

CHAPTER 4

OVERVIEW OF INDONESIAN AND TURKEY TRADE PERFORMANCE

Currently trade relations Indonesia with Turkey is getting better and continues to increase, even more with the agreement of bilateral cooperation in the economic sector which is currently carried out cooperation agreements to 7 times and still continued. Trade relation between Indonesia and Turkey for each country has the potential strategic and profitable. Turkey, in view of Indonesia as an entry into the EU (*European Union*) because Turkey is geographically contiguous to the EU (*European Union*) so that Indonesia can enter the product into the market through the European Union which Turkey has no trade barriers. Indonesia from Turkey side as the entrance countries in Southeast Asia Indonesia is also a member of ASEAN which is a big market for Turkey after FTA between ASEAN – China, ASEAN – Korea so that Turkey could enter products into the Asian market which has no trade barriers.

Besides that, in the international relations both countries also play an active role. This can be seen in involvement by becoming a member of international institutions like the UN, OKI, WTO, G20, OPEC, etc.

According to CIA data – World Factbook, the value export of Indonesia in 2007 was ranked 32nd in the world with a total value export amounted to US\$ 118 billion while the value export of Turkey was ranked 34th in the world with a total value export amounted to US\$ 115,3 billion. In 2008 the estimation Indonesia value export ranked 33rd with total value export amounted US\$ 136,8 billion, meanwhile Turkey value export was ranked 32nd with a total value export amounted US\$141,8 billion. Although total trade value of Turkey experience a significant increase from the year 2007 until 2008, but the trade balance between Indonesia and Turkey still has a large enough surplus to non-oil sector. This is seen in the table below:

Table 1
Trade Balance
INDONESIA – TURKEY
2004 – 2008

(Value: Thousand US\$)

Description	2004	2005	2006	2007	2008	Trend (%)	Jan – Apr		Change (%)
						2004 - 2008	2008	2009	2009/2008
TOTAL TRADE	409.908,9	634.729,2	802.982,3	1.780.690,7	2.088.530,3	53,54	541.866,1	338.375,0	-37,55
MIGAS	457,1	23.456,3	410,7	607.027,8	891.623,1	529,99	101.694,8	113.845,61	11,95
NON MIGAS	409.451,9	611.272,9	802.571,7	1.173.662,9	1.196.907,2	32,28	440.171,3	224.529,4	-48,99
EKSPOR	356.402,0	565.888,2	724.132,5	1.045.194,8	871.615,4	27,15	329.465,9	160.807,8	-51,19
MIGAS	0,0	22.801,0	0,0	0,0	0,0	0,00	0,0	0,0	0,00
NON MIGAS	356.402,0	543.087,2	724.132,5	1.045.194,8	871.615,4	27,68	329.465,9	160.807,8	-51,19
IMPOR	53.506,0	68.841,0	78.849,9	735.495,9	1.216.914,9	136,72	212.400,2	177.567,2	-16,40
MIGAS	457,1	655,3	410,7	607.027,8	891.623,1	800,99	101.694,8	113.845,6	11,95
NON MIGAS	53.049,9	68.185,7	78.439,2	128.468,1	325.291,8	53,12	110.705,5	63.721,6	-42,44
TRADE BALANCE	302.895,1	497.047,1	645.383,6	309.698,9	-345.299,5	0,00	117.065,6	-16.759,3	-114,32
MIGAS	-457,1	22.145,7	-410,7	-607.027,8	-891.623,1	0,00	-101.694,8	113.845,6	11,95
NON MIGAS	303.352,1	474.901,4	645.693,2	916.726,7	546.323,6	20,13	218.760,4	97.086,3	-55,62

Source: Statistic Central Bureau (Processed by MoT)

4.1 Overview Indonesian Economy

Indonesia is a country where located on the equator with the capital city named DKI Jakarta which is the centre of Government and business centre. Indonesian territory consists of the islands, and some of its territory consists of water. The border state of Indonesia is Singapore, Malaysia, and Brunei Darussalam to the North, the east by the state of Papua New Guinea and the North Pacific Ocean, the south by the state of Australia, and the west is bordered by the Indian Ocean. State of Indonesia location is very strategic because it located on the equator which is the area are used as a crossing of trade between countries in the world. Indonesia has natural resources that are abundant with agricultural products as rice, cassava (tapioca), peanuts, rubber, cocoa, coffee, palm oil, copra, poultry, beef, pork, eggs, etc. for industrial product as petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food, tourism, etc. according to World Bank data, Indonesia including developing country. With these data information for Turkey, Indonesia is a potential trading partners because according to Turkey, Indonesia has great access to marketing their product beside that Indonesia is one of the ASEAN members that have large markets access.

4.1.1 Indonesia Macro Economic Review

In time of “Orde Baru” Indonesia economic including a good country for economic growth, but in 1997-1998 Indonesia have experience crisis which caused by regional crisis that started in Thailand. So Indonesia still needs long time to get out from the crisis, despite being assisted by the IMF (*International Monetary Fund*) one of international financial institutions. Approximately in 2001-2002 Indonesia economy gradually is better. This can be seen in table 2 below:

Table 2
Main Macroeconomics Indicators Indonesia

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP Growth (%)	5.4	3.64	4.50	4.72	5.03	5.69	5.50	6.28	6.60
Inflation (%)	9.35	12.55	10.03	5.1	6.4	17.11	6.6	6.59	11.06
Population (000)	205.220	208.000	211.000	214.000	216.381	218.869	222.192	231.627	234.342
Unemployment (%)	6.08	8.1	9.1	9.5	9.4	10.8	10.3	9.1	8.4
FDI (million \$)	1.584	3.509	3.083	5.445	4.572	8.911	5.991	10.341	14.871

Source: BPS (Central Statistic Bureau), BKPM, OECD Factbook, CEIC, (processed)

At that table are shown GDP growth of Indonesia from 2000 until 2001 has decrease from 5.4% to 3.64%, the decline was due to the crisis. After 2001 Indonesia's GDP growth were continued to increase significantly. In the part of population have occurred growth population each year, with the increase in population is a potential market to share despite the inflation and unemployment data are show increasing and decreasing but the movement is relatively stable, because if we review the FDI (*Foreign Direct Investment*) data have occur increasing significant from 2000 until 2008. This condition indicated the existence of a very good confidence of foreign investors to invest their capital in Indonesia, it mean that the capital inflow to Indonesia so for unemployment and inflation problems can be resolved.

