



## PRESS RELEASE

### **The Impacts of ACFTA to Indonesia-China Trade**

**Jakarta, 2 May 2011.** PT ICRA Indonesia (ICRA Indonesia) has released a commentary on the impacts of ACFTA to Indonesia-China Trade.

ICRA Indonesia analyzes the advantages and challenges that ACFTA offers for the Indonesian economy, considering particularly the trade balance between Indonesia and China during the period 2005-2010. While the agreement holds some positive implications, such as wider access to the large Chinese market for Indonesian exporters, and greater product choices and lower product prices in the domestic market, some adverse effects, especially related to the industrial sector, need to be addressed.

We notice the performance of exports from the industrial sector has been declining relative to total exports to China to 56.9% in 2010 from 91.4% in 2005. The factors contributing to the adverse performance could include poor infrastructure, limited access to capital, and an unfavorable investment climate as compared with China and the neighboring countries.

ICRA Indonesia expects the disadvantages to the industrial sector to continue at least in the short to medium term. In the long run, there might be some improvements in this sector because of the significant increase in capital goods imports and if some short to medium term domestic issue are resolved.

In addition, both China and Indonesia need to promote and ensure fair implementation of the agreement. Any findings on the contrary need to be followed up either bilaterally or through ASEAN organization.

Full commentary is available on [www.icraindonesia.com](http://www.icraindonesia.com)

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