

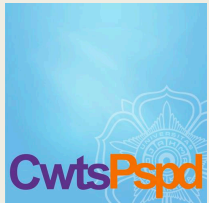
*Focused Group Discussion (FGD) Pemanfaatan Perjanjian  
Regional Comprehensive Economic Partnership/RCEP  
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# ***GEO-ECONOMIZING MEGA RTA'S/REGIONAL TRADE AGREEMENTS: HOW TO STATECRAFTING INDONESIA'S ECONOMIC DIPLOMACY THROUGH RCEP***

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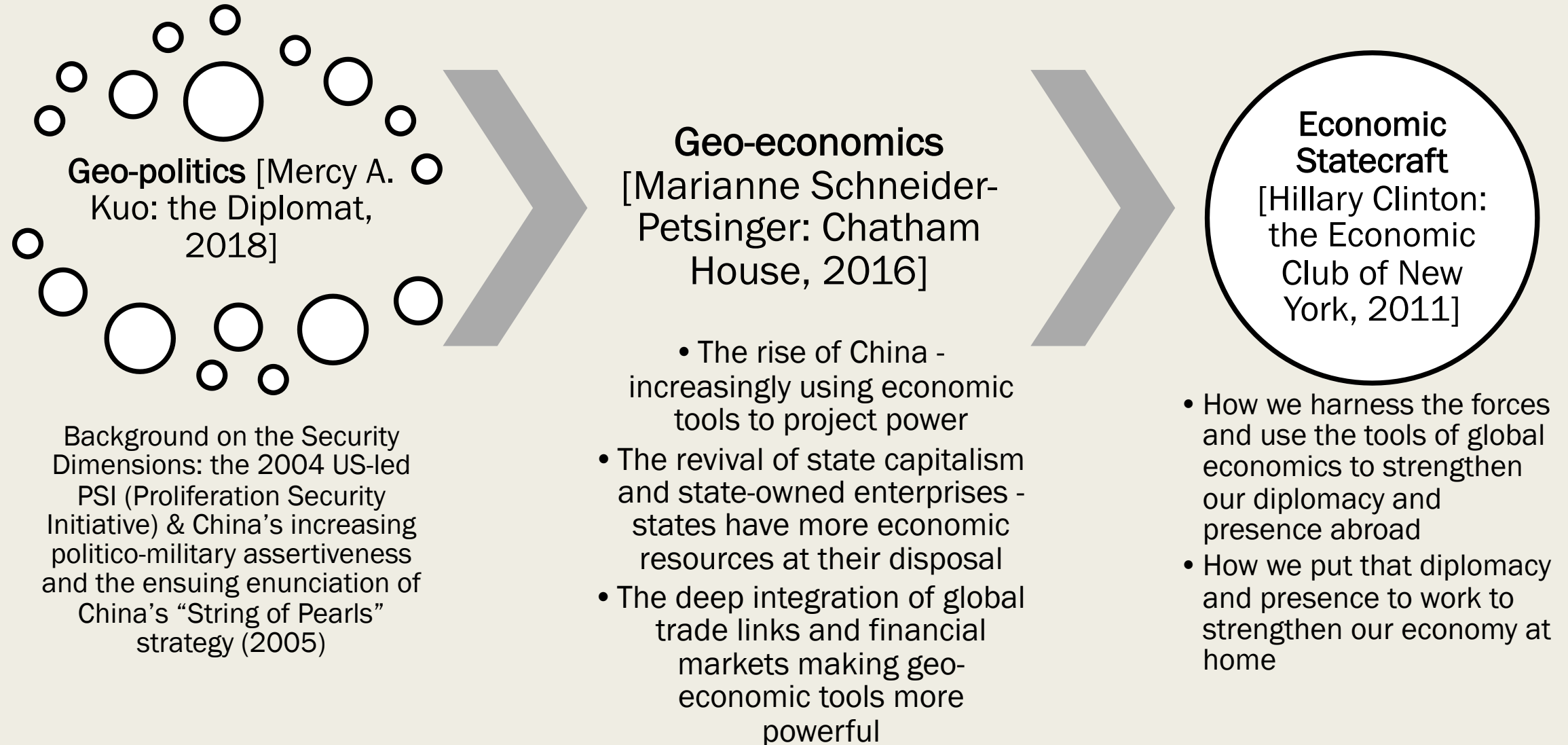
# Presentation Outline

