

ANALYSIS OF THE IMPACT OF AIFTA TOWARD INDONESIAN COFFEE EXPORT TO INDIA

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Abstrak

Penelitian ini bertujuan untuk menjelaskan kerjasama *Free Trade* ASEAN-India atau lebih dikenal dengan AIFTA dan dampaknya terhadap ekspor kopi Indonesia. Secara spesifik penelitian ini bertujuan untuk mengetahui bagaimana dampak ASEAN-India *Free Trade Area* terhadap industri domestik Indonesia khususnya industri kopi. Untuk mendapatkan hasil seperti yang dimaksud diatas, penulis menggunakan konsep perdagangan bebas dan konsep perdagangan dalam Islam. Konsep Perdagangan Bebas akan menganalisa bagaimana arus perdagangan bebas AIFTA membawa dampak besar bagi hubungan kerjasama ekspor-impor kopi Indonesia dengan India. Sementara konsep pandangan perdagangan dalam Islam hanya sebatas bagaimana pandangan Islam terhadap suatu hubungan perdagangan antar negara. Adapun teknik analisis data menggunakan teknik kualitatif. Metode penelitian yang penulis gunakan adalah tipe penelitian deskriptif yang bertujuan untuk mengetahui perkembangan dan mendeskripsikan secara terperinci suatu fenomena sosial tertentu. Teknik pengumpulan data dilakukan dengan studi pustaka yang bersumber dari buku, jurnal, dokumen, dan website yang valid. Hasil penelitian ini menunjukkan bahwa berlakunya AIFTA, adanya peningkatan dalam volume ekspor kopi Indonesia ke India yang mengalami peningkatan dan peningkatan. Peningkatan ekspor tidak terlepas dari meningkatnya permintaan kopi khususnya dari India yang merupakan negara importir utama kopi Indonesia. Peningkatan permintaan tersebut dipengaruhi oleh menurunnya bea masuk ke India paska AIFTA. Berdasarkan hasil penelitian tersebut, penelitian ini dapat menyimpulkan bahwa pemberlakuan kesepakatan perdagangan bebas antara ASEAN dengan India membawa banyak dampak positif bagi kerjasama antara Indonesia dengan India. Pengembangan riset dan pembangunan industri kopi menjadi suatu saran yang baik untuk meningkatkan kinerja industri kopi Indonesia dalam bersaing pada kerangka AIFTA.

Kata Kunci: AIFTA, Ekspor-Impor, Industri Kopi, Indonesia, India

Abstract

This study aims to explain the Free Trade ASEAN-India cooperation or better known as AIFTA and its impact on Indonesian coffee exports. Specifically this study aims to find out how the impact of ASEAN-India Free Trade Area on Indonesian domestic industry, especially coffee industry. To get the results as mentioned above, the author uses the concept of free trade and the concept of trade in Islam. The Free Trade Concept will analyze how AIFTA's free trade flows have a major impact on Indonesia's coffee export-import cooperation with India. While the concept of trade views in Islam is only limited to how the view of Islam to a relationship of trade between countries. The data analysis techniques using qualitative techniques. The research method that writer use is descriptive research type which aims to know the development and describe in detail a certain social phenomenon. Technique of collecting data is done by literature study which sourced from valid book, journal, document, and website. The results of this study indicate that the enactment of AIFTA, an increase in the export volume of Indonesian coffee to India which has increased and increased. Increased exports can not be separated from the increasing demand for coffee, especially from India, which is the country's main importer of Indonesian coffee. The increase in demand is influenced by the decline in import duties to India post AIFTA. Based on the results of this study, this study can conclude that the implementation of free trade agreement between ASEAN and India brings many positive effects for cooperation between Indonesia and India. The development of research and development of the coffee industry is a good suggestion to improve the performance of the Indonesian coffee industry in competing on the AIFTA framework.

Keywords : AIFTA, Export-Import, Industri Kopi, Indonesia, India

Introduction

This thesis aims to analyze how the impact of *ASEAN-India Free Trade Area (AIFTA)* on Indonesian Coffee Industry. The research will analyze how the impact of a free trade agreement between ASEAN and India in Indonesia's exports and imports to India, especially in Indonesian coffee exports. The analysis of this paper will be reviewed with some concepts related to the influence of free trade for a country. The existence of a free trade agreement between ASEAN and India has had an effect on increasing exports and imports among ASEAN countries to India, especially Indonesia, which is among the largest export suppliers to India. According to the research, Indonesia took part interest in the formation of the ASEAN-India Free Trade Area, due to a change in the percentage of import-export Indonesia against India before the existence

of the agreement between the ASEAN-India Free Trade Area (AIFTA) after the existence of the the agreement of the ASEAN-India Free Trade Area. Indonesia was involved besides the AIFTA trade agreements, one of them as the ASEAN-China Free Trade Area. Unfortunately, the presence of ACFTA has made many disadvantage to domestic industry of Indonesia. Thus, it is contrary with the presence of the free trade agreement between ASEAN and India. However, by reviewed that phenomena, this thesis very interested to choose this topic and research it . Therefore, some of these phenomena encourage this thesis to conduct research that analyzes how far the impact of *the ASEAN-India Free Trade Area (AIFTA)* on Indonesia's Domestic Industry, especially coffee, which that has become one of Indonesia's largest exports to India. Then, the research will be discussed with some conceptual framework to produce a scientific answer.

