

MONITORING



Indonesia for Global Justice

FTA'S HIGHLIGHT Edisi Januari, 2019



FTA's Highlight adalah monitoring IGJ yang dilakukan secara berkala setiap satu bulan, yang berisi mengenai sorotan singkat peristiwa-peristiwa yang terjadi disepanjang bulan mengenai kebijakan perdagangan internasional yang dikeluarkan oleh Pemerintah, termasuk perkembangan putaran perundingan perjanjian perdagangan bebas dan isu mengenai perdagangan global.

Produk Indonesia Sulit Bersaing di Pasar Ekspor Nontradisional

- Harga produk asal Indonesia yang tidak kompetitif menjadi alasan kinerja ekspor nonmigas ke sejumlah negara nontradisional gagal mencapai target pada tahun lalu.
- Beberapa sektor industri yang ditengarai menghasilkan produk dengan harga yang kurang bersaing di pasar nontradisional a.l. tekstil dan produk tekstil (TPT), makanan dan minuman (mamin), serta produk turunan minyak sawit mentah (crude palm oil/CPO).
- Berdasarkan catatan Kementerian Perdagangan, kinerja ekspor nonmigas ke sejumlah negara nontradisional yang memiliki kantor perwakilan dagang tercatat mengalami koreksi pada 2018 dibandingkan dengan 2017.
- Berdasarkan data Badan Pusat Statistik (BPS), ekspor nonmigas ke Uni Emirat Arab (UEA) pada 2018 tekoreksi 8,31% secara year on year (yoy) menjadi US\$1,45 miliar, sedangkan ekspor ke Mesir melorot 17,49% menjadi US\$1,03 miliar, dan ke Arab Saudi menyusut 11,39% menjadi US\$1,22 miliar.
- Sementara itu, pada periode yang sama, ekspor ke negara Amerika Latin, seperti ke Brasil turun 6,51% menjadi US\$1,14 miliar dan ke Chile hanya tumbuh 0,27% menjadi US\$159,96 juta. Lebih lanjut, penjualan ke Afrika Selatan juga tercatat turun 6,05% menjadi US\$645, 12 juta.

Tahun 2019, Kemendag Gencar Selesaikan Perjanjian Dagang

- Hambatan tarif menjadi salah satu tantangan yang dihadapi dalam kerja sama perdagangan dengan Afrika, karena belum ada perjanjian perdagangan antara Indonesia dengan negara-negara di kawasan tersebut.
- Kementerian Perdagangan (Kemendag) Membukukan defisit neraca perdagangan yang nilainya mencapai US\$7,52 miliar pada November 2018 lalu.
- Padahal, sudah ada tiga Preferential Trade Agreement (PTA) yang diajukan sejak tahun 2017. Namun, statusnya baru upcoming negotiation.
- Perjanjian tersebut meliputi Indonesia-Kenya, Indonesia-Nigeria (Economy Community of West African States/ECOWAS), dan Indonesia-SACU yang difokuskan ke Afrika Selatan.
- Sementara untuk RCEP, sejak awal pada Mei 2013, sudah ada tujuh bab yang telah disepakati meliputi kerja sama ekonomi dan teknis, usaha kecil dan menengah (UKM), prosedur kepabeanan dan fasilitasi perdagangan, serta pengadaan barang dan jasa pemerintah.
- Bab lainnya yang juga sudah mencapai kesepakatan adalah institutional provision, sanitary dan phytosanitary (SPS), serta standard, regulasi teknis dan prosedur untuk penilaian kesesuaian (STRACAP).

Dua Perjanjian Dagang Internasional Ditargetkan Rampung 2019

- Perjanjian tersebut adalah Preferential Trade Agreement (PTA) dengan Mozambik dan Tunisia.
- Pemerintah Indonesia juga akan memulai perundingan bersama negara lain untuk terlibat dalam kerjasama dengan skema PTA. Dua di antaranya adalah Bangladesh dan Srilanka.
- Pemerintah juga sedang menjajaki hubungan perdagangan dengan Turki, bukan dengan PTA, melainkan trade in goods agreement atau perundingan perdagangan barang.