4.1.2 Indonesia Trade Performance

Indonesia to increase revenue and fulfil the needs of raw material or end product domestic demand, Indonesia has been long time to do international trade relations, in which to increase country revenue and introduce the

Indonesia product it has to do export to all various countries which is one of Turkey as a partner country. In addition to fulfil the need of raw material and end product domestic demand. Indonesia has to do the import from all various countries including Turkey.

Therefore, to find out how big trade performance and the share of Indonesia in the world including Turkey. It can be seen on table 3 as follow,

Table 3
Indonesia Trade Performance

Partner	Year (US \$ Million)							2002-2008	
	2002	2003	2004	2005	2006	2007	2008	Trend	Share
Indonesia Export to Partner Country									
Total World	57,149.2	61,050.9	71,582.1	85,659.9	100,797.4	114,100.9	137,019.9	16.3	100.0
Turkey	326.5	450.4	623.4	750.2	1,031.3	1,359.9	1,408.9	28.9	0.9
Other	57,149.2	61,050.9	71,582.1	85,659.9	100,797.4	114,100.9	137,019.9	16.3	99.1
Indonesia Import from Partner Country									
Total World	31,060.2	32,250.2	46,333.0	57,411.3	60,655.2	74,473.4	129,219.9	24.9	100.0
Turkey	22.7	48.6	53.5	68.8	78.8	735.5	1,217.6	88.6	0.3
Other	31,060.2	32,250.2	46,333.0	57,411.3	60,655.2	74,473.4	129,219.9	24.9	99.7

Source: Data WITS (World Integrated Trade Solution), processed

On that table are shown data about total export and total Import Indonesia trade form year 2002 until 2008. The total data of export import from/to the world and Turkey as one of partner trade, the data shown the increase as significantly in every year for trade transaction. The total export Indonesia trade to partner countries exclude Turkey in 2002 in amount of US\$ 57.149,2 million, for export to Turkey for about US\$ 326.5 million. Whereas, to value of total import Indonesia trade from partner exclude Turkey in amount of US\$ 31,060.2 million, import from Turkey is about US\$ 22.7 million. Next, total export Indonesia trade from partner countries exclude Turkey on 2003 in amount of US\$ 61.050,9 million, for export to Turkey is about US\$ 450.4 million. Whereas, for value total import Indonesia trade from partner countries excludes Turkey in amount of US\$ 32.250,2 million, for import from Turkey is about US\$ 48.6 million. For the next year, still continue the increasing in export import side it means any equilibrium in trade despite amount of value between export - import with Turkey the export value is more bigger than import value.

It can be seen on that table in 2008, for total export Indonesia trade to partner countries exclude Turkey is US\$ 137.019,9 million; export to Turkey is about US\$ 1.408,9 million. In addition for value of total import Indonesia trade from partner countries exclude Turkey is 129.219,9 million; import from Turkey is US\$ 1.217,6 million. However the trade share of Indonesia with Turkey is still very small relatively where is for Indonesia export to Turkey is 0.9%, for import Indonesia from Turkey is 0.3%. If comparing the trade share of Indonesia with the world, where is for Indonesia export to the world is 99.1%, for Indonesia import from the world is 99.7% it mean Turkey is not become main export-import destination country yet for Indonesia.

Besides that, the Indonesia trade performance can be also seen by product. Based on data WITS (World Integrated Trade Solution) proceed in 2008 by using HS code a 2 digit and sorted by the amount of the imports value of Indonesia from the world have 20 product which have a import value with biggest of share per product, it can be seen on table 4. It shows that from the products which have biggest of share per product for import Indonesia from Turkey only 5 product which have a value more then 1 percent. While share Turkey products in Indonesia market, from the biggest products which have share more than 1 percent only 2 products. In addition for the products Turkey export to the world for Indonesia share there are only 5 products have value more than 1 percents.

Table 4
Indonesia Trade Performance
Per Product, Year 2008

No	Product		Indonesia Import from World		Indonesia Import from Turkey		Turkey Product Share in Indonesia Market	Indonesia Tariff	Turkey Export to World	
	HS 2 Dgt	Description	Value	Share Per Product	Value	Share Per Product			Value	Indonesia Share per Product
			US \$ Thousand	%	US \$ Thousand	%	%	%	US \$ Thousand	%
	Total Non Migas		129,220,131	100.00	1,217,605	100.00	0.94		130,647,297	0.9
1 27	Mineral fuels, oils & product of th		30,682,347	23.74	891,623	73.23	2.91	3.99	7,531,460	11.8
2 84	Nuclear reactors, boilers, mchy & m		18,302,788	14.16	10,522	0.86	0.06	2.22	10,260,310	0.1
3 85	Electrical mchy equip parts thereof		14,186,436	10.98	28,054	2.30	0.20	5.87	7,967,244	0.4
4 72	Iron and steel.		8,281,827	6.41	44,932	3.69	0.54	5.46	14,946,356	0.3
5 87	Vehicles o/t railw/tramw roll-stock		6,654,580	5.15	3,136	0.26	0.05	18.77	18,209,707	0.0
6 29	Organic chemicals.		5,132,356	3.97	25,315	2.08	0.49	3.39	469,253	5.4
7 39	Plastics and articles thereof.		3,949,046	3.06	292	0.02	0.01	10.84	3,564,301	0.0
8 73	Articles of iron or steel.		3,332,016	2.58	216	0.02	0.01	10.03	5,742,371	0.0
9 31	Fertilisers.		2,464,849	1.91	262	0.02	0.01	0.11	217,321	0.1
10 10	Cereals		2,197,800	1.70	-	-	0.00	2.75	38,412	0.0
11 88	Aircraft, spacecraft, and parts the		2,036,774	1.58	9,303	0.76	0.46	0	236,257	3.9
12 52	Cotton.		1,991,408	1.54	8,211	0.67	0.41	0	1,633,664	0.5
13 23	Residues & waste from the food indu		1,744,992	1.35	236	0.02	0.01	2.19	52,129	0.5
14 47	Pulp of wood/of other fibrous cellu		1,474,812	1.14	1,599	0.13	0.11	1.58	7,407	21.6
15 90	Optical, photo, cine, meas, checkin		1,458,419	1.13	105	0.01	0.01	4.59	364,913	0.0
16 28	Inorgn chem; compds of prec mtl, r		1,451,068	1.12	15,998	1.31	1.10	4.41	239,311	6.7
17 40	Rubber and articles thereof.		1,414,892	1.09	248	0.02	0.02	7.73	1,807,989	0.0
18 89	Ships, boats and floating structure		1,395,797	1.08	10	0.00	0.00	2.35	2,646,783	0.0
19 76	Aluminium and articles thereof.		1,242,934	0.96	-	-	0.00	9.23	1,776,620	0.0
20 38	Miscellaneous chemical products.		1,191,884	0.92	2,927	0.24	0.25	5.1	364,734	0.8

