



INDONESIA REGIONAL TRADES

GROUP 5:

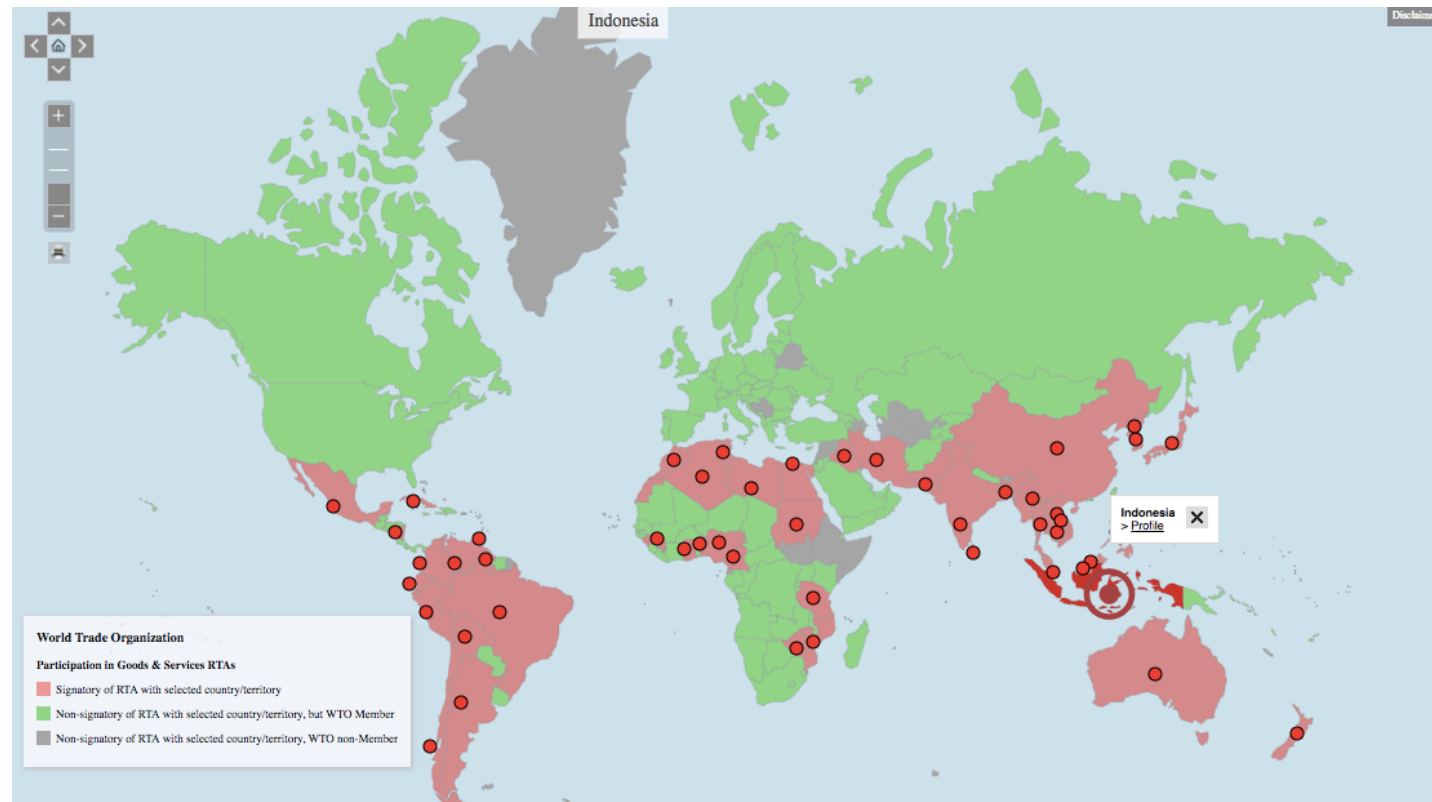
- 0653021 - Tran Thi Kim Dung**
- 0653005 - 陳柏穎 Becky**
- 0653018 - 吳婉禎 Jenny Wu**
- 0653009 - 蔡佳瑾 Alisa**
- 0653011 - 陳柏華 Albert**
- 0653007 - 余英仕 Stan**
- 0645107 - Thomas Singh**
- 0645106 - Alice Gautier**

Contents

- 1 ASEAN/RCEP
- 2 OBOR
- 3 Import/Export
- 4 Analysis
- 5 Conclusion

Definition

- ❖ In the WTO (World Trade Organization), **Regional Trade Agreements (RTAs)** are defined as reciprocal trade agreements between 2 or more partners.
- ❖ They include free trade agreements and customs unions.