- Perundingan perdagangan barang merupakan tahapan awal dengan tujuan akhir Comprehensive Economic Partnership Agreement (CEPA).
- Indonesia juga menjajaki perjanjian perdagangan bebas atau free trade agreement (FTA) dengan Korea Selatan.
- Perjanjian Kerja Sama Ekonomi Komprehensif Indonesia-Australia (IA-CEPA) dapat diteken di tahun ini. Selain itu, perjanjian Indonesia-EFTA (IE) CEPA akan diratifikasi sebelum akhir semester pertama.

Capaian diplomasi ekonomi Indonesia selama empat tahun terakhir

- Menteri Luar Negeri (Menlu) Retno LP Marsudi menyampaikan berbagai capaian Kementerian Luar Negeri (Kemlu) selama empat tahun terakhir.
- Beberapa adalah capaian mengenai upaya diplomasi ekonomi, menjalin ikatan ekonomi dengan pasar potensial di kawasan lainnya seperti Asia Selatan, Asia Tengah, dan sejumlah negara di kawasan Amerika Latin.

Kepastian Jadi Pekerjaan Rumah Pemerintah Tahun Ini.

- Menteri Koordinator Bidang Perekonomian Darmin Nasution menilai, kepastian masih menjadi pekerjaan rumah dalam meningkatkan daya saing di Indonesia.
- salah satu pekerjaan rumah pemerintah adalah memberikan kepastian dengan memiliki peraturan. Selain itu, memperluas kerja sama dengan negara lain melalui skema Free Trade Agreement (FTA) ataupun Comprehensive Economic Partnership Agreement (CEPA).

Bank Dunia Dorong Indonesia Fokus Genjot Ekspor dan Investasi

- Bank Dunia menyoroti agenda prioritas Pemerintah Indonesia untuk menekan defisit transaksi berjalan dengan meningkatkan ekspor dan investasi asing langsung (*Foreign Direct Investment/FDI*).
- Laporan itu menyebut sejumlah opsi reformasi kebijakan yang dapat diambil dalam jangka pendek seperti mengurangi hambatan impor, menjalin lebih banyak

kesepakatan perdagangan bebas (Free Trade Agreement/FTA), merevisi Daftar Negatif Investasi (DNI), merelaksasi masuknya pekerja asing di dalam negeri, mencabut subsidi bahan bakar, dan merevisi UU Persaingan Usaha.

Kenaikan Harga Gula Dunia Tak Pengaruhi Rencana Impor Indonesia

- Aktivitas impor gula mentah Indonesia diyakini tidak akan terganggu oleh potensi kenaikan harga gula global pada tahun ini.
- Pasalnya, para importir Indonesia telah lebih dulu melakukan perjanjian dan kontrak pembelian pada tahun lalu untuk pengadaan tahun ini, kendati kuota impornya ditentukan oleh pemerintah.
- pemerintah kemungkinan besar akan menurunkan alokasi kuota impor gula mentah untuk gula kristal rafinasi pada 2019 dibandingkan dengan tahun lalu yang ditetapkan sebesar 3,6 juta ton.

Israel and Ukraine sign agreement for free trade

- Prime Minister Benjamin Netanyahu and Ukraine President Petro Poroshenko announced the two countries had signed a free trade agreement
- The move is expected to lower import costs for Ukrainian products and increase exports.
- The two will also talk of other ways to increase their cooperation in a variety of fields
- The deal is expected to increase annual trade between the two countries from \$800,000 to \$1 billion a year

US may offer free trade agreement to Pakistan to assist in ending Afghan war

- The US may offer Pakistan a FTA in return for its assistance in ending the Afghan war
- US Senator Lindsey Graham is believed to have discussed the idea with Pakistani leaders during a visit to Islamabad.

