Asian Journal of Latin American Studies (2016) Vol. 29 No. 1: 83-108

The Potential Political Economy Impact of the Proposed Indonesia-Chile Comprehensive Economic Partnership Agreement

Sulthon Sjahril Sabaruddin*
Ministry of Foreign Affairs of the Republic of Indonesia, Indonesia

Stephen V. Marks
Pomona College, USA

Sjahril S., Sulthon and Stephen V. Marks (2016), "The Potential Political Economy Impact of the Proposed Indonesia-Chile Comprehensive Economic Partnership Agreement"

ABSTRACT

This paper evaluates the political economy implications of the proposed Indonesia-Chile Comprehensive Economic Partnership Agreement (IC-CEPA). Partial equilibrium economic analysis predicts that both countries would benefit from IC-CEPA. An assessment of broader national interests and ideological factors also favors such an agreement. Thus, the recent announcement by the Indonesian government that it will expedite all on-going trade negotiations, including the IC-CEPA, bodes well for a smooth resumption of progress and promises to strengthen and elevate the bilateral relations into a new stage.

Key Words: economic integration, partial equilibrium analysis, political-economic analysis

---

* Sulthon Sjahril Sabaruddin thanks the Center for Policy Analysis and Development on American and European Regions in the Ministry of Foreign Affairs for allowing him to participate in the Senior Research Fulbright Program 2014-2015. This paper represents the opinions of the authors, and is not meant to represent the position or opinions of the official positions of any institution members.

** Sulthon Sjahril Sabaruddin is a diplomatic official in the Center for Policy Analysis and Development on American and European Affairs at the Ministry of Foreign Affairs for the Republic of Indonesia. Stephen V. Marks is professor of Economics at Pomona College, USA. Direct correspondence to Sulthon Sjahril Sabaruddin (Email: sulthon.sjahril@kemlu.go.id).

INTRODUCTION

The world has become a veritable alphabet soup of different types of Free Trade Agreements (FTAs) in recent decades and the slow progress of the Doha Round of the World Trade Organization (WTO) has led many countries to move towards regional and bilateral trade cooperation in order to increase trade and ultimately economic growth.

Indonesia and Chile have both been among the countries that have turned toward such an approach. Indonesia itself has proactively pushed for deepened economic cooperation with many countries. At least 25 regional or bilateral initiatives have been studied, negotiated, or have entered into force. Most of Indonesia's free trade initiatives have been pursued with its partners in Asia and other traditional trading partners. Relatively few initiatives have been done with so called the alternative market partners, including counterparts from the Latin American and Caribbean region.[1] However, Indonesia's economic diplomacy towards the Latin American region has begun to receive more attention and its current trade policy towards the region is to push for new FTAs (Center for Foreign Trade Policy of the Ministry of Trade of Indonesia 2013). Two agreements are currently being pursued vis-à-vis Latin America: the Indonesia-Chile Comprehensive Economic Partnership Agreement (IC-CEPA) and the Indonesia-Peru FTA.

Meanwhile, Chile has been very proactive in making FTAs with many countries around the globe, and in fact has the largest network of FTAs in the world (ProChile 2014). SICE (2014) recorded that Chile had around 26 trade agreements that were signed or in force with 61 countries – including with Japan, Malaysia, Thailand, China, Vietnam, and South Korea. In the last 25 years, Chile's expansion into international markets has been a primary component of its development strategy, and this policy of opening towards the world market has boosted Chilean foreign trade and economic growth (General Directorate for International Economic Affairs 2009).

Chile seems to be attractive for many countries with its determination to promote trade and investment relations throughout the world. Chile has been able to attract a significant amount of foreign direct investment (FDI) from all over the world; the inflow in 2014 reached US$23.3 billion (CIE Chile 2015). In 2013, comparing to the other Latin American and

---

1 Alternative or non-traditional markets in the American region refer to all countries in the Americas except the United States and Canada.

the Caribbean states, Chile ranked 3rd for inward FDI amounted US$20.258 billion just behind Brazil which reached to US$64.046 billion and followed by Mexico amounted US$38.286 billion and above Colombia amounted US$16.772 billion, and Peru amounted US$10.172 billion (Economic Commission for Latin and the Caribbean 2014). Further, based on the FDI inflows relative to GDP, Chile's inward FDI to GDP is the biggest accounted for 7.3 percent, meanwhile other countries such as Brazil (2.85 percent), Mexico (3 percent), Colombia (4.4 percent) and Peru (5 percent). This shows that FDI in Chile plays a significant role in the economy.

Chile views the continued development around the Pacific Rim as the main engine of global economic expansion, and sees this as a huge opportunity for itself. Its long Pacific coastline, combined with its vast number of the FTAs networks and its commercial strengths and technical capabilities in both the public and private sectors have enabled Chile to position itself as a commercial nexus between Asia, Latin America, and the United States (Ellis 2009). Further, Chile could in fact position and act as an intermediate production hub, importing components from low-cost Asian producers for further value-added production processing in Chile and final export to markets in the United States and Latin America (Ellis 2009). In 2014, Chilean hourly nominal wage costs US$2.33 making relatively cheaper to some Latin American countries such as Argentina (US$4.5) and Uruguay (US$2.44).

Chile's position is bolstered by the relative capacity and efficiency of its ports, which include Iquique, Valparaiso, Antofagasta, and Arica. Further, the country has the *Zona Franca de Iquique* (ZOFRI) free trade zone, which is the largest in South America with an annual trade around US$8 billion (ZOFRI 2014). ZOFRI has become a hub for importing a wide range of products from Asia to market throughout the South America particularly Bolivia, Paraguay and Peru. With its pursuit of international economic connections and 'look East' policy, Chile is seen as the Latin America with the most committed approach toward the Asia-Pacific region.

In particular, Chile was the first country in South America to establish formal diplomatic relations with China, in January 1971, and an FTA with China, which took in effect in 2006. With other Asian counterparts, Chile has made many trade initiatives, for instance, the India-Chile Preferential Trade Agreement (2006), the Malaysia-Chile Free Trade Agreement (2010), and the Thailand-Chile Free Trade Agreement (2013, signed but not yet in effect) as well as ongoing trade negotiations including for the IC-CEPA. Further, Chile, Peru, and Mexico are the only Latin American nations that are members of the Asia Pacific Economic

Cooperation (APEC) forum.