1. ASEAN/RCEP

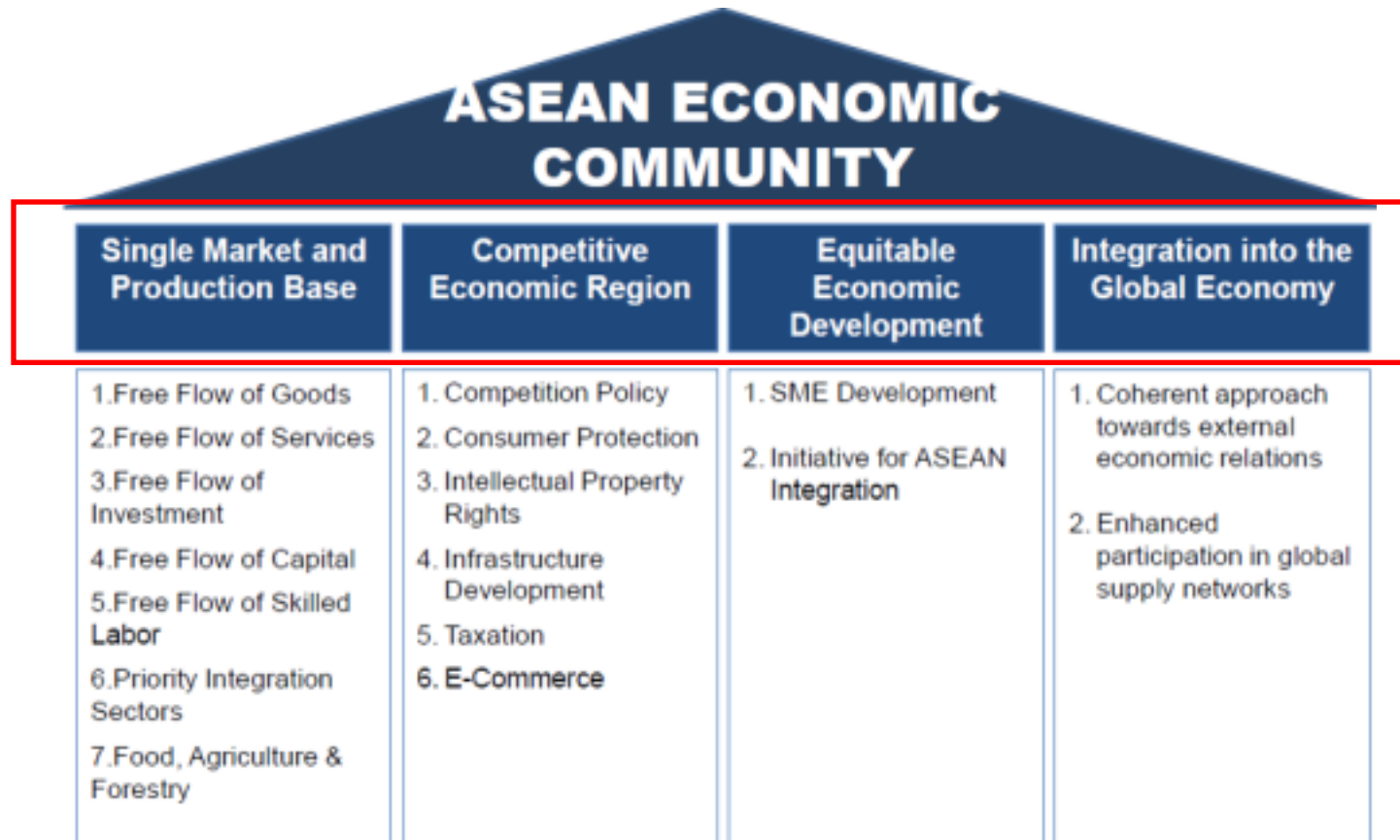
❖ ASEAN – Members

★ Original members



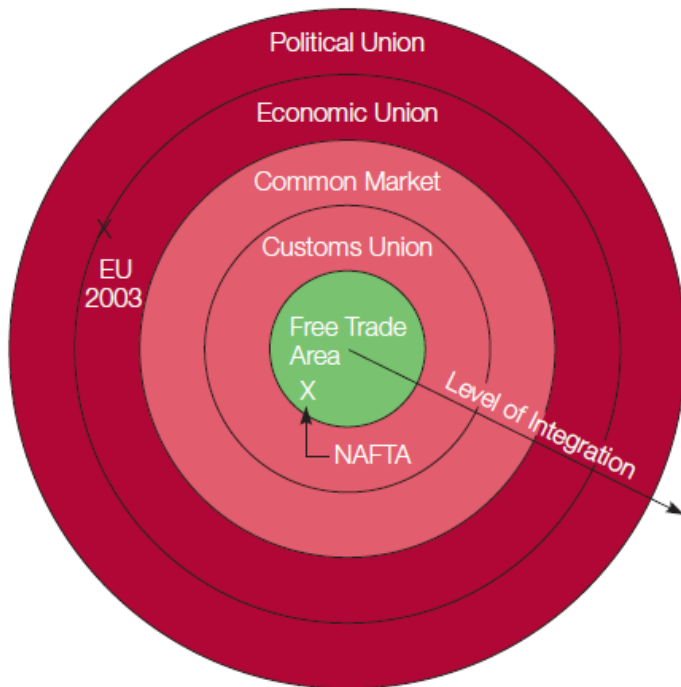
1. ASEAN/RCEP

❖ 4 Pillars of the ASEAN Economic Community (AEC)



1. ASEAN/RCEP

❖ AEC- Levels of economic integration



(1) Free Trade Area: Barriers to goods and service are removed

(2) Custom Union: (1)+common external trade policy removed

(3) Common Market: (2)+factors of production, labor, capital, immigration have no restriction

