



CPTPP and RCEP: The Mega-Regionalism's Perspectives

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Comparative Global Participation (OECD Data)

TPP Country	Coverage (Distance to Final Demand)	Frequency (Number of Production Stages)		Power (Participation Index)	
		Domestic	International	Forward	Backward
Australia	Medium	Medium	Low	High	Low
Canada	Low	Low	Low	Low	Low
Chile	Medium	Medium	Medium	High	Low
Japan	Low	Medium	Low	High	Low
Mexico	Low	Low	Low	Low	Medium
New Zealand	Medium	Medium	Low	Low	Low
United States	Low	Medium	Low	Medium	Low
China	High	High	Low	Low	Medium
Indonesia	Medium	Medium	Low	High	Low
Brunei Darussalam	High	Low	Low	High	Low
Malaysia	High	Medium	High	Medium	High
Singapore	Medium	Low	High	Medium	High
Viet Nam	Low	Low	High	Low	High
<i>average</i>	<i>2.1</i>	<i>1.6</i>	<i>0.3</i>	<i>23.7</i>	<i>23.6</i>
<i>max</i>	<i>2.9</i>	<i>2.3</i>	<i>0.8</i>	<i>49.9</i>	<i>33.8</i>
<i>min</i>	<i>1.6</i>	<i>1.3</i>	<i>0.1</i>	<i>11.3</i>	<i>11.5</i>
<i>std devi</i>	<i>0.4</i>	<i>0.2</i>	<i>0.2</i>	<i>12.4</i>	<i>8.5</i>

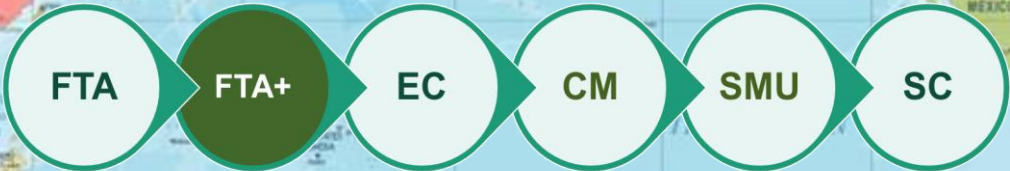
Source: Own calculation based on OECD Data, 2018

Income per Capita Comparison: '865 Formation'

MS	GDP/Capita
Peru	6,978
Chile	14,896
Mexico	9,863
Canada	46,195
Japan	40,247
Singapore	65,233
Brunei	31,087
Malaysia	11,415
Vietnam	2,715
Australia	54,907
New Zealand	42,084
Indonesia	4,136
Thailand	7,808
Philippines	3,485
Cambodia	1,643
Laos	2,535
Myanmar	1,408
China	10,262
South Korea	31,762

Source: Own calculation based on WDI Data, 2020

Open Regionalism: Most Practical & Essential



ASEAN Free Trade Area (1986:CU failed;1992:AFTA agreed,1999:full commitment,CPT10/5/0: 2002,2010,2015)

AJFTA, ACFTA, AKFTA, ASEAN Economic RCEP, Others (2008,2010,2006, 2013)

EC

Community without CU (2015)

CM

If follows EU's time line then achieve ASEAN Single Market (ASM) in 2035 until 2040

SMU

If follows EU's time line then achieve SM in 2045. 2035-2040:ASM 2040-2045: SMU Preparation

SC

If follows EU's time line then achieve SC in 2050. 2045-2050: ASC preparation

Regional Trade Arrangement (1976) Australia Treaty of Amity & Cooperation/TAC

source: <http://asiapacific.anu.edu.au/blogs/indonesiaproject/2013/05/03/asean-economic-integration-challenges-and-strategies/>

Verico, K (2017). *The Future of ASEAN Economic Integration*. Palgrave Macmillan: London, pp. 1-269

