

CHAPTER III

TRANS-PACIFIC PARTNERSHIP GENERAL DESCRIPTION

This chapter will explain about the Trans-Pacific Partnership agreement and the government offering the Trans-Pacific Partnership to Indonesia, the Trans-Pacific Partnership history, evolution, and benefit to Indonesia.

A. The History of Trans-Pacific Partnership Agreement

A Trans-Pacific Partnership is trade negotiations that began with a special trade agreement called the Trans-Pacific Strategic Economic Partnership (TPSEP). In the sidelines of an economic forum between the twenty-one countries in the Asia Pacific named Asia Pacific Economic Cooperation (APEC) in the 1990s, five countries namely the United States, Australia, Singapore, Chile and New Zealand hold informal discussions the so-called 'Pacific 5 or P5', to discuss the possible mechanism of creation of new trade agreements between these countries (Elms, 2012). However, the United States and Australia when it was not enthusiastic in the talks, so that finally resumed talks only by Singapore, Chile, and New Zealand, which is dubbed as the state P3.

P3 countries continue to discuss the possibility of making the economic cooperation. At the APEC meeting in 2002 in Mexico, they (P3) announced to all APEC member countries regarding the intention to create a special trade agreement. After that, they began to negotiate trade.

Negotiations among P3 countries were done in a special meeting on the sidelines of the APEC meeting. From 2003 until 2005, P3 has already done four sessions (Elms, 2012). On the way of negotiations, on 5th in 2004, Brunei Darussalam asked to join in the negotiation process with the intent to become a member of the agreement.

The negotiation process finally reached resolution and was announced at a meeting of APEC trade ministers in 2005 in South Korea by the P4 countries, namely Singapore, Chile, New Zealand, and Brunei Darussalam (Zealand, 2012). TPSEP agreement made in 20 chapters agreement was accompanied by two memorandums of understanding (MoU) on labor cooperation and the environment. However, although the environmental and labor MoU was announced as a separate document from TPSEP, any country coming out of one of three such agreements, is automatically out of the other two (Elms, 2012).

When the state P4 announced on TPSEP and two of the MoU, they did not immediately ratify the spot. The signing of the cooperation was conducted on July 18, 2005 by Chile, New Zealand, and Singapore, followed by Brunei Darussalam on August 2, 2005. While the entry of New Zealand and Singapore on May 1, 2006, Chile on November 8, 2006, while Brunei implement the agreement partially on June 12, 2006 and in full on July 12, 2009 (Kuriyama, 2011).

Regarding the purpose of the establishment of this cooperation, in accordance with article 1.1 TPSEP agreement (2005), this agreement is based on a common interest to deepen relations in various fields, including finance,

technology, education, economy, and cooperation field. However, not limited to these areas alone because it also can be extended to other areas. So, each member state also seeks to support the liberalization process in APEC consistent with trade and free and open investment.

TPSEP is the first free trade agreement linking Asia, the Pacific, and Latin America. Brunei Darussalam and Singapore which are in Asia, New Zealand which is in the Pacific, and Chile which is in Latin America connected in the trade by the TPSEP.

In addition to geographical diversity, these agreements also have a broad scope. This is because this agreement liberalizes almost all goods, including basic necessities products. Until finally in 2007, P4 should really make their tariffs to zero on all items, except for Brunei Darussalam in some products (Lewis, 2011).

Institutionally, TPSEP created an entity called Trans-Pacific Strategic Economic Partnership Commission as the primary body responsible for the administration of the agreement. The Commission will make a meeting at the ministerial level or senior officials delegated by the member states. According to Article 17.2, the commission oversees the work of the committees and working groups established under TPSEP. The paragraph also states that the commission is responsible for all matters relating to the implementation of the agreement, a review of the agreement, consideration if there is a proposal to amend, decisive steps to expand trade and investment between member countries and identify areas of

cooperation of commerce, industry, and engineer, and consider all the things that can affect the operation of the agreement.

