

CHAPTER V

CONCLUSION

A. Conclusion

Based on data analysis conducted, it can be concluded as follows:

1. Trade Intensity Index (TII) value ASEAN-5 to Australia and New Zealand 2004-2016 generally has a value more than one ($TII > 1$) which shows the export intensity of ASEAN-5 countries to Australia and New Zealand above average, other countries exporting to Australia and New Zealand, only Philippines still have less than one ($TII > 1$) which shows the intensity of exports by Philippines to Australia and New Zealand below the average rate of other countries exporting to Australia and New Zealand. Although the value of TII countries of ASEAN-5 (except Philippines) is more than one ($TII > 1$), in the case of Singapore and Philippines has a downward trend from 2004 to 2016, unlike the case of Indonesia, Malaysia, and Thailand which experienced an increase in TII Value. While the Trade Intensity Index (TII) Australia and New Zealand in 2004-2016 to the ASEAN-5 countries the results vary. In this case Australia still has a value more than one ($TII > 1$) which shows Australia exports to the ASEAN-5 countries above the average level of other countries exporting to the ASEAN-5 countries except to Singapore in 2010-2016, the intensity of Australia exports to Singapore decreased in 2010 (imposed AANZFTA) until 2016 has less than one TII value ($TII < 1$). The value of TII New Zealand to ASEAN countries still has a

value more than one ($TII > 1$) which shows New Zealand exports to the ASEAN-5 countries above the average rate of other countries exporting to the ASEAN-5 countries except to Singapore starting in 2010, while Indonesia, Malaysia, Thailand starting in 2016 has less than one TII value ($TII < 1$). It can be concluded that after the result is different, Australia in this case remains a positive trend after implementing AANZFTA, while New Zealand actually gets a negative trend after enacting AANZFTA with ASEAN countries.

2. Based on the results of data processing by Constant Market Share (CMS) method produces three effects. In 2004-2010 or before the enactment of AANZFTA the World Trade Effect (WTE) has become an export advantage of the ASEAN-5 countries to Australia and New Zealand. While the Commodity Composition Effect (CCE) and the Competitiveness Effect (CME) is the weakness of ASEAN-5 countries in bilateral trade with Australia and New Zealand. After the enactment of AANZFTA, the ASEAN-5 countries generally experience a change from negative to positive trend or the opposite and there are countries that remain consistent.

a. In the case of World Trade Effect (WTE) for ASEAN-5 countries have value consistent with the positive trend from period 2004-2010 to 2010-2016 before or after enacted AANZFTA. However, the World Trade Effect (WTE) Thailand

in 2010-2016 has changed from positive to negative towards Australia.

- b. In Commodity Composition Effect (CCE) generally, ASEAN-5 countries experienced an increase after AANZFTA applied to Australia and New Zealand. Only Philippines that remain consistent with the negative trend towards the export of Philippines to Australia and Thailand remain consistent with the negative trend towards Thailand exports to New Zealand.
- c. On the Competitiveness Effect (CME) is generally still a weakness of some ASEAN-5 countries in sustaining exports of ASEAN-5 countries 2010-2016. The case of ASEAN-5 to Australia, only Thailand able to change from negative to positive trend towards Thailand export to Australia. While in the case of ASEAN-5 to New Zealand only Indonesia and Singapore are able to change from negative to positive trend towards exports of Indonesia and Singapore to New Zealand.

B. Implications

Based on the results of these studies can be put forward the following implications:

1. Free Trade Area with other countries.

In 2010, in addition to enacting AANZFTA, ASEAN has enacted Free Trade Agreements (FTAs) against ASEAN friendly countries, such as ASEAN-China Free Trade Area (ACFTA), ASEAN-Korea Free Trade Area (AKFTA) and ASEAN-India Free Trade Area (AIFTA). ASEAN countries are increasing exports to China, South Korea and India. This is in line with the gradual focus of the countries joined in AANZFTA rising not only within the scope of AANZFTA but against other countries that have more effective and efficient export performance.

2. People's Republic of China (PRC) trade dominance with AANZFTA members.

The dominance of countries joined in AANZFTA has been dominated by China trade. ASEAN is a very aggressive country in cooperation with China especially enacting the ASEAN-China Free Trade Area (ACFTA), within 5 years the significant increase in exports and imports between ASEAN-5 countries and China. Australia and New Zealand also participate in the dominance of Chinese trade in Australia and New Zealand. So this has an impact on the decline of exports of ASEAN-5 countries to Australia and New Zealand.

3. Competitiveness

Based on the results of CMS, the main weakness of export performance of ASEAN-5 countries in AANZFTA is the effect of competitiveness. This is because the export products of ASEAN-5 countries to AANZFTA market that are not competitive, potentially competing or experiencing a change of competitiveness are the products included in the ASEAN Priority Integration List (ASEAN PIS) sector. Thus, this export product faces competition challenges derived from trade facilitation in the AANZFTA scheme as well as the ASEAN PIS.

4. Most Favored Nations (MFN)

Cooperation of People's Republic of China (PRC) is able to dominate trade in ASEAN-5 countries by decreasing 0% tariff on almost all commodities traded by China import duty tariff, so this export performance of both parties more effective and efficient. the AANZFTA scheme The number of tariff postings at 0% rates in New Zealand and Australia is higher than the number of tariff posts at 0% tariffs on New Zealand and Australian import duty tariff. In addition, the number of tariff posts where the tariff has reached 0% in 2010 based on a scheme of the trade agreement is also more than the number of products where the MFN tariff rate is the same as the AANZFTA scheme. This implies that the exports of some of the fewer ASEAN-5 countries are being compared to Australia and New Zealand.

C. Recommendation

From the result of research, the researcher has some recommendations those are:

1. Governments in each of ASEAN-5 countries can review the benefits they gain from free trade area policy with Australia and New Zealand or better known as the ASEAN-Australia New Zealand Free Trade Area (AANZFTA) because after the policy is done the export intensity of countries ASEAN-5 to Australia and New Zealand generally decline, especially to the export of ASEAN-5 to Australia.
2. ASEAN-5 countries can work to increase the intensity and improve the quality of export products of ASEAN-5 countries by providing export subsidies and technological improvements because of the CMS analysis of the ASEAN-5 countries managed to export commodities to the Australian and New Zealand market but not has competitiveness with other countries' commodities in the Australia and New Zealand markets.
3. for researchers who want to research the same case, can add effects in the CMS analysis in order to perform a more comprehensive analysis.

D. Limitations of research

This research has been carried out in accordance with the Scientific procedure, although it still has some limitations such as:

1. In the object of this study does not take into account all ASEAN countries. Brunei Darussalam and the CLMV Countries (Cambodia, Laos, Myanmar, and Vietnam) engaged in free trade agreements with Australia and New Zealand was not taken into account in this study. The author only takes into account the five ASEAN countries namely Indonesia, Malaysia, Singapore, Thailand and Philippines.
2. In this study, the data used are not specific to per commodity. This research only retrieves two digits Standard International Trade Classification code (SITC) Revision 2.