The Future of the ASEAN Economic Integration | Kiki Verico | Palgrave Macmillan

Selected Countries	Export Value 2019	Share by Country	V-WCIM	Rank V-WCIM
China	24,989,545,822	15%	3.39	4
Japan	17,945,031,666	11%	3.07	6
USA	17,016,342,571	10%	4.75	2
India	12,644,202,055	8%	3.09	5
Singapore	11,967,958,949	7%	5.79	1
Korea, Republic of	8,781,414,926	5%	3.74	3
Malaysia	8,693,182,548	5%	2.60	7
Philippines	6,287,668,116	4%	2.13	10
Thailand	6,281,670,131	4%	2.49	8
Viet Nam	4,222,759,275	3%	1.89	11
Netherlands	3,591,021,568	2%	1.14	12
Australia	2,579,452,314	2%	2.29	9

Indonesia's Perspective (*V-Weighted Composite Index Model*):

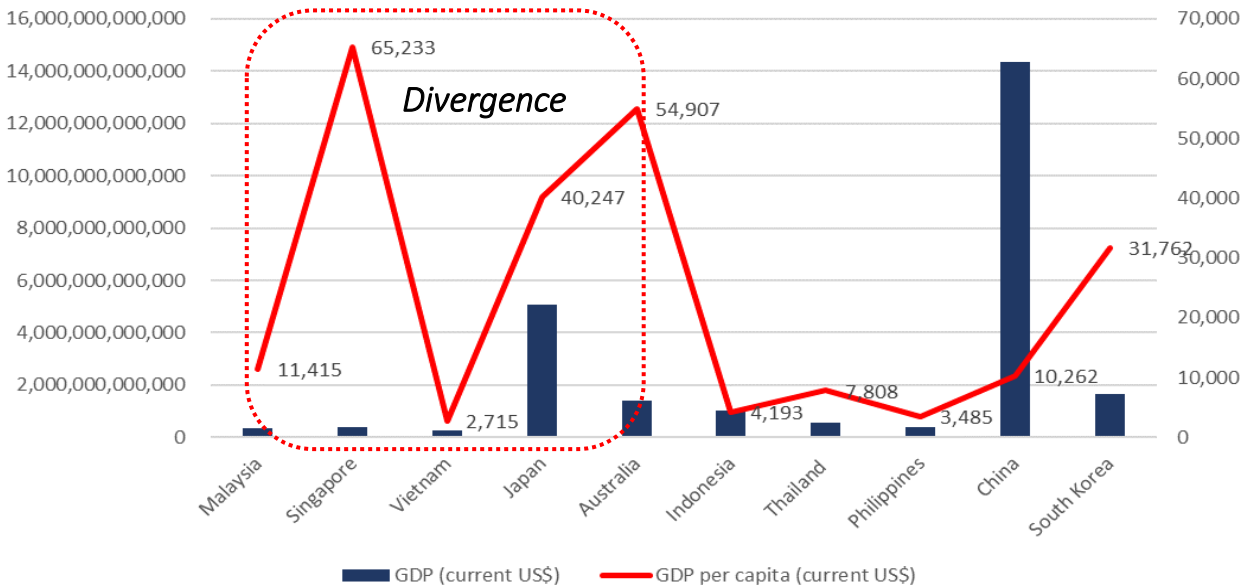
Malaysia, Thailand, Philippines, Singapore, Vietnam, China, Japan, South Korea & Australia

Verico, K (2020). The Weighted Composite Index Analysis of Indonesia's Bilateral Economic Agreements, *Journal of Asia – Pacific Studies*, 38 (Special Issue on the Retirement of Professor Shujiro Urata), pp. 121-136

