

INDONESIA-CHILE TRADE COOPERATION: INDONESIA'S INITIAL STEPS TO ENTER THE TPP

Victor Tulus Pangapoi Sidabutar
Balai Besar Pendidikan dan Pelatihan Ekspor Indonesia
victor.sidabutar@yahoo.com

Abstract

The Trans-Pacific Partnership (TPP) is a trade agreement between twelve countries in the Asia-Pacific region with the aim of encouraging trade liberalization in member countries, especially in terms of tariff setting, trade protection, and economic equality. Indonesia expressed its desire to join the TPP to expand the market share of Indonesian exports. Indonesia currently has a trade partnership with almost all TPP member countries, except with Chile and few others. The analysis was carried out by analyzing the Indonesia-Chile trade data in 2011 to 2015, analyzing Chile's trade results with Canada, Singapore, and Vietnam and also based on the results of simulations conducted by Petri (2016). The simulation results showed that TPP collaboration can benefit the countries involved in it, seen by the increase in GDP from its member countries. In addition, the TPP also increased more inward than outward investments, especially inward investment coming from countries with high GDP. However, Indonesia's Free Trade Agreement (FTA) with the main trading partner countries must also be considered before Indonesia joins the TPP.

Keywords: Agreement, Trans-Pacific Partnership (TPP).

Abstrak

Kemitraan Trans-Pasifik (TPP) adalah perjanjian perdagangan antara dua belas negara di kawasan Asia-Pasifik dengan tujuan mendorong liberalisasi perdagangan di negara-negara anggota, terutama dalam hal penetapan tarif, perlindungan perdagangan, dan kesetaraan ekonomi. Indonesia menyatakan keinginannya untuk bergabung dengan TPP untuk memperluas pangsa pasar ekspor Indonesia. Indonesia saat ini memiliki kemitraan perdagangan dengan hampir semua negara anggota TPP, kecuali dengan Chili dan beberapa negara lainnya. Analisis dilakukan dengan menganalisis data perdagangan Indonesia-Chili pada tahun 2011 hingga 2015, menganalisis hasil perdagangan Chili dengan Kanada, Singapura, dan Vietnam dan juga berdasarkan hasil simulasi yang dilakukan oleh Petri (2016). Hasil simulasi menunjukkan bahwa kolaborasi TPP dapat menguntungkan negara-negara yang terlibat di dalamnya, dilihat dari peningkatan PDB dari negara-negara anggotanya. Selain itu, TPP juga meningkat lebih banyak ke dalam daripada investasi ke luar, terutama investasi ke dalam yang datang dari negara-negara dengan PDB tinggi. Namun, Perjanjian Perdagangan Bebas Indonesia (FTA) dengan negara-negara mitra dagang utama juga harus dipertimbangkan sebelum Indonesia bergabung dengan TPP.

Kata Kunci: perjanjian, Kemitraan Trans-Pasifik (TPP).

JEL: F13, F14, F15, F17

1. Research Background

The Ministry of Trade's Strategic Plan for 2015 - 2019 (2015) includes expanding the export market share into prospective markets and international trade hubs. To date, Indonesia

continues to negotiate and nurture multilateral, regional, and bilateral agreements in an effort to offset the dynamics of the world economy that tends to be faster and fundamentally change the global trade map. One important bilateral forum in the negotiation stage is cooperation with Chile. Chile is one of the Trans-Pacific Partnership (TPP) member countries consisting of the United States, Japan, Canada, Australia, Mexico, Malaysia, Singapore, Chile, Vietnam, Peru, Brunei and New Zealand. When viewed from all TPP members, Indonesia has economic and trade cooperation with almost all TPP member countries, except with Canada, Mexico, Chile, and Peru.

The initial discussion of the cooperation between Indonesia and Chile began in 2008 where cooperation between Indonesia and the Chile Free Trade Agreement was explored. Then the first negotiation was held on May 26-27, 2014 in Santiago, Chile. The discussion was gradually carried out starting with trade in goods. Collaboration between the two was proposed in the form of a Comprehensive Economic Partnership Area (CEPA). It was hoped that the formation of the cooperation between Indonesia and Chile can open the gate of Indonesian trade to other countries in the Americas so that the objectives of the Ministry of Trade's Strategic Plan can be achieved.

2. Research Method

The problem to be discussed in this study was to look at the potential development of Indonesia's export and import trade to Chile by looking at the simulation results conducted by Petri (2016) that only considered economic factors, although the influence of geopolitics is also important. Petri Analysis (2016) to produce quantitative assessments of TPP and Asia-Pacific integration using a Computable General Equilibrium (CGE) analysis model was calculated based on interactions between companies, households, and government in several product markets in several regions of the world economy. Companies and consumers were assumed to maximize profits and welfare to prices. In addition, secondary data was also used on export and import trade data, observations of increases in export and import transactions on changes in tariffs, as well as observations of the development of commodities traded in the FTA scheme that Indonesia currently has.

3. Result and Discussion

3.1. Indonesia Trade Development

Based on data from the Indonesian Central Bureau of Statistics - BPS (2016), Indonesia's exports in January-August 2016 reached a volume of 329,974.9 thousand tons with a value of USD 91,846.4 million, consisting of USD 8,634.9 million from the exports of oil and gas and USD 83,211.4 million from export of non-oil and gas commodities. Compared to the same period in 2015, the export value in 2016 fell by USD 10,770.5 million due to a decline in oil and gas exports worth USD 4,309.9 million. Likewise, the non-oil and gas commodities declined by USD 6,460.7 million, down 7.20 % compared to the same period the previous year. In August 2016, the price of Indonesian crude oil was USD 41.11 per barrel, down by USD 1.70 per barrel compared to the August 2015 decline in Indonesian exports at that time.

Viewed from export destination countries, BPS (2016) noted that in August 2016, oil and gas exports to the East Asia and South & Southeast Asia were recorded at USD 580.9 million and USD 449.1 million, a decline compared to 2015 as shown in Table 1. The country that showed a decline in oil and gas exports was China with a decrease of 38.78 %, Japan with a decrease of 20.81 %, and Singapore with a decrease of 38.17 %. While Thailand and Malaysia showed an increase compared to 2015, with a percentage increase of 14.83 and 0.56 % respectively. Table 1 also shows the total oil and gas exports in August 2016 fell by 25.63 % to USD 1,138.6 million.

Table 1. Export of Indonesia's Oil and Gas and Non-Oil and Gas by Destination Countries, August 2015 and August 2016 (Million USD)

Region Destination Country	Oil and Gas			Non-oil and Gas		
	August 2015	August 2016	Change (%)	August 2015	August 2016	Change (%)
East Asia	859.7	580.9	-32.43	3,196.6	3,437.6	7.54
Japan	309.5	245.1	-20.81	1,046.4	1,172.5	12.05
China	172.5	105.6	-38.78	1,111.5	1,355.2	21.93
South & Southeast Asia	540.5	449.1	-16.91	3,504.6	3,819.2	8.98
Thailand	111.9	128.5	14.83	396.3	413.1	4.24
Singapore	317.8	196.5	-38.17	721.3	751.3	4.16
Philippines	0.0	0.0	0.0	404.3	580.1	43.48
Malaysia	106.2	106.8	0.56	475.0	527.1	10.97
West Asia	0.3	0.4	33.33	549.8	370.5	-32.61
Africa	0.0	0.1	-	360.4	318.7	-11.57
Australia & Oceania	53.3	61.0	14.45	373.4	282.8	-24.28
North America	76.8	41.9	-45.44	1,393.4	1,423.5	2.16
United States	76.8	41.9	-45.44	1,330.9	1,359.8	2.17
Central & South America	0.0	0.0	-	279.1	307.5	10.18
West Europe	0.3	5.2	1,633.33	1,240.2	1,356.0	9.34
East Europe	0.0	0.0	-	297.6	293.9	-1.24
Total Export	1,530.9	1,138.6	-25.63	11,195.1	11,609.7	3.70

Source: Foreign Trade Statistics Bulletin according to Commodity and Country Groups (2016).