Chile's expansion into the Asia Pacific region reflects a strategic agenda to help strengthen the Chilean economy through opening market access particularly for its principal export commodities, including mined products (particularly copper), forestry products, wines and fresh grapes, and fisheries. Mined products in particular are strategic to the Chilean economy, and are considered part of Chile's national birthright. In 2013, such products contributed 58 percent of total exports in which copper contributed the biggest share and contributed 47 percent of total exports. In 2014, Chilean copper exports reached 5.7 million tonnes in which Asian buyers occupied the top four destinations led by China (2.2 million tonnes), followed by Japan, South Korea and India (Trade News LA 2015). No wonder there is a company motto stating when CODELCO, the Chilean national copper company grows, Chile develops itself (Lahrichi 2014). But Chile is not the only country in the region supplying China's mineral needs; for instance, Peru is also a strong copper exporter of copper (CCTVAmerica 2014). This illustrates how Chile's expansion in the Asia Pacific region has successfully and significantly boosted its exports, thus contributing to the domestic economy.

This paper seeks to discuss the potential political economic impact of the proposed IC-CEPA. It consists of four parts: first, it discusses the literature review, followed by the model and findings. This is a prediction simulation of the IC-CEPA economic impact. Third, the IC-CEPA potential political-economy effects: a discussion. This is mainly a discussion of the possible broader political-economy effects of the IC-CEPA follows. Finally, the last section is the conclusion and policy recommendations.

LITERATURE REVIEW

Economic theory states that FTAs can either raise or lower economic welfare on a global basis or for members of a preferential bloc (Suranovic 1998). FTA proponents would argue that through forming FTAs, the parties involved benefit from greater efficiency of global resource allocation, economies of scale, promoting competition, increased trade flows, and ultimately greater economic growth and increased welfare (Sammut 2005). Opponents would argue that FTAs can hurt infant industries, decrease government revenue, lead to fierce and unfair competition, and even endanger the economic and political independence of developing countries in particular[2] (Sammut 2005). Further, the provisions of the FTA itself, for instance, rules of origin may be viewed by certain groups as protectionist instruments that may affect trade with outside countries.

One way to evaluate the impact of an FTA on trade flows and economic welfare is by assessing its trade creation and trade diversion effects, as introduced by Jacob Viner (1950). Trade creation occurs to the extent that higher-cost domestic production is replaced by lower-cost imports from other members of the bloc, leading to efficiency gains, while trade diversion occurs to the extent that low-cost imports from outside the bloc are replaced by more expensive imports from within the bloc, causing a terms-of-trade loss. It is argued that trade creation (trade diversion) is good (bad) for global economic efficiency and the economic welfare of the importing country.

Further, FTAs may also have political economy effects such as strengthening bargaining power for the bloc members, leading to indirect welfare gains. For instance, the Association of Southeast Asian Nations (ASEAN), founded in 1967, has become an emerging regional group power and may have a stronger bargaining power in dealing with giant economies such as China and Japan.[3] The political economy effects of FTAs can also be viewed in relation to their respective countries' national interests and economic doctrines, and these could be revealed from the country's foreign policy orientation. For instance, for the case of Chile, realizing the country is a small market, Chile needs to expand and find demand from overseas markets to push the domestic economy through the realization of scale economies in particular. And to achieve such objectives, Chile has adopted an open foreign economic policy by opening the economy and insert itself into the global economy.

Prior papers on Indonesia-Chile economic cooperation have drawn diverse conclusions. A government-sponsored Joint Study Group (JSG) analysis of the Indonesia-Chile FTA in 2009 using the partial equilibrium analysis found that a bilateral FTA between Indonesia and Chile would provide valuable benefits for both countries. Further, the study concluded that a range of trade barriers should be eliminated by both countries

2 In addition, Stephen V. Marks Lectures Notes for International Economics course, Pomona College.

3 ASEAN as a bloc has signed its own trade agreement, as well as agreements with China, Japan, South Korea, Australia and New Zealand, and India. This year ASEAN economic cooperation enters a new phase called ASEAN Economic Community 2015, which envisions ASEAN as a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. This seems very broad and sweeping – more on goals than on what will actually happen.

as part of the Indonesia-Chile FTA. A study by the Center for Policy Analysis and Development on the American and European Region, Ministry of Foreign Affairs of the Republic of Indonesia (2013), using tools such as the Trade Intensity Index (TII), Trade Complementarity Index (TCI), and Revealed Comparative Advantage (RCA), found that bilateral trade is complementary but that the TII[4] is low and in fact over the years bilateral trade has gotten less intense. For the RCA, it was found that only 3 percent of Indonesian total exports to Chile are categorized as the "Indonesian top ten most competitive export products". Ridha (2010) stated that an FTA is the way out to boost bilateral trade relations and views Chile as a suitable partner for a bilateral FTA.

Sjahril and Nugrahaningsih (2013) suggest Indonesia and Chile still have plenty room to enhance bilateral trade relations based on their comparative advantage, as a high proportion of their current bilateral exports are still products with low comparative advantages (or even comparative disadvantages). It is argued that many of their respective main comparative advantages commodities had difficulties to penetrate their market counterpart mainly due to the trade barriers imposed by both countries.

These previous papers mostly look more on the trade potentials and its economic impact as a result of the potential Indonesia-Chile FTA. However, the political economy side of the potential IC- have been largely neglected. On the other hand, Ross (2004) provided an overview of the political-economy of Indonesia-Chile bilateral relations during the period 1977-2004, although the political economy of a possible free trade agreement was not discussed.

MODEL AND FINDINGS

Our analysis of the potential economic effects of an IC-CEPA uses the partial-equilibrium modeling simulation, the Software for Market

4 The trade intensity index (TII) is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is defined as the share of one country's exports going to a partner divided by the share of world exports going to the partner. It is calculated as:

$$T_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$$

Where x_{ij} and x_{wj} are the values of country i's exports and of world exports to country j and where X_{it} and X_{wt} are country i's total exports and total world exports respectively. An index of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country's importance in world trade.

Analysis and Restrictions on Trade (SMART) model obtained from World Integrated Trade Solutions (WITS). Mathematically to evaluate the impact of change in the trade policy on the trade creation, change in tariff revenue, and welfare effects, the SMART Model uses the following main equations: First, for the trade creation is defined as the direct increase in imports following a reduction on the tariff imposed on good g from country c i (Jammes and Olarreaga 2005). It captures the aspects of trade liberalization as in the case of bilateral trade scenario. To obtain this, SMART uses the definition of price elasticity of import demand:

$$\varepsilon_{g,c} = \frac{dm_{g,c}/m_{g,c}}{dp^d_{g,c}/p^d_{g,c}} < 0$$

$$\frac{dm_{gcd}}{m_{gcd}} = \varepsilon_{gcd}\frac{dP_{gcd}}{P_{gcd}} \tag{1}$$

Solving (1) for $dm_{g,c}$, we obtain the trade creation ($TC_{g,c}$) evaluated at world prices and associated with the tariff reduction on good g when imported from country c:

$$TC_{g,c} = p^w_{g,c}dm_{g,c} = p^w_{g,c}\varepsilon_{g,c}m_{g,c}\frac{dp^d_{g,c}}{p^d_{g,c}} \tag{2}$$