UK and Israel Agree 'in Principle' on Post-Brexit Free Trade Deal

- The announcement was made at the World Economic Forum in Davos following a meeting between British Secretary of State for International Trade Liam Fox and Israeli Minister of Economy and Industry Eli Cohen.
- UK-Israel trade totalled more than \$10 billion in value last year

Safeguards in free trade agreements: council adopts horizontal framework for bilateral measures

- The EU will soon have in place an overall framework for ensuring consistency of safeguard measures included in free trade agreements
- Council adopted a regulation streamlining the inclusion of safeguard so that they are applied effectively and consistently across the board
- Bilateral safeguard measures linked to trade agreements are intended to protect a particular domestic industry from an increase in imports of any product which is causing or risks causing, serious injury to that industry

The free trade agreement between the EU and Vietnam

- The EU promotes the Free Trade Agreement with Vietnam (EVFTA) as an important milestone of its trade agenda
- The agreement is the most comprehensive one that the EU has concluded with a developing country so far, including an ambitious sustainability chapter
- The reciprocal liberalisation of tariffs and quotas will benefit important Vietnamese export sectors such as textiles, apparel and footwear
- Agricultural and industrial sectors in Vietnam might face increased import competition

Trade War

Trade war bites in Beijing

- China's economy grew 6.6% in 2018, its slowest pace in almost 30 years
- China's economy grew 6.4% in the fourth quarter from a year earlier, levels last since in the height of the global financial crisis.
- The data puts pressure on Beijing to reach a deal with the US to end the trade war.
- Economists doubt China's official GDP and some estimate the real figure could be less than half that reported.

China can't afford trade war with US

- China cannot afford a trade war with the US as this will significantly impact its economy and may lead to a host of problems, an analyst said.
- Socio-political problems will really begin if the economy growth goes below 6%.
- Research director at the European Centre for Energy and Security said Chinese President Xi Jinping has grand plans for China which may be derailed if the economy slows down

Singapore braces for tougher times as China slows down and the trade war heats up

- The city-state's central bank warned that Singapore's export-driven economy would likely be hurt by the tariff fight between the US and China
- As Beijing braces for a continuation of its current slowdown, the Southeast Asian city-state may have to prepare for more challenges
- Singapore's exports fell by 8.5% from last year, the worst decline in more than 2 years

China urges US to seek 'win-win' relationship amid long-running trade war

- The US has put tariffs on \$250 billion in Chinese goods and has threatened duties on double that value of products
- Beijing responded with tariffs on \$110 billion in US goods targeting politically important industries like agriculture.

- After a December meeting between Presidents Trump and Xi Jinping, the leaders agreed to a temporary truce while they sought an agreement within three months

Indonesia has benefited from the US-China trade war, minister says

- The ongoing trade war between the US and China has opened up new opportunities for Indonesia, the minister of industry said.
- Minister Airlangga Hartarto said a number of companies that produce textiles and footwear have explored the opportunity to move from China to Indonesia.
- Indonesian exports of iron and steel to the US has increased 87.7% in 2018.

Ross says China trade-war truce still ‘miles and miles’ away

- Commerce secretary Wilbur Ross says the world’s two largest economies are a long way from resolving differences
- “I believe that China would like to make a deal. I believe that we would like to make a deal. But it has to be a deal that works for both parties.”
- White House economic advisor Larry Kudlow said the conversations with Liu’s team next week will be a crucial test of whether the two sides can come to an agreement.