(4) **Economic Union**: (3)+common currency, harmonization of members' tax rate and common monetary and fiscal policy

AEC vision: Free Trade Area => Common Market or Economic Union

1. ASEAN/RCEP

❖ Achievement of ASEAN

➤ Tariff reduction

E.g. 2002.1 → tariffs 5%

❖ Difficulties of ASEAN (Take Indonesia as an example)

➤ Free Flow of Trade Service:

- No commitment to address behind-the-border issues such as interconnection for telecom services or access to ATMs for banking.
Example: Availability and quality of infrastructure is still lacking in Indonesia
- Differences in law and regulations among member countries



1. ASEAN/RCEP

❖ Difficulties of ASEAN (Take Indonesia as an example)

➤ Free flow of goods:

- Hindered by the use of non-tariff measures (NTMs)
 - a) Voluntary approach to reduce NTMs
 - b) Without monitoring system
- No incentive to improve

Table 5.1. Comprehensiveness of Indonesian Non-tariff Measures

Number	Comprehensiveness	Number
1	Total NTM-related regulations	199
2	Total NTMs reported to the WTO	296
3	Total number of coded NTMs	638
4	Total affected products (HS lines, national tariff lines)	
	a. Total number of affected products	6,466
	b. Share of the number of affected products to the number of total products (%)	64.58%
5	Total issuing institutions	14

Source: Authors' calculation based on the newly constructed 2015 NTM database ASEAN-ERIA-UNCTAD raw data.

1. ASEAN/RCEP

❖ Difficulties of ASEAN (Take Indonesia as an example)

➤ Free flow of skilled labor

- Unskilled labor is more useful than skilled labor in ASEAN
Example: Large inflow of workers at management level into Indonesia.

➤ Politics

- Domestic political conflicts=>Weak and Unstable Governments
- Most member countries' protectionist stances.
Example: Frequent Regime Turnover of Presidency and Corruption in Indonesia

1. ASEAN/RCEP

- ❖ **RCEP: Regional Comprehensive Economic Partnership**
- ❖ Members



1. ASEAN/RCEP

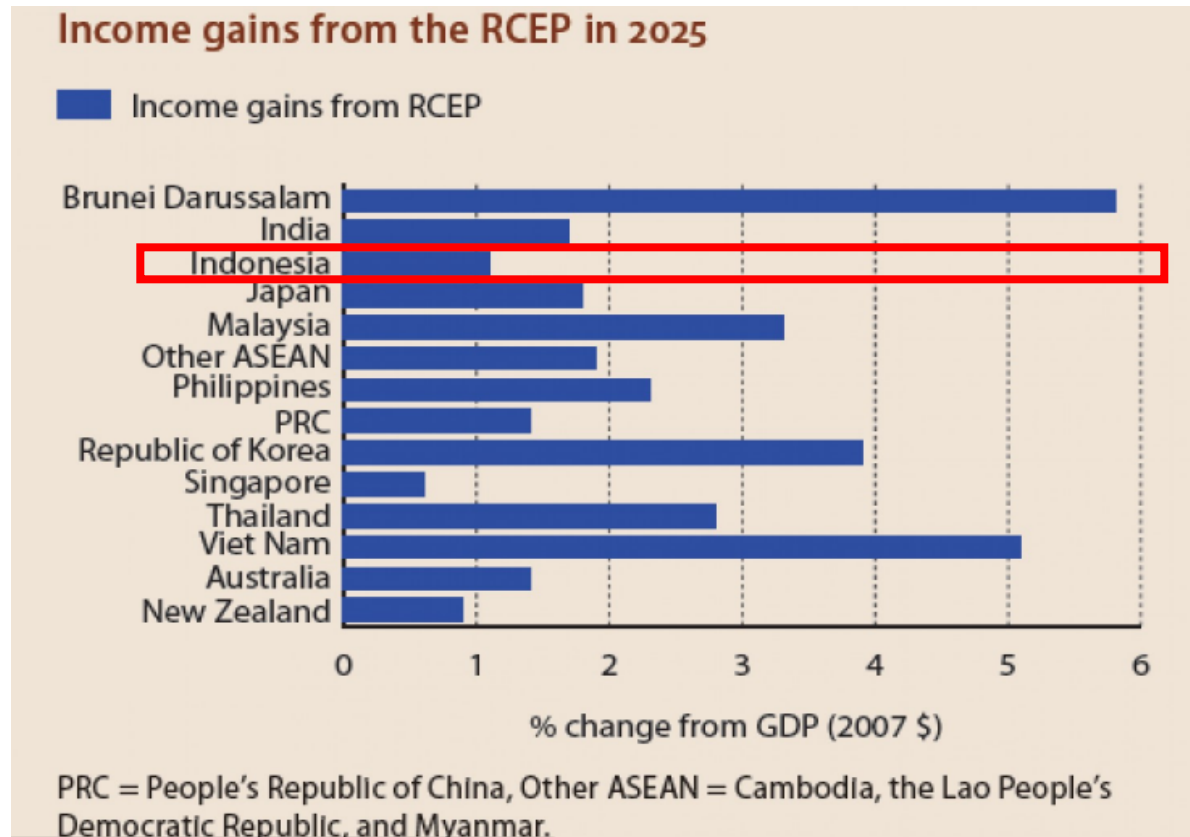
❖ RCEP current status:

- June 2016: Agree with 80% of goods tariff concessions.
 - 65% tariff eliminated into force immediately
 - 15% tariff elimination will happen over a period of 10 year
- July 2017: Constitute a Working Group on government procurement.
 - market access and national treatment with equal treatment of foreign and local firms.
 - India would not given in to the demands from these countries for equal treatment.
- As the growth of large countries such as China, India, and Indonesia will reach \$ 100 trillion in 2050.