Note that using (3), we have $dp^d_{g,c} = p^w_{g,c}dt_{g,c}$. Substituting this and (3) into (2) yields[5]:

$$TC_{g,c} = p^w_{g,c}dm_{g,c} = p^w_{g,c}\varepsilon_{g,c}m_{g,c}\frac{dt_{g,c}}{(1+t_{g,c})} = \varepsilon_{g,c}m_{g,c}\frac{dt_{g,c}}{(1+t_{g,c})} \tag{4}$$

For the tariff revenue is given as the product of the tax rate (tariff rate in this case) and the tax base (the value of imports). Thus, before the change in the ad valorem incidence of the trade barriers, the revenue is given as:

---

5 Note that in the last equality we simply choose units of all goods so that the world prices are equal to 1. One can then interpret mg,c as import value of good g from country c measured at world prices. This normalization of units is undertaken from now on in order to simplify the expressions, so that mg,c represents both imported quantities and value of good g from country c. As long as world prices are kept exogenous (i.e., export supply functions are perfectly elastic), this normalization has no implications for the derivations above and below (Jammes and Olarreaga 2005).

$$R_0 = \sum_g \sum_d t_{gcd}^0 \, P_{gcd} M_{gcd} \tag{5}$$

After the change in the tariff rate, the new revenue collection will be given by:

$$R_1 = \sum_g \sum_d t_{gcd}^1 \, P_{gcd} M_{gcd} \tag{6}$$

The revenue loss as a result of the implementation of a change in the tariff rate would then be the net effect between R_1 and R_0 which is the same as:

$$RL = \sum_g \sum_d dt_{gcd} \, P_{gcd} M_{gcd} \tag{7}$$

Finally, for the welfare effect, the SMART Model only analyzes the implication to the consumer surplus in the importing country as a result of lower import prices. Increased imports leads to a net welfare gain (increase in consumer welfare) and is measured as follows:

$$w_{gcd} = 0.5(dt_{gcd} dM_{gcd}) \tag{8}$$

The coefficient of 0.5 captures the average between the ad valorem incidence of the trade barriers before and after their elimination/reduction. Equation (8) assumes that the elasticity of export supply is infinite (Laird and Yeats 1986).

This model is based on minimal structure and assumptions about parameter values, and allows examining the impact of trade policies, covering trade flows, customs revenues and net economic welfare of Indonesia and Chile.[6] The main advantage using the SMART Model is its minimal data requirement. SMART Model only requires data for the trade flows, the trade policy (tariff), and a couple of behavioral parameters (elasticities). Another advantage is that it permits an analysis at a fairly disaggregated (or detailed) level up till HS 6 Digits level and it resolves a number of "aggregation biases" where within the framework of a general equilibrium model, the level of aggregation is neither convenient nor possible. However SMART as a partial equilibrium model does have its own disadvantages among others: SMART neglects the interactions and feedbacks between the various markets or the inter-sectoral input/output linkages that are the basis of general equilibrium model; the analysis is done on pre-determined

6 See Laird and Yeats (1986) or Jammes and Olarreaga (2005) for an exposition.

number of economic variables, as a result this makes it very sensitive to a few (badly estimated) behavioral elasticities; and it also misses the constraints applied to the various factors of production and their movement across sectors (Ahmed 2010).

The analysis uses 2013 trade data with the SITC Section classification in order to see the whole picture of the trade impact. To analyze the economic impact, a complete tariff dismantlement scenario will be used in order to expose the effects of trade liberalization on all products. The tariff dismantlement does not mean all commodities tariffs will be reduced to zero, but there are commodities such as the sensitive products and list of excluded products that are not included in the tariff dismantlement scenario.

In certain circumstances, the paper does not take into account the Chilean wine of fresh grapes for the political-economy analysis as this commodity is assumed to be excluded from the IC-CEPA, as usually Indonesia does when negotiating with other states for FTAs. This is also understandable for cultural reasons in which Indonesia is the largest Muslim population in the world.

The Impact of a Possible IC-CEPA on the Indonesian Economy

As a result of the removal of bilateral tariffs, the SMART simulation results reveal that Indonesia total consumer surplus is expected to increase by US$3.637 million. The biggest increase in consumer surplus comes from the beverages and tobacco sectors reaching US$3.49 million (accounted for 96 percent of the total consumer surplus) and specifically it is the Chilean wine of fresh grapes (HS220430) that almost fully contributed to this sector. Indonesian consumers also benefited from importing the manufactured goods but only amounted US$103,140, which almost the majority are the refined copper and copper alloys, unwrought – cathodes and sections of cathodes amounted US$100,070 (HS740311).

For the change in Indonesian tariff revenue, it is estimated that Indonesia would experience a significant tariff revenue loss by US$69.18 million. The biggest tariff revenue loss comes from the beverages and tobacco sector reaching US$61.86 million, followed by the food and live animals sector (US$4.34 million) and crude materials, inedible, except fuels (US$2.57 million). At the commodity level, the biggest tariff revenue loss comes from the wine of fresh grapes, followed by refined copper and copper alloys; fats and oils and their fractions, of fish, other than liver oils;

and fresh grapes.

The IC-CEPA would increase Indonesian imports (a trade creation effect) by US$5.656 million and trade diversion by US$4.91 million. The highest trade creation effect for Indonesia comes from the manufactured goods section amounted US$2.75 million, followed by beverages and tobacco section amounted US$1.84 million. Specifically the main commodities contributing to these sectors are the refined copper and copper alloys (US$2.65 million) followed by wine of fresh grapes (US$1.84 million). Meanwhile for the trade diversion, the manufactured goods classified chiefly by materials contributed the highest by US$3.42 million, followed by food and live animals amounted US$0.9 million.

The tariff dismantlement does not mean that all tariffs would be fully reduced to zero. There are certain commodities that are classified as sensitive products that are not included within the SMART simulation. Therefore, the difference between the new and old weighted tariff rates is not significant. The highest change in the reduction of the weighted tariff rates is from the beverages and tobacco section by 7.8 percent. As a result, the zero tariff rate simulation does not create a big bang effect to the Indonesian economy. From the analysis, it could be noted that the Chilean commodities penetration and contribution to the Indonesian economy are not very diversified and in fact limited to only two main commodities, namely, the wine of fresh grapes, and refined copper and copper alloys.