Trump’s trade talks with China could decide the fate of the trade war and the US economy’s future

- Officials from the Trump administration and the Chinese government are set to meet in Washington on Wednesday to try to end the US-China trade war.
- The two sides are facing a March 1 deadline to find an agreement that would put a permanent pause on the escalation of a trade war that has seen tariffs put on \$360 billion worth of goods sent between the two nations
- For Beijing, the trade war is weighing on an already slowing economy – internal factors such as high indebtedness are putting major strains on the Chinese economy, and the tariffs are not helping
- The Trump administration is also facing economic concerns, and distaste for the trade war among key political groups puts the President in a tough spot

- US is likely to insist that China make significant changes to the way the country does business, such as eliminating subsidies for favoured companies and cracking down on the theft of US intellectual property.
- The team from Beijing is expected to offer merely superficial changes to its economic system, while committing to purchasing large quantities of US goods to help lower the US-China trade imbalance
- There are encouraging signs: Beijing moved up the timetable for a new law that would strengthen intellectual property protections and, in theory, increase market access for non-Chinese companies
- Adding to the difficulties is the US lack of cohesion; the Trump administration still lacks any clear objectives, strategy, or metrics for success in its trade talks with China. Without such a plan they are sending confusing signals to Chinese bureaucrats and mocking what trade is about: mutual benefit.

International Investment

Balochistan makes a pitch for foreign investment

- Civil and military leaders from Balochistan have offered the global elites to invest in the deep seaport of Gwardar and mines and mineral sectors of the province which, they believe, has the potential to bring prosperity to the whole region
- The start of CPEC (China-Pakistan Economic Corridor) in Balochistan has created huge economic opportunities through connectivity
- The success of Pakistan's economy depends on Balochistan and it is very important that both the governments come up with investment friendly opportunities for people
- The political leadership, the military and the judiciary have to be on the same page for development of Pakistan.

China Foreign Investment Law Raises Concern

- China is moving quickly to push forward a draft version of its first Foreign Investment Law
- Among other things, the proposed law bans forced technology transfers, guarantees national treatment for foreign investors and steps up intellectual property right protections

- Analysts note that the way the law is being rushed through and the vague wording of many of its 39 clauses is casting some serious doubts on authorities' ability to enforce the legislation after it is passed.
- The problem is that there are many provisions in the law, which do not address the concerns of foreign investors and in addition, the provisions are in some cases so broadly-worded that they actually create a basis for mistreatment of foreign businesses

Saudi Arabia seeks new foreign investment

- Saudi Arabia has unveiled plans to transform its economic reliance on oil exports
- Saudi officials announced that they are seeking \$420 billion in investments over the next decade
- Minister of Energy, Industry and Mineral Resources: "we are looking for more Japanese investments, especially in the auto sector"

Vietnam foreign investment skyrockets in January

- Increased capital and stake acquisitions in Vietnam rose to 51.9% in January
- Japanese were the top investors with nearly \$364 million
- South Korea and China were next with \$349.1 million and \$307.8 million
- Ho Chi Minh City is the most attractive location for FDI investors in January
- The two biggest projects were Kyoshin Vietnam's \$134.7 million investment expansion in Ho Chi Minh by Japanese investors to produce, process and export electrical components and moulds

ISDS

Update on the future of ISDS: UNCITRAL Working Group III decides three areas of reform, indicating change is likely in 2019

- The United Nations Commission on International Trade Law (UNCITRAL) has been considering the possible reform of ISDS.
- UNCITRAL Working Group III has been given a broad mandate to identify concerns regarding ISDS procedure, consider whether reform is desirable, and, if so, develop relevant solutions to be recommended to the main UNCITRAL body
- In the recent 36th session of Working Group III, it was agreed that reform is desirable in at least three areas:
 1. Inconsistency and incorrectness of arbitral rulings
 2. Concerns about arbitrators and decision-makers; and
 3. The cost and duration of ISDS
- The precise type of reform remains to be decided
- While Working Group III's mandate is limited to the procedural aspects of ISDS, changes to the way in which investor-state disputes are resolved may affect the value investors place on the substantive protections in investment treaties as a way of mitigating risks connected with foreign investment