3.2. Indonesian Trade To Chile

Based on trademap data (2016), Chile's total imports from Indonesia (in thousand USD) was 183,458 with -7% growth from 2011 to 2015 and only 0.3% of Chile's total imports. Equivalent ad valorem tariffs given by Chile to Indonesia averaged 6% except for HS Code 88 (2.2), 89 (3.5) and 49 (5.5). The main products imported were products with HS Code 64 with a value (in thousand USD) of 47,785. Whereas for Indonesia's total imports from Chile was 173,848 thousand USD with -13% growth from 2011 to 2015 and only 0.1% of Indonesia's total imports. Equivalent ad valorem tariffs given by Indonesia to Chile varied from 0% (HS Code 31) to the highest 89.9% (HS Code 22). The main products imported were products with HS Code 74 with a value (in thousand USD) of 99,022.

3.3. Chile Country Profile

Chile is a member of the OECD (the Organization for Economic Co-operation and Development) and has an open economy with a large number of regional or bilateral trade agreements. Chile has diversified its trade network and is a member of the Pacific Alliance. Its main economy, based on intra-data (2014), relies on copper exports, with a strong agricultural sector. In the trade sector, there is a need to reduce dependence on commodity exports and strive to improve the competitiveness of their SMEs. Chile's Human Development Index (HDI), based on HDI (2015) data in Figures 1 and 2, continues to increase and compete with Argentina (Table 2) for fellow countries in Latin America and the Caribbean.

The biggest added value contribution to Chile's GDP according to data from World Bank (2016) lies in the agricultural, industrial, manufacturing, and service sectors (Table 3).

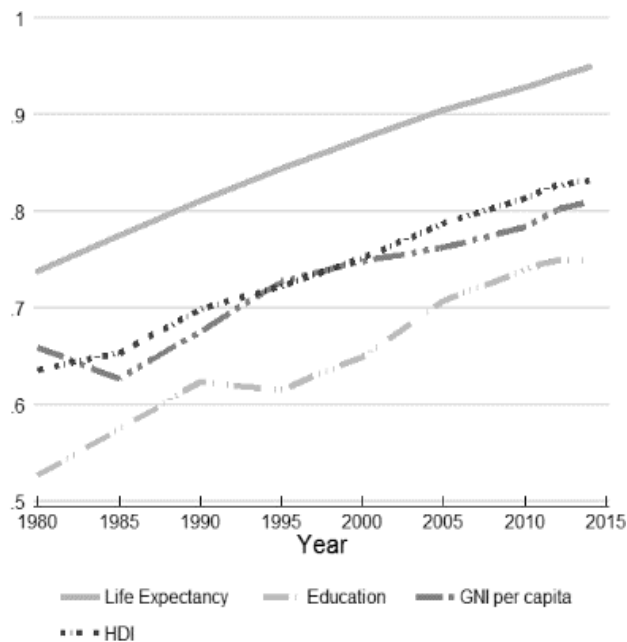


Figure 1. The trend of Chile's HDI Component Indicator from 1980 to 2014
Source: Human Development Report (2015)

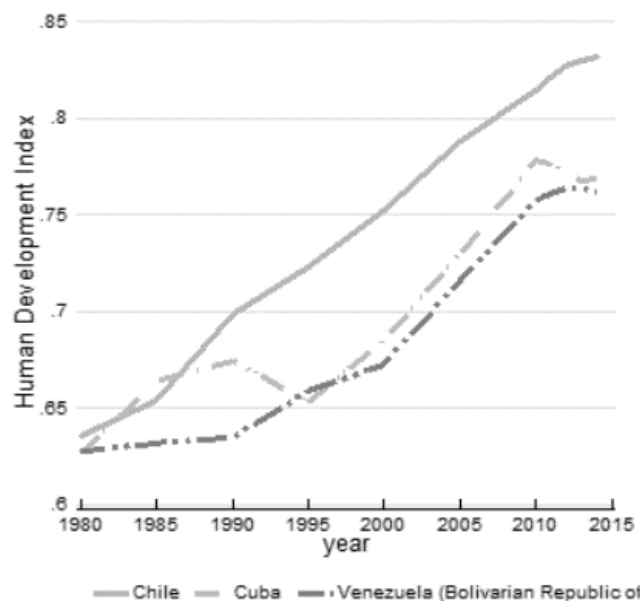


Figure 2. HDI trends in Chile, Cuba and Venezuela from 1980 to 2014
Source: Human Development Report (2015)

Table 2. The 2014 Chile HDI indicator compared to several other countries and groups

	HDI rating	HDI ranking	Possibility of life at birth	Year expected to attend school	Average School Year	GNI per Capita (PPP USD)
Chile	0.832	42	81.7	15.2	9.8	21,290
Peru	0.734	84	74.6	13.1	9.0	11,015
Argentina	0.836	40	76.3	17.9	9.8	22,050
Latin America and the Caribbean	0.748	-	75.0	14.0	8.2	14,242
High HDI	0.896	-	80.5	16.4	11.8	41,584

Source: Human Development Report (2015)

Table 3. Added Value per sector (in million USD and % GDP) Chile from 2011 - 2015

Value added sector	2011		2012		2013		2014		2015	
	USD	%GDP	USD	%GDP	USD	%GDP	USD	%GDP	USD	%GDP
Agriculture	8,25	3.58	7,79	3.21	8,36	3.30	8,83	3.73	8,52	3.89
Industry	89,12	38.72	88,85	36.64	88,60	34.97	81,78	34.58	72,02	32.87
Manufacturing	27,49	11.94	28,66	11.83	30,05	11.86	27,59	11.67	26,17	11.94
Service	132,80	57.70	145,86	60.15	156,44	61.73	145,88	61.69	138,55	63.24

Source: processed from worldbank.org (2016)

Based on data from World Bank (2016) in Figure 3, the dependence of the Chilean Government on aid was smaller than those in Latin America, except Argentina, and countries in the Caribbean. Chile was also still a little dependent on imports based on data from Intracen (2016) in figure 4, which based on data from 2011 - 2015 shows the difference in import-export to % GDP in the range of -1.4% (consumption of imported goods was higher in 2013) up to 1.2% (surplus income from exports in 2014). The total value of Chile's export-import from 2011 to 2015 can be seen in Figure 5. In service products, based on intraclass data (2016) in figure 6, Chile still relies on the importation of services.