Table 1. The Impact of IC-CEPA Scenario on the Indonesian Economy

SITC Code	Product Name	Old Weighted Tariff Rates	New Weighted Tariff Rates	Consumer Surplus (in 1,000 USD)	Tariff Revenue Effect (in 1,000 USD)	Trade Creation (in 1,000 USD)	Trade Diversion (in 1,000 USD)
0	Food and live animals	3.06	3.02	24.38	-4337.16	516.304	902.35
1	Beverages and tobacco	107.81	100.05	3493.77	-61864.31	1844.75	103.02
2	Crude materials, inedible, except fuels	1.84	1.81	2.478	-2571.43	102.47	11.24
3	Mineral fuels, lubricants and related materials	2.3	2.3	0	0	0	0

4	Animal and vegetable oils, fats and waxes	2.57	2.46	11.05	-205.19	322.45	310.13
5	Chemicals and related products, n.e.s	2.89	2.89	1.55	-115.38	57.87	80.48
6	Manufactured goods classified chiefly by materials	3.14	3.14	103.14	-51.362	2747.53	3423.97
7	Machinery and transport equipment	3	3	1.16	-21.6	53.94	67.27
8	Miscellaneous manufactured articles	4.14	4.14	0.15	-10.21	10.81	11.67
9	Commodities and transactions not classified elsewhere in the SITC	3.07	3.07	0	0	0	0

Source: Calculations using World Integrated Trade Solution.

The Impact of a Possible IC-CEPA on the Chilean Economy

The zero-tariff SMART simulations shows that Chilean total consumer surplus is predicted to rise only by US$701,197. Chile's consumer surplus derived from the miscellaneous manufactured articles amounted US$275,152, followed by machinery and transport equipment (US$250,961). The Indonesian commodities which contributed the biggest consumer surplus in Chile are combined refrigerator-freezers by US$116,860 (HS841810), followed by footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather – other amounted US$68,038 (HS640399), footwear with outer soles of rubber or plastics – other amounted US$28,443 (HS640219), other footwear with outer soles and uppers of rubber or plastics – other amounted US$22,609 (HS640299), and Technically Specified Natural Rubber (TSNR) amounted US$17,557 (HS400122).

For the Chilean tariff revenue effect, the free trade simulation revealed that Chile is estimated to experience a loss in tariff revenue by US$11.493 million. The loss in tariff revenue originated from the miscellaneous manufactured articles section by -US$5.534 million, followed by machinery and transport equipment (-US$3.5 million), and manufactured goods classified chiefly by materials (-US$1.33 million). At the commodity level, the revenue loss primarily comes from footwear products, followed by combined refrigerator-freezers.

For the trade creation effect, as a result of the prospective IC-CEPA scenario the Chilean trade creation effect is expected to rise by US$23.553 million. The change in imports comes from the miscellaneous manufactured articles (US$9.23 million), followed by machinery and transport equipment (US$8.47 million). At the commodity level, the total trade creation effect is dominated by commodities: combined refrigerator-freezers (US$2.17 million), followed by footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather – other (US$1.19 million), footwear with outer soles of rubber or plastics – other (US$552,139), other footwear with outer soles and uppers of rubber or plastics – other (US$384,337), and Technically Specified Natural Rubber (US$310,145). Meanwhile for the trade diversion effect, the IC-CEPA scenario resulted an increase by US$16.71 million. The highest contribution derived from the miscellaneous manufactured articles (US$6.61 million), followed by machinery and transport equipment (US$4.17 million).

Lastly, for the weighted tariff rates it is found that the difference between the old weighted tariff rates and the new weighted tariff rates (after the hypothetical simulation) is not significant. The biggest weighted tariff rates reduction comes from the miscellaneous manufactured articles which reduced by 0.06 percent followed by food and live animals section by 0.04 percent. From the analysis above, it could be noted that the Indonesian commodities penetration and contribution to the Chile economy is better diversified as compared to the Chilean commodities and there are several main commodities that impacted the Chilean economy, namely, footwear products, combined refrigerator-freezers, and technically specified natural rubber.

Table 2. The Impact of IC-CEPA Scenario on the Chilean Economy

SITC Code	Product Name	Old Weighted Tariff Rates	New Weighted Tariff Rates	Consumer Surplus (in 1000 USD)	Tariff Revenue Effect (in 1000 USD)	Trade Creation (in 1000 USD)	Trade Diversion (in 1000 USD)
0	Food and live animals	6	5.96	34.226	-399.187	1144.523	468.73
1	Beverages and tobacco	6	5.98	0.452	-9.292	15.098	11.45

2	Crude materials, inedible, except fuels	6	5.98	22.953	-290.384	766.24	346.183
3	Mineral fuels, lubricants and related materials	6	6	0.006	-0.115	0.19	0.15
4	Animal and vegetable oils, fats and waxes	6	5.99	5.264	-72.105	175.6	92.273
5	Chemicals and related products, n.e.s	6	5.99	17.189	-356.877	573.308	445.693
6	Manufactured goods classified chiefly by materials	6	5.97	94.994	-1327.412	3175.614	1571.662
7	Machinery and transport equipment	5.93	5.92	250.961	-3503.319	8471.602	4171.395
8	Miscellaneous manufactured articles	5.99	5.93	275.152	-5534.299	9230.924	6617.193
9	Commodities and transactions not classified elsewhere in the SITC	6	6	0	0	0	0

Source: World Integrated Trade Solution.

THE IC-CEPA POTENTIAL POLITICAL-ECONOMY EFFECTS: A DISCUSSION

Current National Interest, Leaders' Ideological Lenses and Foreign Policy Direction

In this section, we discuss some broad discussion of the potential political economy effects of the proposed IC-CEPA. To discuss the potential political economy effects, the paper attempts to broadly interpret the two recently elected president national interests and ideological lenses in which these inputs will be revealed from their foreign policies directions.

The discussion assumes states are the most important actors and as rational unitary actors to pursue their national interests. From these inputs, the paper attempts to discuss the possible implications of the IC-CEPA by also taking into account the results from the SMART Model analysis.

The recently elected Indonesian President, Joko Widodo, repeatedly underlines the importance of Indonesian representatives overseas to more emphasize on economic diplomacy rather than political diplomacy particularly with the purpose to promote Indonesian exports overseas to boost economic growth. President Jokowi 'mercantile emphasis' is similar with the previous Chilean President Sebastián Piñera. Meanwhile President Michelle Bachelet is similar to the previous Indonesian President, Susilo Bambang Yudhoyono which put a more political emphasis in their foreign policy. Jokowi in one occasion made a public statement that foreign market needs to be expanded and his government will assist for market access to promote exports overseas (Konfrontasi 2014). Further, he mentioned that a high export volume would be the key answer to strengthen the national economy. This shows his strong commitment for strengthening economic diplomacy. But however, Jokowi's economic diplomacy agenda is combined with a clearly mercantilist doctrine, believing a trade surplus would be the key to boost economic growth, thus, expecting during his administration Indonesia should win the trade battle in this openly world market through accelerating exports. In one occasion, Jokowi stated the followings:

> "*Kita akan terus dorong industri-industri yang bergerak ke ekspor dan tentu saja mengerem barang-barang impor kita. Memang jalan yang paling baik adalah itu*" ("We should promote the industries to export and to limit our importing products. As this is the right and best way") (Armenia 2014).