A Commodities of Coffee is a commodity that has an important role as a source of foreign exchange Indonesia, job creation and income for farmers. A Coffee is a raw material for beverage industries for producer countries themselves and countries that import coffee. According to the discussion in a journal taking data from the Association of Indonesian Coffee Exporters (AEKI) saids that almost 70-80% of coffee imported into a country is used as industry needs and as a beverage processing as a drinks.¹ During the period of 2005-2010 coffee exports grew about 8.1% per year. But, unfortunately the majority of Indonesia's coffee exports are coffee beans with 99.8% of the total Indonesian coffee exports.²

Based on the explanation, Indonesian coffee production which is still dominated by coffee beans, it will determine how to increase Indonesian exports in the field of coffee. India is one of the main destinations of Indonesian coffee exports from the top ten main destination countries, as India has a good reputation as a coffee exporter to countries in Europe, especially in the export of Robusta coffee India. India imports coffee from Indonesia for additional value in the country and also for re-export. Indonesia's coffee exports to India in 2005-2010 have not been stable yet, as Indonesian coffee imports from Indonesia depend on how much coffee demand from European countries to India. Evidently, in 2009-2010 Indonesia's coffee exports to India decreased due to lack of demand for imported coffee from European countries to India.

¹ Ratna, Tety, and Eliza. "Analisis Posisi Ekspor Kopi Indonesia."in the Journal : *Jom Faperta*, Vol.3, No. 1. (2016). Page : 1-7.

² Sudjarmoko, B. (2013). "*Prospek Pengembangan Industrialisasi Kopi Indonesia*". On Journal *SIRINOV*, Volume 1, No. 3. Page. 100.

ASEAN and India free trade cooperation is an anticipation of ASEAN countries to the presence of India into a super-power state in the future. The India country, it looks convincingly advanced in a variety of field, which indicating that is not impossible that India can stand equal with China, Japan and even the United States sometime in the future. Thus, India becomes a hope for ASEAN countries and if that is achieved, many of the political and policy directions of countries in the Asia-Pacific region will be oriented towards India. Thus, with the cooperation between ASEAN and India will maximize the interests of ASEAN countries and member countries, especially Indonesia.

The Head of the Central Bureau of Statistics (BPS) said in once news, that India since January 2017 it has shifted the position of Japan as the third major export destination countries for Indonesia's for non-migas export commodities.³ The cooperation between India and ASEAN can be a forum for Indonesia to expand various fields of cooperation, especially the economy. Moreover, India is one of the Asian countries in the G-20 group, this is an increasing India roles as an Indonesian trading partner.

Indonesia has some export commodities which has become the pre-eminent or famous in India, so that export commodities they are: : 1. Electronics, 2. Lumber and Rubber Products, 3. Crude Palm, 4. Coffee, 5. Forest Products, 6. Shrimps, 7. Footwear.⁴ India has become one of the top 10 major export destination country Indonesia coffee.⁵ India as a country that is becoming one of the top ten coffee export destination country Indonesia certainly has some of the factors that make India can becomes it.

Thus, with the opportunity of the coffee market in India to be a new target for one of the major coffee producing countries, such as Indonesia who became the main producer and coffee exporting country fourth largest in the world. So, in this study, the research will analyze *how far the impact generated by the ASEAN-India Free Trade Area on the Indonesian Domestic Industry, especially coffee Indonesia to India.*

³ Idris, M. (2017). *India Jadi Ladang Baru Indonesia* . Retrieved on December, 24, 2017, from <https://finance.detik.com/berita-ekonomi-bisnis/3447695/india-jadi-ladang-ekspor-baru-ri>

⁴ Waluyo.De. (2016). *7 Produk Unggulan Ekspor ke India*. Retrieved on 12, 26, 2017, from <https://jpp.go.id/ekonomi/perdagangan/300652-7-produk-unggulan-ekspor-ke-india> pukul 10:20 WIB

⁵ BPS Indonesia. (2017). *Ekspor Kopi Menurut Negara Tujuan Utama, 2000-2015*. Retrieved 12, 26, 2017, from <https://www.bps.go.id/statictable/2014/09/08/1014/ekspor-kopi-menurut-negara-tujuan-utama-2000-2015.html>

Research Methodology

Scope of Research

The Scope of this research can be measured as this paper tries to determine the Therefore, the scope of research in this study will focus on 1) How the export of Indonesian Coffee to India before the AIFTA and 2) How the export of Indonesian Coffee to India within the framework of AIFTA agreement. This research will also explain some of the relevant actors in the research such as Indonesian Coffee Industry, The Cooperation of Indonesian coffee export-import to India, and AIFTA Free Trade Agreement itself.

Data Collection

The data in this study are sourced from ICO (International Coffee Organization), FAO (Food and Agriculture Organization), BPS (Central Bureau of Statistics), Ministry of Foreign Affairs, Ministry of Agriculture, Ministry of Trade, Scientific Journal, internet and references to previous studies related to this research.

Theoretical and Conceptual Framework

Free Trade Concept's

The flow of free trade were pioneered by the liberalism state that commercial goods traders should be allowed to exchange money and goods without being bothered by the State. Where, it there should be a legal limitation on international trade, and it's not as if there is protection or subsidies that impede freedom of exchange rate. So, every country is free to establish trade policy in accordance with its comparative advantage. This concept of free trade was first formulated by Adam Smith which was later developed by David Ricardo in 1887.

