Faktor-faktor yang Mempengaruhi Pencapaian Target Penerimaan Pajak  
(Studi Pada KPP Pratama di Lingkungan Kanwil DJP Jakarta Pusat Tahun  
2006-2008)****Kajian Ekonomi dan Keuangan Volume 14 Nomor 3 Tahun 2010, halaman  
21- 60**

*Artikel ini membahas faktor-faktor apa saja yang mempengaruhi pencapaian target penerimaan pajak yang dibebankan kepada Kantor Pelayanan Pajak*

**MAJALAH KAJIAN EKONOMI DAN KEUANGAN****ISSN 1410-3249****KEK Terakreditasi B****No. Akreditasi : 306/AU2/P2MBI/08/2010****Volume 14 Nomor 3 Tahun 2010*****Keywords used are free terms. Abstracts can be reproduced without permission or charge.*****ABSTRAKSI**

*Pratama di Kantor Wilayah Direktorat Jenderal Pajak Jakarta Pusat pada tahun 2006-2008. Penelitian ini menggunakan metodologi regresi berganda data panel (pooling data regression) pada ilmu Ekonometrika dengan variabel bebas Penerimaan Pajak Tahun Sebelumnya, rasio SDM (Account Representative, Fungsional Pemeriksa Pajak dan Pegawai Pelaksana) dengan jumlah WP efektif, rasio realisasi Sumber Dana (Prosentase Realisasi Anggaran Belanja/DIPA) dengan SDM, dan Tingkat Kepatuhan Administrasi Wajib Pajak (Orang Pribadi dan Badan). Hasil penelitian ini menyarankan agar pimpinan di Direktorat Jenderal Pajak sebagai pelaksana kebijakan publik lebih memperhatikan alokasi SDM dan meningkatkan kualitasnya; mengawasi pelaksanaan anggaran agar lebih efektif dan efisien; dan meningkatkan tingkat Kepatuhan Administrasi Wajib Pajak, yang keseluruhannya merupakan bagian dari peningkatan mutu Reformasi Perpajakan.*

*Kata kunci : Penerimaan Pajak, Kantor Pelayanan Pajak Pratama, Account Representative, Fungsional Pemeriksa Pajak, Pegawai Pelaksana, Anggaran Belanja (DIPA).*

**Handoko, Rudi, et. al. (Badan Kebijakan Fiskal, Kementerian Keuangan)****Model Proyeksi Ekspor dan Impor – Volume dan Harga Kajian****Ekonomi dan Keuangan Volume 14 Nomor 3 Tahun 2010, halaman 61-82**

*Kinerja ekspor dan impor Indonesia selama periode 2000 – 2009 cenderung mengalami peningkatan walaupun sempat mengalami penurunan saat terjadi krisis ekonomi global 2008/2009. Variabel ekonomi yang mempengaruhi ekspor dan impor diidentifikasi seperti permintaan dunia, volume perdagangan dunia, harga ekspor, dan nilai tukar. Model proyeksi difokuskan kepada pertumbuhan (growth) volume dan harga baik ekspor maupun impor. Model ekonometrik yang dikembangkan menggunakan metode ordinary least square (OLS) dengan meregresikan variabel-variabel yang mempengaruhi volume dan harga—ekspor dan impor.*

*Kata kunci: Proyeksi, Ekspor, Impor, Perdagangan Luar Negeri, Penyesuaian Musiman.*

**Kemu, Suparman Zen, et. al. (Badan Kebijakan Fiskal, Kementerian Keuangan)*****The Prospect of Indonesia China Economic Relation*****Kajian Ekonomi dan Keuangan Volume 14 Nomor 3 Tahun 2010, halaman**

<p style="text-align: center;"><b>MAJALAH KAJIAN EKONOMI DAN KEUANGAN</b>  <b>ISSN 1410-3249</b>  <b>KEK Terakreditasi B</b>  <b>No. Akreditasi : 306/AU2/P2MBI/08/2010</b>  <b>Volume 14 Nomor 3 Tahun 2010</b></p>
<p style="text-align: center;"><i><b>Keywords used are free terms. Abstracts can be reproduced without permission or charge.</b></i></p>
<p style="text-align: center;"><b>ABSTRAKSI</b></p>
<p><b>83 - 100</b></p> <p><i>Perkembangan hubungan ekonomi Indonesia China merupakan phenomena yang menarik untuk disimak, karena dua Negara ini merupakan Negara dengan jumlah penduduk yang besar, dan sedang mengalami pertumbuhan ekonomi yang mengesankan. Indonesia memiliki keunggulan sumber daya alam (SDA), daya beli yang meningkat, dan meningkatnya daya saing sebagai Negara tujuan FDI. Beberapa kelemahan Indonesia antara lain buruknya kondisi investasi terutama berkaitan dengan buruknya kondisi infrastruktur (khususnya listrik), birokrasi yang cenderung korup, adanya resistensi dari sekelompok masyarakat terhadap kepemilikan asing, dan juga ekspor yang sangat bergantung pada komoditi primer. China disisi lain, sedang mengalami pertumbuhan ekonomi tinggi diiringi terjadinya peningkatan kebutuhannya akan barang impor termasuk dari Indonesia, sedang menggiatkan FDI ke luar negeri termasuk ke Indonesia, bersama Indonesia merupakan anggota ASEAN+3 yang saling mengetahui kekurangan dan kelebihan masing-masing. Kalau beberapa kelebihan tadi bisa disinergikan, dan terhadap beberapa kelemahan yang ada dilakukan perbaikan, maka hubungan ekonomi Indonesia China ke depan akan dapat meningkat dengan lebih pesat.</i></p> <p><i>Keyword : FDI, Ekonomi Indonesia-China, ASEAN+3, ekspor</i></p>
<p><b>Soedomo, R. Pramono, et. al. (Badan Kebijakan Fiskal, Kementerian Keuangan)</b></p> <p><b>Analisis Keterkaitan Antar Industri dan Sektor Kunci di Indonesia</b></p> <p><b>Kajian Ekonomi dan Keuangan Volume 14 Nomor 3 Tahun 2010, halaman 101- 116</b></p> <p><i>The industrial sector plays an important role in the development of the Indonesian economy. The problem of mapping types need anything from 175 industry sectors that have a relationship with each other linkages that need to diprioritas to increase in domestic industrial sector. This study aims to map and analyze the inter-industry linkages and key sectors in Indonesia. To view the analysis of linkage and multiplier analysis in this study using input-output model with the 10-year 2005 data tables 175 sector classification. Linkages among sectors using methods known forward and backward linkage index linkages. Determine the index number of key sectors is a priority sector. From the analysis results can be seen that there are 20 key sectors in Indonesia, the sector: (1) pulp, (2) oil industry of animal and vegetable oils, (3) skin equalize, and preparations, (4) rice industry (5) industrial sugar, (6) basic metal industries</i></p>