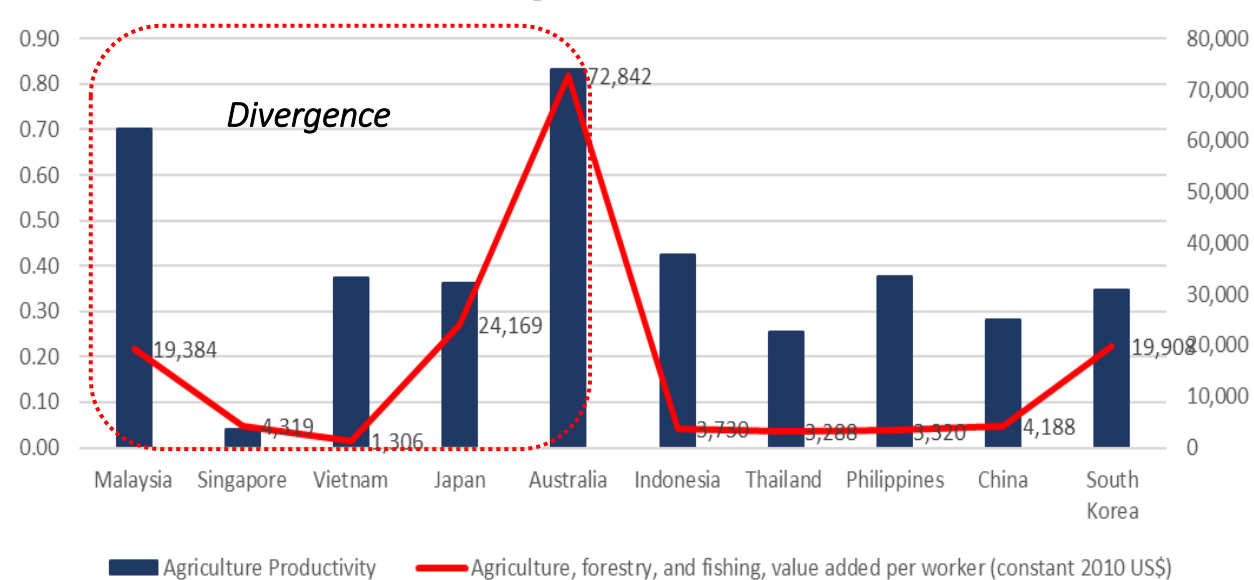
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Convergence is Necessary