Adam Smith has said and shows that free trade and capitalism in general is a superior system then the other dominant trading system.⁶ Free trade is defined as an economic concept that

⁶ Schumacher. Reinhard. (2012). *“Free Trade and Absolute and Comparative Advantage. A Critical Comparison of Two Major Theories of International Trade”*. Thesis. Magister, University of Postdam, Germany. Page. 13.

refers to the sale of products between countries without import-export tax or other trade barriers.⁷ Therefore that means, that any actor who commits an international trade whether an individual, an MNC, or a country within a country can trade without trade barriers such as tariff and non-tariff barriers. Beside its, not much different views about free trade also has been said by Sukirno, among which States that free trade is a system of foreign trade where each country doing trade with no barriers to trade.⁸ International trade barriers can be taxes, quotas, dumping, and other protection policies.

In this research, it will use the concept of free trade to explain how the flow of free trade between ASEAN and India are in accordance with the agreement of the AIFTA goes. The concept of free trade will explain how a free trade between a region between India and ASEAN has an impact on each country that is directly related to it. Thus, the concept of free trade will explain from the beginning to the regulation of the law of international trade initiated the WTO covered the AIFTA, and how can the process of economic integration in the AIFTA, until how the AIFTA bring impact on the associated countries, in particular the bilateral economic relationship between Indonesia and India in the framework of the AIFTA.

Trade Cooperation in Islamic Worldview Concept's

In this study will add a scientific integration of trade in accordance with Islamic Shari'a, then how the views of Islam on international trade such as case studies taken that is about the trade, which based on Al-Qur'an and Hadith. Cooperation activities between bilateral and regional countries in the era is more increasing, because a country will need other countries like humans Islam teaches two kinds of interaction in humans or often called in Islam namely by *Mu'amalah*, the two kinds namely; *Mu'amalah Ma'annaas*, and *Mu'amalah Ma'Allah*. In short, *Mu'amalah Ma'annaas* is an interaction between humans and other human beings to achieve an brotherhood or in Islam said by *Ukhuwah*. One of the activities in *Mu'amalah Ma'annas* is a trade. Trade is permitted in Islam, but of course in compliance with the trade in the teaching of the Islamic religion. The export-import activity in this research is a *mu'amalah* activity between

⁷ Apridar. 2009. *Ekonomi Internasional-Sejarah Teori, Konsep dan Permasalahan dalam Aplikasinya*. Yogyakarta: Graha Ilmu. Page. 182

⁸ Sadono Sukirno. 2008. *MakroEkonomi Teori Pengantar*. Jakarta: PT. Rajagrafindo Persada. Page. 360

countries with other countries for the existence of mutual interdependence and useful between them, in addition to achieving economic improvement in their respective countries.

Trade is a step of a country in order to establish good bilateral or regional relationships against other countries. Allah SWT says in the Al-Qur'an, Al-Hujurat verse 13;

يٰٓاَيُّهَا النَّاسُ اِنَّا خَلَقْنَاكُمْ مِنْ ذَكَرٍ وَّاُنْثٰى وَجَعَلْنٰكُمْ شُعُوْبًا وَّقَبَاٖۗٔلٍ
لِّتَعَارَفُوْا اِنَّ اَكْرَمَكُمْ عِنْدَ اللّٰهِ اَتْقٰىكُمْ اِنَّ اللّٰهَ عَلِيْمٌ خَبِيْرٌ ﴿١٣﴾

Meaning: “O mankind, We created you from a man and a woman and made you nation and tribe to know one another. the noblest of you, in the sight of Allah, is the best in conduct. Allah is the Knower, Aware”(Q.S : Al-Hujurat : 13).⁹

In the verse it is explained that Allah has created us with all the differences that exist for us to know each other, then a cooperative relationship will be intertwined if there is a real interaction.

By using the concept of trade in Islam and reinforced by the Qur'anic verse, the thesis will explain in one of the sub-chapters of the discussion of how the Islamic view of trade relations between countries in bilateral or regional cooperation.

Discussion and Result of Research

1. The Impact of ASEAN-India Free Trade Area (AIFTA) Agreement on Indonesian Coffee Exports to India (FTA)

Free trade agreement between ASEAN with India through the long process for 7 years (2002-2009)¹⁰ have difficulty in terms of agreement about the modalities of domestic goods and factor between that two sides. The condition of the domestic India at that time explained that they Congress Party still have the nature of Socialist and protectionist, and at that time India was too busy with the elections from April to May 2009. Thus, at that time, Prime Minister Manmohan

⁹ Al-Qur'an Surat : Al-Hujurat, Ayat 13

¹⁰ Parongko, Naoto. (2012). “Suatu Analisis Kerja Sama Free Trade Area ASEAN-India dan Pengaruhnya terhadap Industri Domestik Indonesia (Studi Kasus: Industri Kelapa Sawit)”. Skripsi. FISIP, Ilmu Hubungan Internasional, Universitas Hasannudin, Makassar. Page: 75

Singh took the decision to postpone the signing of the Free Trade Agreement (FTA), including the free trade agreement between India and ASEAN (AIFTA) at that time until the completion of the elections and the new government of India was formed. While in addition to India, the internal conditions of ASEAN countries at that time experienced several problems, such as; Thailand's condition is less stable about its political condition, which at that time will be the host of the meeting for the signing of an agreement between ASEAN and India.