**MAJALAH KAJIAN EKONOMI DAN KEUANGAN**

**ISSN 1410-3249**

**KEK Terakreditasi B**

**No. Akreditasi : 306/AU2/P2MBI/08/2010**

**Volume 14 Nomor 3 Tahun 2010**

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**ABSTRAKSI**

*rather than iron, (7) animal feed industry, (8) service restaurant, (9) entertainment services, recreation and cultural services, private (10) of meat offal and the like, (11) textile industry, (12) electricity and gas, (13) residential buildings and non residence, (14) and mounted industrial sawn timber, (15) highway transportation services, (16) roads, bridges and ports, (17) poultry and results -result, (18) fertilizer industry, (19) Manufacture of paper and paperboard and (20) marine transportation services. With the 20 key sectors, we can know these sectors have forward and backward linkages are high. For that government policy should be more focused on the 20 key sectors.*

*Keywords: Key Sectors, Multiplier, inter-industry linkage, and input- output sector 175.*

# THE PROSPECT OF INDONESIA CHINA ECONOMIC RELATION

By:  
Suparman Zen Kemu<sup>1</sup>

## **Abstraksi**

*Perkembangan hubungan ekonomi Indonesia China merupakan phenomena yang menarik untuk disimak, karena dua Negara ini merupakan Negara dengan jumlah penduduk yang besar, dan sedang mengalami pertumbuhan ekonomi yang mengesankan. Indonesia memiliki keunggulan sumber daya alam (SDA), daya beli yang meningkat, dan meningkatnya daya saing sebagai Negara tujuan FDI. Beberapa kelemahan Indonesia antara lain buruknya kondisi investasi terutama berkaitan dengan buruknya kondisi infrastruktur (khususnya listrik), birokrasi yang cenderung korup, adanya resistensi dari sekelompok masyarakat terhadap kepemilikan asing, dan juga ekspor yang sangat bergantung pada komoditi primer. China disisi lain, sedang mengalami pertumbuhan ekonomi tinggi diiringi terjadinya peningkatan kebutuhannya akan barang impor termasuk dari Indonesia, sedang menggiatkan FDI ke luar negeri termasuk ke Indonesia, bersama Indonesia merupakan anggota ASEAN+3 yang saling mengetahui kekurangan dan kelebihan masing-masing. Kalau beberapa kelebihan tadi bisa disinergikan, dan terhadap beberapa kelemahan yang ada dilakukan perbaikan, maka hubungan ekonomi Indonesia China ke depan akan dapat meningkat dengan lebih pesat.*

*Keyword : FDI, Ekonomi Indonesia-China, ASEAN+3, ekspor*

## **I. INTRODUCTION**

Indonesia-China economic relations will enter the number 50 in this year 2010. Beginning in 1960, but suspended in 1967 related to events 30 September 1965 or famous with G30S PKI . In 1985 the economic relations between Indonesia and China began to melt and other relationships such as political, social and cultural officially began to thaw in 1990.

Since the melting of economic relations, especially trade, two countries trade volume continues to increase. If in the year 2005 Indonesia China trade

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<sup>1</sup> Researcher at Fiscal Policy Office Ministry of Finance Indonesia.

volume reached US\$ 12.5 billion, in the year 2008 it had increased to US\$ 31 billion.

The development of Indonesia-China economic relations is an interesting phenomenon to be observed because traditionally main partner of Indonesia economic are with Japan, the United States, and several countries of the European Community.

### **1.1. The purpose of study**

1. Seeing the development of economic relations of China and Indonesia in the future prospects;
2. Analyzing some of the advantages and disadvantages that hinder the economic relations;
3. Finding the things that positive and negative impact of the economic relations of that State.

### **1.2. Methodology**

The data was collected from various sources, whether from the library, the media-print and websites. The analyses used are trend analysis, and SWOT with the main focus is at economic aspects.

### **1.3. Scope of Study**

A study will be focused on trade development prospects of both countries and direct investment (FDI) China to Indonesia. Yet, some things related to these two aspects will be touched as well.

### **1.4. The benefit of study**

The results of study is expected to be a reference for management in policy making related to the development of economic relations, particularly between Indonesia and China.

## **II. LITERATURE STUDY**

The emergence of China as new economic powers in the world is not something impossible. In fact, the rise of China economic is expected to end the U.S. unilateralism caused by the absence of a new force capable of defeating the U.S. post-Soviet collapse of communism. Meanwhile, the economic strength of Europe and Japan is predicted stagnant, so the China's economic strength is expected to

become economic powers in the Asia Pacific that will encourage the growth and global economic dynamics.

Futurologist John Naisbitt (1995) estimates that in the XXI century, the economy of Asia Pacific will switch from Japan to China. In a shift of Japan's economic power to the people of China, not only Mainland China is influential, but also the role of entrepreneurs hoakiao (Fahrudin Salim).