Source: data WITS (World Integrated Trade Solution), processed

4.1.3 Indonesia Trade Policy

In trade policy review report by Indonesia (WTO) mention participation of Indonesia in international organizations in the field of trade (WTO) had impact on Indonesia trade policy, where all WTO members, including Indonesia should be fulfilling what commitments had been decide in the meeting. Uruguay around is the last meeting of the conference conducted in WTO, Indonesia implemented significant changes in its bound MFN tariffs over the period 1996-2003 (under Minister of Finance Decree No. 378/KMK.01/1996). Furthermore, Indonesia has begun to implement further changes in its applied MFN rates under the ASEAN Tariff Harmonization Program for the period of 2005 to 2010, as well as reductions in AFTA preferential rates, consistent with its views on the importance of integration within the Asian region. However to accommodate national economic interests, there are several products have been excluded from the general schedule of tariff reduction program. These are mainly in the agricultural, chemicals, plastics, metals, alcoholic beverages and automotive sectors, as well as products related to moral and security items. The

tariff reduction schedule for these products was stipulated in the Minister of Finance Decree No. 542/KMK.01/1997. The implementation of the tariff reduction program has changed Indonesian tariff structure significantly. By the end of the tariff reduction program in 2003, the average rates had decreased to 7.2%, while rates lying in the 0-10 per cent range had increased to 83.4 per cent of lines. Then, one year after the tariff reduction program ended, Indonesia adopted the new tariff classification under “ASEAN Harmonized Tariff Nomenclature” (AHTN) as part of Indonesian commitment under AFTA. The purpose of the programme is to decrease gradually and harmonisation of tariff, and also to reduce inter-sector distortions, and maintain a moderate overall level of assistance to the productive sector on an MFN basis.

In trade policy review report by Indonesia (WTO) also mention For Non-tariff measure, Indonesia has also been progressively eliminating non-tariff measures, particularly the use of import licences which is currently limited to dangerous materials; explosives; ozone-depleting substances; alcoholic beverages; salt; propylene copolymers; lubricant; clove; textiles and textile products; nitrocellulose; machines and machinery; optical discs; and rough diamonds. Than the report also mention the most important measures still in place are: i) the regulation on the timing of the import of rice and sugar: ii) verification and other requirements for the export of tin and granite; and iii) the ban on the export of logs and sand. The rice import regulation is intended to provide support for poor farmers in the face of distorted world prices as a result of subsidies by some rice-exporting countries, but it is periodically relaxed at times of shortage, that is during non harvest periods, to stabilise prices. The ban on the export of logs is used to support Indonesia’s forestry and wildlife conservation policy while a broader forest management programme is being put in place. Because of many islands and the rugged terrain, it is difficult and requires extensive resources to implement the forest management programme, which is also targeted at mining and to support forest or near-forest dwellers. The government is also planning a compensation tax to be paid by mining and

logging companies to compensate for environmental damage and finance re-forestation programme, to be implemented by local communities. Given the porous sea and land border, the export ban allows the immediate identification of illegal logs leaving the country. Cooperation is also being provided by a number of neighbouring countries as well as European countries in controlling the import of logs from Indonesia. Although a log export ban is currently in effect, relaxing the export ban has been under study mainly in relation to the plantation forestry program (Trade policy review report by Indonesia, May 2007).

4.2 Overview Turkey Economy

Turkish country is a big country in the Eurasia region, as geographically located that very strategic region. Which Turkey area stretches from Anatolian peninsula in Southwest Asia and the Balkans in Southeast Europe, Turkey countries to the north was bordered on the Black Sea; Bulgaria on the Northwest; Greece and the Aegean Sea to the West; Georgia in the Northeast; Armenia, Azerbaijan, and Iran in the East; thus in Southeast there is Iraq and Syria; and in South side of the Mediterranean Ocean, whereas sea of Marmara, it is part of Turkey which is the boundary of Europe and Asia, so Turkey is known as the transcontinental country because the region is locate on two continents. By the strategic location of the area it is very beneficial if doing the trade with Turkey. Turkish Economy largely dominated by modern industrial and service sectors, with main industries are textile, food processing, autos, electronics, mining (coal, chromites, copper, boron), steel, petroleum, construction, lumber, and paper. According to the CIA factbook Turkey categorized as developed country, while according to the World Bank categorized as upper-middle income country. In the category for Indonesia, Turkey is one of the potential trading partners, because according to data from BPS (Central Statistic Bureau) value of Indonesian exports to Turkey is greater than the value of Turkish export to Indonesia so that Indonesia is very profitable.