- RCEP as Mega RTA's – Key Features/Claims, Opportunities and Challenges, Contexts of ASEAN Plus One Schemes
  - *Key Features*
  - *Opportunities and Challenges*
  - *Best Practices and Lessons Learnt (from “ASEAN Plus One” Schemes)*
- State-crafting Economic Diplomacy (ED) – Proposed Approach
  - *From “Geo-politics” to “Geo-economics”*
  - *Key Elements in State-crafting Economic Diplomacy: From Foreign Policy, Diplomacy to Economy at Home (towards “National Economic Interests/Strategic Objectives of ED)*
  - *Responses and Challenges to ED*
  - *Redefining “Strategic Objectives”: Adopting ED – Strands of ED*
  - *Indonesia/IDN ED Contexts: Qs to Raise and Discuss*
- IDN ED Agenda in RCEP – *a Food for Thought*
  - *Institutional Setting*
  - *Key Agenda: Integrated Trade and Investment (TI) Promotion Scheme*
  - *A Caveat: Current Pandemic Setting, Going beyond Covid-19 Recession*

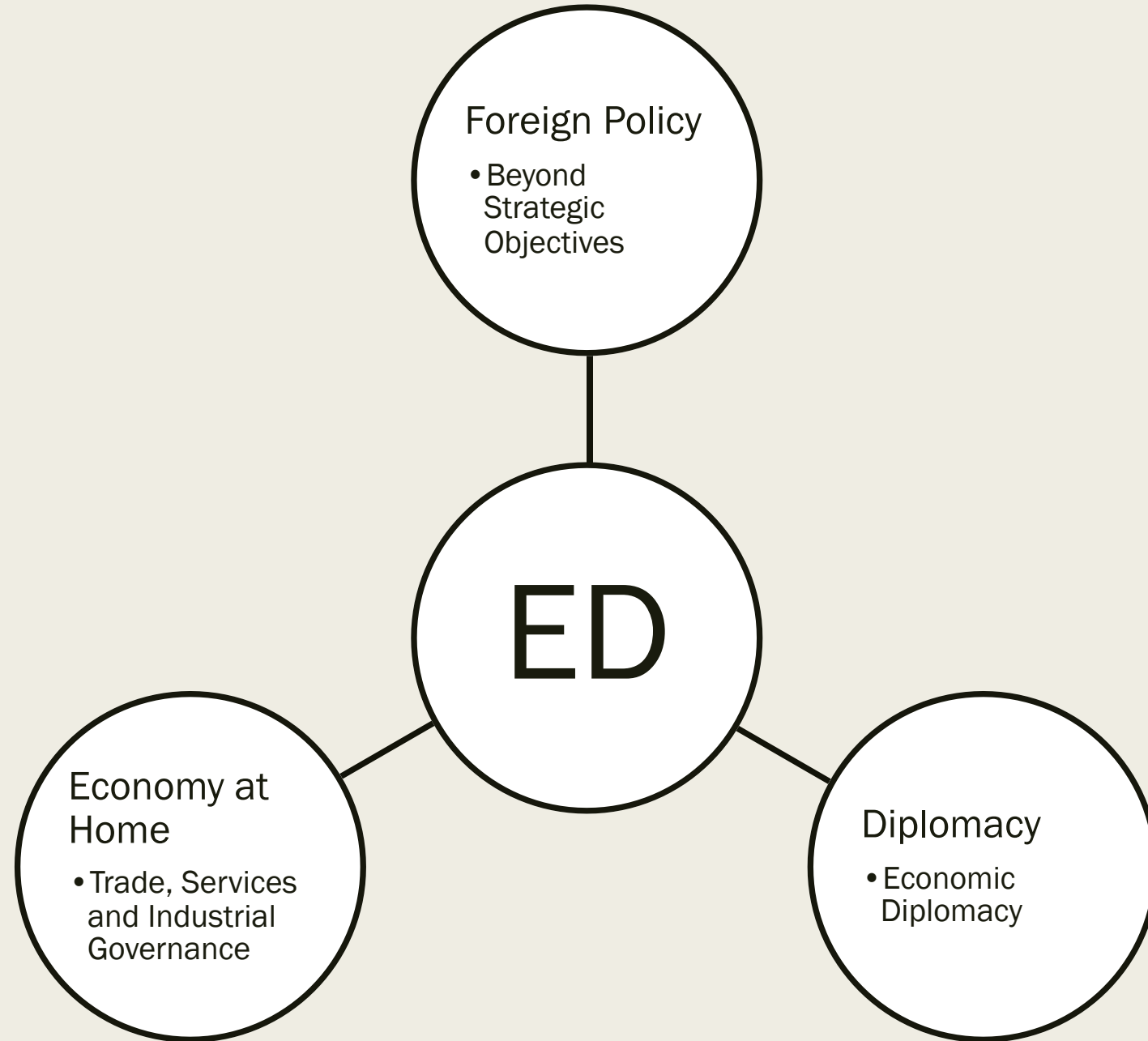
# RCEP as Mega RTA's

- RCEP Key Features (ASEAN Sec 2020/11)
  - *An agreement to broaden and deepen ASEAN's engagement with Australia, China, Japan, Korea and New Zealand*
  - *Establishing a modern, comprehensive, high-quality, and mutually beneficial economic partnership that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development*
  - *Consisting 20 Chapters with Annexes attached to the Agreement or Chapters thereof which relate to trade in goods, trade in services, investment, temporary movement of natural persons, rules of origin, customs procedures and trade facilitation, trade remedies, intellectual property, competition, government procurement, and institutional provisions*
- RCEP: Opportunities and Challenges for Indonesia's Economic Diplomacy