Indonesia has great potential to take advantage of the China economy, given the current state is being incessant encouraging entrepreneurs to invest their capital abroad. The overflow of Indonesia natural resources would attract China businessmen to invest their capital in Indonesia. The potential in each State can synergized in order to optimize the economic growth of both countries (Iwan S. Amri, 2008).

By the implementation of China Asean Free Trade Area (ACFTA), Indonesia's economy is assessed will continue to grow. However, China products coming into Indonesia is considered as a threat because of a more competitive price. "One fact that may not be denied is that the price of Indonesia goods is clearly more expensive than that from China. (Evan A. Admiral).

### **III. CURRENT CONDITIONS**

#### **3.1. The Agreement Between Indonesia and China Governments**

On 25 April 2005, Indonesia and China signed a cooperation agreement in a joint declaration made by the two Heads of State, President Susilo Bambang Yudhoyono of Indonesia and President Hu Jintao of the People's Republic of China (PRC). In 2005 it coincided with the 55 years anniversary of diplomatic relations between Indonesia and China. Cooperation is carried out covering various sectors of politics and security, economics and development, socio-cultural and others.

In the deal, there are 10 areas of cooperation will be carried out; Politics, Defense and Security, Maritime / Marine, Handling Illegal Logging, Law and Cross Border Crime Prevention, Economic Affairs (Investment and Trade), Energy Project, Social Sector Development Project Culture (Health and tourism), and Protocol and Consular Division.

In a courtesy visit to Minister for NDP / Head of Bappenas Prof. Armida S. Alisjahbana, MA, Ph.D., Ambassador of People's Republic of China to Indonesia Zhang Qiyue, said that China's businessmen who want to invest in Indonesia also require guarantees from the government of Indonesia to face the risk of changes in government policy. On the occasion, Minister for NDP / Head of Bappenas explained that priority of Indonesia development is to improve inter-regional



connectivity, and connectivity with the region's economy. Other development priorities are concerning the development of renewable energy, transportation between modes, and improving food security. Some of them could be a joint project between Indonesia and China.

### **3.2. Natural Resources**

The abundant of Indonesia natural Resources are including mining, forestry, and marine wealth is much envied by other countries. Forest products consist of wood (teak, pine, fir, and sandalwood), resin, rattan, and bamboo can be produced to variety of industrial products and materials community equipment, such as plywood, furniture, building materials and handicrafts. Indonesian agricultural products produced a variety of plants such as rice, corn, soybeans, vegetables, chili, onions and various fruits, like oranges, apples, mango, and durian. Indonesian plantation products include rubber, cocoa, tea, tobacco, quinine, palm oil, cotton, cloves and sugar cane that is almost all exported and become an important source of foreign exchange. Mining products quite dominant role in the economy and become a mainstay of Indonesia's exports such as oil, coal, gold, silver, tin, iron, nickel and others. Some livestock and fishery products are also dominant in the Indonesian economy, especially in relation to the economy of the people like cows, buffaloes, goats, poultry, and fish. But not managed optimally so that can not be relied upon as foreign exchange earners. Other marine products that are quite important for the Indonesian economy, especially for export are seafood such as fish, seaweed, and pearl.

### **3.3. Production capacity is not maximized**

For some industries, domestic production capacity is still not optimal, as happened with the car production capacity (assembly). Amid the dominance of Japanese automobile assembly, China had made China's car assembly in Indonesia. It is possible because there is still an idle in car assembly capacity. China's car assembly with a brand Chery QQ and Geely is an example of China's investment in car assembly in Indonesia by utilizing the idle capacity of the assembly. Cherry QQ for example took Indomobil Group to assemble and market the car in Indonesia. While Geely hired PT Gaya Motor assembly that is part of the Astra Group. In 2007, the installed capacity of Indonesia automobile assembly industry reached about 800 thousand units per year, but car production in Indonesia is in the range of 325 thousand units, or only about 40.1% of installed capacity.

### **3.4. The destination FDI**

According to Deputy of Planning Investment Coordinating Board (BKPM) Luky Eko Wuryanto, Indonesia entered into a 25 State the objectives of the Foreign Investment (FDI) and the level of competitiveness tends to increase. Based on a survey conducted by world consulting firm, AT Kearney, which conducted a survey of CEO and COO of the 1000 world-class companies in 65 countries, Indonesia was ranked 21 of the 25 countries most attractive as an FDI destination. In addition, according to the World Bank's competitiveness doing business in Indonesia is up from rank 135 in 2007 to rank 123 in 2008.

The attractiveness of investment in Indonesia is the abundance of natural resources. In 2007, Indonesia is the largest producer of palm oil production reaches the world with approximately 17 million tons per year, shift Malaysia to the second. Indonesia is also as the second largest cocoa producer of the world that was 700 thousand tons and world's second largest producer of tin that was for 65 thousand tons. In the same year (2007) Indonesian gold production reached 89 thousand tons. Indonesia also ranked the 4th and 5th in the world as a producer of other mineral such as copper and nickel that are respectively reached 818 thousand tons and 4.35 million tons.

### **3.5. Increased Purchasing Power**

The prospect of big Indonesia market is the attractive factor for foreign investors, especially China, to improve economic relations with Indonesia. In 2009, Indonesia's GDP per capita has reached U.S. \$2,652.8 and has been categorized as middle-income country, while the residents with middle income have reached the range of 120 million people. The writer himself has done an analysis that published by one of the national media, that in 2015 Indonesia nominal GDP will reach U.S. \$ 1 trillion, with GDP per capita around U.S. \$ 4,000.

President SBY on one occasion has stated that in the year 2030, the Indonesian economy is expected to become the fifth of the world, with GDP reaching U.S. \$ 5.13 trillion and GDP per capita reached U.S. \$ 18,000.