Therefore, pursuant to these explanations, it can be concluded that TPSEP a free trade agreement that was initiated and is valid for the state P4. This agreement uses cooperation and free trade in various fields, as well as some of the regulation as an instrument. In addition, the signing of TPSEP is also accompanied by a memorandum of understanding related to the ratification of two environmental cooperation and labor. Although this TPSEP impressed flexible, but it has a body and its committees to ensure implementation of the agreement.

United States is the first APEC member country stating its intention to join TPSEP. The desire of the United States was delivered on February 4, 2008 by officials of the United States Trade Representative (USTR) Susan Schwab under the leadership of George W. Bush. USTR announced that the United States will seek to rejoin the P4 countries, and want to follow TPSEP continued negotiations on investment and financial services (Office, 2008).

Analysts, observers, and decision-makers generally believe that the United States could be the catalyst for the Asia-Pacific countries to join TPSEP. This is proven by the existence of some other APEC countries stating their intention to join this agreement a few months after the merger of the United States. Australia and Peru announced their intention to merge in November 2008, and Vietnam also registered itself as an observer in the agreement (Kuriyama, 2011). Finally, the state

P4&P7 was developed into the country with the addition of the United States, Australia, Peru, and Vietnam.

P7 countries planned to initiate a negotiation process in March 2009. However, due to a shift in the US administration of President George W. Bush to Barack H. Obama, the country requested the negotiation process to be delayed (Simon J. Evenett, 2011). Until the end of the negotiation process TPSEP by the number of new members began on March 15 to 19, 2010 in Australia (Zealand, 2012).

TPSEP advanced negotiation process with the number of new member states is known as the Trans-Pacific Partnership (Kuriyama, 2011). During the actual negotiations, Trans-Pacific Partnership was still able to accommodate the new membership. Malaysia joined in the negotiation process for three days in Brunei Darussalam on 5-8 October 2010 (Frangos, 2010).

After Malaysia is joined Trans-Pacific Partnership, in the year of 2012 Canada and Mexico also joined Trans-Pacific Partnership and the last in year of 2013 was Japan joined.

B. The Development of Trans-Pacific Partnership

The proposed Trans-Pacific Partnership agreement would strengthen and deepen trade and investment ties among its participants. However, it may also have implications in larger, strategic contexts beyond the immediate participants: for U.S. trade policy in general; for the emerging trade architecture in the Asia-Pacific; for the multilateral trade regime within the WTO; and for U.S strategic interests in

the Asia-Pacific region. The Obama Administration has argued that the strategic value of a potential Trans-Pacific Partnership agreement parallels its economic value:

“Trans-Pacific Partnership is as strategically important as it is economically. Economically, Trans-Pacific Partnership would bind together a group that represents 40 percent of global GDP and about a third of world trade. Strategically, Trans-Pacific Partnership is the avenue through which the United States, working with nearly a dozen other countries (and another half dozen waiting in the wings), is playing a leading role in writing the rules of the road for a critical region in flux” (USTR, *The strategic logic of trade*, 2014).

President Obama reiterated the strategic significance of the Trans-Pacific Partnership negotiations during his State of the Union address to the 114th Congress, arguing that the United States would benefit from developing the region’s trade rules as opposed to other regional actors, namely China. (Obama, 2015).

The Trans-Pacific Partnership has potential implications beyond U.S. economic interests in the Asia-Pacific. The region is increasingly seen as being of vital strategic importance to the United States. Throughout the post-World War II period, the region has served as an anchor of U.S. strategic relationships, first in the containment of communism and more recently as a counterweight to the rise of China. This trend has recently been accentuated by the Obama Administration’s “pivot to Asia,” along with the perception that the center of gravity of U.S. foreign, economic, and military policy is shifting to the Asia-Pacific region. The Trans-Pacific Partnership is viewed as an important element in the U.S. “rebalancing” toward Asia.