EU's top lawyer blesses CETA's investment court system

- The EU Court's advocate general concluded on January 29 that the new system to settle disputes between states and private investors included in the EU-Canada trade agreement is compatible with EU law
- It does not affect the principle that the Court of Justice has exclusive jurisdiction over the definitive interpretation of EU law
- Following the concerns triggered by the parallel system of ISDS mechanisms, seen as a favourable option for private interests, the EU and Canada agreed on a new and hybrid framework of a tribunal and an appellate tribunal to settle disputes
- The aim is to establish an investment court system and, in the longer term, set up a multilateral investment tribunal

Investment issues

Bank Issues China's First Perpetual Bond as Investment Restrictions on Insurers Eased

- China's fourth largest lender issued the first-ever perpetual bonds by a Chinese bank
- The bond issue comes amid a push by policymakers to bolster lending as credit gauges hover near record lows despite attempts to step up support for a slowing economy.
- Perpetual bonds are seen as a major step toward recapitalisation of banks held back by inadequate capital
- The issuance could raise Bank of China's tier-one capital adequacy ratio by 0.3 percentage points

Climate Investment Funds to issue \$500 million green bonds this year or next

- US, European and Japanese investors are interested in green bond offerings
- Green bonds are fixed income securities that raise capital for projects with environmental benefits
- Climate Investment Fund will fund projects that could range from promoting the transition to renewable energy and improving resilience to climate change to stabilising power grids amid the growing use of intermittent sources of power

China is rushing through overseas investment reform at unprecedented speed 'under pressure from US'

- Under pressure from the US demands to reforms its economy as part of the trade war, China is rushing through a law that would offer more protection to foreign companies
- The Foreign Investment Law claims to 'further expand the scope of opening-up, to actively promote foreign investment, to protect the lawful rights and interests of foreign investment'
- On the whole, the law pledges "equal treatment" for foreign companies operating in China, but reserves the right to a review of foreign investment that affects or may affect national security
- The draft law is viewed as an attempt by China to avoid an escalation in the US tariffs which are due to rise from 10% to 25% on March 2 if Washington's demands are not satisfied.

US Lawmakers reintroduce legislation enforcing fair trade with China

- A United States (US) lawmaker from the Republican party and a US lawmaker from the Democratic party reintroduced a legislation in the House of Representatives to safeguard American assets from Chinese influence and possession.
- The reintroduction of said legislation also protects American businesses from “China’s tools of economic aggression”.
- According to Tim Ryan (US Congressman) the imbalanced trade relationship US has with China poses profound national and economic security risks to the US.
- The newly reintroduced ‘Fair Trade with China Enforcement Act’ would help to correct US trade imbalances with China and give American workers a “level playing field” to “compete and succeed”.
- According to Mike Conaway (US Congressman) Beijing’s ‘Made in China 2025’ initiative is clearly stating the Chinese government’s objective is to drive American companies out of business.
- Conaway also suggests that this would include moving US technology and jobs to China, which includes the use of illegal trade practices.
- The legislation takes an important step in excluding the sale of national security sensitive US intellectual property and technology to China. It also ensures that China is “paying its fair share in taxes”.

The global economic slowdown is ‘strongly welcome,’ Indonesia investment chief says

- Indonesia’s investment chief, Thomas Lembong, told CNBC that the recent softening of global economic growth is “strongly welcome” as there has been a warning of financial risks building up in China and beyond.
- Lembong went on to discuss his point of view, stating that the previously globally synchronised economic boom was built on some rising financial risks.
- Furthermore, Lembong stated that the correction in technology stocks and the process/practice of reducing China’s debt by rapidly selling their assets is strongly welcome from a policy point of view.