### **3.6. Still relies on the Basic Sectors (Primary)**

According to figures released by the Central Bureau of Statistics (BPS), Indonesia still dominated by export of raw materials such as crude palm oil/CPO, coal, and others. Indonesia currently has 10 main products of export mainstay that could contribute about 45% of the total non-oil exports. Five major categories of products of Indonesia's export mainstay are textile and textile products (TPT) 7.9%, followed by electronics (6.1%), rubber and rubber products (6.2%), palm

and palm products (9.6 %), and forest products (6.6%). Other five products are footwear (1.4%), automotive (2.2%), shrimp (0.9%), cocoa (0.9%) and coffee (0.8%). In the year 2008 exports, palm and palm products, and rubber and rubber products recorded experienced significant growth respectively 111.8% and 36.2% compared to the previous year. Other commodities experienced high export growths are coffee and cocoa respective 80.9% and 35.2%.

### **3.7. The poor condition of infrastructure**

The condition of infrastructure most concern right now is electricity. According to President Director of Electricity State-owned Enterprise (PT Perusahaan Listrik Negara) Fahmi Mochtar, in the last few years, electricity demand growth is 6.8 percent per year. While the addition of generating capacity and budgetary resources only for 1.9 percent growth. According to electricity observers Herman Darnel Ibrahim, "The need for electricity is expected to increase 1000 megawatts per year. However, the growth per year is only about 500 MW. "<sup>2</sup>

These conditions resulted in a deficit and the density of electrical load. Genesis rotating power blackouts in Jakarta due to the burning of high voltage electrical relay station, for example, shows the occurs of un-transferrable overload of power density damaging in bus shelter.

### **3.8. The remarkable growth of China's economy**

China's economic growth is phenomenal in the last two decades. China managed to grow continuously at a fantastic growth rate, ie average over 9% per year. There is no country with a population of more than 100 million that had grown this fast consistently. Even during the economic crisis in 2008, China's economic growth record high numbers in the range of 8.3% (2009) and the year 2010 China's economy predicted to grow in about 9.1%.

### **3.9. The rising of Indonesia China Economic Relation**

China Merchants had come to Indonesia in the era of Srivijaya and Majapait kingdom . In the reign of Sukarno, Indonesia China relations reached the top despite tragic ending with G30S PKI rebellion in 1965.

During Suharto's rule until the period of Deng Xiao Ping's power in China (1978), relations between Indonesia China experienced the darkest period. Everything that related to China banned in Indonesia; language, culture, economy, until the use of letters of China (Kanji). But in 1990, diplomatic relations between Indonesia China reopened relations with an emphasis more on economic aspects.

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<sup>2</sup> Herman is also a member of the National Energy Board.

Indonesia economic relations with China continue to grow rapidly and its growth exceeds the growth of Indonesia's economic relations with Japan and America. This is evidenced by the faster achievement of trade volume targets of Indonesian and China. The target of trading volume of these two countries is U.S. \$ 30 billion in 2010, but it was already achieved in 2008. While for the next five years the trade volume target increased to U.S. \$ 50 billion (Dino Patti Djalal, Antara News December 1, 2009).

### **3.10. China's high investment abroad**

In response to a policy of "go global", one recent decades the Chinese FDI abroad has increased rapidly. In 2008 alone, China's multinational companies, mostly state owned (SOEs), to invest approximately U.S. \$ 41 billion in foreign countries. Until the end of 2007, Asia has received about two-thirds of China's accumulated FDI, which is worth U.S. \$ 118 billion.

China's FDI flow to foreign countries started in the early 2000s following the government's policy to make the China Company as the main players of the world economy. The average value of China's FDI abroad is only U.S. \$ 453 million per year in the period 1982-1989. Rose to U.S. \$ 2.3 billion in the 1990-1999 periods, rose to U.S. \$ 5.5 (2004), rose to U.S. \$ 12.3 billion (2005), rose to U.S. \$ 17.6 billion (2006), rose to U.S. \$ 24.8 billion (2007), and to U.S. \$ 40.7 billion.

### **3.11. Fellow members of ASEAN +3**

Indonesia and China are both as member of ASEAN +3, a regional partnership that as an expansion of cooperation among ASEAN members plus three other East Asian countries ie China, Japan and Korea. The initiative is based on the formation of economic crisis in 1997, and formally inaugurated in 1999.

A concrete result of this group is the Chiang Mai Initiative (CMI) who agreed to foster a reserve fund that will be used if there are members who have difficulty in balance of payments. In 2009, the members commit to foster the funds of U.S. \$ 120 billion. With China accounting for U.S. \$ 38.4 billion, Japan is U.S. \$ 38.4 billion and South Korea U.S. \$ 19.2 billion. Indonesia alone, accounting for U.S. \$ 4.77 billion, equal to the contribution of Malaysia, Singapore and Thailand. The rest is contributed by other six member countries.

The ongoing program of ASEAN +3 is the formation of the Asian Currency Union (ACU) such the use of Euro currency in the European Union. But this program still requires a long process before it can be implemented.