Like in many countries nowadays, mercantilist ideals may have been subsumed within economic nationalism policy. With some risk of oversimplification, mercantilism could be defined as a trade policy doctrine of "export more and import less" with the purpose to accumulate wealth vis-à-vis the rest of the world through improvements in the trade balance (Viner 1991). The realist theory argues that states are concerned with relative power and would apply such power to obtain relative gains from any negotiations. Thus in trade sphere, one could argue that economic diplomacy is shaped by mercantilist objectives (Woolcock 2011). The relative economic gains of one state compared to another in international economic relations will ultimately result in a shift in power and thus a deterioration of the state security that loses out (Woolcock 2011).

Jokowi's mercantilist ideals maybe due in partly as he is a member of Indonesia Democratic Party of Struggle (PDIP) in which Mrs. Megawati Soekarnoputri the daughter of the former President Soekarno is the current leader of the party, thus, this principle would be adhered in the current IC-CEPA negotation process. During the President Soekarno administration once stated a concept of Berdikari (a contraction of the Indonesian phrase, "*berdiri di atas kaki sendiri*" or "standing on one's own feet"). Soekarno clarified the concept in a 1966 speech "What is rejected by Berdikari is dependence toward imperialists, not cooperation that is on an equal basis and mutually beneficial". Thus, trade deficits with Chile over the years may now be a concern for the current Indonesian government as it views a significant trade deficit as a 'warning sign' and prefers to achieve a trade surplus or at least a more balanced trade.

To smoothen his economic diplomacy and mercantilist goals, Jokowi has elected the key foreign affairs and economic ministers who are practically and academically well-trained[7] and a strong experience track in strengthening Indonesian economic diplomacy. All of these selected ministers have common agreed goals towards achieving trade surplus by promoting exports to ultimately enhance national economic prosperity. Further, to support this economic diplomacy, Jokowi in occasion stated that Indonesian mission tasks should be 80-90 percent related to commercial activities (Tempo 2014).

His strong emphasis on economic diplomacy could be also explained from Jokowi's background as a Javanese indigenous Indonesian businessman. As a Small-Medium Enterprises (SMEs) businessman, thus, he would highly concerned with developing the Indonesian SMEs and this is in accordance to his principle of *ekonomi kerakyatan* and supporting the so-called *wong cilik* (common people). This principle is the Universitas Gadjah Mada doctrine known as the economics of common people. Jokowi has put people at the center of his economic agenda and this people-centred policy is expected to be adopted througout his administration. Several prominent Indonesian economists on *ekonomi kerakyatan* are Prof. Dr. Mubyarto, Adi Sasono, and Dr. Revrisond Baswir. Although there may be different perspectives in defining the *ekonomi kerakyatan,* but in general terms:

7 For instance, the current Indonesian Minister of Foreign Affairs, Retno L.P. Marsudi is a Javanese and a graduate of Universitas Gadjah Mada with strong track record in international economic affairs. See Diplomasi Kerakyatan in the later paragraph.

> "*Ekonomi kerakyatan* can be defined as a participative economy, which allows fair and equal access to all members of society in the processes of production, distribution, and national consumption without sacrificing human resources and the environment to support the people. In principle, the concept of *ekonomi kerakyatan* is involved activities conducted from the people, by the people, and for the prosperity of the people. According to Sasono, ekonomi kerakyatan would include the empowerment of the small and weak in order to create a strong middle class" (Sasono 1999, 104, in Chandra).

To instill the *ekonomi kerakyatan* concept and to ensure the Indonesian foreign policy supports the *wong cilik*, the new foreign minister, Mrs. Retno Marsudi introduced a new foreign policy paradigm so-called '*Diplomasi Kerakyatan*' (Ministry of Foreign Affairs of the Republic of Indonesia 2015). The *diplomasi kerakyatan* could be defined in which the Indonesian diplomacy will be based on national interest and the common people. The outcomes of the efforts done by the Indonesian diplomats will be fully benefits the common people of Indonesia. Djumala (2014) mentioned that the new foreign minister repeatedly coined a new term down-to-earth diplomacy meaning a foreign policy that is oriented for the benefit of the common people. Thus, Mrs. Retno would attempt to redefine and move from exercising an 'elite' diplomacy to one that fits Jokowi's administration doctrine. Djumala also stated that if the President Jokowi's objective is to bring concrete benefits for the people, then economic issues should be the highest priority of the foreign ministry agenda. Therefore, the Jokowi's emphasis economic diplomacy in its foreign policy clearly supports his mission to enhance the welfare of the common people of Indonesia.

Further to complement this people-centred foreign policy, one should need so-called Indonesian economic diplomacy blueprint, which currently Indonesia may not have yet and at least it is true, for instance, until now Indonesia does not have an economic diplomacy blueprint towards Latin American region (Sjahril 2015). Latin American region is still perceived as an alternative market for Indonesia, although some attention has been made on this region in the recent years. Thus, since there is no blueprint yet, it could be assumed that the main purpose of the IC-CEPA for Indonesia would be to simply enhance commercial activities and penetrate the Chilean market particularly for those Indonesian commodities that have strong competitiveness.

Meanwhile, Chile under the President Michelle Bachelet, in her foreign policy will be more comprehensive, broader and international relations on political issues will also receive more attention than just merely economic matters (Jarroud 2014). Despite her broader foreign policy perspectives, Chile's foreign economic agenda still receives the very important agenda. Since the restoration of Chile democracy in the 1990s, foreign policy and commercial policy have been two powerful instruments of Chile's endeavor to reinsert the country internationally. Chile's foreign economic policy stance is clear – to find ways integrate into the global economy through opening the economy. Here it is argued that global market is a factor shaping economic diplomacy. Thus, it is a neo-liberal economic doctrine (sometimes known as mainstream economics) is pursued by Bachelet. For this study, the mainstream economics would simply means the opposite to mercantilism, thus, the bilateral balance with a particular country is of less matters and acknowledge the potential mutual benefits that nations could derive from free trade, through the greater efficiency of global resource allocation and the opportunity cost of producing some goods and services.