U.S. participation in Trans-Pacific Partnership negotiations serves several strategic goals in U.S. trade policy. First, it continues and expands a U.S. trade

policy strategy that began with the North American Free Trade Agreement (NAFTA), which entered into force in 1994, of using FTAs to promote trade liberalization and potentially to spark multilateral negotiations in the World Trade Organization (WTO). The George W. Bush Administration expanded the use of this strategy under the rubric of “competitive liberalization,” negotiating 11 FTAs with 16 countries. The last three of these FTAs with Colombia, Panama, and South Korea were approved by Congress in 2011. However, the future direction of this policy was uncertain because it has low commercial value and lack of new obvious partner countries. Meanwhile, an increasing web of bilateral and regional FTA was being concluded among other parties in the Asia-Pacific region and worldwide. The Bush Administration’s and, then, the Obama Administration’s support for negotiating a Trans-Pacific Partnership agreement signaled that the United States remains engaged in regional free trade negotiations.

The Trans-Pacific Partnership arguably provides the United States with the opportunity to project its trade interests by negotiating a “comprehensive and high standard” FTA with provisions that build on those in FTAs the United States concluded throughout the 2000s, especially the most recent FTAs, such as the U.S.-Korea FTA. The Trans-Pacific Partnership partner countries share a reliance on world trade and have been some of the greatest advocates for trade liberalization. While they differ in economic levels of development, they have committed themselves to negotiate a comprehensive FTA. The economic level of development is not new for United States because the United States has often conducted asymmetrical negotiations with countries with different levels of development in

which it has dominated. This time, however, with more players at varied levels of development, and with an economic heavyweight like Japan participating, concluding the negotiations may require greater compromise by all participants.

Practically speaking, the Trans-Pacific Partnership approach could eclipse the alternative model of narrower goodsbased FTAs that are offered by China, or other countries, or somewhat more comprehensive agreements used by the European Union and Japan that, nonetheless, exclude sensitive agriculture products. Adoption of these other models, even if open to U.S. participation, could be seen as disadvantage to U.S. farmers, businesses and workers because they exclude provisions important to U.S. commercial trade agriculture, disciplines on services, investment, and intellectual property rights, as well as enforceable provisions on labor and environment. In addition, the Trans-Pacific Partnership aims to establish disciplines on new trade issues, such as state-owned enterprises or supply chain facilitation that could serve as a model for future negotiations bilaterally, regionally, or in the WTO.

Though structured as a regional FTA, the Trans-Pacific Partnership may have an impact on the multilateral process of the WTO and the Doha Development Agenda (Doha Round) of multilateral trade negotiations. While the WTO ministers continue to discuss a Doha Round agenda that critics contend is increasingly irrelevant to the present trading system, the Trans-Pacific Partnership represents a way for the United States and its partners to advance discussions of a “21st-century trade agenda.”

The influence of the Trans-Pacific Partnership impact could be great due to its potential expansion and, hence, the fact that it could eventually affect a substantial amount of world trade over 60% of U.S. trade alone is with other APEC members. The debate over whether FTAs have a positive or negative effect on the multilateral system continues. Proponents of bilateral and regional agreements would argue that: (Fergusson, 2015)

- successful negotiation and implementation of proposed new trade rules in the Trans-Pacific Partnership, on such emerging issues as state-owned enterprises and regulatory coherence, could serve as a template for future WTO negotiations;
- a successful Trans-Pacific Partnership agreement among the current negotiating partners could cause other regional economies to consider joining (as seen with the addition of Canada, Japan, and Mexico) in order to ensure they remain competitive in Trans-Pacific Partnership markets, thus furthering the WTO goal of greater global trade liberalization; and
- Trans-Pacific Partnership could help promote and ensure the longevity of domestic economic policy reforms, particularly for countries such as Vietnam.