1. ASEAN/RCEP

❖ RCEP – Expected GDP Growth:



2. OBOR

❖ **The Silk Road Economic Belt and 21st Century Maritime Silk Road**=>The Belt and Road initiative (OBOR)

- Anticipated cumulative investment:
US\$4 trillion to US\$8 trillion
- Purpose: Enhancing global supply chains by infrastructure projects
 - a) 130 projects, 250B USD transportation
 - b) Jakarta<->Bandung HSR 5.1B USD
 - c) Container terminal facilities in Batam



2. OBOR

Indonesia benefit from OBOR

- Better Infrastructure and logistics
- Bring in Trade and investments
- Education and employment
- Enable local companies to compete globally

Questions behind

- Deep-rooted corruption, especially big money in OBOR?
- Politics Environment Stability of Indonesia?
- China engineering quality?
- China imperialism? US, Russia against?

ChinaGoAbroad appointed as strategic advisor for US\$20bn industrial park in Indonesia

On 23 July 2015, the Reignwood Group and Sinopec Engineering Group signed an MOU in Beijing for the joint development of a huge new industrial park in East Kalimantan, Indonesia. The park will house coal chemical plants, steel mills, shipyards and ports. Total investment for the project is expected to range between US\$ 18-20bn.

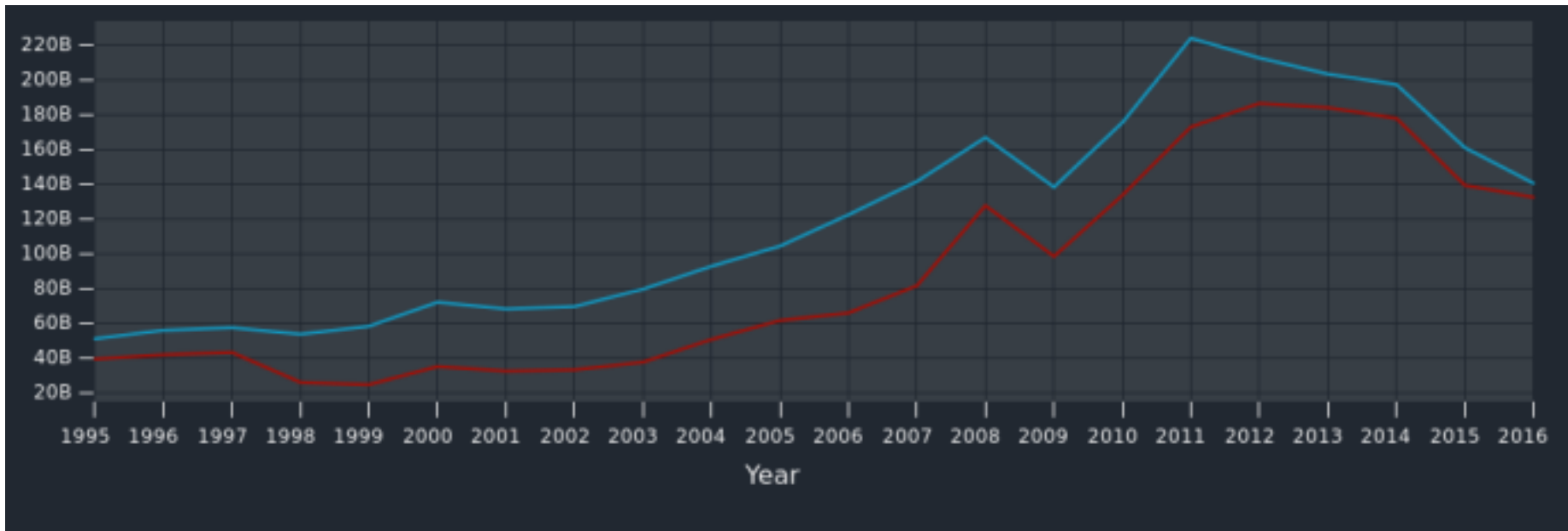
ChinaGoAbroad and TransAsia Lawyers are honored to have been appointed to provide strategic transactional advice and legal services, respectively, to the Chairman of the Reignwood Group.