Acknowledging its own limited internal market, thus, as a small open economy, Chile's insertion in the international markets would be its foreign policy objectives. To achieve this, since the restoration of democracy in the 1990s Chile adopted a so-called 'look east policy'. Asia Pacific started to receive part of the attention in Chile' foreign policy particularly with respect to South Korea, China, India and Japan. Chile's inclusion into APEC in 1994 and its participation as host economy in 2004 and later in 2019 demonstrates clearly that the Asia Pacific region is a priority in its foreign policy. Further, for instance, in its foreign policy during the General Debate 69 Session of the UN General Assembly 2014, President Bachelet firmly expressed that she would support to facilitate South-South cooperation (United Nations 2014).

To smoothen her economic diplomacy, since 1979 the General Directorate of International Economic Affairs (Direcon) was established under the Ministry of Foreign Affairs. Since the establishment, Direcon has played a central role in the convergence between foreign and economic policy (General Directorate for International Economic Affairs 2009). During the process of the negotiated opening of the Chilean economy, over the years Direcon assumed the responsibility for institutional coordination and politico-technical conduction and has worked efficiently and effectively. Carlos Furche as the General Director of International Economic Affairs, stated that in the core objective of the Chilean foreign policy, there is an extraordinary intersection point between foreign policy and economic policy. Further, in the process of negotiating an opening of the Chilean economy, the current Chilean foreign economic agenda is no longer focuses on opening up markets through tariff reductions as these have been done with many countries, but Carlos Furche stated:

> "The focus must be directed towards the elimination of non-tariff barriers, the compatibilization and harmonization of commercial disciplines, attempting to simplify procedures, to make the rules of origin more flexible, and, as far as possible, to accumulate origin and in general terms facilitate the trade of goods and services as well as of investments" (General Directorate for International Economic Affairs 2009).

Further, in dealing with the local stakeholders, Direcon as the negotiation coordinator proactively engage the private sectors from different economic players involved. The key is to find the adequate balance of interests and to achieve a point of final equilibrium which is vital to strengthen political and social legitimacy of the negotiated Chilean trade opening. The outcomes of the successfulness of the Chilean economic diplomacy is revealed in which as of December 2014, Chile has the largest network of the FTAs around the world.

The Potential Political Economic Implication to the IC-CEPA Negotiation: A Discussion

Based on the SMART Model analysis in the previous section, in terms of total trade volume, the free trade agreement will open Indonesian exports to Chile by US$23.553 million, meanwhile Chilean exports to Indonesia will increase by US$5.656 million. Thus, it is predicted Indonesia will gain a trade surplus by $17.897 million. This is a good signal for Indonesia, as the country does expect to gain a trade surplus from the IC-CEPA. The current bilateral trade relation is in favor to Chile, in which Indonesia since 2004 always posted a trade deficit against Chile. The trade deficit reached a peak in 2011 amounted US$158.3 million and this significant trade deficit could raise a populist issue in the Indonesian society. Thus, the IC-CEPA may in fact help reduce this populist as this trade agreement is predicted to help lessen the Indonesian trade deficit.

Meanwhile for Chile, this may not be a concern as the government is a mainstream economics follower and for the country, its national interest is fulfilled as it opens market access for its strategic commodities and other potential commodities to diversify its export basket. Moreover, the IC-CEPA is strategically needed for Chile as the country wants to be a commercial nexus in Latin America by expanding its trade agreement networks around the globe. Thus, Chile's stance is clear that the opening up of Chile is fundamentally motivated by its small domestic market, which it cannot compensate through the neighboring markets of similarly developing economies, thus requires larger-scales markets (General Directorate for International Economic Affairs 2009). Therefore, from this broad discussion it can be roughly concluded both countries will be more than willing to resume the trade negotiation.

Next, the IC-CEPA will open Chilean strategic export commodities such as the refined copper and unwrought copper alloys, wine of fresh grapes, and to a lesser extent commodities such as fresh grapes; and fishes (fresh fishes, fats and oils). Based on the consumer surplus outcomes, excluding wine of fresh grapes, Indonesia will only benefit a total consumer surplus of US$147,000, which mostly derived from copper cathodes and sections of cathodes amounted US$100,070 (HS740311). This potential figure despite not significant, it will still encourage the Chilean officials to resume the trade talks knowing the fact that the crucial purpose is to create trade networks, to be a commercial nexus in the region, and some diversification purpose rationale.

The challenges may be what if two of the most Chilean strategic commodities do not have full market access? For the Chilean wine, it will most probably the commodity that is excluded from the IC-CEPA negotiation. Some similar problem also applies to Chile's most important export commodity, copper and its derivatives. Pragmatically, Indonesia may seems not be very interested to import Chilean copper as Indonesia itself is also a producer of copper. Although officially the Indonesian government allowed to import, for instance, coppers from overseas but however it could be argued that Jokowi's preference would be to encourage more of local production of value-added coppers rather than importing coppers from Chile as it is already part of his doctrine of the Berdikari. Therefore, the Chilean copper import would seems to have very minimum benefits (or even irrelevant) for Indonesian strategic economic developmen t[8]. Other Chilean commodities such as fresh grapes and fishes (fresh fishes such as salmon, fats and oils) will be predicted to have less difficulties to penetrate the Indonesian market due to, in partly, the insignificant amount of these commodities penetrating the Indonesian market.

8 Further, over the last few years the Indonesian government attempts to minimize exporting raw materials products (including raw minerals and ores) and encouraging local and foreign companies to establish for instance, smelters in order to process and refine the raw material products into a more-value added commodities.

Meanwhile, for the case of Indonesia, the IC-CEPA will open Indonesian export commodities such as refrigerator, footwear, and natural rubber to penetrate the Chilean market. Chilean consumers would reap benefit from consuming Indonesian products primarily combined refrigerator and footwear. The goods imported from Indonesia would be more relevant to fulfill the local consumer needs. Manufactured goods such as footwear, motor vehicles spare parts and refrigerator are highly demanded by the Chilean domestic consumers, although could be strongly substituted, for instance, by the Chinese for footwear. Meanwhile natural rubbers and machineries are raw materials and capital goods to support local economic activities. Thus, in general politically and economically the IC-CEPA will open Indonesian goods that are more relevant with the current Chilean political and economic agendas and as well to fulfill the household supply needs.

Energy issue is an important matter in Chile and the country is a net importer of sources of energy such as crude oil, natural gas, and coals. Currently the source of Chilean electricity comes from hydroelectric power plant (60 percent) and electric steam power plant (40 percent) which the latter is fueled by gas and coal. Chile imported natural gas significantly from Argentina and over the recent years the supply of this energy is constraint due to Argentina's domestic energy demand and its woes economic situation. Thus, through IC-CEPA Chile is also expecting to obtain some alternative sources of energy particularly coal and gas from Indonesia. A very interesting point here is that the IC-CEPA SMART Model simulation for year 2011, opens a very insignificant amount of coal exported from Indonesia. In fact, the authors also separately made trade simulation using 2010 trade data and coal was in fact a significant proportion of the Indonesian export commodities to Chile. This dramatic decline would be as a result of the Indonesian government regulation and policies to minimize exports of raw material commodities (including raw minerals) and encouraging to export a more-valued added commodities.