- China had become more cautious and calculated in its investment attitude at the result of an economic slowdown, particularly in light of its ongoing trade tensions with the United States.
- Due to Indonesia's economy typically growing around 5 percent per year in the last five years, it is still an emerging market as it is vulnerable to shifting sentiment among international investors.
- However, the US tariff war with China could be making Indonesia and its neighbours more attractive prospects.
- Due to the conflict, companies may speed up plans to move parts of their supply chains to countries such as Thailand, Vietnam and Indonesia.

The British are mad that Brexit supporter James Dyson is ditching the UK for Singapore

- British citizens, both for and against the withdrawal of the United Kingdom (UK) from the European Union (EU), are enraged that the high-tech vacuum company Dyson has plans to move its headquarters from England to Singapore.
- Characteristically a British brand established by Sir James Dyson in 1991, Dyson was one of the firmest and prominent voices to publicly support Brexit.
- Sir James Dyson believed, for business reasons, that Brexit would free Britain's economy from the restrictions of the EU Single Market, which would allow the country to make its own trade deals.
- Sir Dyson's outspoken and nationalistic ideals seemed hypocritical when his company announced that it would be moving its head office from Malmesbury, England to Singapore. A decision made for "future-proofing" the business supposedly.
- Jim Rowan (Dyson Chief Executive) stated that they are deepening out operations and technology investments to meet their needs of global, enthusiastic owners demanding high-performance products.
- Only two of Dyson's executives will be relocating to Singapore, thus no jobs will be lost and work in Malmesbury will continue as normal.

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- The United Nations Commission on International Trade Law (UNCITRAL) has been considering a possible reform of investor-state dispute settlement (ISDS).
- The UNCITRAL Working Group III (WGIII) has been given a broad mandate to identify concerns regarding ISDS procedure and consider whether reform is in fact desirable. If it is, the UNCITRAL WGIII will develop relevant solutions to be recommended to the main UNCITRAL body.
- Any solutions devised by the UNCITRAL WGIII will take into account the ongoing work by other relevant international organisations.
- Recently in the 36th session of WGIII it was agreed that reform was desirable in at least three areas; inconsistency and incorrectness of arbitral rulings, concerns about arbitrators and decision-makers and the cost and duration of ISDS.
- Some states and the EU are promoting a systemic reform, while others propose a more distinct approach which fixes problems within the structure of the existing system.
- The WGIII's mandate is limited to the procedural aspects of ISDS which relates to changing the way in which investor-state disputes are resolved. This may affect the value that investors place on the substantive protections in investment treaties as a way of mitigating risks connected with foreign investment.
- States' delegations will make written submissions in the coming months in advance of WGIII's 37th session to take place in New York in April 2019. The third-party funding issue will be covered in these submissions.
- Furthermore, in the upcoming WGIII session, agreeing on a work plan will likely be a major decision as it appears that diverging views on the design of specific reforms exists already.

Dovish Draghi, trade tensions lift dollar vs euro

- The United States (US) Dollar rose to a nearly six-week high against the euro on January 24th after the European Central Bank President Mario Draghi said economic risks have moved to the downside. Further, near-term data is likely to be weaker than previously anticipated.

- Wilbur Ross (US Commerce Secretary) stated that the US and China were “miles and miles” from resolving trade issues, although it is likely that the two countries will reach a deal.
- Draghi stated at a news conference that the risks surrounding the euro area growth outlook have moved to the downside on account of the “persistence of uncertainties”.
- The euro was 0.7 percent lower against the US dollar at \$1.13, after falling as low as \$1.129 (its weakest since December 14th, 2018).
- After Draghi downplayed deploying long-term refinancing operation funding (LTRO) the euro steadied, but it then slipped again after comments from Ross as he highlighted how far Washington and Beijing were from a potential deal.
- The US dollar was also helped by data that showed the number of Americans filing applications for unemployment benefits had fallen to a 49-year low last week.