3. Indonesia Import/Export

❖ Trade balance

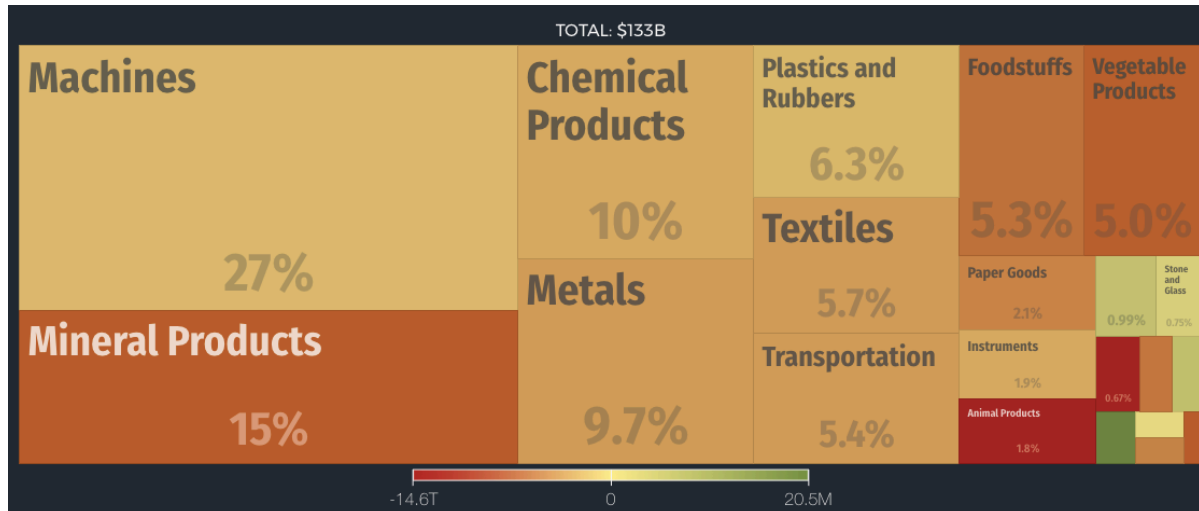
— Export — Import



3. Indonesia Import/Export

❖ Import

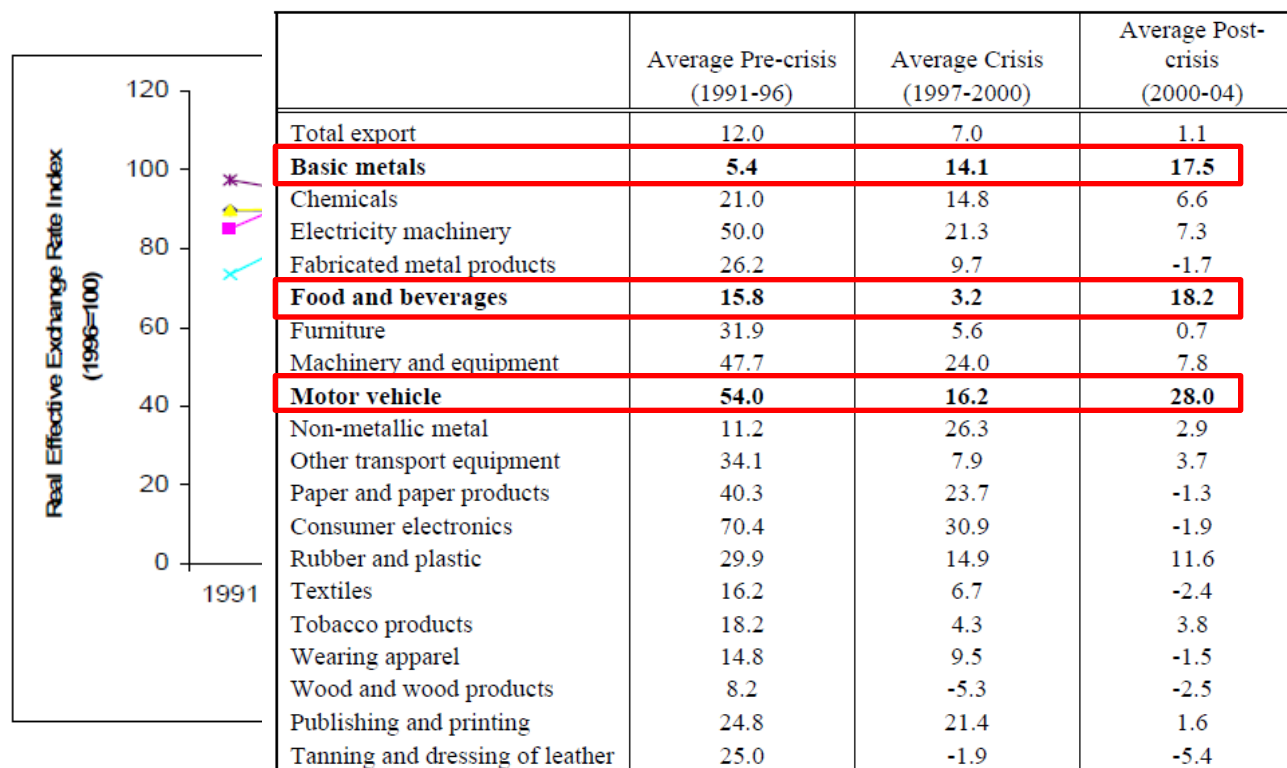
- Regional imports: China, Singapore
- Priorities domestic agriculture.
- Controls imports through the issuance E.g. : SNI
- Increased the excise tax.



