

## Topic and Questions

The main topic of my research is Economic Integration, but i would like to concentrate on trade in services. Globalization is a world phenomenon, it develops to more than just a free trade of goods. Economic Integration is all about global supply chain, which also should be about the movement of money and labor. At least that is what ASEAN Economic Community (AEC) and Trans Pacific Partnership (TPP) is aiming at. They goes more than just reducing tarif, but also about qualification recognition, investment barrier, intelectual property rights, and immigration issue.

I would like to check how economic integration affect Indonesia, not only its trade of goods, but also its four modes of trade in services. I want to answer several questions: Will it prosper us? If so, by how much? At what economic cost? What policy should be designed on this matter? What things we need to negotiate with our partnering countries?

## Research Method

As far as i concern, mainstream economists agree that free flow of goods and services would make everybody happy. That's also the main goal of economic partnership especially the AEC: how to make the flow even faster. So i will have to find what does it means by faster, and what method i can exploit to check that.

Several previous research can enlight me on this. Most of them commenting on net export and net import for welfare, with different method and goal. Warfanie (2015), Camelia (2015) and Fitriana (2015) use log-linearized model and mainly talk about tariff, or dummy variable for non-tariff barrier. Swasti (2014), Romalis (2007) and Costinot et al (2015) use CGE to talk about impact of Free Trade Agreement, also mainly playing with tariff.

Other economists also check on globalization impact on other issues. Labor market and inequality is checked by Jaumotte and tytell (2007), Harrisson (2005), and Ahsan (2014). Investment is checked by Richardson, and innovation by vannoorenberghe. All of them exploiting panel data regression.

I have the impression that the best method to answer my research questions is Computable General Equilibrium model (CGE). This model used by Costinot and Romalis, but they only identify tariff changes. I can make a research about CGE model like Costinot, but on Indonesia's case. To do that, i will have to concentrate especially on course about mathematical modelling. This one course, together with international trade theory, is essential in making a proper CGE, or even DSGE model.

Secondly, after i learn about the nature of CGE, i can expand the tariff problem to more problems, such as non-tariff measure, and qualification framework measure. I can move on to not only trade in goods, but also trade in service. Service is a little bit trickier, since it can consists of four modes of trade, so i will have to consult about this with other researchers.

Lastly, i think i need to understand knowledge about existing trade agreements. If i know the nature of clauses on those agreement, i believe i can understand how to treat them in the model. Tariff is quite straightforward, but i don't think other non-tariff measures like for example quota, standard or even qualification recognition can be easily interpreted to and from the model.

Hopefully after several papers on trade, i can make my final thesis, and produce a complete dissertation on economic integration, what affect them, what to do about it. Interpreting variables become the main skills that i need at this, but this is basically a reverse engineering.

About the data, as far as i know, i can exploit macro trade data. The needs of micro-survey data is probably low, so i don't expect any field research. However, this expectation can be wrong, but i will gladly conduct any field research is necessary. But generally, i expect most of my time will be filled with reading papers and building models in a computer lab.

Interview may not be necessary, but i have sources in some ministries i can talk to, if i need one. Ministries includes Trade, Industry, BNSP, manpower, and others.

### **Complete on time**

As far as i concern, this research is doable in 4 years. My first year will includes making a right proposal. This i assume will be lead by my supervisor, so i should catch up with his or her pace. On this part, i will also conduct plenty of literature review. Also, i will concentrate on learning the computable modelling. In my first year, the proposal should be finished, thus my first two chapter should be cleared already. My second year should ends all my course work, and finalizing my understanding on the model. I can even start my sub-research on this year.

My third year will be filled with writing other chapters, attending seminars, and publish some papers. I expect to have 3 publications on this year plus a bit of earlier fourth year. 3 paper a year is doable, as i already did during my work at Politeknik APP, although i have to anticipate higher standard for my PhD publications in Australia.

Fourth year will be filled with finalization of my dissertation. By the early fourth year, i should finalized the thesis, and mainly do revision and defense preparation. Proofreading is a key here, as i am not very confident in my writing skill.

### **Why important to Indonesia**

As you probably guess, the quantitative modelling research on Economic Integration is very rare in Indonesia. We need to give proper back-ups for claims and policies on trade. Indonesians are more interested in econometric gravity models, on goods, and most are talking about tariff. Non-tariff is rare, and rely too much on year dummy variables. Very little people discuss trade in service, thus leading to false understanding on trade in services. This research would discuss comprehensively on economic integration, and whether we should embrace it with happiness or with carefullness.

This research will reveal that economic integration is more than just a trade of goods. That international economics is more about trade of goods. That AFAS, ASEAN Framework Agreement of Services, and ASEAN investment agreement, should be more than copy-paste-ing existing regulation. The customs and Ministry of Trade are doing a good job in embracing the trade of goods agreement, but other institution such as ministry of manpower, BKPM (investment body), BNSP (Indonesian version of ASQA) and ministry of Industry, should react more on trade in services, because these are also part of economic integration.

Focusing on trade in services is quite hard, as earlier discussed, it requires precise identification on the model, and plenty of reading on agreement, to really understand how variables in trade in services affect. As a matter of fact, focusing on variables other than tariff is challenging. But it's not impossible. With the help of Australia's researchers and infrastructure, I believe I can enlighten Indonesia more on this matter.

### **Contribute to existing knowledge**

As far as I can tell, looking at economic integration is a tough job. Indonesian literature rarely sees trade economists who discuss more than just tariff and dummy variables. Moreover, any research on AEC mainly focused too much on trade in goods. I can at least open discussion about trade in services on the literature on international trade.

Moreover, I can confirm the method used by Romalis and Costinot, using Indonesian data, and see if my model confirms their findings. Lately, economic papers are criticised by having not enough reproducibility, thus making their findings hard to be confirmed by peers. My CGE model on Indonesian economy can help answering the critics.