GDP Size & GDP/Capita 2019

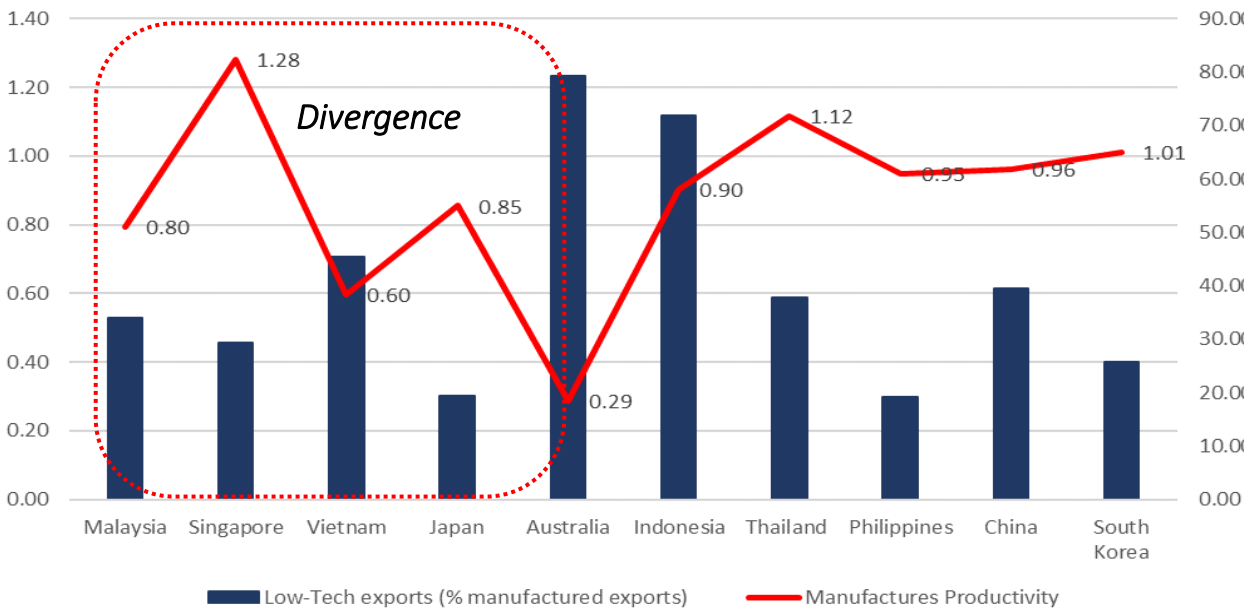


Agriculture Sector

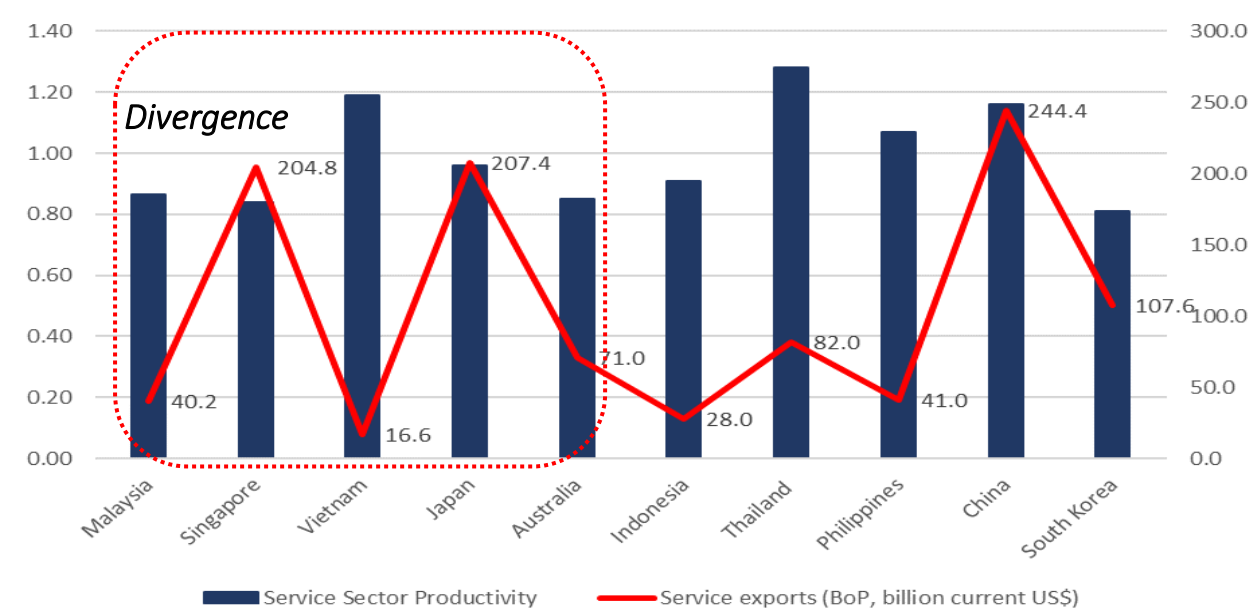


Manufacture Sector

Source: Own calculation with WDI Dataset, 2020



Service Sector



RCA CMSA3: Complement of Productivity

Great
(RCA>1;CMSA3>0)

Sunrise
(RCA<1;CMSA3>0)

Sunset
(RCA>1;CMSA3<0)

Suffer
(RCA<1;CMSA3<0)

	CPTPP		RCEP	
Great	131	1.4	278	1.0
Sunrise	131	262	226	504
Sunset	97	FDI	218	FDI
Suffer	126	223	248	466
Total	485	17%	970	8%

HS-2	Pharmaceutical products
Malaysia	Great
Singapore	Sunset
Vietnam	Sunrise
Japan	Great
Australia	Great
Indonesia	Sunset
Thailand	Great
Philippines	Suffer
China	Great
Korea	Great

1. CPTPP (**0.17**) is more divergent than RCEP (**0.08**) with **Sunrise to Sunset (Investment Capacity)** relation is higher (CPTPP **1.4** whereas RCEP **1.04**).
2. CPTPP: Divergence with **Investment Capacity**. RCEP: Convergence still **Investment Capacity**.