### 3.12. The growth of Indonesia Export and Import

**Table 3.1. Export of Indonesia to Several Countries in Asia  
(US\$ billion)**

No.	Country of Destination	2003	2004	2005	2006	2007	2008	2009
Asia	Asia	27.56	33.63	41.12	50.38	59.49	68.76	57.89
1	ASEAN	9.75	12.21	14.44	16.57	19.91	23.90	19.11
A	Malaysia	2.23	2.72	3.24	3.87	4.67	6.15	4.86
B	Philippine	0.92	1.41	1.40	1.41	1.85	1.90	2.16
C	Singapore	4.88	5.90	7.00	7.86	8.86	10.44	8.11
D	Thailand	1.06	1.48	1.96	2.11	2.75	3.25	2.30
E	Vietnam	0.53	0.57	0.64	1.02	1.35	1.69	1.28
2	India	1.64	2.14	2.86	3.50	4.87	6.74	6.43
3	Japan	6.72	8.24	9.74	12.18	13.29	13.32	10.65
4	South Korea	1.74	1.78	2.66	3.39	3.79	4.46	4.34
5	China	3.85	4.60	5.41	7.30	8.51	9.53	9.42
6	Taiwan	1.16	1.47	1.79	2.29	2.38	2.84	2.55

Source: Bank Indonesia (<http://bi.go.id>)

In Table 3.1. it seen that Indonesia and China trade is quite high and is close to Indonesia's trade volume with Japan, which has been a traditional trading partner of Indonesia

It is somewhat surprising the writer the significance growth of Indonesian exports to India as one of the new emerging economy in Asia. This is the right direction of Indonesia trade because has been successfully trading the two countries in Asia that has been recorded a phenomenal growth.

The ratio of Indonesia's trade with ASEAN and Asia also tend to be fixed, but the value continues to increase.

The growth of Indonesian imports is nearly identical to the growth of export. The import growth from China is significant and become the largest source of Indonesian import with value of U.S. \$ 17.4 billion in 2008. Indonesia's import volume from China was even higher than the volume of Indonesian exports to China (see table 3.1.) or Indonesia has experienced or trade deficit with China.

**Table 3.2. Import of Indonesia from several Countries in Asia  
(US\$ billion)**

No.	Country of Origin	2003	2004	2005	2006	2007	2008	2009
1	Asia	15.41	20.86	24.43	42.93	48.30	67.84	46.94
2	ASEAN	4.48	6.28	7.85	17.82	19.06	23.19	16.63
A	Malaysia	0.82	1.134	1.37	2.26	2.89	3.970	2.95
B	Philippines	0.18	0.23	0.32	0.44	0.53	0.72	0.47
C	Singapore	1.66	2.48	2.96	11.07	10.467	11.58	8.71
D	Thailand	1.62	2.34	3.08	3.77	4.46	6.28	4.03
E	Vietnam	0.17	0.84	0.89	0.26	0.65	0.56	0.41
3	India	0.64	1.00	1.00	1.42	1.74	2.54	1.87
5	Japan	4.78	6.02	7.03	9.23	9.34	14.89	8.59
6	South Korea	1.54	1.89	1.69	3.41	3.75	4.90	3.35
8	China	2.54	3.82	4.84	8.29	11.22	17.42	13.04
10	Taiwan	0.84	1.16	1.21	1.87	2.16	2.66	1.734

Source: Bank Indonesia (<http://bi.go.id>)

In addition, the current Indonesian imports from Singapore are also experiencing significant growth, even exceeding Indonesia import from Japan. This is especially the case began in 2006 and the year 2007. But in 2008, imports from Japan back to exceed Indonesian imports from Singapore. Volume of imports from Thailand also experienced a significant increase from U.S. \$ 1.6 billion in 2003 to U.S. \$ 6.27 billion in 2008.

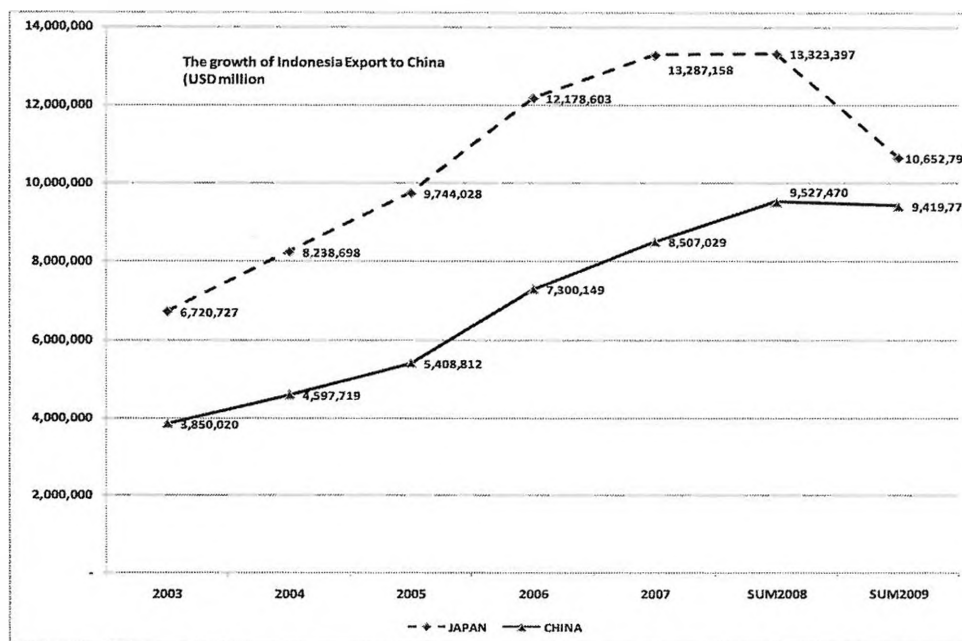
#### IV. ANALYSIS

In conducting the analysis, the writer will use the two approaches namely the trend analysis and a SWOT analysis (Strength, Weakness, Opportunity, and Threat). The analysis focused on economic issues including investment, trade, employment and economic growth, although there are also other aspects of touch.

##### 4.1. Trend

In Graph 4.1. the growth of Indonesian exports to China from 2003 s / d 2009. For comparison the data of Indonesia export to Japan is also displayed.