4.2.1 Turkey Macro Economic Review

In the past century, the country of Turkey constitutes big country in economy or the state in which controls the world. As long time and development of other countries in the world that's become different, even more in year 2000, Turkey has experienced economic and political crisis until year 2001. To overcome that crisis Turkey was helped by IMF with their programmes are: an exchange-rate base disinflation programme. The beginning of 2002 Turkish economy experienced a significant improves until now. According to the data, Turkey macroeconomic indicators of growth can be seen in the table below:

Table 5
Main Macroeconomics Indicators Turkey

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP Growth (%)	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.6	1.0
Inflation (%)	49.2	52.9	37.4	23.3	12.4	7.1	9.3	8.1	10
Population (000)	67.393	68.367	69.304	70.231	71.151	72.065	72.971	73.875	74.767
Unemployment (%)	6.5	8.4	10.3	10.5	10.3	10.3	9.9	9.9	9.9
FDI (million US\$)	982	3.352	1.133	1.752	2.786	10.026	19.912	21.957	18.012

Source: CIA World Factbook, OECD Factbook, TCMB (central bank), processed

On these table show GDP growth Turkey in 2002 is 6,2 percent which is experience increase remarkable than the previous year. At the time of the Turkish crisis GDP growth reached approximately minus 5,7 percent. Thus in the year 2003 has experience decreasing with GDP growth of 5,3 percent. But in 2004 according to data GDP growth of Turkey is occur remarkable increasing and this is the highest GDP growth in Turkey to reach 9,4 percent after experiencing a crisis as long as 2000 until 2001. Then, after year 2004 GDP growth of Turkey did not experience a drastic increase because for economic condition has tends to relatively stable. This case can be seen on the other indicator macroeconomic as Inflation, in 2001 Turkey has experienced the high inflation to reach 68,5 percent where in these year the crisis still hit Turkey, next, in 2002 inflation began to experience a significant decrease in amount of 29,7 percent, and next year inflation continued to decline until the year 2007 in

amount of 8,39 percent, due to Turkey's economy getting better and increased or in other words is relatively stable.

4.2.2 Turkey Trade Performance

What Turkey do to increase revenue and to fulfil the need of domestic raw materials and the end of product Turkey, are not much different from Indonesia or other countries in the world that is to do international trade relationship, in which to increase state revenue and introduce Turkey products. Turkey exports their products to various countries in which one of them is Indonesia as a partner. In addition to fulfil the needs of raw material and end product domestic, Turkey also doing the imports from other countries, including Indonesia as partner.

Therefore, to find out how much trade performance and share of Turkey in the world including Turkey to Indonesia, it can be seen in table 6 below,

Table 6
Turkey Trade Performance

Partner	Year (US \$ Million)							2002-2008	
	2002	2003	2004	2005	2006	2007	2008	Trend	Share
Turkey Export to Partner Country									
Total World	35,753.6	47,245.9	63,111.0	73,466.6	85,505.5	107,229.9	131,930.0	23.3	100.0
Indonesia	28.3	47.0	54.1	80.8	84.9	173.7	284.4	42.9	0.1
Other	35,753.6	47,245.9	63,111.0	73,466.6	85,505.5	107,229.9	131,930.0	23.3	99.9
Turkey Import form Partner Country									
Total World	51,268.5	69,328.7	97,537.0	116,773.4	139,568.9	170,061.7	201,958.6	25.1	100.0
Indonesia	326.5	450.4	623.4	750.2	1,031.3	1,359.9	1,408.9	28.9	0.7
Other	51,268.5	69,328.7	97,537.0	116,773.4	139,568.9	170,061.7	201,958.6	25.1	99.3

Source: data WITS (World Integrated Trade Solution), processed

In table 6 shows the trade export-import data of Turkey from 2002 until 2008 about export-import Turkey into the world and Indonesia as one of partner countries. The data showed a significant increase every year. Total export of Turkey to partner countries exclude Indonesia in 2002 is US\$ 35.753,6 million, and total exports to Indonesia is US\$ 28,3 million. Meanwhile, for a total value of imports Turkey from partner countries exclude Indonesia is US\$ 51.268,5 million, and total import from Indonesia is 326,5 million. Furthermore, in 2003 Turkey's total exports to partner countries exclude Indonesia is US\$ 47.245,9

million, and total export to Indonesia is US\$ 47,0 million. Meanwhile, for total value of imports from Turkey partner countries exclude Indonesia is US\$ 69.328,7 million, and total import from Indonesia is 450,4 million. For the next year still have experience increasing from export and import side, its means a balance in trade value despite the large amount of export and import with the Indonesia is still greater than import value of export value. This can be seen in 2008 from the table that the total exports of Turkey to trade partner countries exclude Indonesia is about US\$ 131.930,0 million, and total export to Indonesia is US\$ 284,4 million. Meanwhile, for a total value of imports from Turkey trade partner countries exclude Indonesia is US\$ 201.958,6 million, and total import from Indonesia is US\$ 1.408,9 million. However, the share of Turkey trade with Indonesia is still relatively small, namely to export of Turkey to Indonesia in amount of 0.1%, Turkey to import from Indonesia in amount of 0.7%. If compared with the share of world trade with Turkey, for export to the world for Turkey 99.9%, to import from the world for Turkey 99.3%, which means that Indonesia had become the main destination countries for Turkey export-import.