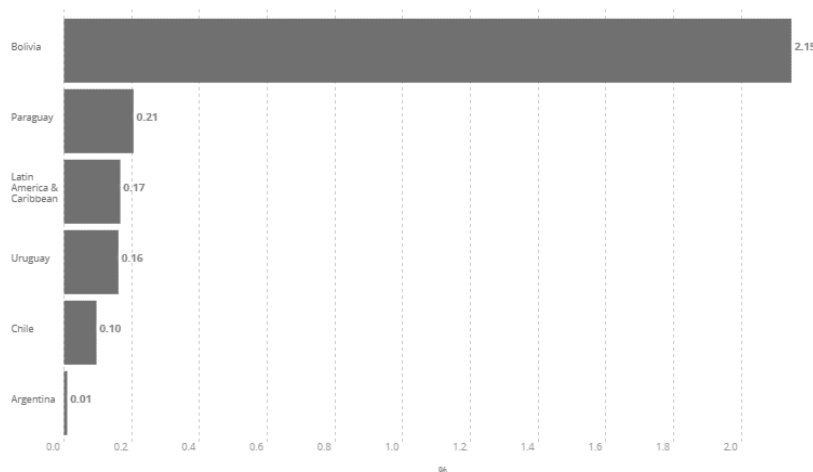


Figure 3. Chile's Dependency on Aid (Official Development Assistance / Gross National Income) compared to several surrounding countries

Source: processed from worldbank.org (2016)

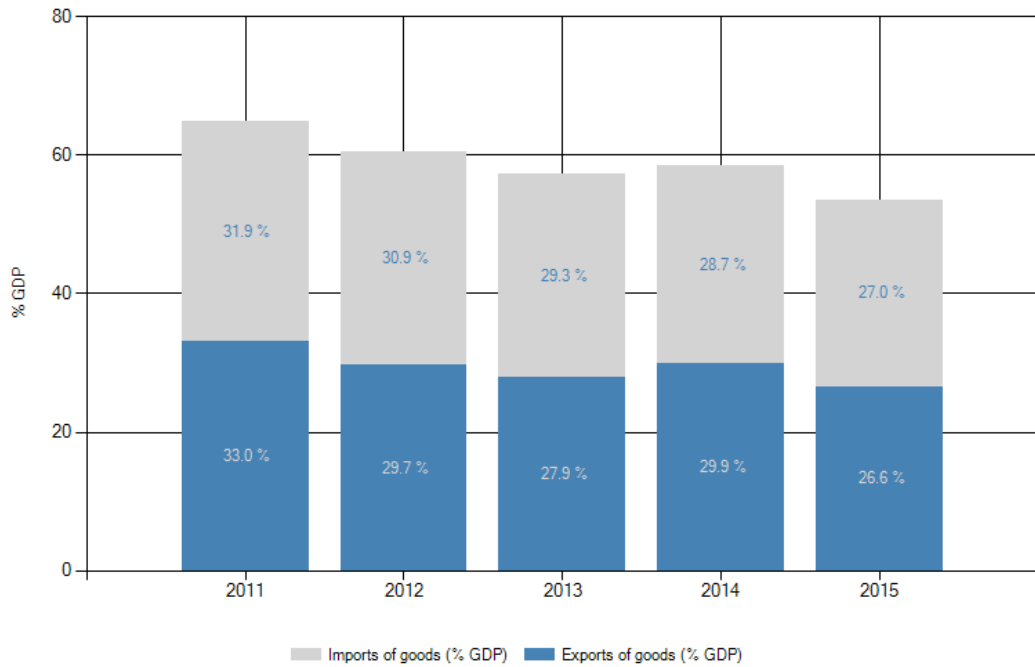


Figure 4. Performance of Exports - Imports of Goods Products in Chile
 Source: intracen.org (2016)

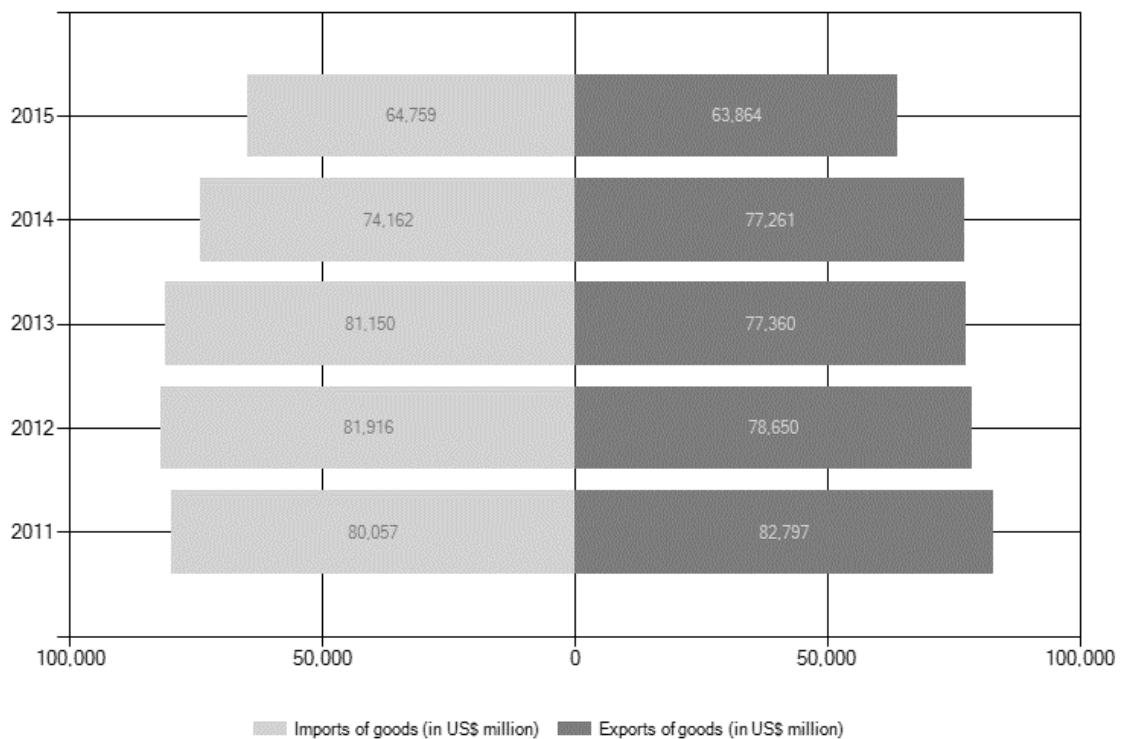


Figure 5. Total Exports - Imports of goods in Chile
 Source: intracen.org (2016)