**Graph 4.1. The Growth of Indonesia's Exports to China  
(US\$ million)**

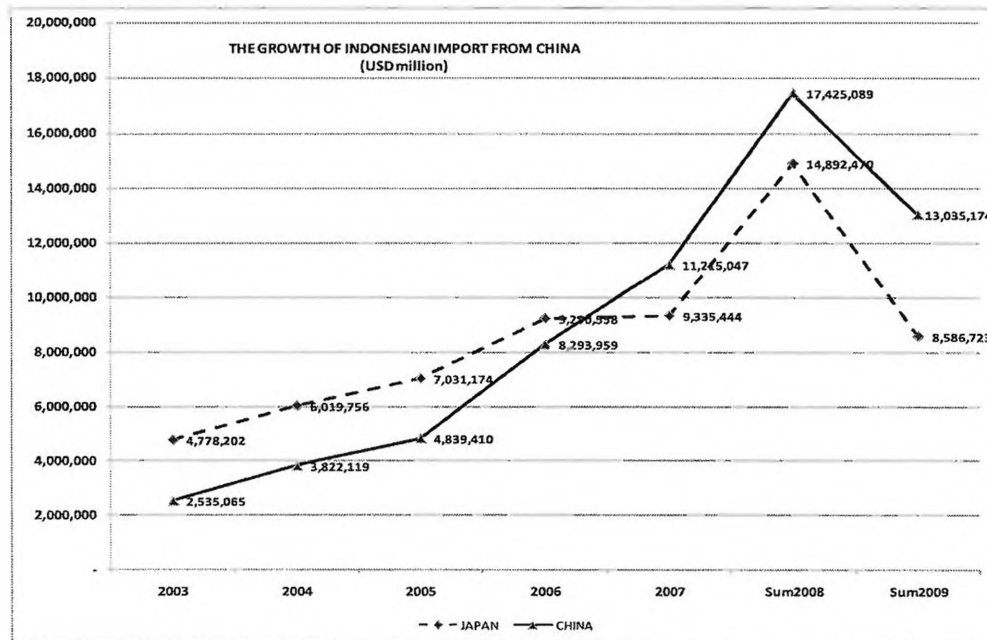


Source: Bank Indonesia (<http://bi.go.id>)

In that period, Indonesia's exports to China continue to increase despite of the value is still below Indonesia's exports to Japan. When compared to the growth of Indonesian exports to China from 2003 until 2008 only. Seen a growth from U.S. \$ 3.85 billion in 2003 to U.S. \$ 9.5 billion in 2008, or an increase of 146.7% over five years or an average increase per year is 29.34% per year. While the growth of Indonesian exports to Japan in the same period was U.S. \$ 6.72 billion in 2003 to U.S. \$ 13.28 billion in 2008, or an increase of 97.6% for five years or an average increase per year is 19.52 %. From the data it can be concluded that in the last five years the growth of Indonesia exports going to China is higher than the growth of Indonesian exports to Japan.

In the year 2009, there was a significant declining trend of Indonesian exports to Japan while the decline in Indonesian exports to China tends to be stable or not so affected by the global economic crisis. This means that the economic crisis of 2008 have a significant effect on Indonesian exports to Japan because the Japanese economy is experiencing a contraction, while the effects of the crisis on Indonesia's exports to China are not so significant because China's economy is not having contractions, such as Japan, but only decreased of growth rates. This gives a lesson, that the diversification of exports to many countries may reduce the magnitude of a crisis on the growth of Indonesian exports.

**Graph 4.2. The Growth of Indonesia's Import from China  
(US\$ million)**



Source: Bank Indonesia (<http://bi.go.id>)

In Graph 4.2. the growth of Indonesian imports from China. Until 2006, Indonesia import from China is lower than Indonesia import from Japan. But beginning from 2006, Indonesian imports from China increased rapidly exceeding the growth of Indonesian imports from Japan. From viewpoint of trade, this means that China has become more important than Japan, for Indonesia, as a source of imported goods. In 2003, Indonesia imported from China was U.S. \$ 2.5 billion while Japan's U.S. \$ 4.77 billion. But in 2007, Indonesian imports from China has become a U.S. \$ 11.2 billion while Japan's U.S. \$ 8.29 billion, which means that Indonesia imports from China has exceeded Indonesia imports from Japan.

In 2003, Indonesia's import from China was U.S. \$ 2.5 billion, but in 2008, it reached U.S. \$ 17.4 billion, grew by 596% over five years, or grew by average 119.2% per year.

From the above two graphs (Graph 4.1. and Graph 4.2.) it seen there was growth imbalance between exports and imports of Indonesia to and from China. The latest data shows that since 2006 Indonesia has been experienced with trade deficit against China. In this regard, government has to pay attention in order to look for a solution, especially with the imposition ACFTA since January 1, 2010.



## 4.2. SWOT

The purpose of SWOT analysis is to see the advantages and disadvantages from the two sides Indonesia and China. S = Strength see Indonesia's internal strength. W = Weakness see the Indonesia's internal weaknesses. O = Opportunity see an opportunity that can be utilized by Indonesia from the internal conditions of China. T = Threat see the possibility of threat to Indonesia come from China internal condition. This SWOT analysis is a qualitative analysis, so the writer does not use any quantitative figure.

### 4.2.1. Strength

#### 1. Natural resource abundance

The abundant of Indonesia's natural resources is an important asset for Indonesia to improve trade relations with China, because China is already at the level of final goods producers that requires a lot of raw materials for their industry, including from Indonesia. With the abundant of mining products, forestry, marine, agriculture, animal husbandry and fishery, Indonesia can take a role as a source of raw materials for China's industry.

#### 2. Production capacity is not maximized

Not maximized of production capacity is certainly not good for an industry because the utilization of the potential is not optimal. The existence of China's car assembly that uses the idle production capacity in Indonesia is a good start and positive because by doing assembly in Indonesia, China entrepreneurs will use part of the domestic component. In addition, by assembling in Indonesia China automakers at least will not be easy to go from Indonesia, so the after sales services are not neglected. With car assembly activities in Indonesia, China automotive investors do not just think as a trader, but also thinking about building or industrial plant that in the future can better compete with the cars from Japan.