  - *Opportunities: Key Provisions/Sectors*
    - Trade in **Goods** (rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations, conformity assessment procedures, and trade remedies) → tariff elimination (92% on average), streamlined rules of origin for greater flexibility to tap on preferential market access benefits
    - Trade in **Services** (financial services, telecommunication services, and temporary movement of natural persons) → human resource development/skills transfer in existing and future global/regional production networks, banking and digital economy
    - **Investment++** (i.e. to include IPRs, electronic commerce, competition, SMEs, economic and technical cooperation, government procurement, legal and institutional areas, such as dispute settlement) → cross-border investment, trans-governance issues
  - *Challenges*
    - Short-term: ratification process (to enter into force 60 days after at least six of the 10 ASEAN members and three of the five non-ASEAN states finish the ratification procedures)
    - Long-term: Non-Tariff Measures (NTMs) Actual Practices, RCEP-TPP-11/CPTPP (Comprehensive and Progressive Agreement for the Trans-Pacific Partnership) Linkages, Diverse Development Levels and Its Possible Disputed Positions/Interests
- Best Practices of and Lessons Learnt (from "ASEAN Plus One" Schemes)
  - *Best Practices: The ASEAN-China FTA, ASEAN-Korea FTA and ASEAN-Japan Economic Partnership combined is marking a significant breakthrough by connecting these three ASEAN key partners with a free trade agreement for the first time*
  - *Lessons Learnt: Diverse ASEAN member states individual responses to "ASEAN Plus One" Scheme*

