



Australia Indonesia Partnership
for Economic Governance

PROSPECTS & CHALLENGES OF RCEP AMIDST UNCERTAIN FUTURE OF TPP

March 2016

Achmad Shauki, Senior Economist - AIPEG
Achmad.Shauki@aipeg.or.id

- Reliance of Indonesia and ASEAN on trade for economic growth
- The need for Indonesia & ASEAN to have platform to expand regional trade
- Uncertain future of TPP and US trade policy
- The rise of anti-globalization



WOULD INDONESIA BENEFIT FROM TPP



- CGE analysis shows the net benefits for Indonesia from TPP in terms of growth, employment, and trade are positive.
- PE analysis shows that textile & apparel and footwear will gain the most from TPP.
- Indonesia will gain from cheaper import of capital goods from TPP
- Trade diversion costs for Indonesia are small.
- TPP can contribute to domestic reform.

- The future of TPP is in ‘limbo’ since the USA decided to withdraw
- Some countries have chosen to ratify, others has postponed
- Proposed ideas to salvage TPP
 - Continue without USA
 - Invite China and Indonesia to replace USA
 - Refocus to RCEP

WILL 'NEW' TPP BENEFITS INDONESIA | AIPEG

- Australia proposed a redesigned TPP that consists of the original members (minus USA) plus China and Indonesia
 - Based on PE analysis trade created by the “New TPP” is \$60tril.
 - Most of the new trade is created between China & Japan – the largest beneficiaries.
 - Positive net benefit for Indonesia and ASEAN but small.

ARE RCEP AND TPP SUBSTITUTE?



- The TPP and RCEP are different model of trade agreement.
- TPP is designed as a next generation trade agreements:
 - Wide and deep liberalization.
 - Covers non-traditional trade issues (IP, SOE & Competition Policy, Investors' Protection).
 - Tied to USA geopolitics in Asia (Pivot to Asia Policy).
- RCEP is designed with ASEAN centrality as the framework:
 - Consolidate ASEAN+ agreements.
 - Gradual and evolutionary approach.
 - Inclusive, acknowledging different stages of development.

RCEP AS A DRIVER OF TRADE *POST-TPP*

- A platform ASEAN to ensure openness amid rising anti-globalization sentiments.
- TPP members of RCEP are likely to push for wider and deeper liberalization of RCEP
- RCEP needs to have more ambitious targets and yet accommodating towards its members' diverse level of development.
- RCEP has the opportunity to become the pathway for FTAAP.

| THANK YOU