

ABSTRACT

Among other multilateral economic cooperation that Indonesia has involved in, AFTA is amongst the top economic cooperation which development becomes interesting to be followed, as the aspiration was to become the largest single market and production base in Asia – the ASEAN Economic Community 2015. Furthermore, as the biggest market in the Southeast Asia region, Indonesia has the potential of becoming the leading role for this economic integration. Using the concept of liberalization and comparative advantage, this study explains the preference of Indonesian government in implementing the tariff removal schedules under the framework of AFTA. This study finds that for the goods of which Indonesia has comparative advantage, Indonesia preferred to remove the import tariff for these goods during the earliest tariff removal schedule. However, in the end, this study also finds that although Indonesia is following the tariff removal schedules of AFTA effectively, during the implementation process, Indonesia still favor its national interests to protect the growth of its domestic industries.

Keywords: AFTA, comparative advantage, trade liberalization, Indonesia.