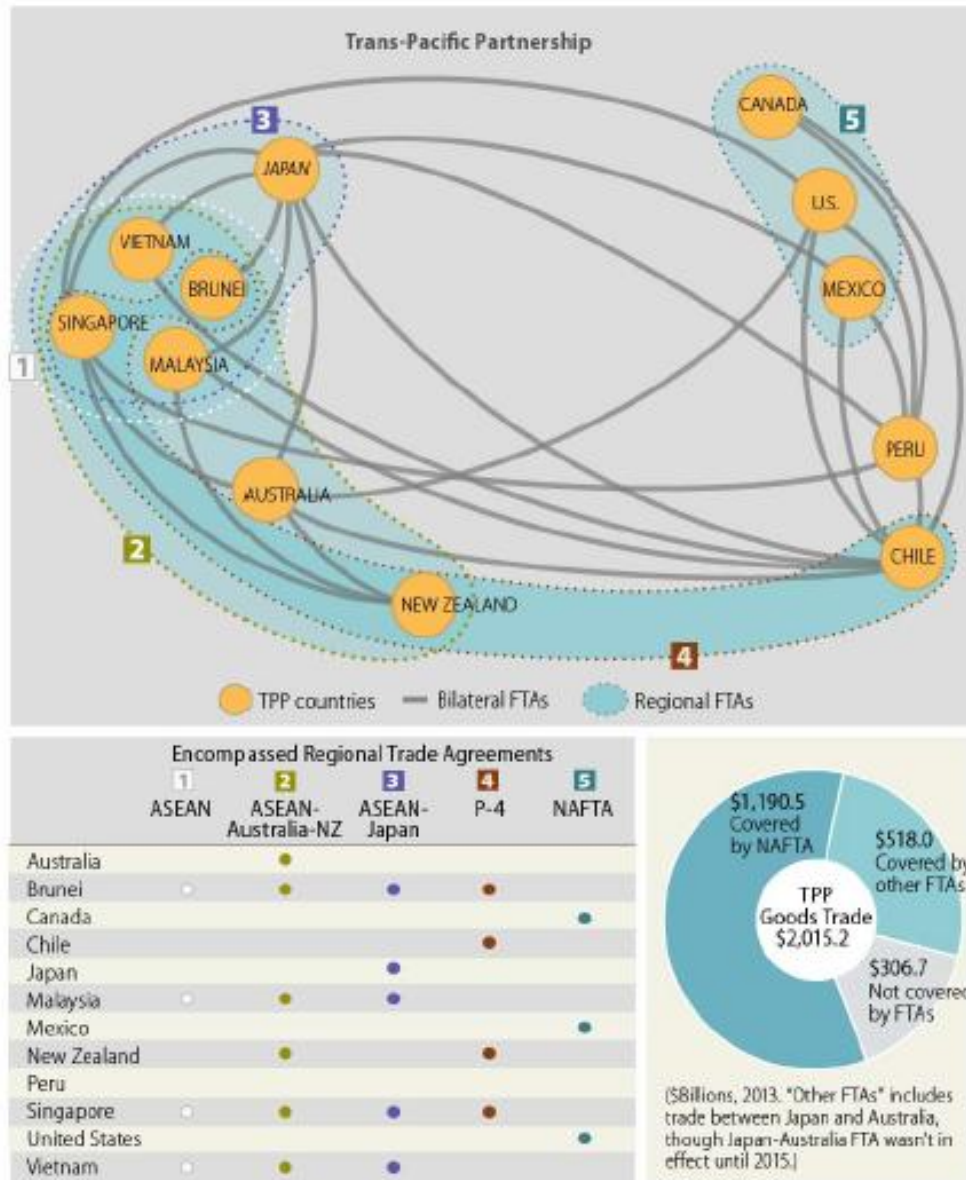
Opponents, however, would counter that:

- efforts toward the Trans-Pacific Partnership and other regional/ bilateral FTAs may divert attention and resources from multilateral WTO efforts;