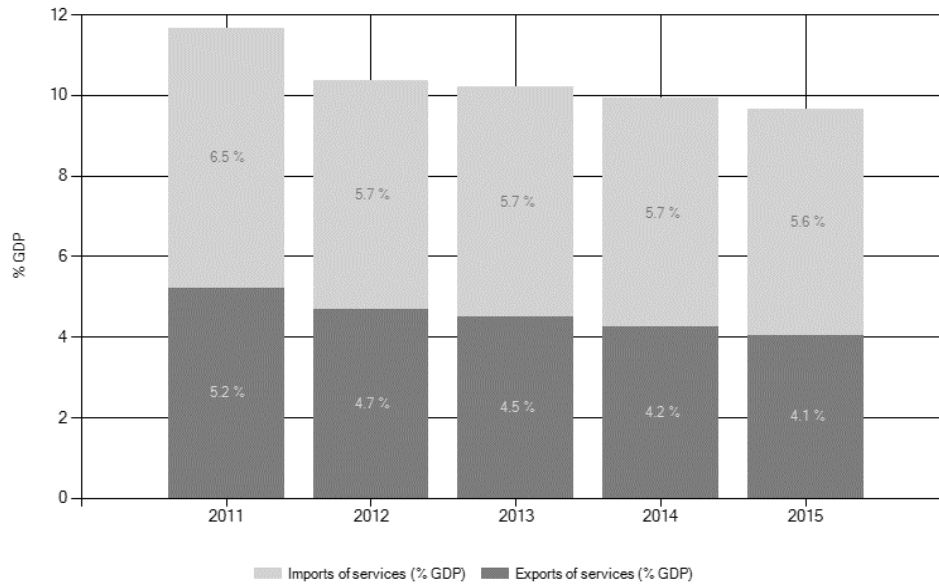


Figure 6. Performance of Exports - Imports of Service Products in Chile

Source: intracen.org (2016)

3.4. Chile Trade Cooperation With Some Countries

Chile has collaborated with several countries in the world, including Canada (Canada-Chile Free Trade Agreement) on July 5, 1997; Singapore (Trans-Pacific Strategic Economy Partnership Agreement) on July 18, 2005; and Vietnam (Chile-Vietnam Free Trade Agreement) on February 4, 2014.

3.4.1. Chile-Canada Partnership

Based on data from the Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013), since the implementation (CCFTA) in 1997, in term of Canadian macroeconomic conditions, the value of Canadian export trade to Chile increased more than twice from the previous USD 392 million in 1997 to USD 819 million in 2011 (figure 7). More than 15 years since the collaboration began, the value of Canadian exports to Chile has increased 5.4% annually, beating exports to other Latin American countries such as Argentina and Brazil, where Canada does not have a special trade agreement. During the same period, Canadian exports of goods to all Latin American regions also increased by 5.4%. As a result, Chile ranked the third in Latin America, after Mexico and Brazil in 2011 where before, Chile only ranked the seventh largest Canadian export trade destination in the region (table 4).

A different situation occurred with other countries in ASEAN that are TPP members, which experienced rapid economic growth while the aim of Indonesia was to expand the export market share in the prospective market and international trade hubs to improve the national economy. However, the opinion of Deardorff (2013) which states that the TPP will not have a large influence on the economy of non-TPP countries should also be considered. This is because Indonesia based on Indonesia's oil and gas and non-oil and gas export data in Table 1 shows that the main market of Indonesian products (oil and gas and non-oil) is the Asian region where Indonesia already has an FTA agreement with them.

While in the United States, non-oil and gas exports have a high value compared to oil and gas exports. If Indonesia joins the TPP scheme, there are challenges that Indonesia needs to face, especially in terms of trade policies, including transparency, equal treatment for State-Owned Enterprises (BUMN), private companies, and labor. It is better off that before Indonesia

joins the TPP, Indonesia needs to maximize existing FTAs. The steps of Indonesia to cooperate with Chile are decent to explore the market potential of Indonesian products to the country in the US before entering the TPP. However, there are a number of challenges that Indonesia needs to face in terms of trade policy, especially in terms of transparency, equal treatment for State-Owned Enterprises (BUMN), private companies, and so on.

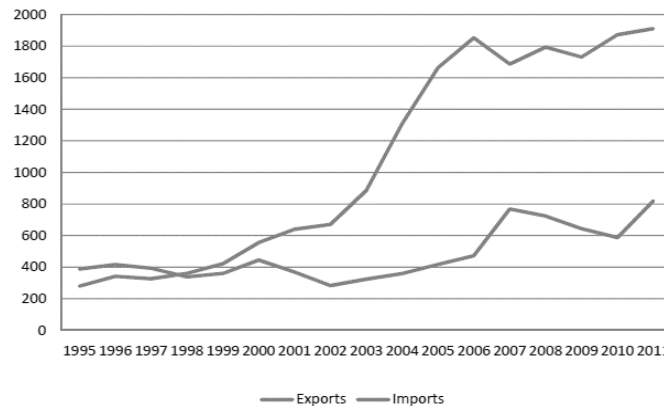


Figure 7. Canadian Trade Value with Chile (in million USD)

Source: Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013)

Table 4. Canadian Trade Values with Major Countries in Latin America in 1997 to 2011, (in million USD)

	Export			Import		
	1997	2011	Growth (%)	1997	2011	Growth (%)
Argentina	409	495	1.4	233	2,359	18.0
Brazil	1,693	2,841	3.8	1,320	3,880	8.0
Chile	392	819	5.4	326	1,911	13.5
Colombia	473	761	3.5	314	800	6.9
Peru	312	516	3.7	135	4,403	28.3
Venezuela	953	607	-3.2	972	739	-1.9
Mexico	1,277	5,476	11.0	7,022	24,573	9.4
Latin America Latin and the Caribbean	6,790	14,131	5.4	12,060	43,106	9.5
World	298,069	447,501	2.9	272,946	445,992	3.6

Source: Office of the Chief Economist, Foreign Affairs, and International Trade Canada (2013)

The import value of Canadian products from Chile also increased significantly. The value of total imports increased six times from the previous USD 326 million in 1997 to USD 1.9 billion in 2011. This value was equivalent to 13.5% per year and when compared to growth for values originating from all Latin American countries, others were only around 9.5%.

The value of Canadian trade imports increased faster from 1996 to 2011. In figure 8, it can be seen that the value of imports from sectors experiencing tariff cuts of more than 10 % grew by 1.190 %, compared to sectors with tariff reduction from 5.1 to 10 %. The value of imports with deductions of less than 5 % decreased by 36% over the same period. While the value of Canada's import trade, which has been released, has increased by 750% over the same period.

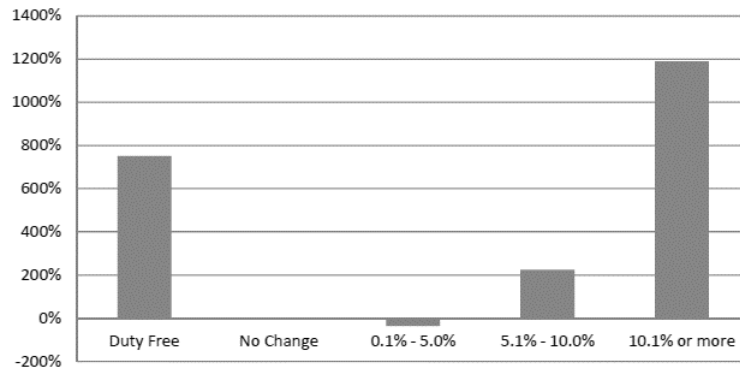


Figure 8. Growth of Canadian Import Value from Chile under the Implementation of CCFTA Tariff Reduction (%), 1996 - 2011

Source: Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013)

The value of Chile's trade imports from Canada did not increase significantly over the period of 1996 to 2011. In figure 9, the value of Chile's imports of goods from Canada increased by 189 % for sectors that applied tariff reductions of more than 10 %. This is in contrast to the sector where the tariff reduction is below 10 % where there was no growth. Whereas for sectors that are exempt from tariffs, they experienced a strong increase of more than 500%.