Saudi Arabia makes new pitch for \$400 billion investment

- Saudi Arabia has unveiled a new bid to lure investments, the biggest initiative since the killing of journalist Jamal Khashoggi.
- The country is looking for private sector help under a new industry and logistics program. This will help to develop its manufacturing, mining, energy and logistics sectors.
- Khalid Al Falih, Saudi Arabia’s energy minister announced projects worth \$18.6 billion (US) and the kingdom will later announce \$50 billion in projects related to military, chemicals and small business sectors.
- The kingdom plans to attract \$427 billion (US) in domestic and foreign investment, it is also planning to build five new airports and 1,200 miles of railways.
- This planning is a part of ‘Vision 2030’ which is the country’s ambition plan to diversify its economy (away from oil) over the next decade.
- The latest logistics program includes 330 initiatives which one third of the objectives is hoped to be achieved within the Vision 2030.
- The country is trying to recover from the backlash received after the killing of Jamal Khashoggi, even their top foreign executives pulled out of the country’s flagship investment conference after the murder.

Aso pledges to keep economy strong as tax hike looms

- Taro Aso, Japan's Finance Minister, pledged to ensure that an upcoming tax hike does not hurt the Japanese economy by causing household spending to plummet.
- Aso stated that they [Japan] "will use every policy tool at our disposal to make sure that the economy remains on a recovery track".
- Within the proposed state budget for fiscal 2019, there is a 2 trillion yen (\$18 billion US) stimulus package to underpin demand after the consumption tax is raised. Aso asked his fellow lawmakers for swift passage of this proposed state budget.
- Prime Minister Shinzo Abe and his government are also seeking to introduce measure that increase tax cuts for people who purchase homes and new cars. There was also a promise to work toward improving Japan's poor financial health by cutting unnecessary spending and reducing government debt.
- The Minister for Economic and Fiscal Policy, Toshimitsu Motegi, noted that six years after Abe's return to power, the nominal GDP had grown to a record-high 550 trillion yen and unemployment fell to the lowest level in 25 years.
- Motegi warned that risks could come from overseas due to heightened trade tensions. He also stated that "Japan must be a leader in defending the system of free trade" as protectionism spreads across the world.
- Japan will also begin bilateral trade negotiations with the United States, which is sought to open up Japan's protected agriculture market. It is also sought to bar competitive currency devaluations (a bid to reduce its trade deficit).
- Motegi has vowed to improve Japan's fiscal position so that the country can achieve a primary balance surplus (tax revenue is more than sufficient to cover government spending on everything except interest payments on public debt) by 2025.

To Ratify or Not to Ratify? Malaysia's CPTPP Question – Analysis

- In the short term, Malaysia is unlikely to ratify the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), however there are efforts to create and improve new and existing trade arrangements.
- The CPTPP has come into full force with the New Year and with its seven members, the pact is set to deliver two years' worth of eliminated tariffs in one year.

- Moreover, the ongoing reduction of non-tariff measures in various aspects, including digital trade and preferential treatment to state-owned enterprises and government-linked companies is also in full force.
- With a larger CPTPP membership comes a greater intra-regional trade, thus unsurprisingly, Malaysia is among countries sought to join the CPTPP soon.
- Under the Mahathir-led Pakatan Harapan (PH) government enthusiasm has lessened and support for the CPTPP is not as strong as it was with the Najib government.
- There are several factors that may cause the resistance towards Malaysia joining the CPTPP including political, economic and social reasons.
- Politically there is fear that the ISDS (Investor-State Dispute Settlement) will allow influential transnational companies to challenge public policy regulations for profit. Economically some argue that the CPTPP may leave Malaysia's development vulnerable to external market pressures. Socially there are issues relating to intellectual property rights which could cause medicine prices to spike.
- There are also odds in favour of the ratification, which includes extended biologics provisions which were suspended under the successor CPTPP.
- Malaysia could potentially harness external pressure to complement its own internal reform efforts, however these reform directions in rhetoric are not always mirrored in reality.
- Going forward, Malaysia, whether a part of the CPTPP or not, should intensify the momentum for reform efforts, including introducing transparency and competition for sensitive areas such as government procurement.