- increased trade among Trans-Pacific Partnership members due to the preferential tariff structures of the agreement could simply be diverted from other regions rather than be newly created; and
- the spread of FTAs may actually make international commerce more difficult as companies must navigate varying rules and standards Trans-Pacific Partnership associated with different agreements. (Fergusson, 2015)

This last issue of overlapping trade rules may be particularly relevant for the potential Trans-Pacific Partnership agreement as it will encompass countries with numerous existing FTAs. The proposed Trans-Pacific Partnership agreement could add another layer of complexity or it could simplify the existing trade rules in the region by unifying them under one agreement. For example, according to the USTR, the Trans-Pacific Partnership countries have committed to establishing a common set of rules of origin for determining whether a product originates inside the Trans-Pacific Partnership (USTR, 2011). How these and other trade rules inside the potential agreement relate to those in existing FTAs will be of interest moving forward.

Figure 1. Existing FTAs among Trans-Pacific Partnership Countries



Source: WTO FTA Database

The current 12 Trans-Pacific Partnership countries already form part of a growing network of Asia-Pacific FTAs (**Figure 1**). The United States has FTAs in place with six of the Trans-Pacific Partnership countries: Australia, Canada, Chile, Mexico, Peru, and Singapore. In addition, the proposed Trans-Pacific Partnership

seeks to build on the existing Trans-Pacific Strategic Economic Partnership (P-4), a free trade area among Brunei, Chile, New Zealand, and Singapore. The current Trans-Pacific Partnership partners also include 4 of the 10 members of the Association of Southeast Asian Nations: Brunei, Malaysia, Singapore, and Vietnam. ASEAN countries have negotiated a free trade area amongst each other as well as several external FTAs. All 12 Trans-Pacific Partnership partners are also members of the 21-member Asia-Pacific Economic Cooperation (APEC) forum, which does not negotiate FTAs among its membership, but serves as a forum for dialogue on and establishes nonbinding commitments toward the goals of open and free trade and investment within the region.

To some, the United States and its Trans-Pacific Partnership partners are jump-starting the consensus-based approach of APEC. In the context of this forum for dialogue and nonbinding commitments, APEC Leaders in 2010 agreed to push forward the creation of a Free Trade Area of the Asia-Pacific (FTAAP), and it continues to be a broad vision for the group. They acknowledged the Trans-Pacific Partnership as potentially one of a number of “ongoing regional undertakings” on which to build to eventually achieve an FTAAP (APEC, 2010). Other ongoing regional undertakings include potential trade agreements between ASEAN and other Asian countries.

The Regional Comprehensive Economic Partnership (RCEP), for example, would join ASEAN and its six FTA partners there are Australia, China, India, Japan, New Zealand, and South Korea in one collective FTA. It is unclear how these two regional undertakings, RCEP and Trans-Pacific Partnership, may impact one

another and how they will affect the potential for an FTAAP. The RCEP may not aim for the same level of ambition in terms of tariff reduction and trade liberalization as the Trans-Pacific Partnership. By allowing sensitive items or rules to be left out of the negotiations, this platform could be more appealing to countries less inclined to the declared, if thus far unrealized, high-standard ambitions of the Trans-Pacific Partnership. Yet, several countries, including Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam, are moving forward as negotiating partners in both the Trans-Pacific Partnership and RCEP and view these negotiations as complementary. The Trans-Pacific Partnership partners, including the United States, have also expressed an interest in expanding the Trans-Pacific Partnership to additional countries across the Asia-Pacific region. They maintain that new members are welcome so long as they strive for the same level of trade liberalization as the current negotiating partners.