Table 5 reports the growth of Canadian imports with goods originating from Latin America when the tariff reduction was implemented after the CCFTA has been implemented. The biggest growth occurred in sectors that were exempt from tariffs, while in sectors without tariff reduction there was a tendency not to have import growth in Canada.

The export growth trend (table 6) is the same as Canadian exports to Chile compared to exports to countries without FTAs. However, the choice for reference countries is limited because of the many FTA partners from Chile.

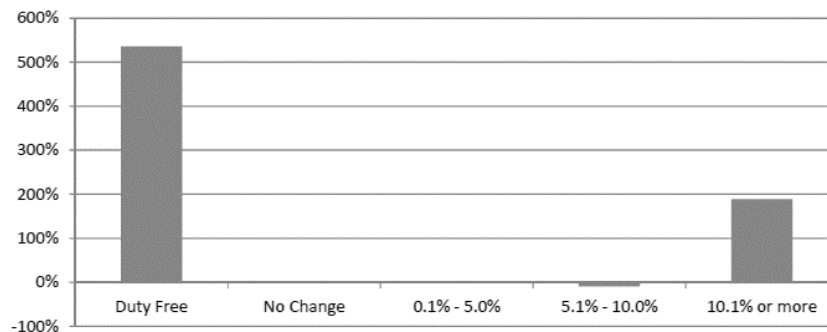


Figure 9. Growth of Chile's Import Value from Canada under the Implementation of CCFTA Tariff Reduction (%), 1996 - 2011

Source: Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013)

The Chilean economy, according to Finance and Development magazine, IMF (2000), experienced a significant decline in the late 1990s and the early 2000s due to the Asian financial crisis in early 1997 and remained sluggish until 2003. Chile's import value from the world declined sharply between 1996 and 2003. During this period, the value of imported merchandise from Canada fell by a total of 18.5 % and from the US fell sharply by 32.7 %. In the five product categories under the tariff reduction category under the CCFTA, four categories reportedly dropped significantly in the value of imports for products originating from the US compared to Canada. Products with a tariff reduction of more than 10 % experienced the most significant decline in the value of imports from the US, while in the same

period the value of imports from Canada grew. The data pattern presented in Table 4 shows how strong the CCFTA helped reduces the loss of Canadian exports in the Chilean market during the economic crisis in Chile.

Table 5. Growth in Canadian Trade Values with Latin American Countries under CCFTA, 1996-2011

CCFTA Tariff Reduction in Scheme Category	Country	Import Growth
Tax Free	Chile	748.9
	Argentina	3,567.8
	Brazil	438.1
	Colombia	235.4
	Mexico	431.8
	Peru	6,972.3
	Venezuela	7335
No Tariff Reduction	Chile	0.0
	Argentina	94.0
	Brazil	-21.2
	Colombia	388.5
	Mexico	0.0
	Peru	0.0
	Venezuela	-98.2
0.1 – 5 % of tariff reduction	Chile	-36.2
	Argentina	324.4
	Brazil	265.3
	Colombia	511.2
	Mexico	491.1
	Peru	46.5
	Venezuela	-36.6
5.1 – 10 % of tariff reduction	Chile	224.5
	Argentina	759.0
	Brazil	489.3
	Colombia	115.4
	Mexico	536.1
	Peru	937.8
	Venezuela	208.4
10.1 % of tariff reduction	Chile	1,189.9
	Argentina	231.7
	Brazil	474.9
	Colombia	6.6
	Mexico	328.1
	Peru	496.8
	Venezuela	-95.3

Source: Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013)

Comparisons between Canada and Australia present a completely different picture. From 1996 to 2008, Chile has increased imports from Australia in two product categories while import values from Canada only increased for products with tariff reductions of more than 10 % according to Table 6. According to the Office of Chief Economist (2013) report, Canada and Australia have many similarities in economic characteristics, for example, both are major exporters of commodities, but the composition of their exports is very different. Australia's exports to Chile were concentrated in two product categories, namely products from coal and beef. While Canadian exports to Chile were more diverse, starting from coal, wheat, mineral products, and seed oil to machinery and equipment. This makes a direct comparison of the two

difficult. For example, in the product category with a tariff reduction of more than 10 %, the value of Chile's imports from Canada increased to 106.5 %, but Australia did not export the same products as Canada in this category. At the sectoral level, the growth of Canadian exports to Chile was concentrated in two product categories namely product with a tariff reduction of more than 10 % and product that already has free access to the Chilean market prior to the implementation of CCFTA.

Table 6. Growth in Chile's Import Trade Values from Canada, Australia and the United States after the tax reduction under CCFTA rates, 1996-2003 and 1996-2008

Tariff Reduction Category under CCFTA	Growth in Value of Imports of Chile from Canada and Australia (% , 1996-2008)		Growth in Value of Imports of Chile from Canada and United States (% , 1996-2003)	
Tax Free	Canada	0.0	Canada	0.0
	Australia	6,413.5	United States	-70.6
No Tariff Reduction	Canada	0.0	Canada	0.0
	Australia	0.0	United States	-10.7
0,1 – 5 % of tariff reduction	Canada	0.0	Canada	0.0
	Australia	102.7	United States	-32.5
5,1 – 10 % of tariff reduction	Canada	-41.9	Canada	-89.7
	Australia	0.0	United States	0,0

Source: Office of the Chief Economist, Foreign Affairs and International Trade Canada (2013)

3.4.2. Chile's Cooperation With Singapore

Singapore's cooperation with Chile began in 2005 under the Trans-Pacific Strategic Economy Partnership Agreement (TPP) scheme together with Brunei Darussalam and New Zealand commonly called P4. The objective of this agreement, according to Kawai (2010), was to reduce 90 % of entry rates among member countries and reduce all tariffs to zero in 2015. The TPP agreement is comprehensive agreement that includes many additional elements of the WTO including ROO (Rules of Origin), trade improvement, rules related to sanitary and phytosanitary, technical barriers to trade, intellectual property, government procurement, and competition policy. As part of the conclusion of the negotiations, the P4 countries agreed to negotiate on the issue of financial and investment services within two years of this TPP. In 2016, TPP membership has increased with the entry of Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States, and Vietnam. Based on trade data from trademap (2016) in table 7, growth occurred in 2011 to 2015 where there was a growth in the trade value of products that received zero % entry rates to Chile.

3.4.3. Chile's Cooperation With Vietnam

Vietnam, based on Online data (2016) regarding the Asia Regional Integration Center, signed a TPP agreement in which there was Chile on February 4, 2016. The collaboration between Vietnam and Chile has not been felt because it is still new and has not affected the economy of Vietnam. However, based on trade data from Trademark (2016) in Table 8, there

was a high potential for growth based on data from 2011 to 2015 where there was a growth in the trade value of products that received 0 % entry rates to Chile. Higher potential can occur on products that still have an entry rate above 0 % but growth remains high, such as products with HS code 58 in table 8, even though the 2% entry rate was applied, export growth remains high up to 120 %. Furthermore, products with HS code 73 with 4% tariff experienced growth of 120%.