Indonesia embarks on overhaul of oil, gas law to halt output slide

- President Joko Widodo and Indonesia's government are planning revisions of its oil and gas law, responding to a proposal initiated by parliament (reviving the suffering sector to boost the country's energy independence).
- Momentum for regulatory reforms should be provided with these provisions, which is sought to make the oil and gas sector more "efficient, transparent, straightforward and sustainable". It will also provide added value to Indonesia's economy, as stated by Widodo himself.

- Indonesia is a former oil exporter and member of the Organisation of the Petroleum Exporting Countries; however its output has plunged while its fuel demand has surged (forcing the country to be reliant on imports of gasoline and diesel).
- Recent pressure from the government on state-owned energy producer PT Pertamina has been applied for them to take over assets from oil majors like Chevron and Total, evoking concerns among some foreign energy investors about the security of their investment projects.
- Widodo also stated that “the aim of this revision is to support the strengthening of national capacities, strengthening domestic industries and investment in our human resources in the oil and gas industry”.
- Amongst discussions of Widodo with his cabinet, there was talk of creating a new oil and gas business entity which would also serve as a regulator (BUKMigas). The agency would take over from the current upstream regulator SKKMigas and downstream regulator BPHMigas.
- Hufron Asrofi, the Energy and Mineral Resources Ministry Legal Bureau Chief told reporters that the government is compiling a list of problems within the current draft, detailing that much work still needs to be done to attract investment to the oil and gas sector.

SMCP Eyes Growth and Investment in China

- SMCP, the group behind fashion brands Sandro and Maje, aims to keep up investments in e-commerce as well as new stores in China in 2019. It expects its sales to grow strongly.
- The retail group has doubled annual revenues in the past 4 years alongside a rapid expansion of its shop network and breaking into the Chinese market amongst many others.
- Some investors are concerned that Chinese shoppers will start spending less on high-end brands due to the Washington-Beijing trade altercation.
- The retail group is still investing in mainland China and greater China, making up the bulk of its sales in Asia Pacific. Making this the third-biggest region of sales for the SMCP.

- Back in France, SMCP had to close some stores in November and December, due to anti-government “yellow vest” protests, projecting their lost revenue at €4 million.
- European shares in SMCP were more broadly in negative territory due to underwhelming industrial data from China.

Labour report urges investment to revive struggling regions

- A UK Labour report suggested that a future UK Labour government should use funds from a national investment bank, target transport spending and ‘buy British’ as part of a long-term strategy to economic prosperity to the struggling regions.
- Funding from the national investment bank was called by the report, a strategy to favour communities hard hit by the decline in manufacturing.
- The report also stated that funding in Wales and the north-east should be two and a half times that of London, whereby London should have the lowest per capita spending of any region.
- Furthermore, an individual’s chances in life does not only depend on their social class, gender or race, but on where they live, as stated by the report.
- Among the 29 recommendations detailed within the report, one recommendation was that Labour should supplement national support for training and skills for skills development in less prosperous local economies.
- There is a chance for Labour to make a big difference to Britain’s fractured economy and to narrow the differences in prosperity between regions across the country.
- Although these recommendations have been put forward by this report, Labour should not expect rapid changes to happen overnight, as the north-south divide has been widening for decades. The polarisation between rich and poor will take a considerable amount of time to reverse.
- The report provides a detailed analysis of the UK’s regional problem states that regional and local economic development policies do work, however they just take time and there should not be any doubt that change is possible.

Brief Position Catatan Awal Tahun IGJ 2019 : Agenda Keadilan Ekonomi Indonesia Dalam Pemilu 2019

<http://igj.or.id/brief-position-catatan-awal-tahun-igj-2019-agenda-keadilan-ekonomi-indonesia-dalam-pemilu-2019/>

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