3. Indonesia Import/Export

❖ Export

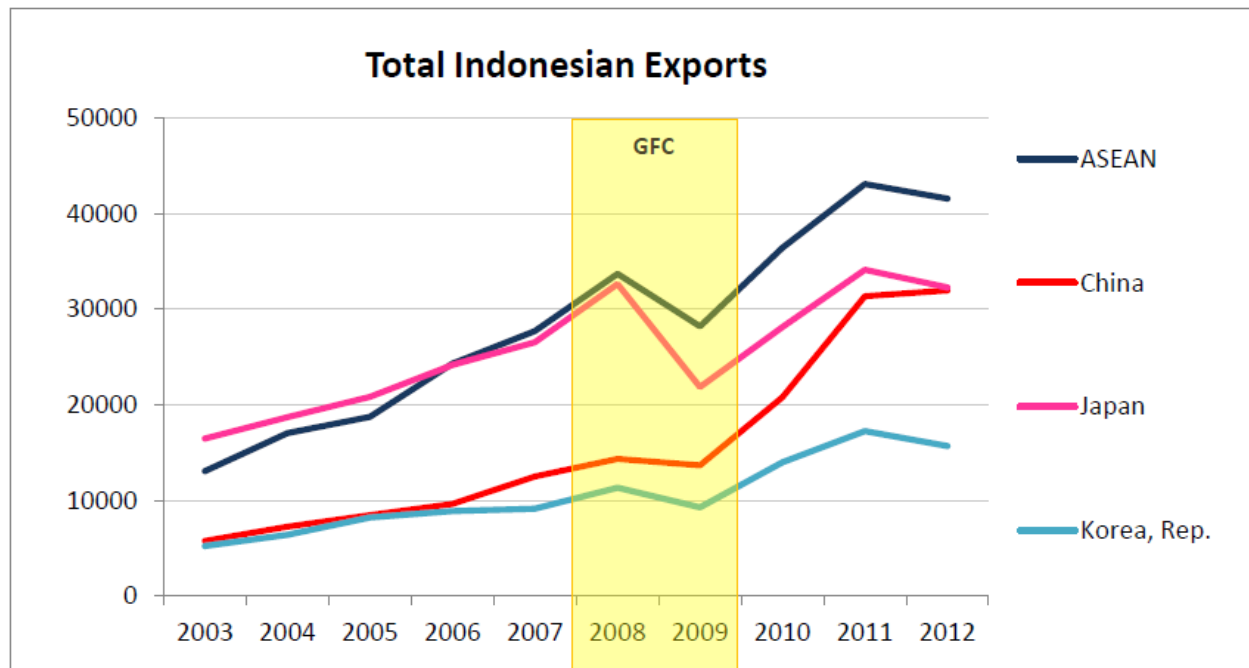
- Competitive depreciation with trade competitors
- Firm production cost (imported material cost)
- Labor and Resources



3. Indonesia Import/Export

❖ Export

- Negative Trend: 2008~2009
- Comparative advantage
- China: after 2009
- Average tariff rate: 9.8->0.1% (2010)



3. Indonesia Import/Export

❖ Export:



- Fossil Fuels, machinery, transportation equipment and manufactures
- Relax export ban on raw minerals (Jan, 2017) => reduction fiscal revenue

4. Analysis

❖ Textile Industry

❖ Indonesia - Australia relationship

➤ In 2015:

Contribution to Indonesia Economy

- 6.7% of total production value
- 1.2% of Indonesia GDP

Global Position

- 10th among leading textile and apparel exporters
- Market share of 1.8%

Source: https://wits.worldbank.org/CountryProfile/en/Country/IDN/StartYear/2012/EndYear/2016/TradeFlow/Export/Indicator/XPRT-TRD-VL/Partner/WLD/Product/50-63_TextCloth

4. Analysis – Textile Industry

❖ Big challenges:

➤ **Highly dependent on raw material imports**



- 99.2% of Indonesia's raw cotton needs are met by imports
 - In 2015, Indonesian textile industry spent \$8 billion USD to import raw materials
 - **High energy prices**
 - Electricity and natural gas: 24-30% of the sector's production cost
 - The electricity rate in Indonesia: \$10.5 cent USD per kWh
 - Gas prices around \$8.3-\$9.3 USD per MMBtu, far higher than that of Vietnam with \$7.5 USD per MMBtu
- MMBtu (million British thermal unit)*

4. Analysis – Textile Industry

➤ **Lack of trade diplomacy**

- The EU – which is Indonesia's fourth-largest trading partner – imposes duties of between 11% and 30% on Indonesian textile imports as Indonesia is not engaged in free trade partnerships with them.

➤ **Inefficient and aging technology**

- Still use old, inefficient machinery and technology
- \$5 billion USD to \$6 billion USD is required to rejuvenate existing machinery and equipment