C. The Offering Trans-Pacific Partnership Benefits to Indonesia

There are two important benefits that can be obtained by Indonesia in the FTA. First, to increase the investment. Even though, the direct impact of trade cannot be directly sensed. Secondly, to encourage domestic reforms unilaterally. But, to join the Trans-Pacific Partnership, Indonesia faces a more Trans-Pacific Partnership complicated issue because the Trans-Pacific Partnership covers not only trade in goods, services and investments, but also other aspects of the trade, such as the settlement of trade disputes, labor, and environment.

1. Trade in Goods

Indonesia's entry into the Trans-Pacific Partnership will become an advanced stage of liberalization of trade in Indonesia after AFTA (1992) and the ASEAN Economic Community (2015). Trans-Pacific Partnership is a trade agreement Asia Pacific countries and currently consists of 12 countries. The US, as the largest economy in the world, and Japan, the third largest economy in the world, have joined the, while China, as the country with the second largest economy in the world, is still outside the Trans-Pacific Partnership.

On the other hand, joining Indonesia into the Trans-Pacific Partnership is expected to be an alternative for Indonesia to benefits the international trade. With the entry into the Trans-Pacific Partnership, Indonesian manufacturers can obtain greater access, particularly to the US and Japan as the two countries are Indonesia's main export destination. Especially for Japan, to compare whether a given trade facilities of Japan in Trans-Pacific Partnership is larger than Indonesia-Japan Economic Partnership Agreement. If not, then Indonesia's participation in the Trans-Pacific Partnership will have a positive impact on Indonesia's exports to Japan.

On the other hand, the problems faced by Indonesian exporters are not merely a matter of market access, but also because of lack of competitiveness due to high production costs. The low competitiveness result in the product diversification which has the advantage for exports significant. According to The Global Competitiveness Index 2014-2015, Indonesia's competitiveness is better compared to countries that have joined the Trans-Pacific Partnership.

Meanwhile, Indonesia's trade balance is lower than the Trans-Pacific Partnership member countries, in 2015, Indonesia is only deficit in four countries, namely Brunei Darussalam, Canada, Singapore and Vietnam. In general, Indonesia's exports to the United States and Japan are dominated by coal, gas, petroleum and goods from copper. These four types of export goods are facing price volatility, so if the price in the market falls, it will have an impact on Indonesia's exports.

A fundamental element of most FTAs is commitments among FTA partners to eliminate most, if not all, tariffs and quotas on their trade in goods. Current average most-favored nation (MFN) tariff levels for Trans-Pacific Partnership countries vary from 0% to nearly 10%. Meanwhile Indonesian MFN tariff average in 2015 was 8.83%, slightly below Vietnam, and over 10 other Trans-Pacific Partnership member countries. The Trans-Pacific Partnership will include tariff phase-out schedules that cover more than 11,000 commodity categories for each of partner countries. In November 2011, in Honolulu, the Trans-Pacific Partnership trade ministers stated that they are aiming for duty-free access for trade in goods. The tariff schedules likely will provide for phase-out of tariffs, with tariffs on many products phased-out immediately when the agreement enters into force, and tariffs on more sensitive products phased out over longer and varying periods of time. All of the current Trans-Pacific Partnership countries are in the process of some tariff elimination as each has an FTA with one or more of the other Trans-Pacific Partnership partners.

2. Trade in Services

The top priority for US in its negotiations of bilateral and regional FTAs is to increase market access for services providers, especially financial services, including insurance and banking; professional services, including legal services and private educational services; telecommunication services; express delivery; e-commerce and data flows. In doing so, the United States has sought to expand on modest commitments that trade partners have made in the WTO under the General Agreement on Trade in Services, especially in the failure on those commitments in the now dormant Doha Round, perceived by WTO partners.

Restrictions in services trade, like non-tariff barriers on goods trade, can take many different forms, making them difficult to quantify and compare across countries. The OECD has created indices that can provide some measure of services trade restrictiveness. These indices, available for OECD countries across 18 different services sectors, suggest that there is considerable variation in services trade restrictiveness among Trans-Pacific Partnership OECD countries (Australia, Canada, Chile, Japan, Mexico, New Zealand, and the United States) and hence opportunity for liberalization through Trans-Pacific Partnership negotiation efforts.