In addition trade performance can also be seen from the side of Turkey trade per product. Base on data WITS (World Integrated Trade System) processed in 2008 using 2 digit HS code, and then sorted by the amount of the value of world imports Turkey there are import value and the largest share of products, it can be seen in table 7. In that table showed that of products which have the largest share of a product to import from Indonesia to Turkey is a product that has 11 product value of more than 1 percent, while the share of Indonesian products in the market from biggest Turkey products that has 6 products above 1 %. Moreover if viewed from Indonesian export these products into the world for share in Turkey, there are 9 products that have value of more than 1 %,

Table 7
Turkey Trade Performance
Per Product, Year 2008

No	Product		Turkey Import from World		Turkey Imports from Indonesia		Indonesia Product Share in Turkey Market	Turkey Tariff	Indonesia Exports to World	
	HS 2 Dgt	Descriptions	Value	Share per Product	Value	Share per Product			Value	Share Turkey per Product
			US \$ Thousand	%	US \$ Thousand	%	%		US \$ Thousand	%
	Total	Non Migas	185,517,276	100.00	1,408,532	100.00	0.76		137,020,424	1.0
1 27		Mineral fuels, oils & product of th	32,811,605	17.69	27	0.00	0.00	0.76	39,782,512	0.0
2 72		Iron and steel.	23,157,920	12.48	2,929	0.21	0.01	1.33	1,689,096	0.2
3 84		Nuclear reactors, boilers, mchy & m	22,714,321	12.24	82,013	5.82	0.36	1.73	5,211,567	1.6
4 85		Electrical mchy equip parts thereof	13,714,416	7.39	54,462	3.87	0.40	2.66	8,265,854	0.7
5 87		Vehicles o/t railw/tramw roll-stock	12,547,203	6.76	21,698	1.54	0.17	4.82	2,818,845	0.8
6 39		Plastics and articles thereof.	9,391,172	5.06	98,367	6.98	1.05	5.97	2,132,333	4.6
7 71		Natural/cultured pearls, prec stone	5,653,782	3.05	14,376	1.02	0.25	0.72	1,068,795	1.3
8 30		Pharmaceutical products.	4,355,789	2.35	560	0.04	0.01	0	205,335	0.3
9 29		Organic chemicals.	4,133,214	2.23	19,043	1.35	0.46	4.31	1,847,040	1.0
10 90		Optical, photo, cine, meas, checkin	3,444,912	1.86	2,276	0.16	0.07	2.03	545,280	0.4
11 74		Copper and articles thereof.	3,275,972	1.77	7	0.00	0.00	3.42	2,202,460	0.0
12 48		Paper & paperboard; art of paper pu	2,605,213	1.40	62,596	4.44	2.40	0	3,737,544	1.7
13 76		Aluminium and articles thereof.	2,543,704	1.37	270	0.02	0.01	6.19	865,175	0.0
14 52		Cotton.	2,331,906	1.26	35,895	2.55	1.54	6.16	659,660	5.4
15 73		Articles of iron or steel.	2,227,428	1.20	2,563	0.18	0.12	1.96	1,399,549	0.2
16 40		Rubber and articles thereof.	2,219,494	1.20	168,574	11.97	7.60	2.47	7,637,311	2.2
17 10		Cereals	2,137,329	1.15	0	-	0.00	22.96	47,611	0.0
18 38		Miscellaneous chemical products.	1,734,687	0.94	21,845	1.55	1.26	5.2	1,581,954	1.4
19 55		Man-made staple fibres.	1,695,924	0.91	232,485	16.51	13.71	6.21	1,625,189	14.3
20 28		Inorgn chem; compds of prec mtl, r	1,684,704	0.91	1,670	0.12	0.10	4.81	735,491	0.2

Source: data WITS (World Integrated Trade Solution), processed

4.2.3 Turkey Trade Policy

Turkey has the goal of principled trade policy on "free and fair trade" which applied at all levels in every relationship with other countries. Turkey is holding the rules made by the WTO (World Trade organization) are considered as a platform to set the course of the multilateral international trading system.

Because of the proximity region with the European Union Turkey's trade policy is influenced by the European Union, therefore Turkey Common Customs Tariff apply (Custom European Union membership) is equal to the European Union to import non-agriculture in third world countries. On the other hand Turkey duty free for non agriculture imports from the EU and EFTA countries.

In Turkey's trade policy of import tariffs on Import Regime Decree in 1995, initially up to this time has several times changed and has been published. In the latest Import Regime Decree are 6 lists of product categories: 1. Agricultural Products, 2. Industrial Products, 3. Processed Agricultural Products,

4. Fish and Fishery Products, 5. Suspension List, and 6. List of Goods used in civil aircraft eligible to relief from customs duties.

Meanwhile, the trade policies applied in particular to Turkey Indonesia is still a non-tariff barriers, it is because Turkey is currently trying to become a full member of the EU (*European Union*) after membership in the *European Custom Union* in 1996. Therefore, all Turkey's trade policy continued to be adjusted to EU policies that will impact on countries, especially in non EU (*European Union*) import procedures and import duties that are less profitable. Besides allegations of dumping by Turkey to Indonesia, which since 2004 - 2008 there were 10 allegations of dumping made by Turkey, of which 5 products have been subject to anti-dumping import duty (BMAD) and the other 5 are still investigative process.

4.3 Economic Relationship Between Indonesia and Turkey

Economic relations between Indonesia and Turkey have been done for long time, especially in trade, but in a relatively small amount. It is related to the economic policies implemented by both countries.

In order to increase economic relations between Indonesia and Turkey through trade, so both of countries agreed to conduct bilateral economic relations through trade cooperation, what called the Joint Commission session Indonesia – Turkey (KBIT). Until this time cooperation has been conducted as many as 7 times. Which trade cooperation is conducted every year to discuss about increasing trade, investment and opportunities between both countries in every sector such as infrastructure, agriculture, science and technology, industry and energy etc.

According to the information and data from the KPI (International Trade Cooperation) of Ministry of Trade Indonesia bilateral trade between Indonesia and Turkey have experience increasing every year. Cooperation between Indonesia and Turkey has started with Joint Commission Session Indonesia – Turkey (KBIT) in 1982, it's about increasing trade volume between Indonesia – Turkey in which both countries agreed to promote direct agreement between the two countries businessmen.

Turkey has offer for using free zones in Turkey. In which cooperation is conducted as in industrial sector, agriculture, science and technology.