GTAP10A Simulation: CPTPP Impact Analysis

Trade Balance Million US\$ (DTBALi)												
MFN 10% CPTPP -Indonesia												
DTBALi	CPTPP	Indonesia	Oceania	EastAsia	SEAsia	SouthAsia	NAmerica	LatinAmer	EU_28	MENA	SSA	RestofWorld
GrainsCrops	-39.92	0.52	0.15	6.24	-1.73	-3.78	26.43	14.87	-1.86	2.18	9.47	1.62
MeatLstk	-334	0.58	0.06	40.44	22.55	34.4	177.81	31.02	50.12	1.62	1.61	1.71
Extraction	-35.76	-0.66	-0.05	16.65	2.97	3.19	44.75	-9.21	10.28	-15.5	-6.56	-8.51
ProcFood	-99.35	4.03	0.44	20.1	8.3	1.44	20.34	10.91	31.17	3.16	1.79	7.44
TextWapp	-30.98	1.65	0.01	49.61	0.72	-5.32	-22.05	-1.66	5.06	5.35	-0.03	0.09
LightMnfc	-187.18	5.46	-0.83	108.04	23.16	-1.18	-14.18	-9.99	83.46	3.59	0.64	5.92
HeavyMnfc	1034.56	-15.46	-1.07	-260.22	-48.51	-26.52	-458.53	-48.08	-143.41	-6.96	-8.65	-6.88
Util_Cons	28.36	-0.27	-0.09	-4.31	-0.62	-0.51	-10	-1	-8.98	-0.67	-0.64	-1.28
TransComm	174.22	-1.8	-0.32	-49.14	-10.94	-8.94	-69.68	-15.31	-81.83	-6.78	-2.58	-10.01
OthServices	239.57	-1.21	-0.38	-18.75	-7.93	-10.61	-132.74	-12.73	-48.7	-2	-1.65	-2.88

Trade Balance is a proxy for *short-run impact* (Trade Creation)

Supply Price % of change (PS)												
MFN 10% CPTPP -Indonesia												
ps	CPTPP	Indonesia	Oceania	EastAsia	SEAsia	SouthAsia	NAmerica	LatinAmer	EU_28	MENA	SSA	RestofWorld
Land	-0.21	0.01	0	0	0.05	0.03	0.1	0.03	0.03	0.01	0.01	0.01
UnSkLab	-0.03	0	0	0	0.01	0.01	0.01	0	0	0	0	0
SkLab	-0.03	0	0	0	0.01	0	0.01	0	0	0	0	0
Capital	-0.03	0	0	0	0	0	0.01	0	0	0	0	0
NatRes	0.08	-0.01	0	0	-0.02	-0.02	-0.03	-0.02	-0.01	-0.01	-0.01	-0.01
GrainsCrops	-0.05	0.01	0	0	0.02	0.01	0.02	0.01	0	0	0	0
MeatLstk	-0.02	0	0	0	0.02	0.02	0.01	0.01	0	0	0	0
Extraction	0	0	0	0	0	0	0	0	0	0	0	0
ProcFood	-0.01	0	0	0	0.01	0.01	0.01	0	0	0	0	0
TextWapp	-0.01	0	0	0	0	0	0.01	0	0	0	0	0
LightMnfc	-0.01	0	0	0	0	0	0.01	0	0	0	0	0
HeavyMnfc	-0.01	0	0	0	0	0	0.01	0	0	0	0	0
Util_Cons	-0.02	0	0	0	0	0	0.01	0	0	0	0	0
TransComm	-0.02	0	0	0	0	0	0.01	0	0	0	0	0
OthServices	-0.03	0	0	0	0	0	0.01	0	0	0	0	0
CGDS	-0.01	0	0	0	0	0	0.01	0	0	0	0	0

Supply Price is a proxy for *long-run impact* (Productivity Improved/Investment Creation)