Apart from the restrictions of rules of trade in services, Indonesia's services trade position in the world trade is always deficit from year to year. In 2010 the deficit in services trade amounted to USD 738 million and in 2014 the trade deficit increased to USD 1160 million. (Indonesia-Investments, 2015). While the position of Indonesia's services trade with Trans-Pacific Partnership member countries is majorly deficit except with Canada.

3. Investments

Total investment into the Trans-Pacific Partnership member countries in 2013 reached 36% of total world investment flows and in 2014 dropped to 28%. (Syadullah, 2016). While the total FDI inflows into Indonesia, in 2011, 45% comes from three Trans-Pacific Partnership member countries, namely Singapore, Japan and US. Share this in 2014 dropped to 44%. Nearly 60% of United States investment in Indonesia concentrated on the mining and oil sector which has helped the production of copper, gold, oil and gas on a national scale. Singapore investment is concentrated in the sectors of transportation, warehousing, and telecommunications, food crops and plantations, mining and food industries. While Japan is concentrated on the motor vehicle industry and other transport equipment and metals industry.

Indonesia plan to join the Trans-Pacific Partnership is projected to increase FDI. However, without joining in Trans-Pacific Partnership, the Trans-Pacific Partnership will have a positive impact on FDI as estimated by Petri and Plummer (2016). But clearly, if Indonesia does not join the Trans-Pacific Partnership, is not projected to affect the investment from the United States, Japan and Singapore in Indonesia. United States and Singapore are very concerned with the supply of raw materials and ingredients mine, so that investment between the two countries is expected to further increase in the years to come. Japan is also very concerned with markets in Indonesia, so investments in the Motor Vehicle Industry & Transport will also continue to increase in the coming years.

Trans-Pacific Partnership regulated dispute resolution mechanism between Investor by the State, or known by the Investor-State Dispute Settlement (ISDS). The entry of ISDS in the Trans-Pacific Partnership would enable Indonesia to be sued by US investors in international arbitration institutions as a result of changing regulations that are considered prejudicial to the interests of foreign investors. In that regards, Indonesia will be reluctant to make laws or regulations to protect Indonesian people's interests.

In the context of investment, some considerations need to be highlighted before the government decides to join the Trans-Pacific Partnership, including: First, the problem of investor rights provisions to sue government policy to international arbitration. This contrasts with the Indonesian domestic investment law which states that if there is a dispute, it has to be settled by the investor and the government. Trans-Pacific Partnership requires the liberalization of services with a negative list approach as investment goods. On these backdrop, foreign businessmen who intend to invest in new specific country must be protected like old investors.

Second, the reduction of state owned enterprises (SOE's) role as "agents of development." Trans-Pacific Partnership regulates that the government's support on SOE's to be the same with its support to the private, in order to create fair competition. To date, this SOE's is considered to monopolize the business at domestic level through state support in the form of cheap loans, tax exemption, up to the special right of being able to exclude laws. Trans-Pacific Partnership will

apply the principle of non-discrimination and legal fair competition for state enterprises.

Thirdly, the elimination of tariffs to the limit as low as possible will facilitate the entry of US products and other industrialized countries, rather than the outflow of Indonesian products to US or other industrialized countries market. With high standards of market access in Trans-Pacific Partnership, it will be potentially eliminating the ability of Indonesian small businesses enterprise to be able to enter the Trans-Pacific Partnership countries market.

4. Intellectual Property Rights

Indonesia has ratified five international conventions related to intellectual property rights, namely: (a) Paris Convention for the Protection of Industrial Property and Convention Establishing the World Intellectual Property Organization (Presidential Decree No. 15 of 1997 on the amendment of Presidential Decree No. 24 of 1979), (b) Patent Cooperation Treaty (PCT) and Regulation under the PCT (Presidential Decree No. 16 of 1997), (c) the Trademark Law Treaty (Preidential Decree No. 17 of 1997), (d) the Berne Convention for the Protection of Literary and Artistic Works (Presidential Decree No. 18 of 1997) and (e) the WIPO Copyright Treaty (Presidential Decree No. 19 of 1997).