Based on the contents of the agreement in Annex 1 described earlier, that almost all of the contents of the AIFTA agreement concerning the trade modalities of goods, which in the Annex 1 explains the modalities of trade in goods and the Annex 2 describes the Rule of Origin (ROO). Therefore, it can be concluded that what made the negotiation process between ASEAN and India long enough is a factor in reaching one vote on the deal of goods trading modalities. Based on the distribution of the trade modes of goods it can be seen how far the challenges and opportunities they get from the agreement to achieve their own national interests. The trading modalities of goods in the AIFTA are about a tariff reduction, the timetable of the tariff reduction itself and some of groupings of product, such as *Normal Track, Special Product, Highly Sensitive List and Exclusion List*.¹¹

One of the impacts of the extent to which the trade modalities of goods in AIFTA is evident from the result of their agreement in the tariff reduction schedule for a commodities they had put it in the *special product*. The decrease in annual special product tariff is only 2-10%¹², it indicates that they are very careful about the goods trade modality. Five products included in the special product are: 1. Crude Palm Oil (CPO), 2. Refined Palm Oil (RPO), 3. Coffee, 4. Black Tea, 5. Pepper. The decrease that five product tariff has a basic rate of tariff and a difference decrease in their rate. Coffee has the same basic tariff as 100% with a black tea, but coffee decreases only 5% annually, while black tea decreases 10% annually.

¹¹ Association of Southeast Asian Nations. *Annex 1, Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the Republic of India*. (2009). Page 21-26.

¹² *Ibid.*, Page. 24.

1.1. The Increased Demand of Indonesian Coffee to India

The Indonesian Coffee Industry has penetrated the Indian market quite well and has an increase every year, although it is still fluctuating before the AIFTA is effective from 2005-2010.¹³ Indonesia's coffee production tends to have an increase following the world coffee market demand and the need for Indonesian coffee exports to Indonesian coffee importer countries.¹⁴ However, in 2005 Indonesian coffee production reached 640,365 tons, Indonesian coffee production is always increasing every year until 2008 Indonesian coffee production reached 698,016 tons. But, based on the explanation in the previous discussion, in the fact that Indonesian coffee production in 2009 followed the decrease in the volume of Indonesian coffee exports¹⁵ and the decrease in world coffee demand. The increase in coffee production in the year 2005-2008, due to the expansion of plantations and the increased demand for coffee in the world. While the decrease in production and a decrease in the land area of Indonesian coffee in 2010 is caused by the removal of the coffee plantation Indonesia into other commodities such as palm oil and rubber.¹⁶

India has a good reputation as a coffee exporter to countries in Europe, particularly in the export of robusta coffee in India. India imports coffee from Indonesia for additional value in the country and also for re-export. Indonesia's coffee exports to India in 2005-2010 have not been stable yet, as Indonesian coffee imports from Indonesia depend on how much coffee demand from European countries to India. In 2009-2010 Indonesia's coffee exports to India decreased due to lack of demand for imported coffee from European countries to India the impact of the global crisis that hit European countries at the time. In that year the world's coffee demand became unstable with the world's supply of coffee.¹⁷

Indonesia occupies the position of the top four coffee exporting countries in the world, but in terms of its own coffee productivity is still very far from Vietnam and Brazil. Indonesia's

¹³ BPS Indonesia. (2017). *Ekspor Kopi Menurut Negara Tujuan Utama, 2000-2015. Op. Cit.*, Retrieved 12, 26, 2017, from <https://www.bps.go.id/statictable/2014/09/08/1014/ekspor-kopi-menurut-negara-tujuan-utama-2000-2015.html>

¹⁴ Kementerian Perkebunan Indonesia. “*Buku Statistik Kopi 2015-2017.*” (2015-2017). from <http://ditjenbun.pertanian.go.id/tinymcpuk/gambar/file/statistik/2017/Kopi-2015-2017.pdf> . Page. 4. Retrieved on April 1, 2018 . accessed on 22:21 WIB.

¹⁵ *Ibid.*, Page. 4.

¹⁶ Ratna, Tety, and Eliza. *Op. Cit.*, Page. 4

¹⁷ *Ibid.*, Page. 4.

coffee productivity an average reach 700 kg/ha, while Vietnam can reach 3000 kg/ha and Brazil as the first position can reach 4000 kg/ha.¹⁸ Based on the explanation that the Indonesian coffee industry needs the role of the government in helping to increase the productivity of Indonesian coffee such as making a special team from the government to specifically handle this in the field or something like that. This productivity will be an indicator of how the industry's opportunities in competing in the international market.

In 2011 after the enforcement of the AIFTA, Indonesia's coffee exports to India increased again in 2009 and 2010 only 9 thousand tons of coffee to 12 thousand tons of Indonesian coffee exports to India in 2011. Increased Indonesian coffee exports to India are experiencing continuous improvement and did not decrease substantially after the introduction of AIFTA, making it easier for India to import coffee from Indonesia used for re-export or re-export to European countries.