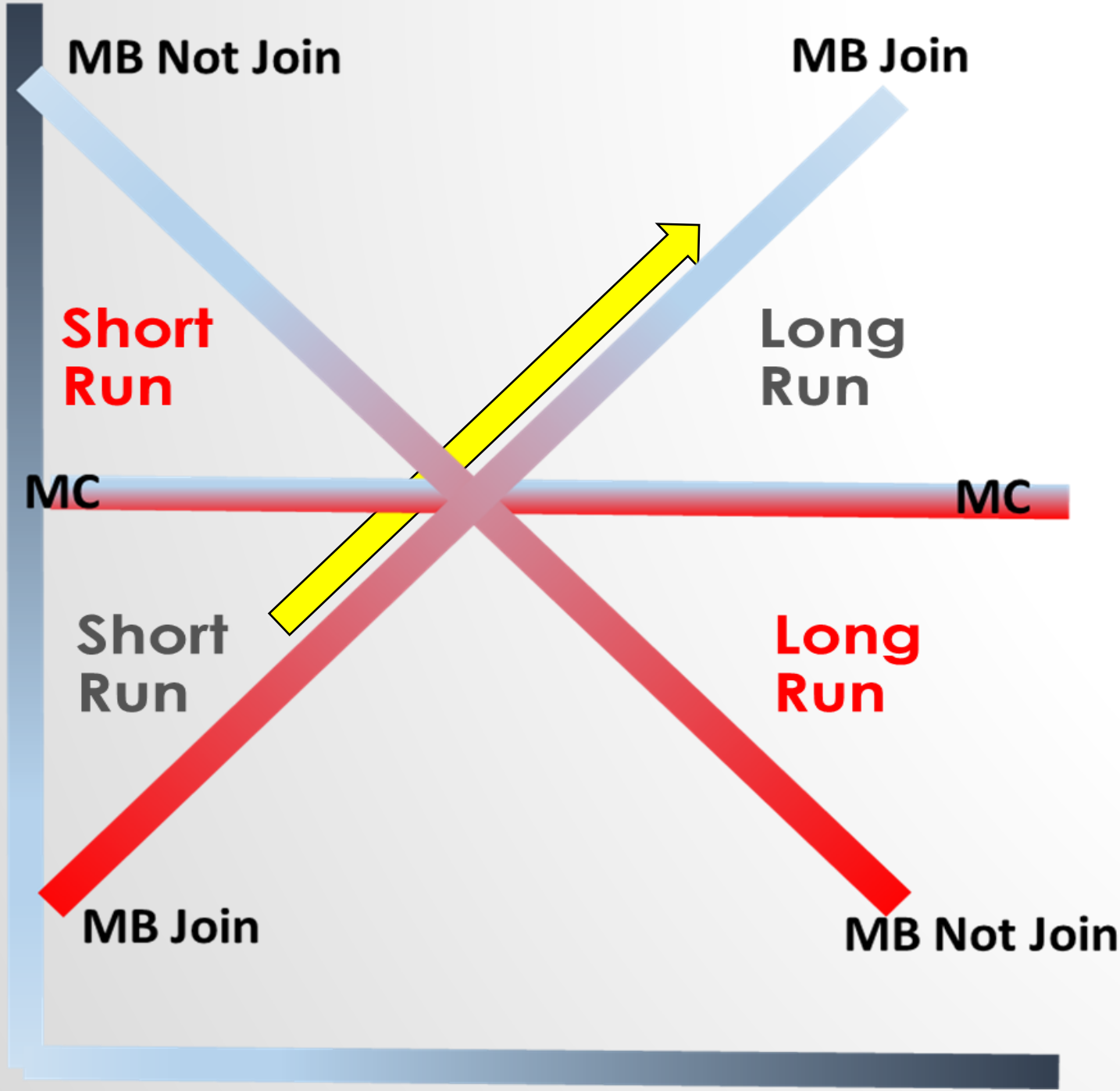
GTAP10A Simulation: RCEP Impact Analysis