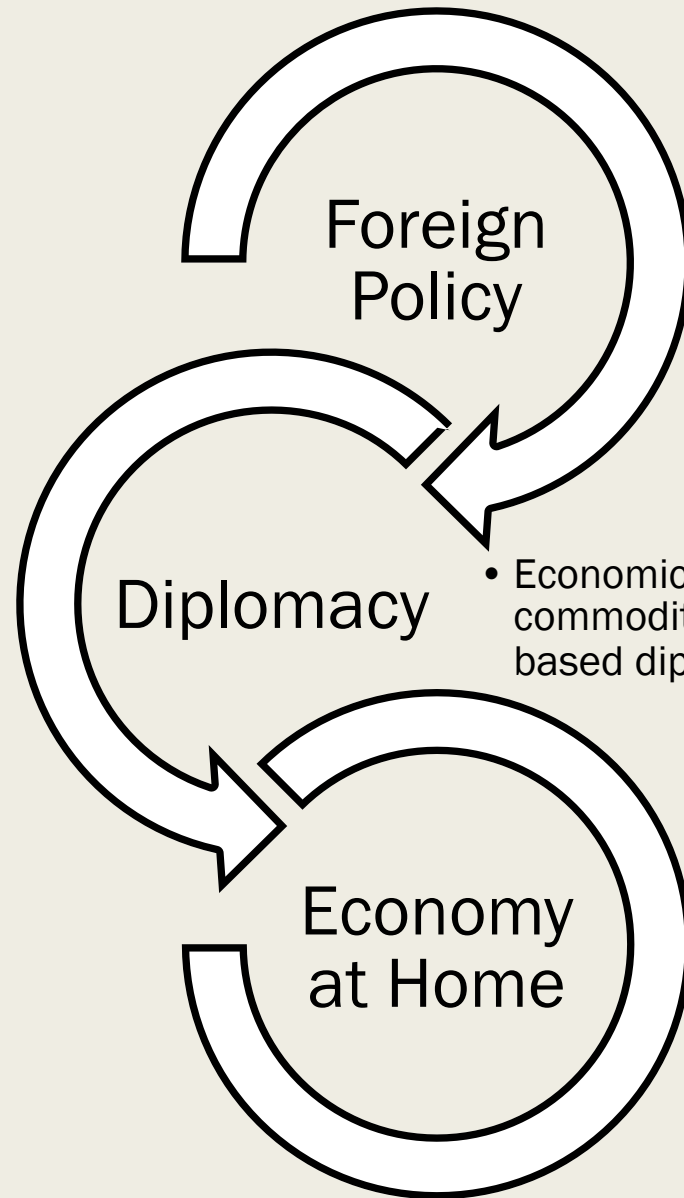
# STATE-CRAFTING ECONOMIC DIPLOMACY - from Geopolitics to Geo-economics: a Retroactive Timeline on the US Economic Diplomacy



# Key elements in statecraft economic diplomacy [ED]



# Towards a Major Trading Nation: moving beyond “strategic objectives” – adopting commodity and industrial-based diplomacy



- Beyond Strategic Objectives & Geographical Dimensions: moving beyond realist/neo-realist application of economic means of power by states so as to realize strategic objectives

- Economic Diplomacy: relevance of commodity, services and industrial-based diplomacy

- Trade Facilitation, Negotiation and Industrial Governance: integrated policy scheme, commodity and industrial sector-based road map towards a **major trading nation**

# Responses & Challenges to ED – a Snapshot for IDN Context



Institutional Setting: Roles of Ministry of Foreign Affairs, Trade, Investment and Other Related Key Ministries