Table 7. Growth in the Value of Singapore's Export Trade to Chile with 0% Rate for Some of the Main Products, 2011-2015

HS Product Code	Product Description	Singapore's Export Trade to Chile	
		Annual Growth, 2011-2015, %	Ad valorem tariffs applied by Chile to Singapore
70	Glass and Drinking Glass	205	0
95	Toy, game and sports equipments; spare parts and tools	121	0
57	Carpet and other textile floor coverings	103	0
23	Residues and waste from the food industry; Ready-to-eat animal feed	99	0
62	Clothing articles and clothing, non-knitted or crocheted	70	0

Source: processed from trademap.org (2016)

3.5. Trade Partnership Scheme In TPP and APEC

TPP has the potential to grow and include many other countries based on the accession agreement clause. According to Kawai (2010) in September 2008, the US announced its intention to enter comprehensive negotiations in order to join. Shortly after that, Australia and Peru announced that they would join the negotiations, as did Malaysia and Vietnam. Thus, the TPP can help expand and strengthen economic and strategic relations among fellow APEC members and can lay a broader foundation for the Free Trade Area of the Asia-Pacific (FTAAP). APEC itself, according to Williams (2013), sees itself as an "incubator" of the FTAAP and one of its goals is to support the TPP.

According to Hoang (2015), TPP set a new standard in future trade agreements. This agreement is comprehensive and ambitious in all areas: competition; cooperation and capacity building; provide cross-border services; customs; e-commerce; environment; financial services; government procurement; intellectual property; infestation; labor; law problem; goods market access; original provisions; sanitary and phytosanitary (SPS); technical barriers to trade (TBT); telecommunication; natural human movement; and trade improvement.

Based on the results of a study of quantitative assessments of TPP and Asia-Pacific integration by Petri (2011), the journey towards the realization of FTAAP is shown in Figure 10. The research scenario was based on the Asian Track which is built on the efforts of Asian integration, including the planned ASEAN Economic Community blueprint and bilateral trade agreements with China, Japan and Korea. This agreement covers a wide range of trade, but involves fewer agreements and allows wider acceptance than trade agreements from the TPP Track

Table 8. Growth in Value of Vietnam's Export Trade to Chile in 2011-2015 for Some Major Products

HS Product Code	Product Description	Vietnam's Export Trade to Chile	
		Annual Growth, 2011-2015, %	Ad valorem tariffs applied by Chile to Vietnam
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, coated metals	356	0
85	Electronic devices, equipment and spare parts; voice recorder and production equipment, television	126	0
12	Oleaginous seeds and fruit oils; various seeds, seeds and fruit; drug-related industry	86	0
28	Inorganic chemicals; organic or inorganic compounds of precious metals, rare earth metals	61	0
84	Machinery, mechanical equipment, nuclear reactors, boilers; its spare parts	105	1
48	Paper and paperboard; paper or paperboard pulp articles	95	1
49	Printed books, newspapers, pictures and other products from the printing industry; manuscripts, etc	82	1
58	Special woven fabrics; tufted textile fabric; lace; tapestry; decoration; embroidery	120	2
63	Other artificial textile goods; set; worn clothing and used textile goods; perca	58	3
73	Iron or steel articles	120	4

Source: processed from trademap.org (2016)

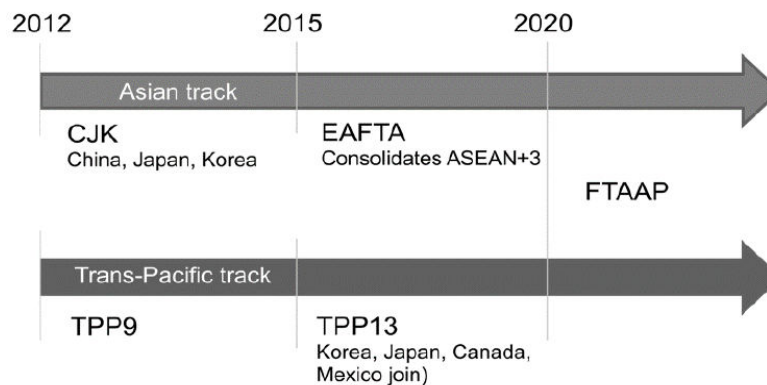


Figure 10. Journey of Asia Track and TPP Track

Source: Petri (2011)

3.6. Analysis Of The Effect Of Tpp Cooperation On World Economy Based On CGE Model

Petri (2016) developed the results of previous studies and estimated changes in Gross Domestic Product (GDP) with the TPP agreement in Asia and the World over the period of 2015 to 2030 using the Computable General Equilibrium (CGE) analysis model (Tables 9 and 10). Table 9 is the result the latest estimate of the quantitative assessment of TPP and Asia-Pacific integration carried out by Petri (2016) where the results of the analysis obtained were the main measure of benefits called "real income profit". This term refers to a rigid technical definition of variations in equations, indicators that economists often use to assess policy changes. This is used to measure how much additional income the country needs, without TPP, to spend the desired actual expenditure equal to when participating in the TPP. Expenditures

usually depend on income derived from production, so that real income profits will be the same (but not identical) with profits in real GDP. Because real GDP and real income are both presented at constant prices, the relationship between the two depends on relative prices. For example, if the TPP lowers output prices relative to the prices of consumer goods, then the increase in GDP given will correspond to a smaller increase in real income.

Petri (2016) projected profits to occur in Japan, Malaysia, and Vietnam. Japan benefited from increased market access throughout the TPP region, including the initial liberalization of imported cars in markets other than the United States, and from domestic reforms to reduce distortions in services and the investment sector that were previously protected by TPP member countries. A very large percentage of profits were earned by Vietnam and Malaysia, where the agreement must also stimulate reform in their country and the availability of access to previously protected foreign markets. The percentage of other significant profits is projected for the economies of Brunei, Peru, Singapore, and New Zealand.

In general, the TPP is not expected to have a large effect on the income of non-member countries. The decline was mostly due to TPP members shifting their trade from previously non-member countries to member countries due to reduced preference in the TPP market. Losses can occur in China, India, and Thailand, which compete with TPP members for the market to get the TPP market. For the South Korean country, the TPP will erode the profits obtained on the US market under the KORUS agreement. Except for Thailand, this loss is smaller than GDP. Some non-member countries, including the European Union and Hong Kong, experience increased net profits, partly due to the assumption that TPP provisions liberalize some trades with non-member countries.

Table 9 shows the influence of the TPP on foreign direct trade and investment in 2030. The annual export value of the United States increases by USD 357 billion or 9.1 % and the total for all TPP countries is USD 1,025 billion or 11.5%. The pattern of the increase in export is similar to the increase in income; The United States, Japan, Vietnam, and Malaysia lead the table, where export of Japan, Vietnam, and Malaysia each grows by 20 % or more. Influence on non-members varies; some benefit from exports and others suffer losses. As the effect of imports is similar to the effect of exports based on the normal trade balance assumption, therefore the value is not reported.