#### 3. The country of FDI Destination

Since the New Order, Indonesia has become the main destination of FDI, especially from Japan. Indonesia even surpasses neighboring countries of ASEAN in Japanese FDI destination. But the 1998 crisis damaged conditions that attract FDI to Indonesia. This happens due to the deteriorating condition of Indonesia's infrastructure. Poor condition of electricity in Indonesia is most often mentioned by investors and economic observers. The worsening electricity situation was not due to a reduction of power supply compared to the new order era, but the growth of industry and the public demand for electricity faster than the growth of electricity development of power supply. As a result, there is under-supply of power to industry and household needs.

To restore Indonesia as main destination of FDI, especially from China, increasing electricity capacity is something that really should be a priority.<sup>3</sup>

4. The increase of Purchasing Power

Purchasing power can be seen from its economic growth, because economic growth reflects the increase in income. Indonesia currently has classified as a state at the lower middle income and in the near future (2013-2015), already can be classified as upper middle-income groups. Moreover, Indonesia's population is large (number three in the world), is a big market. China certainly would be very interested to enhance economic cooperation for the purposes of fulfilling their industrial raw materials as well as the marketing of their products.

**4.2.2. Weakness**

1. Still relies on the basic sectors (primary goods)

In international trade, the prices of basic commodities are very volatile. Sometimes the increase is very high, but it can also rapidly declining, as happened to the price of petroleum, palm oil, and coffee. This is very risky to the stability of Indonesia's export growth. The fluctuation of prices is sometimes very beneficial when a significant increase occurs in the international market. Like what ever happened to the price of coffee, as coffee crop in Brazil was failed,<sup>4</sup> as with the failure of clove production in the State of Zanzibar.<sup>5</sup> After the coffee production in Brazil is back to normal, the coffee prices declined sharply. This kind of situation, has direct effect on the value of Indonesia coffee exports, and income of Indonesian coffee farmers.

2. Poor Infrastructure especially electricity

The growth of electricity demand in Indonesia exceeds production growth capabilities. According to figures obtained by the writer, electricity demand is expected to increase 1000 megawatts (MW), whereas the annual growth of only about 500 MW (50%). This causes frequent power outages that hit all the parties both industrial and residential, as power outages based on region. If the extinction is carried out in industrial areas, the effect is to the cut of production in many industries. If the extinction is conducted in a residential area, the effect is the social unrest such as the occurrence of criminal acts. The government seems to have difficulty in straightening an important sector in this economy. Despite progress in electricity as 10,000 MW electricity project phase I (with the cooperation with China), but significant results have not been felt since in

<sup>3</sup> Other investment climate, is a regulatory and licensing issues, employment issues, tax issues, industry linkage, and security.

<sup>4</sup> Brazil is the biggest coffee producer in the world.

<sup>5</sup> Two States namely Tanganyika and Zanzibar merged into one state with the name of Tanzania.

the year 2010 the completed of project just reach 3500 MW, or one third of the target of 10,000 MW. Perhaps by the year 2012, Indonesia will enjoy a surplus of electricity.

3. Bad bureaucracy

Corrupt bureaucracy in Indonesia has become a stigma that not only comes from the internal Indonesian society and entrepreneurs, but also from the international investors and community. Corrupt bureaucracy in Indonesia causing a risk in doing investment in Indonesia is very high, resulting in the reluctance of foreign capital into Indonesia. Bribery is widespread and has been regarded as the norm of reasonable rules. Some appear as satire such as jargon "susutante" (voluntary contributions without pressure) which is very popular in the community in the 1980s. This is a reflection of the extent of graft-bribing practices among Indonesian bureaucracy and red tape led to Indonesia, including the index of the worst in Asia.

The bad conditions in the Indonesian bureaucracy can be caused by low incentives or salaries of civil servants. But bad bureaucracy is not merely a matter of incentives or simply pay for high salaries does not guarantee an official for not doing corruption.

Bribery and corruption in Indonesia has become a systemic disease because it has occurred almost in all lines. Unconsciously, the disease eventually turned into a culture and an inherent part of the bureaucracy itself and no longer regarded as a disease.

4. Resistance of certain groups against foreign economic actors

Writers read lots of comments from some observers, especially politicians and economist that the economy of Indonesia was colonized by foreigners. Their comment is made because they think the foreign ownership in the FDI is very dominant in the Indonesian economy. According to the opinion of the writer, in the era of globalization is less relevant if we are still talking about ownership of a business. Currently, each State actually competes to attract FDI into the country. It has been become a pattern of economic policy in almost all countries. Because in theory and practice, FDI going to accelerate the economic growth of a State. For example, since the new order, FDI from Japan and some European countries are engines of Indonesia economic growth that placed Indonesia in the current economic stage. Thus the resistance to foreign ownership in the economy (FDI) should be treated by giving the true and accurate information, so their understanding to the importance of FDI to Indonesia's economy is increased.

#### 4.2.3. Opportunity

1. China's economic growth is remarkable

The high growth of China's economy is a good opportunity for Indonesia to enhance economic cooperation with China. The growth of trade of both countries and the increased of FDI should be maintained and should be improved. Indonesia is rich in raw materials needed by China that can be utilizes as a tool it to increase Indonesia's exports to China. Forest products, mining, plantation and seafood are the primary commodity that is needed by China from Indonesia, besides, China's great demand of raw material for industrial purposes such as textile and garment accessories.

2. Indonesia China relations are on the rise

Considering the current potential, the writer believes that Indonesia China economic relations will continue to increase. The writer opinion is supported by the stage of economy of both countries is still in emerging economy. Therefore, there are still many economic potential that has not been optimally manage so the two countries are still has opportunity to work together in attempt to optimize this potential. Even the writers believe the current trend going, five or ten years to come China will become a number one Indonesia trading partner, and the volume of trade will increase three to five times of the current position (U.S. \$ 30 billion).