Furthermore, The second cooperation has conducted on 1988 is still in the same sector such as Industry, Agriculture, Science and Technology, but the emphasis on this second cooperation is the two-way trade between both countries with not only existing commodities.

After that the cooperation between Indonesia and Turkey has continuing with Joint Commission Session the third, fourth, fifth, sixth and last of Joint Commission session to seven in 2008. The important things from this cooperation is continued increased in value and volume of trade between both countries, especially in less over the last five years in which to trade value between both countries reached US \$ 2 millions more where target in the seventh Joint Commission Session between both countries up to year 2008 is about US\$ 2 million.

According to data from Directorate Bilateral II Directorate General International Trade Cooperation, the main products exported between both countries is for Indonesia export to Turkey is *Artificial target in the seventh Staple Fibres, Woven Fabric of Synthetic Filament Yarn, Paper and Paperboard, Uncoated, for Writing, Printing etc., Synthetic Filament Yarn, Natural Rubber, Balata, Gutta-Percha, Guayule, Chicle and Similar Natural Gums, In P Rimary Forms or In Plates, Sheet or Strip; Woven Fabrics of Synthetic Staple Fibres; Yarn (Other Than Sewing Thread) of Synthetic Staple Fabres; Yarn (Other Than Sewing Thread) of Artificial Staple Fabres; Video Recording or Reproducing Apparatus; Industrial Monocarboxylic Fatty Acids; Acids Oils From Refining; Industrial Fatty Alcohols. For Turkey export to Indonesia is Wheat or Meslin Flour; Unmanufactured Tobacco; Tobacco Refuse; Semi-Finished Products of Iron or Non-Alloy Steel; Electrical Apparatus for Switching or Protecting Electrical Circuits; Tractors; Electrical Transformers, Static Converters; Refrigerators, Freezers & Other Refrigerating or Freezing Equipment; Glass of Heading No. 7003, 7004 or 7005, Bent; Women's or Girl Suits; Felspar; Leucite; Nepheline and Nepheline Syenite; Flourspar.*

4.4 Trade Relation between Turkey and EU

Geographically, Turkey is closer with EU (European Union) so in economy and trade relations to make Turkey the EU as a partner countries of the main export-import purpose. Also Turkey is currently trying to become a member of the EU countries (European Union) after Turkey took advantage of the Custom Union, which signed in 1995. The table below can be seen the data of trade relations between Turkey and the EU (European Union).

Table 8
Trade Balance Turkey and EU

Turkey with EU							Turkey with world			
Period	Import	EU Share of total Imports (%)	Export	EU Share of total Exports (%)	Balance	Trade	Import	Export	Balance	Trade
2004	38,694	50.0	29,349	58.1	-9,345	68,042	77,315	50,536	-26,779	127,852
2005	42,445	45.7	33,321	56.3	-9,124	75,766	92,781	59,144	-33,637	151,926
2006	47,192	43.1	38,111	56.4	-9,081	85,303	109,531	67,628	-41,903	177,159
2007	49,910	40.8	43,974	56.8	-5,937	93,884	122,266	77,459	-44,807	199,725
2008	50,558	37.3	42,905	48.2	-7,653	93,463	135,409	88,951	-46,458	224,360
Total	228,799		187,660		-41,140	416,458	537,302	343,718	-193,584	881,022

EU with Turkey							EU with the world			
Period	Import	Share of total EU Imports (%)	Export	Share of total EU Exports (%)	Balance	Trade	Import	Export	Balance	Trade
2004	32,719	3.2	40,123	4.2	7,404	72,842	1,026,709	952,723	-26,779	127,852
2005	36,082	3.1	44,625	4.2	8,543	80,707	1,179,569	1,052,720	-33,637	151,926
2006	41,707	3.1	49,994	4.3	8,287	91,701	1,351,813	1,159,324	-41,903	177,159
2007	46,959	3.3	52,671	4.2	5,711	99,630	1,433,399	1,240,908	-44,807	199,725
2008	45,887	3.0	54,261	4.1	8,374	100,147	1,552,373	1,309,435	-46,458	224,360
Total	203,354		241,674		38,319	445,027	6,543,863	5,715,110	-193,584	881,022

Source: IMF (DoTs)

In table 8 describes the trade balance of Turkey and EU in 2004 – 2008. Trade balance during the period Turkey has experienced a deficit every year but with total trade increasing each year. For the EU share of total import and export with the EU Turkey has a large share in that the EU is a major partner Turkey. Then from other data trade Turkey with the World Turkey trade balance has experience deficit with the World each year but with total trade increasing each year.

Meanwhile, EU trade balance during this period experienced a surplus each year with total trade also continued to increase each year. For the share of total EU import and EU export to Turkey each year tend constant and small relative to the EU because

of Turkey is not the main trading partner. Meanwhile, EU trade with the World of the volume tends to increase each year but the EU trade balance has experience deficit is due to the EU do more intra-trade among members.

In table 9 describes EU exports to Turkey and the World and EU imports from Turkey and the World of products based on SITC. For trade export and import EU to or from Turkey and the World dominated by manufactured product or industry such as *Mineral fuels, lubricants and related materials, Machinery and transport equipment, Miscellaneous manufactured articles, Manufactured goods classified chiefly by material* due to EU is industry country.