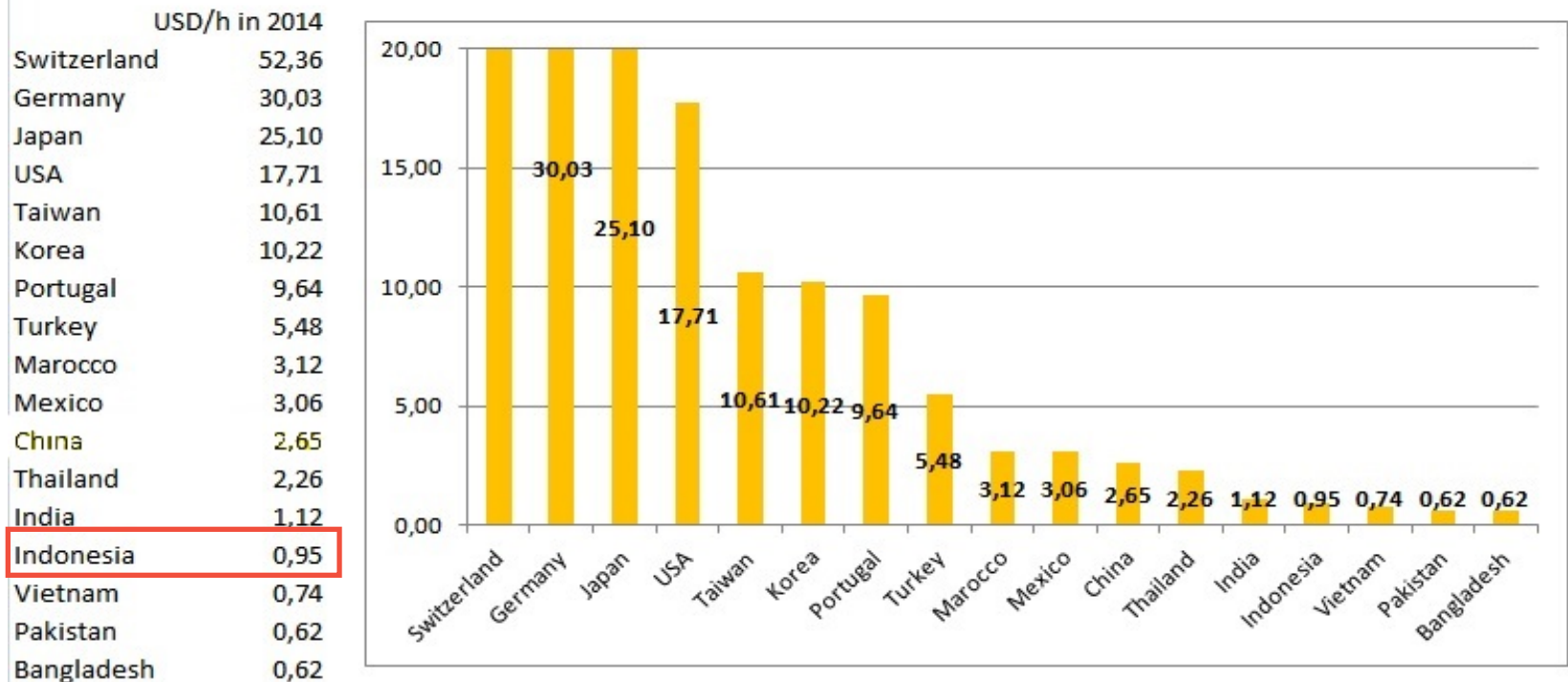
➤ **Increased competition**

- Indonesia accounts for 1.8% of global textile market share while Vietnam accounts for 3.6% and Bangladesh is 4.05%.
- Success in trade diplomacy with the EU
- Low energy prices, newer machinery, longer working hours

