

By participating in the WTO and APEC, the total welfare of ASEAN countries will increase by US\$ 3.9 billion. On the other side, with their participation in the WTO and APEC, the implementation of AFTA will create minimal additional benefit for ASEAN countries by around US\$ 242 million. In his study, it is estimated that Indonesia's welfare will increase by around US \$ 225 million which is much higher than the US\$ 70 million that Indonesia would have gained from Uruguay Round and APEC liberalization (Feridhanusetyawan, 1998: p.10).

In employment, Indonesia as a labor abundant country will benefit from the development of labor-intensive industries. It is, as in Feridhanusetyawan (1998: p.12), because the movement of resources from the primary sectors to manufacturing sectors is well pronounced in Indonesia, due to global trade liberalization following the WTO, APEC, and AFTA. Feridhanusetyawan (1998: p.12) estimates that the sectors that will experience output increases are forestry (by 4%), textile and garment (by 7 percent), and resource-based manufacturing (by 6%).

It is mentioned in a WTO report on Indonesia's trade policies and practices (*Trade Policy Review*, December 1998) that since 1994 Indonesia has significantly reduced its applied tariffs, with the lowering of rates going well beyond Indonesia's WTO commitments³. Indonesia committed itself to reduce the maximum applied tariff for all products to 10% by 2003. Beyond tariff reduction, Indonesia has undertaken to remove all non-tariff barriers and export restrictions. However, despite all these Indonesia's consistent trade policies with WTO agenda, the report raised a concern over high tariffs continually employed to protect beverages, motor vehicles and textiles, and clothing.

Another concern raised in the report is that while Indonesia's investment regime is now open, the increasing use of tax incentives for investment should be closely considered. Such a policy tends to create over-investment in non-competitive sectors, forego more tax revenues under severe budget constraint, and encourage regional tax competition.

IV. Conclusion

We can see from the case studies of both countries that each countries has different reasons for committing to a regional trade agreement as well as to a multilateral organisation like WTO. In the case of Singapore, given its lack of domestic market, it seeks aggressively for multilateral trade and it uses regional groupings such as the ASEAN and AFTA to promote its cause. However, for Indonesia, a larger countries with several sectors of it economy which may not be able to compete internationally, the pros and cons of multilateral trade is not as clear. What is more important for Indonesia, is to provide a stable and predictable climate for trade which can induce more foreign investment. It has to have enough political will to lead its industries out of the recent financial meltdown.

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Indonesian Central Bureau of Statistics' Website at < www.bps.go.id >

¹ Indonesian Central Bureau of Statistics' website at < www.bps.go.id >.

² Feridhanusetyawan employs global computable general equilibrium model to estimate the impact of international trade liberalization on change in welfare, outputs by sector, and employment in ASEAN countries.

³ It is explained by the report that Indonesia has reduced its applied MFN tariffs from unweighted average of about 20% in 1994 to 9.5% in 1998. In 1998, Indonesia reduced tariffs on food items to a maximum of 5%.