Table 9
Export Import Turkey and EU
Per Product

EU imports from the world				EU imports from the Turkey				Share of total EU Imports
SITC Codes	SITC Sections	Value (million of euro)	Share of Total (%)	SITC Codes	SITC Sections	Value (million of euro)	Share of Total (%)	
TOTAL		1,552,373	100.0	TOTAL		45,887	100.0	3.0%
SITC 3	Mineral fuels, lubricants and related material	444,750	28.6	SITC 7	Machinery and transport equipment	17,485	38.1	4.2%
SITC 7	Machinery and transport equipment	414,187	26.7	SITC 6	Manufactured goods classified chiefly by material	10,471	22.8	5.9%
SITC 8	Miscellaneous manufactures articles	195,003	12.6	SITC 8	Miscellaneous manufactures articles	10,301	22.4	5.3%
SITC 6	Manufactured goods classified chiefly by material	177,279	11.4	SITC 0	Food and live animals	2,835	6.2	3.9%
SITC 5	Chemicals and related prod, n.e.s	123,299	7.9	SITC 5	Chemicals and related prod, n.e.s	1,578	3.4	1.3%
SITC 0	Food and live animals	72,597	4.7	SITC 3	Mineral fuels, lubricants and related material	1,062	2.3	0.2%
SITC 2	Crude materials, indible, except fuels	67,625	4.4	SITC 2	Crude materials, indible, except fuels	992	2.2	1.5%
SITC 9	Commodities and transactions n.c.e	36,205	2.3	SITC 1	Beverage and tobacco	207	0.5	3.3%
SITC 4	Animal and vegetable oils, fats and waxes	7,938	0.5	SITC 9	Commodities and transactions n.c.e	185	0.4	0.5%
SITC 1	Beverage and tobacco	6,299	0.4	SITC 4	Animal and vegetable oils, fats and waxes	20	0.0	0.3%
EU exports to the world				EU exports to the Turkey				Share of total EU Imports
SITC Codes	SITC Sections	Value (million of euro)	Share of Total (%)	SITC Codes	SITC Sections	Value (million of euro)	Share of Total (%)	
TOTAL		1,309,435	100.0	TOTAL		54,261	100.0	4.1%
SITC 7	Machinery and transport equipment	569,203	43.5	SITC 7	Machinery and transport equipment	23,783	43.8	4.2%
SITC 5	Chemicals and related prod, n.e.s	201,811	15.4	SITC 5	Chemicals and related prod, n.e.s	9,156	16.9	4.5%
SITC 6	Manufactured goods classified chiefly by material	178,668	13.6	SITC 6	Manufactured goods classified chiefly by material	8,599	15.8	4.8%
SITC 8	Miscellaneous manufactures articles	136,087	10.4	SITC 8	Miscellaneous manufactures articles	4,064	7.5	3.0%
SITC 3	Mineral fuels, lubricants and related material	81,056	6.2	SITC 2	Crude materials, indible, except fuels	3,335	6.1	11.4%
SITC 0	Food and live animals	46,659	3.6	SITC 3	Mineral fuels, lubricants and related material	2,427	4.5	3.0%
SITC 9	Commodities and transactions n.c.e	36,593	2.8	SITC 0	Food and live animals	843	1.6	1.8%
SITC 2	Crude materials, indible, except fuels	29,217	2.2	SITC 9	Commodities and transactions n.c.e	793	1.5	2.2%
SITC 1	Beverage and tobacco	19,453	1.5	SITC 1	Beverage and tobacco	311	0.6	1.6%
SITC 4	Animal and vegetable oils, fats and waxes	3,055	0.2	SITC 4	Animal and vegetable oils, fats and waxes	42	0.1	1.4%

Source: EUROSTAT (Comext, Statistical regime 4)

For table 10, describes the country's main trading partners Turkey and the EU. The EU is the main trading partner for Turkey which can be seen in the table is the EU was rank first. In the list shown that in Indonesia are including 20 main trading partners as main importer country for Turkey. Meanwhile Turkey is a main trading partner for the EU. Turkey was including 10 of the countries of the main EU trading partners.

Table 10
Main Trade Partner Turkey and EU

Turkey's Trade with Main Partner

The Major Imports Partners				The Major Export Partners				The Major Trade Partners			
Rk	Partners	Mio eurd	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
	World	136.121,4	100,0%		World	89.129,5	100,0%		World	225.251,4	100,0%
1	EU27	50.857,7	37,4%	1	EU27	43.092,0	48,3%	1	EU27	93.949,7	41,7%
2	Russia	21.324,8	15,7%	2	United Arab Emirate	5.422,3	6,1%	2	Russia	25.729,4	11,4%
3	China	10.646,0	7,8%	3	Russia	4.404,6	4,9%	3	China	11.623,3	5,2%
4	United States	8.143,1	6,0%	4	United States	2.983,1	3,3%	4	United States	11.126,2	4,9%
5	Iran	5.574,9	4,1%	5	Iraq	2.661,9	3,0%	5	Iran	6.954,4	3,1%
6	Ukraine	4.151,7	3,0%	6	Switzerland	1.944,5	2,2%	6	United Arab Emirate	5.892,3	2,6%
7	Switzerland	3.801,9	2,8%	7	Saudi Arabia	1.493,8	1,7%	7	Switzerland	5.746,4	2,6%
8	South Korea	2.781,6	2,0%	8	Ukraine	1.484,8	1,7%	8	Ukraine	5.636,5	2,5%
9	Japan	2.737,8	2,0%	9	Iran	1.379,4	1,5%	9	Saudi Arabia	3.752,7	1,7%
10	Saudi Arabia	2.258,9	1,7%	10	Israel	1.315,8	1,5%	10	Iraq	3.559,9	1,6%
11	Algeria	2.218,0	1,6%	11	Azerbaijan	1.132,9	1,3%	11	Algeria	3.315,0	1,5%
12	India	1.671,1	1,2%	12	Algeria	1.097,0	1,2%	12	South Korea	2.966,0	1,3%
13	Kasakhstan	1.585,5	1,2%	13	China	977,3	1,1%	13	Japan	2.962,5	1,3%
14	Malaysia	1.028,3	0,8%	14	Egypt	969,4	1,1%	14	Israel	2.300,2	1,0%
15	South Africa	1.021,5	0,8%	15	South Africa	842,1	0,9%	15	Kasakhstan	2.191,0	1,0%
16	Thailand	1.001,8	0,7%	16	Syria	756,7	0,8%	16	India	2.040,1	0,9%
17	Israel	984,4	0,7%	17	Libya	730,4	0,8%	17	South Africa	1.863,7	0,8%
18	Canada	970,9	0,7%	18	Qatar	730,2	0,8%	18	Azerbaijan	1.764,2	0,8%
19	Brazil	968,1	0,7%	19	Georgia	677,6	0,8%	19	Egypt	1.610,4	0,7%
20	Indonesia	957,9	0,7%	20	Morocco	651,2	0,7%	20	Canada	1.311,8	0,6%