3. China investment abroad is quite high

Currently, China is actively doing FDI through program "go global", with the aim to optimize the growth of their economic growth. Domestic market alone is not enough for them because there is some potential that should be optimized in destination countries such as abundant raw materials, purchasing power, distribution line, and incentives for FDI. Those potential can not be utilize optimally if they just focus on domestic economic activity. Not to mention that China also wants to improve their status from the main destination of FDI becomes countries with large FDI abroad. They also began to filter incoming FDI, with priority to the more high-tech, whereas for products with lower-tech is given to domestic entrepreneurs.

4. Fellow members of ASEAN +3

As a fellow member of ASEAN +3, Indonesia and China can more easily improve bilateral relations, because through multilateral channels such as ASEAN +3 common visions for economic policy already exist between the two countries. Proximity through multilateral channels can be more deepened or enhanced through bilateral channels. Both countries understand the true strengths and weaknesses of each of which when properly synergize will be a tremendous force for the two countries. Indonesia that strong in natural

resources and China that strong in technology and marketing will become a good partner that needs each other.

#### **4.2.4. Threat.**

1. China has economic ties with many countries in the world, including with ASEAN

China's main trading partners are the United States, Japan and South Korea, followed by some European countries such as Germany, Russia, Netherlands and the UK. In ASEAN, the main trading partners of China are Singapore, Malaysia, Thailand, and Indonesia. Indonesia itself is in fourth position in ASEAN. This condition is a challenge for Indonesia to improve Indonesia's position as a China trading partner. President SBY has been committed to improve Indonesia's trade volume from U.S. \$ 30 billion in 2008 to U.S. \$ 50 billion in 2010. If everything goes according to plan, the target is not difficult to achieve, even possible to pass. So the commitment of government and business actors is an important factor to consistently mobilize all resources and efforts to achieve it.

2. Indonesia can be very dependent on China's economy

Become a State trading partner does have two very contradictory dimensions. The first side promises a benefit with the result of the increased volume of trade and rising prosperity of both sides. However, both sides can lead to dependence is one of the parties to the more dominant side. For example, Indonesia's exports depend on the U.S. market. When the economic crisis in the United States happened in the 2008/2009, Indonesia's export performance was in troubled marked by the decline Indonesian exports to the United States. This sort of thing could happen in Indonesia China relation if Indonesia is highly dependent to the export market to China. If something bad happens to the China economy, Indonesia's exports to China will be disrupted and bring the impact on Indonesian exports as a whole.

Therefore, Indonesia should not only depend on the number of export destination country only, but will be safer if there is diversification of export destination countries so that the risk can be more diffuse.

3. In doing FDI to Indonesia, China will employ their worker, especially skilled labor that unavailable in Indonesia

China is currently actively investing outside China or doing global penetration. Indonesia became one of China's state investor goals. The arrival of China's FDI to Indonesia must be an endowment to be grateful for a number of aspects related to the addition benefits of FDI that can be enjoyed by Indonesia such as employment opportunities, good externalities and also additional government

revenue in the form of taxes. However, employment conditions are not yet ready to Indonesia especially at the level of managerial and experts that may cause China bringing their labor from China. This has a double implication.

Economically it will close the employment opportunities for Indonesian workers. Politically it would be politicized by saying that China FDI had invaded the Indonesian economy by not providing an opportunity for Indonesian workers to be included in their projects. This may create further social upheaval of hatred for the foreign entrepreneurs, especially from China.

4. China has a lot of commodities which are similar to Indonesia

As a developing country, China is approximately the same position with Indonesia. Consequently, a few primary commodities and manufactures both are equally generated by the State. Clear example is the case of Indonesia and China that are producing textile, garment, footwear, electronics, and furniture. In the practice of international trade, both countries are competing to sell the goods to a country like the United States, Japan or any European country. Many cases, those China goods can beat Indonesia's goods because China can sell cheaper than Indonesia. This is possible because China has a comparative advantage as labor costs are less expensive than Indonesia and also the financial and tax incentives are better than Indonesia. If this kind of accident can not be facilitated, it can lead to conflicts of trade between Indonesia and China.

## V. CONCLUSION

From the analysis carried out by using a SWOT analysis and trends mentioned above, there are several conclusions can be drawn.

1. It is seen a rapid growth in trade relations Indonesia and China. But there is a trend that the growth of Indonesian exports to China is lower than the growth of Indonesian imports from China. This leads to the occurrence of Indonesia's trade deficit against China that has started to happen since 2006.
2. There is a tendency that Indonesia's exports to China will pass Indonesia's exports to Japan's which have been the main destination of Indonesia's export.
3. China's economic growth is so fast these days, requires the State to increase their imports mainly raw materials. Indonesia that has abundant natural resources should take advantage of these conditions to increase Indonesia's exports to China.
4. China is currently doing the movement "go global" to increase their FDI abroad. Indonesia, which has several advantages compared to other countries to attract China's FDI, should optimize the potential to attract as much China's

FDI to Indonesia. An abundance of natural resources, increasing people's purchasing power with the increase of Indonesia population income, should be made as an advantage to attract China's FDI to Indonesia.

5. Besides as a trading partner China is also an Indonesia's competitor in international trade. Cheaper price, low wages, government incentives, and network are several benefits of China from Indonesia. While Indonesia excel in abundance of natural resources, and better quality of product.
6. The condition of Indonesia's infrastructure in particular electricity is very poor in recent years. This has become one of the inhibitors for Indonesia to compete with competitor countries in attracting FDI into Indonesia, particularly FDI from China.
7. Indonesia's membership in several regional forums such as ASEAN +3, and the Chiang Mai Initiative could be used as a bridge for improving Indonesia China economic relations in the future.

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