Trade Balance Million US\$ (DTBALi)											
MFN 8.29% (Euler Method) RCEP											
DTBALi	Oceania	EastAsia	RCEP	India	SouthAsia	NAmerica	LatinAmer	EU_28	MENA	SSA	RestofWorld
GrainsCrops	0.18	-3.61	-54.98	0.58	-4.13	67.57	69.34	-6.69	-2.37	15.4	3.8
MeatLstk	-0.48	-1.2	-123.42	22.08	-0.93	76.29	21.9	60.34	-1.04	4.13	1.51
Extraction	-2.06	-37.98	467.89	-20.68	-0.83	-10.98	-53.33	-13.45	-160.94	-35.65	-113.38
ProcFood	1.22	3.77	-156.72	8.01	-4.76	33.07	55.88	75.01	-1.02	3.68	26.54
TextWapp	0.47	110.77	-57.65	32.68	18.15	-51.21	-21.73	30.56	9.61	-3.98	0.4
LightMnfc	-9.43	1.16	162.52	-11.81	-9.04	-260.61	-56.41	357.62	-30.54	-9.38	3.23
HeavyMnfc	-4.5	134.85	1832.31	-81.28	-32.51	-1017.16	-189.49	-609.38	100.02	-28.14	68.1
Util_Cons	-0.93	-5.22	121.56	-2.04	-0.49	-22.37	-4.56	-64.42	-3.08	-4.41	-14.04
TransComm	-2.92	-179.35	666.53	-44.26	-7.66	-226.26	-72.13	-568.05	-56.66	-15.35	-79.6
OthServices	-4.01	-85.12	914.13	-53.04	-6.91	-317.7	-56.51	-316.35	-28.68	-12.87	-32.95

Trade Balance is a proxy for *short-run impact* (Trade Creation)

Supply Price % of change (PS)											
MFN 8.29% (Euler Method)											
ps	Oceania	EastAsia	RCEP	India	SouthAsia	NAmerica	LatinAmer	EU_28	MENA	SSA	RestofWorld
Land	0.02	0.04	-0.08	0.06	0.04	0.11	0.09	0.05	0.03	0.03	0.04
UnSkLab	0.06	0.05	-0.07	0.04	0.04	0.03	0.03	0.02	0.02	0.02	0.02
SkLab	0.06	0.04	-0.07	0.03	0.04	0.03	0.03	0.02	0.02	0.02	0.02
Capital	0.06	0.05	-0.07	0.03	0.04	0.03	0.03	0.02	0.02	0.02	0.02
NatRes	-0.29	-0.15	0.15	-0.08	-0.08	-0.08	-0.1	-0.08	-0.04	-0.06	-0.04
GrainsCrops	0.04	0.04	-0.05	0.04	0.03	0.04	0.04	0.02	0.02	0.02	0.02
MeatLstk	0.03	0.04	-0.05	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02
Extraction	0	0.01	-0.02	0.01	0.01	0	0	0	0	0	0
ProcFood	0.03	0.03	-0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02
TextWapp	0.04	0.03	-0.01	0.03	0.03	0.02	0.02	0.02	0.01	0.02	0.01
LightMnfc	0.03	0.03	-0.03	0.02	0.03	0.02	0.02	0.02	0.01	0.01	0.01
HeavyMnfc	0.03	0.02	-0.02	0.01	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Util_Cons	0.04	0.03	-0.04	0.02	0.03	0.03	0.02	0.02	0.01	0.01	0.01
TransComm	0.04	0.04	-0.05	0.03	0.03	0.03	0.03	0.02	0.01	0.02	0.02
OthServices	0.05	0.04	-0.05	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02
CGDS	0	0.02	-0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01

Supply Price is a proxy for *long-run impact* (Productivity Improved/Investment Creation)



Verico, K. & Pangestu, M.E., (2020). The Economic Impact of Globalization in Indonesia, *ERIA Discussion Paper Series, No 338*, August 14th

<https://www.eria.org/uploads/media/discussion-papers/The-Economic-Impact-of-Globalisation-in-Indonesia.pdf>

Conclusion

1. Both CPTPP and RCEP have 'colorful' member's economic backgrounds
2. RCEP carries the ASEAN open-regionalism principle that fits with the ASEAN Way to bond trade and investment relations
3. The RCEP members are Indonesia's most major trading partners
4. RCEP's economic integration are more convergent than that of CPTPP, and RCEP still has substantial investment capacity (sunrise-sunset relations)
5. RCEP will be more natural yet slower (soft mega regionalism) in its integration process than that of CPTPP (hard mega regionalism)
6. Cost of integration (trade creation) comes immediately while its benefit (productivity improvement/investment creation) comes after yet both cooperation are worth fighting for
7. Being outside of both is not good for the long-run

Thank you

Kiki Verico, PhD

15 December 2020



Vintage Political World Map Pacific Centered - Vector. Royalty Free Cliparts, Vectors, And Stock Illustration. Image 94847858. (123rf.com)