The enactment of AIFTA is a great boost to facilitate the export of coffee to India and in accordance with the agreement, that coffee gets a special tariff in the AIFTA agreement. The first tariff decrease in 2010, coffee tariff earned 5% reduction from the basic tariff. The tariff reduction on coffee will be sustained at 5% annually until tariff on coffee reaches 45% in 2019.¹⁹ Indonesia's coffee tariff to India in 2011 has become 90% and it has a positive impact on Indonesia's export-import cooperation with India, which is to increase Indonesia's coffee export to India to 12 thousand tons of Indonesian export coffee to India. Unfortunately, the impact of this AIFTA on Indonesian coffee exports only began to be felt in 2011, it is easy to be understand that because AIFTA itself is valid in Indonesia at the end of 2010 that precisely in October.

The increase in coffee export Indonesia to India will continue to increase after the enactment of the AIFTA, it is because ; In addition to the India coffee supply needs for domestic consumption, India also requires the addition of the volume of coffee exports towards the

¹⁸ Burhani, Zainul and Kholid. "Analisis Daya Saing Ekspor Kopi Indonesia, Brazil, Kolombia, dan Vietnam." *Jurnal Administrasi Bisnis*, Vol. 50 No. 2 September 2017. Page: 190-194.

¹⁹ BPS Indonesia. (2017). *Ekspor Kopi Menurut Negara Tujuan Utama, 2000-2015*. *Op. Cit.*, Retrieved 12, 26, 2017, from <https://www.bps.go.id/statictable/2014/09/08/1014/ekspor-kopi-menurut-negara-tujuan-utama-2000-2015.html>

countries importers of their coffee. In addition, there is a statement from the Indian Coffee Board that India will conduct a campaign to boost its domestic coffee consumption on the final result to make coffee as a new lifestyle in India.²⁰ The India's coffee production itself, around 80% is the export of their coffee.²¹ Thus, with this statement it can be explained that they need coffee commodity reserves to increase their domestic coffee consumption and increase the value of their export.

1.2. The Increased Consumption of Indian Coffee

The Indian Coffee Board statement is further evidenced by the inclusion of coffee in a special product section that makes the export of coffee to India will continue to increase. Meanwhile, the decrease of coffee tariff which is included in the tariff section on special product makes Indonesian coffee producers enter their market. The policy of the Coffee Board of India is a target of the government of India to increase coffee consumption in the country which is previously only 10% for every year to 20% for every year.²² The increased consumption of coffee in India will make coffee familiar to people's lives which in the result will boost Indian coffee production itself.

The world coffee demand always increasing²³ makes the coffee exporter in the world to always increase the volume of their exports, which India is also one of the world's coffee exporters. Therefore, the policy of the Coffee Council of India will make an increase in coffee production in India and during the process of achieving the policy, India needs more coffee imports to increase domestic consumption and as a coffee reserve for the addition of export value to their coffee importer countries.

India's national interest in making coffee as part of AIFTA's special product under the Coffee Council policy is to safeguard its domestic coffee reserves, increase coffee consumption in the country, increase domestic coffee production as domestic coffee consumption increases, and at the end of the result is a decrease in expenditure for their coffee imports when coffee demand and coffee prices are increasing. Thus, India's policy within the AIFTA framework to apply import duty on coffee in a special product section is a careful consideration and is already

²⁰ Indonesian Trade Promotion Center. (2013). *Op. Cit.*, Page. 4

²¹ *Ibid.*, Page. 5.

²² *Ibid.*, Page. 4.

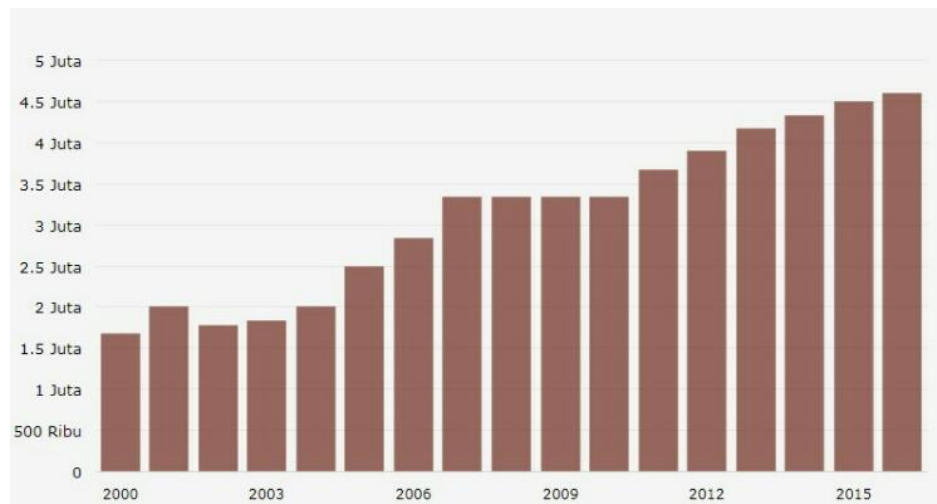
²³ Ratna, Tety, and Eliza. *Op. Cit.*, Page. 4

in their plan section. The tariff policy of AIFTA will realize the national interest of the Coffee Board of India at the latest by the year 2019. Thus, even though India still imports coffee into its market, India will still benefit from the coffee imports in import duties above 45%. The strategy of India needs to be a consideration for Indonesia itself, because even though Indonesia is in the top four of the world's coffee exporters, Indonesia still has some shortcomings from production, plantation area, and some other things that still need more attention.