Commodity, Industrial and Services-based Integrated Policy Schemes & Roadmaps

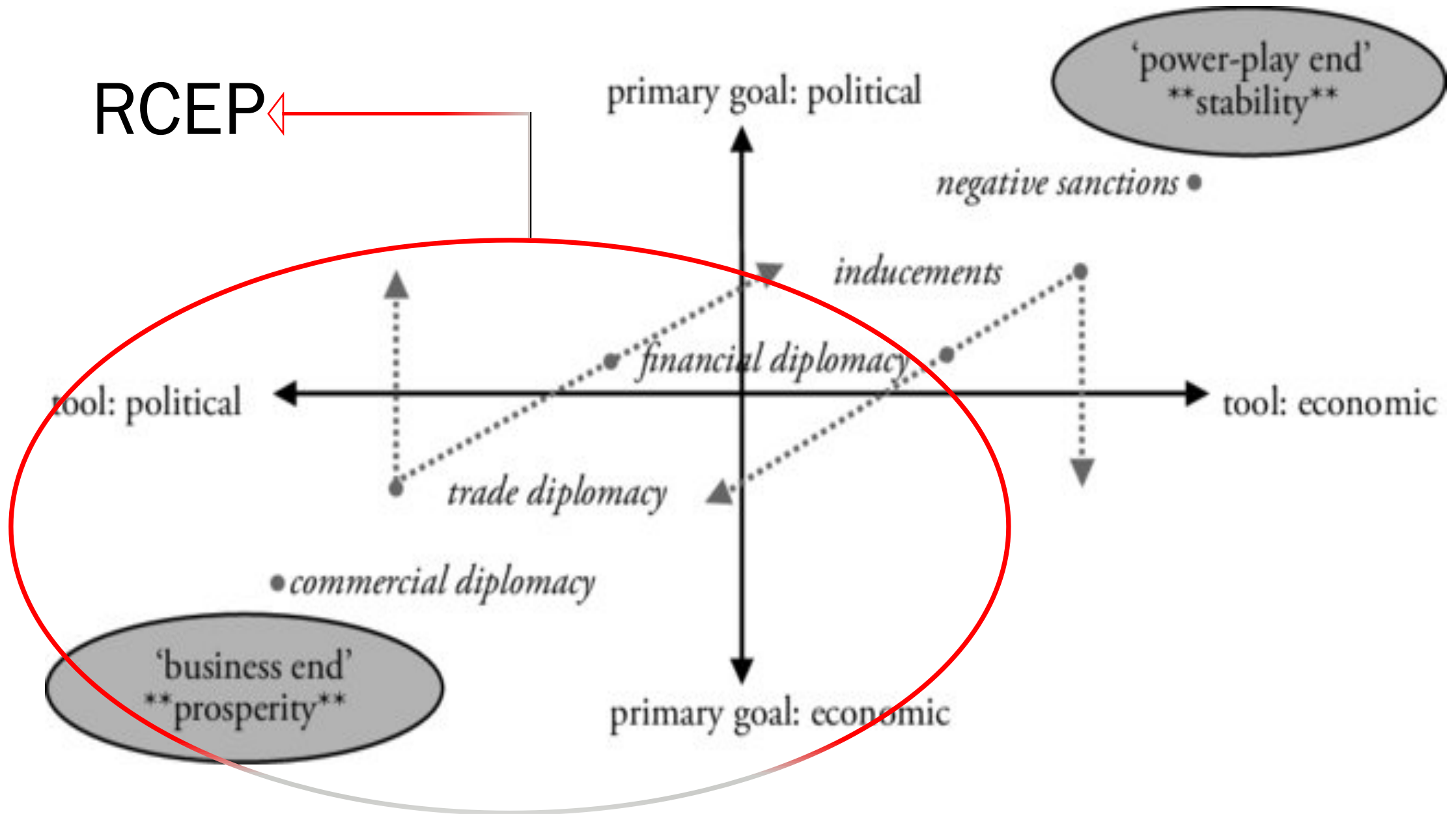
# Redefining “Strategic Objectives”: Adopting Economic Diplomacy/ED

- Shifting paradigm and conceptual evolution of the study of diplomacy, i.e. by focusing on economic matters in order to accommodate:
  - *Key systemic level processes (such as regionalization and globalization) → signifying RCEP*
  - *The changes to the organization of diplomacy within governments and the development of new forms of diplomatic practice alongside the emergence of ‘new’ diplomatic actors (Lee & Hocking/L&H 2010) → trans-nationalizing RCEP to include tracks 2, 3 etc. diplomatic actors*
- The shift from (or mixture between) conventional/traditional realist/neo-realist perspectives to (and) the contemporary understanding of ED
  - *Traditional state-centric realist view:*
    - ED as intergovernmental, conducted by foreign service officials and as a means for advancing the economic interests of the state in foreign countries and the world economy
    - ED as a constitutive relationship between diplomacy and state sovereignty, as well as a constitutive relationship between diplomatic systems and an anarchic system of sovereign states (Barston 1997; Gardner 1969; Marshall 1997; Watson 1982)
  - *Contemporary understanding:*
    - Diplomacy cannot be compartmentalized into separate economic and political activity and that, in practical terms, most countries would find such a separation simply unworkable
    - ED is a key strand in diplomatic strategy and it therefore becomes necessary for states to develop an integrated or coordinated diplomacy