If Indonesia joined the Trans-Pacific Partnership, like countries that have joined the Trans-Pacific Partnership, no longer had sovereignty over national law in the land sector, health, licensing regulations, government policies related to procurement, intellectual property right, and financial regulatory/ monetary because all laws of those sectors should refer to the foreign tribunal as a private court that

serves the strategic interests of US global corporations. Which means that in case of legal disputes with countries signatory Trans-Pacific Partnership, then corporations are welcome to use legal protection beyond the control of the national legal system of each Trans-Pacific Partnership member countries.

5. State-Owned Enterprises

In Trans-Pacific Partnership, free competition and anti-monopoly is the backbone that set 30 cluster arrangements. Two of them, the governance of SOE and the Government Procurement are contrary with the Indonesian constitution. For example, commercial considerations, anticompetitive, non-discrimination or non-monopolized market in Trans-Pacific Partnership's formula are limiting the function of SOE to be an agent of the government in achieving prosperity for the Indonesian people.

The Terms of Trans-Pacific Partnership

For the United States, joining Indonesia into Trans-Pacific Partnership be a psychological victory in the face of China's economic influence in the Asia Pacific region. Trans-Pacific Partnership indeed one of the essential elements of the foreign policy agenda of President Barack Obama to establish economic partnership and the largest trade in the Pacific region under an agreement signed in early October 2015.

Vietnam became a big threat for Indonesia as it moves more quickly in establishing international trade agreements with the EU and Trans-Pacific Partnership. So that, Vietnam easier access to the US market and 10 other countries members of Trans-Pacific Partnership well as European countries. While

Indonesia's position is unclear. Indonesia's readiness to join the Trans-Pacific Partnership actually more aimed at achieving the strengthening of the trade agreement with the EU and then Trans-Pacific Partnership keep pace with neighboring countries. Indonesia is already in talks with the European Union related to the establishment of the FTA. If it has been established, the Trans-Pacific Partnership will follow because the majority of the requirements in Trans-Pacific Partnership closely with EU FTA.

Indonesia has been quite heavily involved in regional free trade. Until 2015, Indonesia has been involved in eight FTA with details of six regional and two bilateral (Wangke, 2015). There are: 1. ASEAN Free Trade Area (FTA); 2. ASEAN, Australia and New Zealand FTA; 3. The ASEAN-China FTA; 4. ASEAN-India FTA; 5. ASEAN-Japan FTA; 6. ASEAN-Korea FTA; 7. Indonesia-Japan Economic Partnership Agreement; 8. Indonesia-Pakistan FTA. For Indonesia, an important benefit that can be felt from its involvement in the FTA was twofold: first, investment increased, although the direct impact of trade cannot be directly perceived; and secondly, to encourage domestic reforms unilaterally.

Toward Trans-Pacific Partnership, Indonesia faces a more complicated problem. Unlike other free trade agreements, Trans-Pacific Partnership covers not only trade in goods, services and investments, but also other aspects of the trade, such as the settlement of trade disputes, labor, and environment. For the sector of trade in goods, Trans-Pacific Partnership demanding the removal of about 11 thousand trade tariffs, including some sensitive agricultural products, such as rice, wheat, sugar, and meat. For the services sector, Trans-Pacific Partnership include

banking, insurance, construction, logistics, and tourism. For investments, Trans-Pacific Partnership include repatriation of capital and transfer of capital, fair compensation, and local content. Trans-Pacific Partnership also requires the existence of various incentives such as tax and fiscal, but the Trans-Pacific Partnership no privileges for SOEs (Wangke, 2015).