CONCLUSION AND POLICY RECOMMENDATION

Both countries have agreed to enhance bilateral economic relations through the establishment of the IC-CEPA. The invigoration to strengthen bilateral trade relations from both countries should be viewed in a positive manner and should further be encouraged. The study reveals that for the IC-CEPA economic impact, the SMART Model simulation results in a positive consumer surplus and trade creation, trade diversion and both states suffered from loss in tariff revenues. The IC-CEPA will open Chilean strategic export commodities primarily the refined copper and copper alloys, unwrought; wine of fresh grapes; and to a very lesser extent commodities such as fresh grapes; and fishes (fresh fishes, fats and oils). Meanwhile, for Indonesia, the IC-CEPA will open Indonesian export commodities such as refrigerator, footwear, and natural rubber.

Based on the political economic analysis, the paper shows that the Jokowi administration has emphasized on economic diplomacy combined with its 'mercantilist agenda' in its foreign policy. A trade deficit is a populist issue and Jokowi's primary economic diplomacy agenda is to achieve a trade surplus to boost economic growth. This doctrine is partly due to as he is a member of PDIP party which strongly adhered the *Berdikari* concept and his background as a Javanese indigenous Indonesian businessman and his adherence to the principle of *ekonomi kerakyatan* and thus, supporting the so-called *wong cilik* (common people). Meanwhile, Bachelet in her foreign policy is a more comprehensive, broader and international relations on political issues will also receive more attention than just merely economic matters. Despite her broader foreign policy perspectives, Chile's foreign economic agenda still receives the very important agenda. Chile's foreign economic policy stance is clear – to find ways integrate into the global economy through opening the economy. Here it is argued that global market is a factor shaping economic diplomacy. Thus, it is a neo-liberal economic doctrine (sometimes known as mainstream economics) is pursued by Bachelet.

Based on the SMART Model analysis in the previous section, it is predicted Indonesia will gain a trade surplus over Chile. This is a good signal for Indonesia, as the country does expect to gain a trade surplus from the IC-CEPA and thus reducing a populist issue of trade deficit with Chile. Meanwhile for Chile, despite its strategic commodites, namely coppers and wines are predicted to face big hurdles in penetrating the Indonesian market, but it will not be a concern as not due to only the fact that the government is a mainstream economics follower, but this trade agreement helps fulfill Chile's larger national interest including further opening market access across the globe, its ambition to be a commercial nexus in Latin America through opening trade networks, and it also fulfill to a lesser extent it diversification of its export portfolio objectives knowing the fact the domestic market is fundamentally small. Therefore, it can be concluded that both countries will be predicted to be more than willing to resume this trade negotiation. Recently the Indonesian government has officially announce to expedite all of the on-going trade negotiation including the IC-CEPA. Thus, this could be the right momentum for both countries to resume the trade talks, thus, strengthening and even elevating the bilateral relations into a new stage.

Several policy recommendations to strengthen Indonesia-Chile economic relations including in terms of trade sphere, both countries may need to further identify a more potential and strategic complementary goods; and expedite the several important pending matters such as the Air Transport Agreement and Double Taxation Avoidance Agreement. Although the advancement of ICTs and infrastructures are evident, the geographic distance could still be a problem as long as direct flights are not yet established. This partially results in a limited number of people to people contact.

To achieve and smoothen all of these recommendations and if Indonesia wants to delve seriously then ultimately a grand design or a blueprint should be created. The blueprint is not only limited to Chile but Indonesian foreign policy towards the Latin American region as a whole. One suggested important aspect within the blueprint is to cluster and rank the Indonesian partners within the Latin American region based on importance.

The potential is there, given approximately the same geographical distance from Indonesia to the west coast of the United States and to Chile, if Indonesia is able to build intense bilateral relationships and people to people with the U.S., thus, why not with Chile? But to achieve this both sides need to work intensely so that these economic goals could be reaped in the future.

REFERENCES

Ahmed, S.(2010), "India-Japan FTA in Goods: A Partial and General Equilibrium Analysis," Jamia Millia Islamia (A Central University), New Delhi, Paper Presentation at the 'Thirteenth Annual Conference on Global Economic Analysis', Trade for Sustainable and Inclusive Growth and Development, June 9-11, Malaysia, [retrieved 30 January 2016] https://www.gtap.agecon.purdue.edu/resources/download/4839.pdf

Armenia, R.(2014), "Pelemahan Rupiah: Jokowi Optimistis Rupiah Segera Bangkit," *CNN Indonesia Online*, 16 December, [retrieved 11 January] http://www.cnnindonesia.com/ekonomi/20141216213557-78-18603/jokowi-optimistis-rupiah-segera-bangkit/

CCTVAmerica(2014), "Chinese Companies Invest $20B in Peru's Copper Mines," *CCTV America Online*, 6 November, [retrieved 30 January] http://www.cctv-america.com/2014/11/06/chinese-companies-investing-20b-in-perus-copper-mines

Center for Foreign Trade Policy(2013), "Peluang dan Tantangan dalam Membangun Masa Depan Hubungan Indonesia dengan Negara-negara di Kawasan Amerika Latin," Ministry of Trade of the Republic of Indonesia, Paper presented at the Focus Group Discussion entitled 'Indonesian-Latin American Economic Relations' organized by the Center for Policy Analysis and Development on American and European Region (P3K2 Amerop), September.

Chandra, A.C. and D. Pambudi(2006), "Garuda Terbelit Naga: Dampak Kesepakatan Perdagangan Bebas Bilateral ASEAN-China terhadap Perekonomian Indonesia," Institute for Global Justice, Jakarta.

CIE Chile(2015), "CIEChile Executive Vice-president Presents 2014 Public Report," *CIE Chile Online*, 19 March, Chile, [retrieved 22 March 2015] http://www.ciechile.gob.cl/en/espanol-vicepresidente-ejecutivo-de-ciechile-dio-a-conocer-cuenta-publica-2014/

DIRECON Chile and Ministry of Trade Republic of Indonesia(2009), "Chile-Indonesia Joint Study Group on the Feasibility of a Free Trade Agreement: Final Report," 11-12 November, Indonesia, [retrieved 25 January 2016] http://www.sice.oas.org/TPD/CHL_IDN/Studies/CHL_IDN_Report2010.pdf

Djumala, D.(2014), "Getting Diplomacy Down-to-Earth," *The Jakarta Post Online*, 16 December, [retrieved 14 February 2015] http://m.thejakartapost.com/news/2014/12/16/getting-diplomacy-down-earth.html

Economic Commission for Latin America and the Caribbean(2014), *Foreign Direct*

Investment in Latin America and the Caribbean, Santiago: United Nations Publication.