# Strands of ED [Maaik Okano-Heijmans, 2011] and where RCEP Fits In

RCEP



# Indonesia's (IDN) ED Context and Questions to Raise and Discuss

- ED as an Integrated Part of National Diplomatic System (NDS)
  - *Need for a coordinated diplomacy which involves a multiplicity of actors and individuals that are built around policy networks drawn from several government ministries, including the foreign ministry, as well as the private and civil sector actors placed in national, regional and international levels (Hocking 2004)*
    - Beyond simply thinking of foreign, trade and other related ministries and its officials in overseas missions
  - *The concept of NDS developed by Hocking (2007) better captures the diverse and complex nature of coordinated diplomacy.*
    - ED may be driven by the foreign ministry, but it involves those with economic responsibilities and interests inside and outside of government at all levels of governance.
- Core Issues: Less or Uncoordinated Efforts
  - *Despite claims by key agencies in achieving specific ED goals/targets (see e.g. a report offered by MoFA which also quotes records by MoT in 2017), **a bold leadership** over ED internal/domestic management remains a big concern*
- Major Issues (Case on IDN ED Strategy through RCEP):
  - *Trade, Tourism and Investment/TTI Promotion (Qs on effectiveness of targeting non-traditional markets, further integration into regional or global value chains)*
  - *Liberalization Scheme (Qs on the absence of common platform and shared/acceptable benchmark over the scope, pace and limits of free trade agreements)*
    - What to expect: PTA (Preferential Trade Agreement), Bilateral/Regional Free Trade Agreement (FTA), Comprehensive Economic Partnership Agreement (CEPA)
    - Existing Adjacent Schemes (CP-TPP, MERCOSUR, FTAA, APEC, AFTA/RCEP): How to Link them with Future Projected Liberalization Schemes

# IDN ED Agenda through RCEP: a Food for Thought

- First things first: how to tackle Qs on less/uncoordinated IDN ED
  - *Qs on who should be in charge with the overall IDN ED setting, i.e. by taking a coordinating role, working with partner government agencies/ministries as well as business/industries and civil society groups outside the government*
  - *Institutional Setting Agenda: Redesigning Internal/Domestic ED Governance*
    - Vision (short to medium terms): ED as part of redefined and reoriented overall trade and investment promotion, i.e. by setting a comprehensive investment strategy (re: upgraded role of Investment Coordinating Board/Badan Koordinasi Penanaman Modal/BKPM with newly-appointed minister of investment) as a guiding reference towards a major trader
    - Strategies: (1) organizational (a couple of alternatives: merging ED parts of Ministry of Foreign Affairs (MoFA) and other ministries/agencies, especially those of Ministries of Trade, Industry, Investment/BKPM, or setting up a joint agency to coordinate and/or facilitate ED works among those ministries/agencies), (2) operational (under supervision of Ministry of National Planning/Bappenas on detailed and step by step measures towards redesigned ED organization)
    - Previous practice of a directorate general under MoFA specifically aimed at addressing foreign economic relations (i.e. HELN) offers a practical insight
- Key Agenda: Trade and Investment Integrated Scheme
- Qs on which areas/sectors are to be put first in the agenda and how to prioritize them: over liberalization or vice versa? How it determines and guides the overall IDN ED strategy?
  - A predisposition to over-emphasize trade liberalization (re: RCEP) by not integrating it to investment promotion overall strategy (and vice versa) has contributed to such a less/uncoordinated ED
  - A bold insertion of comprehensive investment strategy as a move towards a redefined IDN ED and trade liberalization would strengthen ED internal/domestic governance

# Key Agenda: Integrating Trade and Investment

## ■ Trade and Investment (TI) Promotion

- *Qs on beneficiaries of current TI promotion schemes: who are on the list? who are not? what and how to expect equalizing promotion strategies where a broad range of beneficiaries share proportional access and advantages?*
- *Qs on effectiveness of TI schemes targeting non-traditional markets, on how to advantage trade liberalization measures (re: NTMs, trade facilitation and conformity measures in RCEP), to synergize different stakeholders, and to redefine roles of leading governmental trade and investment agencies*
  - *Qs on services sector (e.g. relating to e-commerce, tourism/creative economy, temporary movement of natural persons) which indicate no specific reference to who is/are and how to deal with our major competitors, and why we need to do so; on how these sectors should be inserted in the overall TI promotion strategy, how sub-ED organizational scheme for TI promotion should be ?*
- *Qs on absence of coherent investment scheme which indicate further integration of certain/specific economic or industrial sectors into regional/global value chains (RVCs and GVCs), domestically-oriented schemes have hindered greater upgrading and value added of RVC/GVC participation (which also include even areas/sectors categorized as extractive industries/natural resources and conventional/less value added manufacturing industries such as textile)*
  - *Qs on the role of ICB/BKPM as a key ED agency, i.e. too heavy in its domestic affairs (despite its leading role in coordinating and reforming internal bureaucratic processes), less connected to other governmental and non-governmental/business ED agencies/stakeholders*