EU Trade with partners

The Major Imports Partners				The Major Exports Partners				The Major Trade Partners			
Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%	Rk	Partners	Mio euro	%
	Extra EU27	1.552.372,5	100,0%		Extra EU27	1.309.435,1	100,0%		Extra EU27	2.861.807,6	100,0%
1	China	247.857,6	16,0%	1	United States	249.595,3	19,1%	1	United States	435.995,5	15,2%
2	United States	186.400,3	12,0%	2	Russia	105.153,1	8,0%	2	China	326.325,0	11,4%
3	Russia	173.617,2	11,2%	3	Switzerland	97.742,1	7,5%	3	Russia	278.770,2	9,7%
4	Norway	92.035,6	5,9%	4	China	78.467,4	6,0%	4	Switzerland	177.848,3	6,2%
5	Switzerland	80.106,1	5,2%	5	Turkey	54.260,9	4,1%	5	Norway	135.736,0	4,7%
6	Japan	74.948,8	4,8%	6	Norway	43.700,4	3,3%	6	Japan	117.342,0	4,1%
7	Turkey	45.886,6	3,0%	7	Japan	42.393,3	3,2%	7	Turkey	100.147,5	3,5%
8	South Korea	39.406,6	2,5%	8	United Arab Emirate	31.679,6	2,4%	8	South Korea	65.063,6	2,3%
9	Brazil	35.554,4	2,3%	9	India	31.540,2	2,4%	9	Brazil	61.908,2	2,2%
10	Libya	34.233,1	2,2%	10	Brazil	26.353,7	2,0%	10	India	60.980,2	2,1%
11	India	29.440,0	1,9%	11	Canada	26.106,7	2,0%	11	Canada	49.900,8	1,7%
12	Algeria	28.349,8	1,8%	12	South Korea	25.657,0	2,0%	12	Algeria	43.660,9	1,5%
13	Taiwan	24.063,0	1,6%	13	Australia	25.186,7	1,9%	13	South Africa	42.472,6	1,5%
14	Canada	23.794,1	1,5%	14	Ukraine	25.156,8	1,9%	14	Saudi Arabia	42.377,7	1,5%
15	South Africa	22.245,0	1,4%	15	Mexico	22.082,2	1,7%	15	Libya	39.969,8	1,4%
16	Saudi Arabia	21.117,4	1,4%	16	Singapore	22.018,3	1,7%	16	Ukraine	39.523,8	1,4%
17	Malaysia	17.514,4	1,1%	17	Saudi Arabia	21.260,3	1,6%	17	Singapore	38.196,3	1,3%
18	Kasakhstan	17.410,0	1,1%	18	Hong Kong	21.093,1	1,6%	18	United Arab Emirate	37.498,3	1,3%
19	Thailand	17.172,3	1,1%	19	South Africa	20.227,6	1,5%	19	Australia	36.399,5	1,3%
20	Singapore	16.178,0	1,0%	20	Algeria	15.311,1	1,2%	20	Mexico	35.896,3	1,3%

Source: <http://mkacddb.eu.int/mkacddb2/indexPubli.htm>

GTAP Data

In appendix 9 shows bilateral export data on GTAP version 6.2, 2003, where total trade export Indonesia at the world price is bigger than trade export Turkey. From each sector, service has biggest contribution for Indonesia trade and then machinery. While the largest contributing sector to the Turkey is machinery then mining.

For bilateral import data on GTAP version 6.2, 2003, can be seen on appendix 10. Total trade import Indonesia at the world price is bigger than trade import Turkey. From each sector, service and machinery still has biggest contribution for Indonesia trade. While the largest contributing sector to the Turkey is machinery then mining.

Next, in ordinary import duty data can be seen on appendix 11 shows the ordinary import duty Indonesia are still relatively larger than the Turkey that is because Turkey has become a member of the EU custom union. But for Indonesia food sector is smaller than the Turkey where the food sector is main export commodity for Indonesia.

CHAPTER 5

ANALYSIS AND RESULT

In this chapter the author do the analysis of the data has been obtained. Data can be used to obtain good analysis results. In this case the author divides the data have been obtained for the interests of the industry association analysis shown in the index, the data is the data of trade from Ministry of Trade (MOT), Statistic Central Bureau (BPS), World Integrated Trade Solution (WITS), COMTRADE, and other sources which related with this research including electronic source. Hereinafter the author uses the data for the purposes of trade liberalization impact analysis, the data is the social accounting matrix data where is include in Global Trade Analysis Project (GTAP).

Furthermore the author do the analysis in 2 parts, the first analysis of the impact of trade liberalization using the GTAP (General Trade Analysis Project), The analysis of industry linkages between the two countries, in explaining the shape index.

5.1 Impact of Trade Liberalization Indonesia – Turkey

Analysis of the impact of trade liberalization between Indonesia and Turkey will analyze the macroeconomic change in both countries, where the author only limit on the Trade Balance growth, Welfare growth, and Labor demand. Then be analyzing on changes in the total value of export per product of partial.

On this analysis will do free trade simulation using data and models Global Trade Analysis Project (GTAP) version 6 to determine the impact of trade liberalization for Indonesia and Turkey. The simulation will do is to reduce tariffs, with the two types of simulation that a) Simulation 1 is liberalization tariff with change rate -100% (overnite liberalization). b) Simulation 2 is the gradual liberalization with change rate of -50%. The simulation was intended also to determine which method is better to do.

Simulation performed by inserting a key partner countries of Indonesia and Turkey RASEAN (all ASEAN countries except Indonesia), EU (the EU member countries), NAFTA, ROW (Rest of the World) to create simulations based on real