1.3. The Increased of Indonesia Coffee Exports to India

Indonesia is the second largest exporter of coffee among ASEAN member countries after Vietnam. But behind that fact, Indonesia is the fourth largest coffee importer country in ASEAN after the Philippines, Malaysia and Thailand. The post of the enactment of AIFTA, Indonesia has get an increased in coffee imports to fulfill a domestic consumption and reserves of additional value of Indonesian coffee exports. Based on data from the International Coffee Organization, Indonesia has an increased in coffee consumption from 2011 to 2016. The description of the increase in coffee consumption in Indonesia is as follows:

Figure 3.1 : Indonesian Coffee Consumption 2011-2016



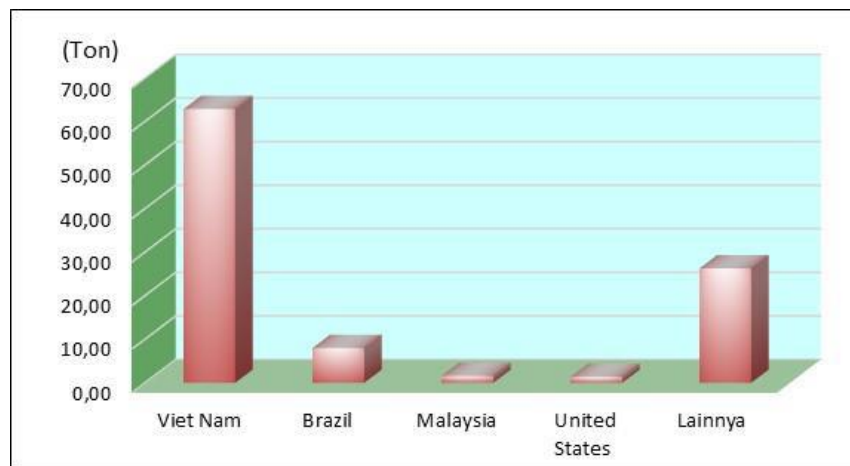
Source: International Coffe Organization (ICO) (2011-2016) from Databooks Kata Data.²⁴

²⁴ International Coffe Organization. *Berapa Konsumsi Kopi Indonesia?*. (2011-2016). Retrieved April 12, 2018. from <https://databoks.katadata.co.id/datapublish/2017/07/03/berapa-konsumsi-kopi-indonesia> accessed on 10:55 WIB.

Based on the above data in 2011 after the enforcement of the AIFTA, Indonesia has an increased in their coffee consumption becomes 3.7 million Bags @60kg or 222,000 tons. Meanwhile, Indonesia's own coffee exports in 2011 was 346,493 tons²⁵, and Indonesian coffee production at that time was 638,646 tons.²⁶

The increased demand for consumption of domestic and imported coffee Indonesia become a natural thing, because the majority of Indonesia's coffee production and export in the form of beans.²⁷ While in Indonesia at this time coffee has become a lifestyle, then needed a wide range of varieties of coffee to fulfill the domestic consumption of Indonesian coffee. According to Deputy of Distribution and Service Statistics at BPS, Sasmito Hadi Wibowo stated that coffee consumers in Indonesia at this time have varied from Indonesian citizens to foreign citizens, so Indonesia needs various varieties of coffee to fulfill it.²⁸ An example of one of the famous coffee producers in Indonesia is Starbucks, while coffee at Starbucks itself some of them must use imported coffee from Brazil, Vietnam, Africa and so on. Based on this reason, Indonesia still imports coffee from other countries. Then, The Indonesian coffee importer countries are as follows:

Figure 3.2 : The Country Of Origin Of Imported Coffee Indonesia at 2015



²⁵ Kementerian Perkebunan Indonesia. “Buku Statistik Kopi 2015-2017.” (2015-2017). *Op. Cit.*, Retrieved on April 12, 2018. Page. 4. accessed on 17:49 WIB.

²⁶ *Ibid.*, Page. 4.

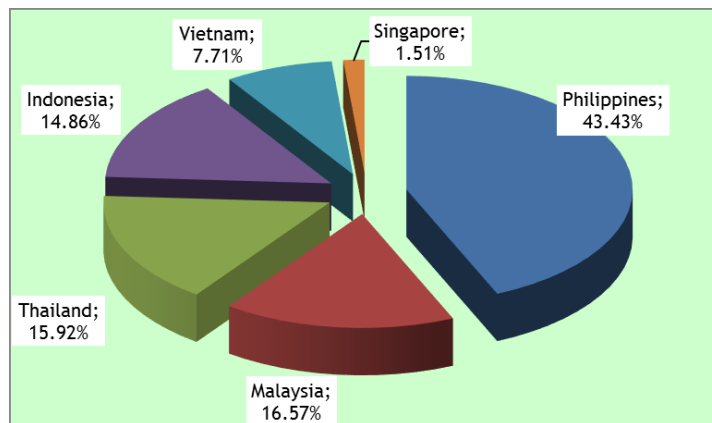
²⁷ Sudjarmoko, B. (2013). *Op. Cit.*, Page.100

²⁸ Kumparan News. *Kenapa Indonesia Masih Impor Kopi?*. (2017). Retrieved April 12, 2018 from <https://kumparan.com/@kumparannews/kenapa-indonesia-masih-impor-kopi> accessed on 11:43 WIB.