## ■ Liberalization Scheme under RCEP: What to Expect?

- *Qs on the direction of existing liberalization schemes under RCEP, who are their major beneficiaries? how to advance the schemes?*
  - *Qs on relevance of AEC/RCEP and future IDN membership in CPTPP: liberalization benchmarking, regulatory harmonization, investment and business/industrial sectors, civil society/wider public engagement in the benchmarking efforts*
- *Qs on connecting liberalization scheme under RCEP to the overall IDN ED strategy: need for coordinated and concerted measures (not to be detached from the interests/needs of other economic/industrial sectors), need for clear directives over hard/soft positioning in the implementing phases of RCEP (which go beyond its ratification process)*

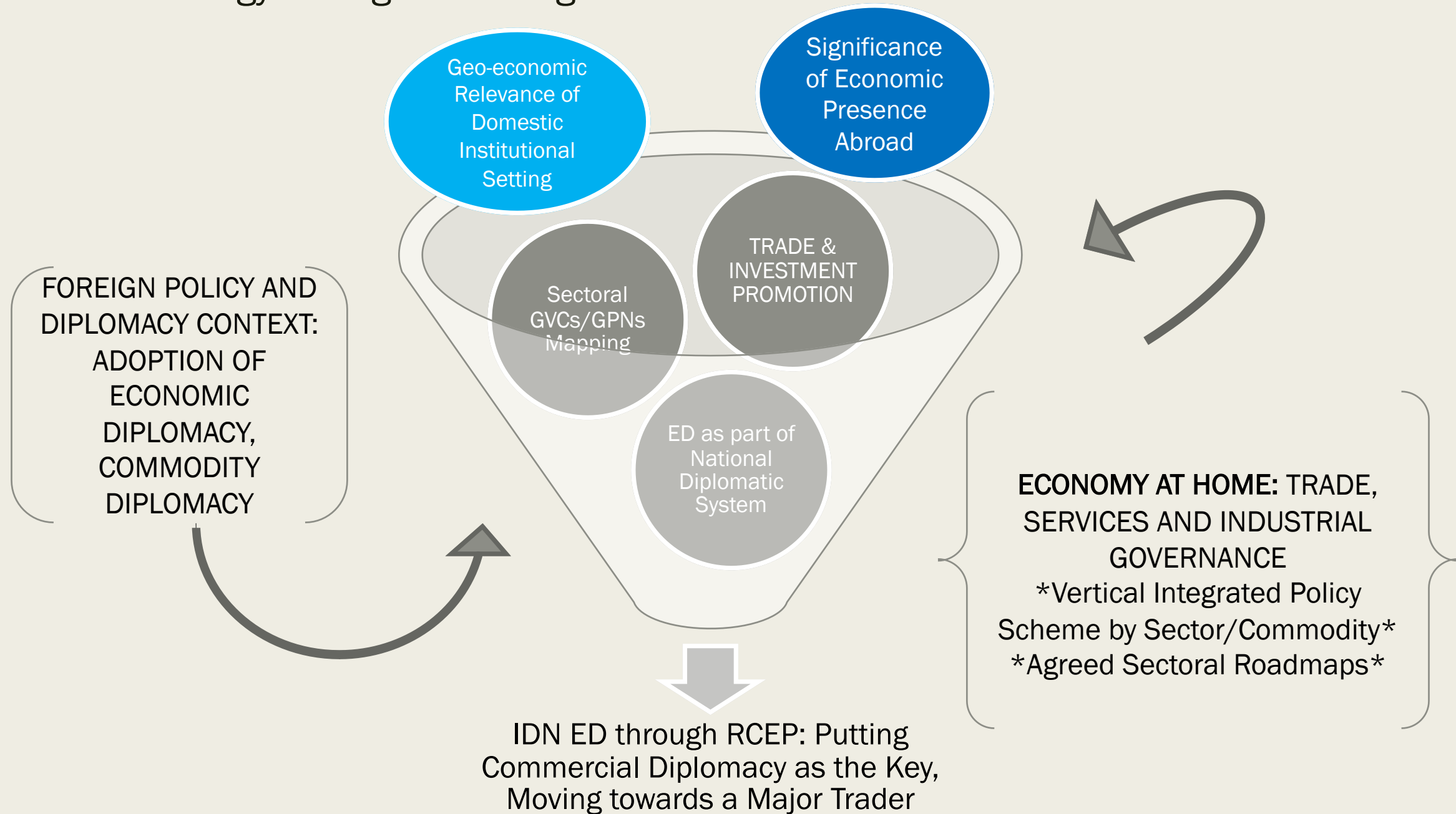
## ■ Modalities for Mutual TI Promotion through Commodity, Services and Industrial-based Diplomacy