Investment in all TPP countries increases by USD 446 billion or 3.5 % during the 2030 period and outgoing investments amounted to USD 305 billion or 2 %. This change is partly due to GDP growth in various regions and partly due to a reduction in investment barriers. The biggest recipients of inward investments included in the TPP are the United States, Canada, Japan, and Malaysia, while the biggest sources that carry out outward investments are the United States, Japan, and the European Union. The TPP country attracts more investment (USD 446 billion) than they spend to invest out (USD 305 billion). This reflects the net income generated from investments due to the increase in investment climate improvement.

3.7. Analysis Of The Effect Of TPP Cooperation Based On Indonesia FTA Schemes

It is different from the opinion of Deardorff (2013) where the TPP will not have a major influence on the economy of non-TPP countries due to:

1. Many Asian countries outside the TPP have become members or have FTAD agreements with TPP countries. Their exports to member countries have applied a 0% rate, thus and because of that trade transfer or new market creation cannot occur.
2. Many TPP member countries, including Asian AFTA member countries, have become members of FTAs with individual TPP members. Their exports and imports to FTA members have applied a 0% rate, thus and because of that trade transfer or new market creation cannot occur.

At present, according to the Asia Regional Integration Center (2016), Indonesia has 17 FTAs, 7 in the negotiation stages and 10 are already carried out. The countries involved in the 10 FTAs that have been carrying out are: First, Preferential Tariff Arrangement - Group of Eight Developing Countries, involving the countries of Bangladesh, Malaysia, Pakistan, Egypt, Iran, Nigeria, and Turkey; Second, Pakistan - Indonesia Free Trade Agreement; Third, Japan - Indonesia Economic Partnership Agreement; Fourth, ASEAN Free Trade Area, involving Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam; Fifth, ASEAN – (Republic of) Korea Comprehensive Economic Cooperation Agreement; Sixth, ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement; Seventh, ASEAN-Japan Comprehensive Economic Partnership; Eight, ASEAN-India Comprehensive Economic Cooperation Agreement; Nine, ASEAN-Australia and New Zealand Free Trade Agreement; Ten, Trade Preferential System of the Organization of the Islamic Conference, involving the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Nigeria, Pakistan, Saudi Arabia, Turkey, Uganda, Bangladesh, Ivory Coast, Guinea, Iran, Islamic Republic of Maldives, Oman, Qatar, Senegal, Syrian Arab Republic, Tunisia, United Arab Emirates, Benin, Burkina Faso, Cameroon, Chad, Comoros, Djibouti, Gabon, Gambia, Guinea Bissau, Iraq, Libya, Malaysia, Mauritania, Niger, Palestine, Sierra Leone, Somalia, and Sudan.

Seven FTAs in the negotiation stage are: first, ASEAN-Hong Kong, China Free Trade Agreement; second, India-Indonesia Comprehensive Economic Cooperation Arrangement; third, Indonesia-Australia Comprehensive Economic Partnership Agreement; fourth, Indonesia-Chile Free Trade Agreement; fifth, The Indonesia-European Free Trade Association Free Trade Agreement, involving the countries of Iceland, Liechtenstein, Norway and Switzerland; The Regional Comprehensive Economic Partnership, involving ASEAN member countries, Australia, India, Japan, China, Republic of Korea, and New Zealand; sixth, (Republic of) Korea-Indonesia Free Trade Agreement.

Table 9. The TPP Effects on Real Income

	Paduk (in million dollars 2015)				Changes after TPP (in million dollars 2015)		
	2015	2020	2025	2030	2020	2025	2030
TPP members	28,969	32,971	37,094	41,011	98	291	465
United States	18,154	20,736	23,372	25,754	29	88	131
Japan	4,214	4,462	4,693	4,924	39	91	125
Canada	1,981	2,227	2,472	2,717	8	22	37
Australia	1,704	1,986	2,292	2,590	1	8	15
Mexico	1,339	1,598	1,868	2,169	3	11	22
Malaysia	349	444	553	675	7	28	52
Singapore	320	380	437	485	2	8	19
Chile	269	329	397	463	0	2	4
Vietnam	209	281	378	497	7	22	41
Peru	219	287	363	442	1	6	11
New Zealand	192	217	241	264	1	4	6
Brunei	20	24	27	31	0	1	2
Non-TPP members	52.066	63.652	77.596	92.790	13	28	27
Europe	17,893	19,746	21,451	23,189	12	34	48
China	11,499	16,058	21,689	27,839	-1	-8	-18
India	2,210	3,086	4,197	5,487	0	-2	-5
Republic of Korea	1,384	1,672	1,967	2,243	-1	-5	-8
Indonesia	927	1.240	1.687	2.192	0	-1	-2
Taiwan	511	619	707	776	0	1	1

Thailand	411	516	656	812	-1	-4	-7
The Philippines	329	436	547	680	0	-1	-1
Hong kong	300	358	412	461	2	4	6
World	81,035	96,623	114,690	133,801	111	319	492

Source: Petri (2016)

From table 10 below, it can be seen that the countries involved in the 10 FTAs that have been running contribute greatly to Indonesia's oil and gas and non-oil and gas export trade. Whereas, the American region contributes greatly in terms of non-oil and gas exports.

Table 10a. The Effect of TPP on Trade and Investment (2015 billion dollars)

Country	Export			
	Paduk 2015	2030	Changes	TPP in 2030 Percentage
America	3,274	5,693	469	8.2
Canada*	560	835	58	7.0
Chile*	87	147	8	5.3
Mexico*	396	670	32	4.7
Peru*	46	135	14	10.3
United States *	2,184	3,906	357	9.1
Asia	6,168	12,095	509	4.2
Brunei*	10	16	1	9.0
China	2,339	4,976	9	0.2
Hong Kong	199	357	4	1.0
India	488	1,360	1	0.1
Indonesia	205	446	-4	-1.0
Japan*	849	1,190	276	23.2
Republic of Korea	623	1,089	-11	-1.0
Malaysia*	261	491	99	20.1
The Philippines	74	184	-1	-0.4
Singapore*	304	470	35	7.5
Taiwan	348	506	4	0.8
Thailand	275	561	-9	-1.6
Vietnam*	161	357	107	30.1
ASEAN members	31	93	-3	-2.8
Oceania	349	673	38	5.6
Australia*	296	589	29	4.9
New Zealand *	53	84	9	10.2
Other Countries	11,784	17,689	91	0.5
European Union	7,472	9,706	49	0.5
Russia	575	851	5	0.5
Other Countries	3,736	7,132	37	0.5
World	21,575	36,149	1,106	3.1
<i>Memo</i>				
TPP members	5,208	8,890	1,025	11.5
Non-TPP members	16,366	27,260	81	0.3

Note: * = TPP members

Source: Petri (2016)

Table 10b. The Effect of TPP on Trade and Investment (2015 billion dollars)