Source: The Ministry of Agriculture, the Secretariat General of the Ministry of Agriculture, the Center for Agricultural Information Systems and Data (2016).²⁹

Indonesia is still a coffee importer country in the world, moreover Indonesia has become one of the coffee importing countries from Vietnam and Brazil. Indonesia's coffee imports are clearly needed to fulfill Indonesia's domestic consumption demand that requires many other varieties of coffee. Vietnamese coffee imports that have fresh form and processed form successfully dominate the Indonesian coffee market by 62.83% with a volume of about 7,582 tons.³⁰ Indonesia has a considerable distance with Vietnam, both in terms of export and coffee productivity. Indonesia's coffee imports are above 10% among ASEAN member countries, while Vietnam's import volume is below 10% among ASEAN member countries. The percentage of coffee importer countries in the ASEAN region is as follows:

Figure 3.3 : The Largest Coffee Importer Countries in the ASEAN Region, 2011-2015



Source : The Ministry of Agriculture, the Secretariat General of the Ministry of Agriculture, the Center for Agricultural Information Systems and Data (2016).³¹

²⁹ Sekretariat Jenderal Kementerian Pertanian. *Outlook Kopi 2016*. (2016). <http://epublikasi.setjen.pertanian.go.id/epublikasi/outlook/2016/Perkebunan/OUTLOOK%20KOPI%202016/files/assets/common/downloads/OUTLOOK%20KOPI%202016.pdf>. Retrieved April 12, from 2018 . Accessed on 13:42 WIB. Page 29.

³⁰ *Ibid.*, Page. 29.

³¹ *Ibid.*, Page. 44.

Based on the percentage said that Indonesia is still lost to Vietnam, although with the enactment of AIFTA itself. However, despite Indonesia's still low coffee productivity, Indonesia's coffee exports to India are still increasing after the enforcement of the AIFTA. Meanwhile, in the fact that Indonesia is still importing coffee to fulfill Indonesia's coffee consumption demand can not be separated from Indonesia's own coffee export policy. Because the concentration of Indonesian coffee production has been influenced by the demand of the global coffee market which has become the Indonesian coffee importer countries especially the import of coffee in the form of robusta and arabica coffee beans. The concertation of Indonesian export production in the form of beans becomes a natural thing, as the increase in world coffee import demand is increasing from 2010 after the completion of the global economic crisis and so on.³²Because of it, Indonesia's coffee exports are increasing every year with the largest current value in 2013 becomes 534,023 tons³³, moreover India which is one of the main export destination countries of Indonesia which continues to increase coffee exports after the enactment or enforcement of AIFTA at the end of 2010.

The influence of ASEAN-India Free Trade Area (AIFTA) on Indonesian coffee exports to India is seen from the comparison of the quantity of Indonesian coffee exports to India before and after the enactment of the AIFTA. Before the enactment or implementation of AIFTA, India has become one of the main destination countries for Indonesian coffee exports. Since 2005 until 2009, Indonesia's coffee exports to India experienced extremely unstable fluctuations that sometimes rose and sometimes fell sharply. However, at 2009 and 2010 are different from the previous year, Indonesia's coffee exports to India decreased continuously, because there are the other factors from the global market that affect it.

The decrease in tariffs on import duty exports decreases gradually every year.³⁴ The decreases import duties in the special product tariff section is reduced by 5% annually from basic tariffs, providing an opportunity for coffee producers to increase the quantity of coffee exports to India.

³² Ratna, Tety, and Eliza. *Op. Cit.*, Page. 4

³³ Kementerian Perkebunan Indonesia. “*Buku Statistik Kopi 2015-2017.*” (2015-2017). *Op. Cit.*, Retrieved on April 12, 2018. Page. 4. accessed on 17:49 WIB

³⁴ Association of Southeast Asian Nations. *Annex 1, Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the Republic of India.* (2009). *Op. Cit.*, Page 23-24.

The decrease in coffee tariff will reach at the top in 45% tariff of the basic tariff in 2019. Since 2011, even though Indonesia's coffee production has not tended to increase, but it has not affected Indonesia's coffee exports to India. Indonesia's total coffee exports to India increased from 2009 is still about 9 tons becomes 12 162.4 tons in 2011 and has increased again in 2012 becomes 19 884 ton.³⁵

The other factors that influence the increase of Indonesian coffee exports to India is *First*, the statement of the Coffee Council of India to increase domestic consumption of Indian coffee that made for several years between 2011 to the next year India to increase imports of coffee from Indonesia and Vietnam. *Second*, the increase in demand for coffee from America and Europe after the recovery of their economy due to the global economic crisis. *Third*, an increase in Indian coffee imports as well as for coffee stocks and as an addition to the value of Indian coffee exports to European and American countries which has increased their demand for imported coffee volumes from India. These three factors make Indonesian coffee producers maximize their coffee exports which is simultaneously with the implementation of AIFTA will open their opportunities to maximize their coffee export expansion in India.

Indonesia's coffee exports to India will always increase after the implementation of AIFTA, which is at least less than 10 thousand tons per year and it will make India a major destination for Indonesian coffee exports. So, it can be concluded that with the implementation of AIFTA, AIFTA has influenced the increase of Indonesian coffee exports to the country (India). While for India, it has to secured their coffee reserves.