Ellis, R.E.(2009), *China in Latin America: The Whats and Wherefores*, Boulder, CO: Lynne Rienner.

General Directorate for International Economic Affairs(2009), "Chile: 20 Years of Trade Negotiations," Ministry of Foreign Affairs of Chile.

Jammes, O. and M. Olarreaga(2005), "Explaining SMART and GSIM," The World Bank, http://wits.worldbank.org/witsweb/download/docs/Explaining_SMART_and_GSIM.pdf

Jarroud, M.(2014), "Bachelet to Recalibrate Chile's Foreign Policy," *Inter Press Service News Agency*, Santiago, 11 March, [retrieved 27 November 2014] http://www.ipsnews.net/2014/03/bachelet-recalibrate-chiles-foreign-policy/

Konfrontasi(2014), "Kata Jokowi, Badai Rupiah Pasti Berlalu," *Konfrontasi Online*, 24 December, [retrieved 2 January 2015] http://www.konfrontasi.com/content/nasional/kata-jokowi-badai-rupiah-pasti-berlalu

Lahrichi, K.(2014), "Chile's Pollution Grows in Scramble to Meet China's Copper Demand," *Chinadialogue*, 28 August, China, [retrieved 22 March 2015] https://www.chinadialogue.net/article/show/single/en/7262-Chile-s-pollution-grows-in-scramble-to-meet-China-s-copper-demand

Laird, S. and A. Yeats(1986), "The UNCTAD Trade Policy Simulation Model: A Note on the Methodology, Data and Uses," *UNCTAD Discussion Paper*, No. 19, [retrieved 30 January 2016] http://wits.worldbank.org/data/public/SMARTMethodology.pdf

Ministry of Foreign Affairs of the Republic of Indonesia(2015), "Raker Keppri untuk Selaraskan Langkah dan Strategi Diplomasi Indonesia," Ministry of Foreign Affairs of the Republic of Indonesia, [retrieved 14 February 2015] http://www.kemlu.go.id/Pages/News.aspx?IDP=7201&l=id

ProChile(2014), "Why Chile," Chilean Trade Commission in Netherlands, [retrieved 2 January 2015] http://www.prochile.gob.cl/int/netherlands/why-chile/

Ridha, A.(2010), "Rencana Pembentukan Indonesia-Chile Free Trade Agreement," Buletin Kerjasama Perdagangan Internasional (KPI), 2nd Edition, pp. 17-22, [retrieved 21 November 2014] http://ditjenkpi.kemendag.go.id/website_kpi/Umum/Setditjen/Buletin%202010/Full%2002.pdf

Ross, C.O.(2004), "Chile e Indonesia: globalización y comercio internacional, 1977-2004," *Diplomacia*, No. 99, Chile: Academia Diplomática (Mins. RR. EE.), pp. 100-117.

Sammut, V.(2005), "International Trade and Economic Development," University of Malta, [retrieved 30 January 2016] https://www.um.edu. mt/_data/assets/pdf_file/0016/211426/International_Trade_and_Economic_Development.pdf

Sasono, A.(1999), "Memperkokoh Rakyat Menuju Indonesia Baru," Sintesis, in A. Chandra(2008), *Indonesia and the ASEAN Free Trade Agreement: Nationalists and Regional Integration Strategy*, USA: Lexington Books, p. 104.

SICE(2014), "Information on Chile: Trade Agreements," *Foreign Trade Information System Organization of American States*, [retrieved 20 November 2014] http://www.sice.oas.org/ctyindex/CHL/CHLagreements_e.asp

Sjahril, S.S.(2015), "Blueprint Needed for Foreign Policy on Latin America," *The Jakarta Post*, 25 January, [retrieved 27 March 2015] http://www.thejakartapost.com/news/2015/01/25/blueprint-needed-foreign-poli cy-latin-america.html

Sjahril, S.S. and H. Nugrahaningsih(2013), "Assessing Indonesia-Chile Bilateral Trade Opportunities: A Revealed Comparative Advantage Approach," *Unisbank International Conference on Social Welfare-Based Investment Policy in Anticipation of ASEAN Economic Community: A Study of Economy, Law and Information Technology Proceedings*, Universitas Stikubank, Semarang, 29-30 August.

Suranovic, S.M.(1998), "Trade Diversion and Trade Creation," *International Trade Theory and Policy*, 4 January, [retrieved 30 January 2016] http://internationalecon.com/Trade/Tch110/T110-2A.php

Tempo(2014), "Jokowi Minta Dubes Pasarkan Produk Asli Indonesia," Tempo Online, 8 October, [retrieved 2 January 2015] http://www.tempo.co/read/news/2014/10/08/090612862/Jokowi-Minta-Dubes-Pasarkan-Produk-Asli-Indonesia

Trade News LA(2015), "India Overtook U.S. as Buyer of Chilean Copper in 2014," *Trade News Latin America Online*, 27 February, Chile, [retrieved 22 March 2015] http://tradenews.la/2015/02/27/india-overtook-u-s-as-buyer-of-chilean-copper-in-2014/

United Nations(2014), "UN GA Chile: Her Excellency Michelle Bachelet Jeria, President," 24 September, New York, [retrieved 27 November 2014] http://www.un.org/en/ga/69/meetings/gadebate/24sep/chile.shtml

UN Comtrade(2015), "UN Comtrade Database," *UN Comtrade Online*, [retrieved 26 March 2015] http://comtrade.un.org/

Viner, J.(1950), "The Customs Union Issue," *Carnegie Endowment for International Peace*, pp. 41-55.

______(1991), "Mercantilist Thought," in Douglas A. Irwin(ed.), *Essays on the Intellectual History of Economics*, Princeton, NJ: Princeton University Press.

Woolcock, S.(2011), "Factors Shaping Economic Diplomacy: An Analytical

Toolkit," in N. Bayne and S. Woolcock, *The New Economic Diplomacy: Decision-Making and Negotiation in International Economic Relations*, third edition, London: Ashgate.
World Integrated Trade Solutions(2015), "Trade Database and Trade Indicators," World Bank, [retrieved 26 March 2015] http://wits.worldbank.org/
ZOFRI(2014), "Boletin 2014 Estadistico: Enero-Diciembre," The Zona Franca de Iquique Website, Chile, [retrieved 27 March 2015] http://www.zofri.cl/ index.php/es/estadisticas/ver-boletines-anteriores.html

Article Received: 2015. 11. 09
Revised: 2016. 01. 31
Accepted: 2016. 02. 05