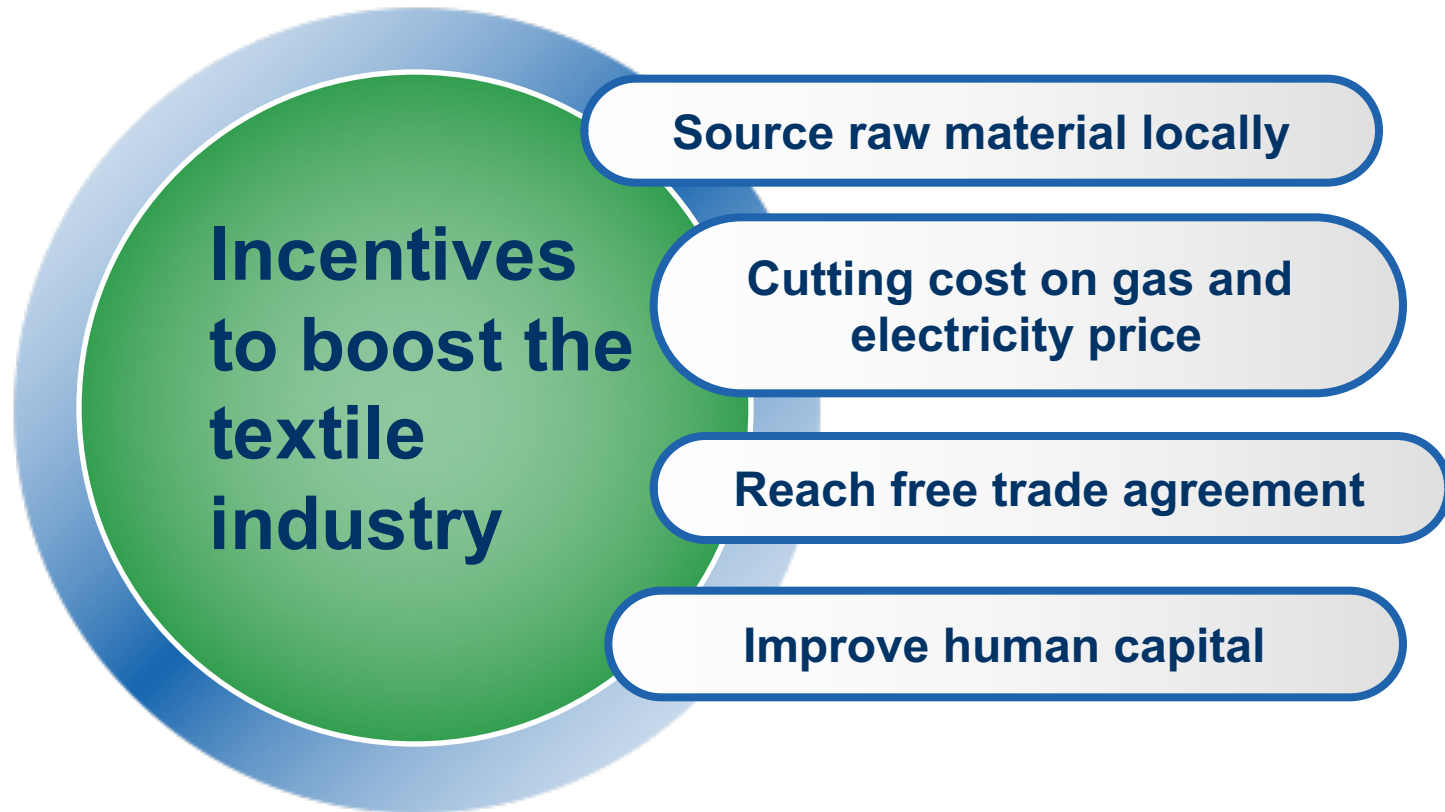
4. Analysis – Textile Industry

- **Labor cost**
- Rising minimum wages -> foreign company turn their back on Indonesia

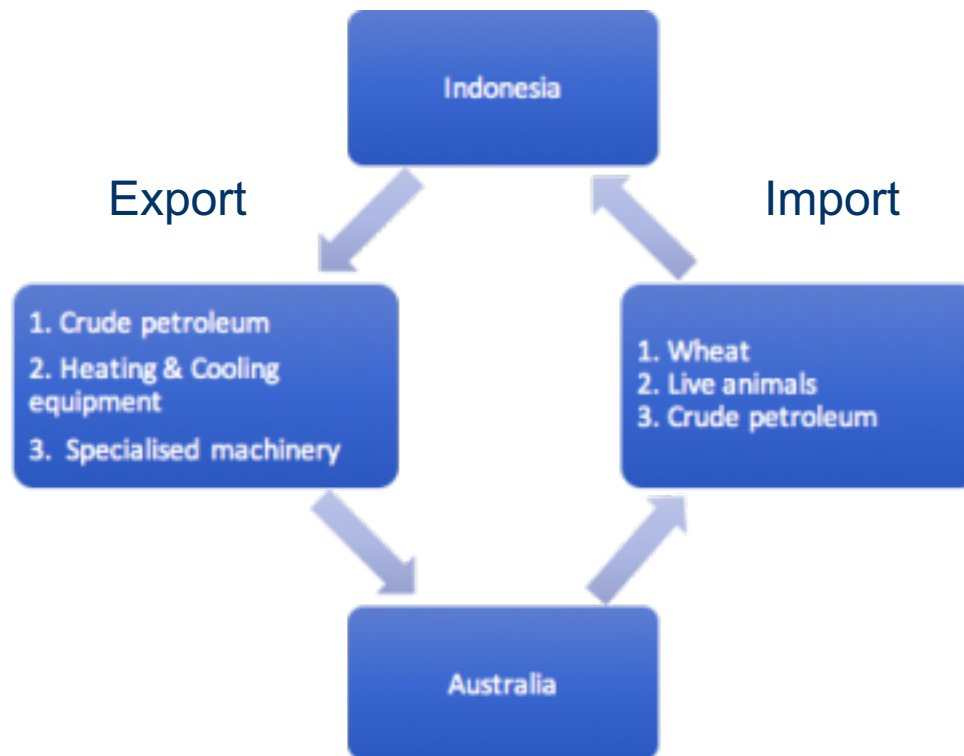
Labour cost in the textile industry (source: Werner)



4. Analysis – Textile Industry



4. Analysis – Australia and Indonesia



4. Analysis – Australia and Indonesia

Indonesia's global merchandise trade relationships

Indonesia's principal export destinations, 2016

1 China	11.6%
2 United States	11.2%
3 Japan	11.1%
12 Australia	2.2%

Indonesia's principal import sources, 2016

1 China	22.7%
2 Singapore	10.7%
3 Japan	9.6%
8 Australia	3.9%

❖ Reasons:

1. Australians' lack knowledges of Indonesia and a pronounced mistrust of our northern neighbour.
2. Australia's ban on live cattle export in 2011.
3. Strong reliance on natural resource export, Indonesia and Australia are actually competitors rather than collaborators.



➔ Indonesia-Australia Comprehensive Economic Partnership Agreement

5. CONCLUSION

- ❖ Increase investment (FDI)
- ❖ Help members to further develop trade
- ❖ Enhance developing countries education
- ❖ Increase employment rate
- ❖ Improve economic growth





Q & A

Thank You !