1.4. Trade Cooperation in Islamic Worldview

Islam is a perfect universal religion which has completed to regulate all of the human relationships to achieve a good life in the world and the hereafter (akhirat). In an aspect we often refer to as *Hablumminallah* is a relationship which carries out the duty of worship to worship Allah as the God of all nature, while the relationship we often refer to as *Hablumminannaas* is a social relationship between us and our fellow human beings. Division is an activity called *mu'amalah*. Islam has taught about the rules governing human *mu'amalah* to achieve a survival, balance, and the preservation of nature is well preserved.

³⁵ BPS Indonesia. (2017). *Ekspor Kopi Menurut Negara Tujuan Utama, 2000-2015*. *Op. Cit.*, Retrieved 12, 26, 2017, from <https://www.bps.go.id/statictable/2014/09/08/1014/ekspor-kopi-menurut-negara-tujuan-utama-2000-2015.html>.

Hablumminannaas or Mu'amalah Ma'annaas is an interaction between human and other human beings to achieve an ukhuwah or a bond of congregation between them. One of the current activities in *Mu'amalah Ma'annas* which is part of the economic field is trade. Trade is a process of exchange of goods and services in accordance with the mutual agreement that occurs between two or more people, because of a need or different resources owned. Islam has explained the provisions that must be implemented when in trade, where for the trade that occurred will not harm the parties inside.

Trade can be done by various groups, can be from individuals, groups, companies and governments between countries. Trade is a means to establish a good cooperation for society and government. A cooperation resulting from trade is the result of an activity of *Mu'amalah Ma'annas*, which the human is created with various groups to know each other and relate to one another, Allah SWT says in the Qur'an; Surah Al-Hujurat verse 13, namely;

يَتَأَيُّهَا النَّاسُ إِنَّا خَلَقْنَاكُمْ مِنْ ذَكَرٍ وَأُنْثَىٰ وَجَعَلْنَاكُمْ شُعُوبًا وَقَبَائِلَ
لِتَعَارَفُوا إِنَّ أَكْرَمَكُمْ عِنْدَ اللَّهِ أَتَقْوَىٰ إِنَّ اللَّهَ عَلِيمٌ خَبِيرٌ ﴿١٣﴾

Meaning: “O mankind, We created you from a man and a woman and made you nation and tribe to know one another. the noblest of you, in the sight of Allah, is the best in conduct. Allah is the Knower, Aware”(Q.S : Al-Hujurat : 13).³⁶

In the verse it is explained that Allah has created us with all the differences, and among the most glorious human for Allah are the ones who said by taqwa. Human is created with various kinds by Allah, but for us humans to know each other, then a cooperative relationship will be intertwined if there is a real interaction The interaction between humans or called *mu'amalah ma'annas* done to achieve a good life between human beings in accordance with the Hadith and Al-Qur'an. A relationship of trade cooperation between individuals and countries will

³⁶ Al-Qur'an Surat : Al-Hujurat, verse 13

result in a good life relationship, peace and interdependence which is certainly based on good intentions.

The ethical principles of conducting a trade and business relationship which have been handed down by Prophet Muhammad SAW, in the present increasingly gained academic recognition from various groups and classes at this time.³⁷ Thus, as for some ethics in such trade or business cooperation is as follows; 1. Customer goals and customer satisfaction (customer oriented), 2. Fairness 3. Transparency, 4. The Healthy Competition and competitive.³⁸

Trade in Islamic view has a different orientation with trade which only oriented to the benefits derived from a trade cooperation, but oriented to things that are more important considered in the teachings of Islam. Islam has its own goal orientation towards trade cooperation, as for that matter; 1. Material and non-material profit, 2. Growth, 3. Sustainability, 4. Blessings.³⁹

A trade cooperation between individuals, groups and countries in Islam, should not be implemented without rules. Islam has provided a guideline in trading. That is why a Muslim who will be an actor or a principal in a trade cooperation must understand the laws and rules of Islam that govern all things related to *mu'amalah ma'annas*, Thus, he can distinguish between the halal from the unlawful, or even that is vague or *syubhat*.

Conclusion

Using the concept of free trade in analyzing the impact of international trade and free trade on once country and the bilateral relations of the country to other countries and adding Islamic views to the relations of inter-state trade cooperation, said that export Indonesian coffee to India in 2010-2017 has increased, than before the established of AIFTA. Thus, it is because in 2000-2010 when ASEAN and India have not established of AIFTA, Indonesia just can only do the coffee export with the highest amount of 18 thousand tons in 2005, while in 2010-2015 after

³⁷ Norvadewi. (2015). Bisnis dalam Perspektif Islam. Dalam Jurnal Ekonomi dan Bisnis Islam *Al-Tijary*. Page. 37.

³⁸ *Ibid.*, Page. 38-40.

³⁹ *Ibid.*, Page. 43.

the enforcement of AIFTA, Indonesia have export the coffee to India with the highest amount in 2012 and 2015 that is untill 19 thousand tons.

The Increased of Indonesian coffee exports after the enforcement of the AIFTA occurred due to tariff decrease and increased demand for coffee to India. The increase in demand for Indonesian coffee exports from India is due to the decrease of tariffs to the lowest tariff of 45% by 2019. In addition to these factors, there are several other factors leading to an increase in Indonesia's coffee exports to India.

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