Inward Investment from Foreign Direct Investment				Outward Investment from Foreign Direct Investment			
Paduk		TPP in 2030		Paduk		TPP in 2030	
2015	2030	Changes	Percentage	2015	2030	Changes	Percentage
5,792	9,348	250	2.7	7,028	11,768	169	1.4
934	1,487	107	7.2	851	1,383	16	1.2
149	281	0	0.0	54	114	2	1.7
424	774	8	1.1	141	265	2	0.6
49	117	7	5.8	2	5	0	3.9
4,236	6,690	128	1.9	5,980	10,002	149	1.5
6,788	16,055	220	1.4	5,152	11,931	140	1.2
0	0	0	11.3	7	18	1	3.3
3,078	8,153	19	0.2	750	2,064	8	0.4
1,452	3,069	8	0.3	2,253	5,485	15	0.3
322	999	1	0.1	119	359	2	0.6
233	621	5	0.8	22	58	1	1.1
222	310	92	29.8	983	1,575	63	4.0
177	327	1	0.2	277	628	2	0.3
128	279	48	17.2	140	345	24	7.0
60	145	1	0.5	13	38	0	0.3
847	1,555	28	1.8	450	1,018	23	2.2
41	69	0	0.7	69	155	1	0.7
176	386	1	0.2	66	179	1	0.4
40	108	16	14.4	2	4	0	7.2
11	33	0	0.1	2	6	0	0.7
699	1,194	12	1.0	443	802	24	3.0
609	1,049	10	0.9	414	751	23	3.0
90	145	2	1.4	30	51	2	3.2
23,745	37,846	65	0.2	24,401	39,942	213	0.5
17,526	26,052	48	0.2	19,780	30,566	169	0.6
660	1,078	1	0.1	502	821	2	0.2
5,559	10,716	17	0.2	4,119	8,555	41	0.5
37,025	64,443	547	0.8	37,025	64,443	547	0.8
7,730	12,794	446	3.5	9,053	15,530	305	2.0
29,295	51,649	101	0.2	27,972	48,913	242	0.5

Note: * = TPP members

Source: Petri (2016)

4. Conclusion

Based on the results of economic modeling analysis, TPP will benefit the countries involved, as seen from the increase in GDP from its member countries. In addition, the TPP also increased more inward than outward investments, especially inward investments originating from countries with high economies such as the United States, Japan, and the European Union. The position of Indonesia based on the results of the Petri analysis (2016) in table 9 seems to have not experienced an increase in the economy within 15 years because it was outside the TPP.

A different situation occurred with other countries in ASEAN that are TPP members, which experienced rapid economic growth while the aim of Indonesia was to expand the export market share in the prospective market and international trade hubs to improve the national economy. However, the opinion of Deardorff (2013) which states that the TPP will not have a large influence on the economy of non-TPP countries should also be considered. This is because Indonesia based on Indonesia's oil and gas and non-oil and gas export data in Table 1

shows that the main market of Indonesian products (oil and gas and non-oil) is the Asian region where Indonesia already has an FTA agreement with them.

While in the United States, non-oil and gas exports have a high value compared to oil and gas exports. If Indonesia joins the TPP scheme, there are challenges that Indonesia needs to face, especially in terms of trade policies, including transparency, equal treatment for State-Owned Enterprises (BUMN), private companies, and labor. It is better off that before Indonesia joins the TPP, Indonesia needs to maximize existing FTAs. The steps of Indonesia to cooperate with Chile are decent to explore the market potential of Indonesian products to the country in the US before entering the TPP. However, there are a number of challenges that Indonesia needs to face in terms of trade policy, especially in terms of transparency, equal treatment for State-Owned Enterprises (BUMN), private companies, and so on.

References

- ARIC [internet]. 2016. Asia Regional Integration Center about Vietnam TPP agreement. [Cited in 2016 December 7]. Available from <https://aric.adb.org/fta-country>
- Badan Pusat Statistik (Central Bureau of Statistics). 2016. *Buletin Statistik Perdagangan Luar Negeri Ekspor Menurut Kelompok Komoditi dan Negara (Export Foreign Trade Statistics Bulletin According to Commodity and Country Groups)*. Jakarta: Badan Pusat Statistik Indonesia.
- Deardorff AV. 2013. Trade Implications of the Trans-Pacific Partnership for ASEAN and Other Asian Countries. The University of Michigan. *Paper to be presented at 2nd 2013 Asian Development Review Conference*. Manila.
- Finance and Development, a quarterly magazine of the IMF [internet]. 2000. Chile in the 1990s: Embracing Development Opportunities. {Cited in 2016 December 7}. Available form <http://www.imf.org/external/pubs/ft/fandd/2000/03/aninat.htm>
- Hoang NV. 2015. The Regional Trade Agreements (RTAs) and Their Impact on Vietnam. Proceedings of the Second Asia–Pacific Conference on Global Business. *Economics, Finance and Social Sciences (AP 15 Vietnam Conference)*. Vietnam: Danang.
- Human Development Report [internet]. 2015. Human Development Index (HDI) Chile. [Cited in 2016 December 7]. Available from http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/CHL.pdf
- Intracen [internet]. 2014. ITC by Country. [Cited in 2016 December 7]. Available from <http://www.intracen.org/country/chile/>.
- Kawai M, Wignaraja, G. 2010. Asian FTAs: Trends, Prospects, and Challenges. ADB *Economics Working Paper Series*. Philippines: Asian Development Bank.
- Office of the Chief Economist, Foreign Affairs and International Trade Canada [internet]. 2013. The Economic Impact of the Canada – Chile Free Trade Agreement. [Cited in 2016 December 7]. Available from http://www.international.gc.ca/economist-economiste/assets/pdfs/research/canada_chile-canada_chili-eng.pdf
- Petri PA, Plummer MG, Fan, Z. 2011. The Trans-Pacific Partnership and Asia-Pacific Integration: A Quantitative Assessment. *East-West Center Working Papers*. Hawai'i.
- Petri PA, Plummer MG. 2016. The Economic Effects of the Trans-Pacific Partnership: New Estimates. *Working Papers Series*. WP: Peterson Institute for International Economics.
- Rencana Strategis Kementerian Perdagangan Tahun 2015 – 2019. 2015. Peraturan Menteri Perdagangan Republik Indonesia No 27/M-DAG/PER/4/2015 Tentang Rencana Strategis Kementerian Perdagangan Tahun 2015 – 2019.
- Trademap.org [intenet]. 2016. About total import of Chile from Indonesia over the period of 2011 to 2015. [Cited in 2016 Decemver 5]. Available from <http://trademap.org/Bilateral.aspx?nvpm=1|360||152||TOTAL||2|1|2|1||1|1|>.

- Trademap.org [intenet]. 2016. About total import of Chile from Singapore over the period of 2011 to 2015. [Cited in 2016 Decemver 5]. Available from <http://trademap.org/Bilateral.aspx?nvpm=1|152||702||TOTAL||2|1|1|1|1||1|1|1>.
- Trademap.org [intenet]. 2016. About total import of Chile from Vietnam over the period of 2011 to 2015. [Cited in 2016 Decemver 5]. Available from <http://trademap.org/Bilateral.aspx?nvpm=1|152||704||TOTAL||2|1|1|1|1||1|1|1>.
- Williams BR. 2013. Trans-Pacific Partnership (TPP) Countries: Comparative Trade and Economic Analysis. *Congressional Research Service*.
- Worldbank.org [internet]. 2016. About Net ODA Receive (% of GNI). [Cited in 2016 December 7]. Available from <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?end=2014&locations=CL-AR-UY-ZJ-PY-BO&start=2014&view=bar>
- Worldbank.org [internet]. 2016. About added value/sector (In million USD and % GDP) Chile dari tahun 2011 – 2015. [Cited in 2016 December 7]. Available from <http://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=CL>