- *Vision (short to medium terms): redesigned TI promotion scheme that are mutually linked to RCEP liberalization schedule and benchmarks, and shared among key stakeholders*
- *Strategies: (1) Commodity Diplomacy: integrated TI promotion aiming at both internal/domestic structural/bureaucratic reform and deepened integration to RVCs/GVCs by utilizing existing regional/international commodity/production/service network in particular strategic areas/sectors; (2) developing sub-ED measures, i.e. commercial and trade diplomacy in particular, by designing export destination clusters that are sensitively linked to RVCs/GVCs; (3) establishment of RVCs/GVCs task force(s) in addition and complementary to RCEP-related task forces/teams*

# Recap: IDN ED Strategy through RCEP

- IDN ED is (and should be) seen as an inseparable piece of the redefined IDN TI Integrated Promotion Scheme where its domestic institutional setting is (and should be) served as the core vision enabling it to be the guiding principle in efforts to promote IDN trade, services industries and (in-bound and out-bound) investment
  - *IDN ED is also (and should be) a key element in the IDN liberalization strategy under RCEP aiming at deepened participation in the current particular areas/sectors of RVC/GVC, including that of leading manufacturing industries with high value addition activities in mid-stream and downstream (such as electronics, machineries, automotive, petrochemical in agricultural and plantation) and services industries (such as tourism & creative economy/industry, e-commerce & digital economy, and skilled work forces & human resource development)*
  - *A take on RCEP case: key sectors/industries mapping, identification and credentials of key commercial diplomatic players (Private Sectors, State-owned Enterprises, Economic/Commercial Intelligence) in RCEP member countries (with priority listing and assignment based on “national strategic TI interests”, status in the sectoral GPNs/GVCs and levels of development among RCEP members, i.e. to include need for SMEs/small and medium enterprises insertion in RCEP-based GPNs/GVCs)*
- Adopting IDN ED Strategy through RCEP: Putting Commercial Diplomacy as the Key
  - Contexts:
    - Foreign Policy (Adopted ED: Commodity and Industrial/Sectoral-based ED)
    - Economy at Home (Vertical Integrated Policy Scheme by Sectors/Commodities, Agreed Sectoral Roadmaps)
  - Major Catalysts
    - Geo-economic Relevance of Domestic Institutional Setting
    - Significance of Economic Presence Abroad (Commercial Diplomacy)
  - Schemes:
    - TRADE AND INVESTMENT PROMOTION
    - ED as part of National Diplomatic System
    - Sectoral Global Value Chains (GVCs) and/or Global Production Networks (GPNs) Mapping

# IDN ED Strategy through RCEP: Agenda Ahead





## A Caveat: Current Pandemic Setting, Going beyond Covid-19 Recession

- The COVID-19 recession has arrived at a stage which sees the future of in-person “non-essential” economy needs to be apprehended differently (which then alter radically the way TI promotion strategy needs to be conducted)
  - *A massive supply-side shock which morphed into a demand shortfall would increase in unemployment rate (which also implicate in changing patterns of employment, working culture and lifestyle), uncertainty levels (which affect its recovery prospects), in online-only shopping and personal saving, etc.*
- The historically deep COVID-19 recession appears to have turned the corner in most countries
  - *Most economies will not return to their previous performance peaks until late 2022 (and most RCEP members are not exception to this)*
  - *Much will depend not only on the evolution of the pandemic and effective therapeutic and vaccine development and deployment, but also on the monetary, fiscal, trade, and regulatory policies that are pursued*
  - *COVID-19 has caused a recession from which global economies are only expected to recover by late 2022, if vaccine development and deployment is successful*
- Many countries have been deeply affected by the economic scars of this crisis, especially in certain sectoral labour-related services
  - *Severe **labour market dislocations** are a major concern.*
  - ***School closings and other related services sectors** also impacted people’s ability to participate in those dislocated labour markets*
    - *Despite some jobs have since been regained, the **employed share of the working-age population** stands much lower than in early 2020.*
  - *The full extent of the impact on the labour market is likely much higher as many employed people are **facing reduced hours and changing pattern of jobs/work spaces***