



**UNDERSTANDING THE REGIONAL
COMPREHENSIVE ECONOMIC
PARTNERSHIP AND THE TRANS-
PACIFIC PARTNERSHIP: AN ASEAN
PERSPECTIVE**

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OVERVIEW

- ❖ ASEAN Regional Economic Cooperation
- ❖ Regional Comprehensive Economic Partnership (RCEP)
- ❖ RCEP vs. Trans Pacific Partnership (TPP)
- ❖ Strategic Role of RCEP and TPP
- ❖ Concluding Remarks – Possibility for an FTAAP

ASEAN REGIONAL ECONOMIC COOPERATION

❖ Rationale

- ❖ ASEAN economic integration gave it a regional identity**
- ❖ More bargaining power in the international community**
- ❖ Regionalism is strengthening in other parts of the World**
- ❖ Negotiations in WTO have been dragging**
- ❖ Negotiations among smaller number of developing countries will ensure flexibility and protectionist policy for sensitive industries**
- ❖ 1997-98 crisis introduced the 'public good' nature of economic and financial policies**
- ❖ Increasing competitiveness vis-à-vis China who joined WTO in 2001**

ASEAN ECONOMIC COMMUNITY (AEC)

- ❖ AFTA was a key regional economic cooperation in Asia until the 21st century
- ❖ The AFTA project was subsequently widened to include services sector in 1995 and investment in 1998
- ❖ AFTA, AFAS and AIA later got subsumed under ASEAN's bigger vision to create an AEC
- ❖ Economic integration in ASEAN is said to be limited
- ❖ According to the AEC scorecard, published by the ASEAN Secretariat in March 2012, the member countries of ASEAN, on average, have implemented 68.2 per cent of their targets for the 2008–11 period
- ❖ A more updated number of 77.5 per cent was announced at the 22nd ASEAN Summit in April 2013

ASEAN+1 FTA

- ❖ ASEAN was actively pursuing +1 FTA negotiation with Australia-New Zealand, China, India, Japan and South Korea
- ❖ Extra-ASEAN trade with China or Japan is equally important for ASEAN (*Table*)
- ❖ These five ASEAN+1 FTAs were also enacted to strategically place ASEAN as a 'hub' of FTA in the broader Asian region

ASEAN'S TRADE BY FTA PARTNERS, 2012 (US\$ BILLION)

	Exports	Imports	Total Trade
ASEAN	323.5 (25.8)	277.4 (22.7)	600.9 (24.3)
Australia	45.8 (3.7)	23.8 (1.9)	69.6 (2.8)
China	141.5 (11.3)	177.0 (14.5)	318.5 (12.9)
India	43.8 (3.5)	27.7 (2.3)	71.5 (2.9)
Japan	126.3 (10.1)	136.1(11.2)	262.4 (10.6)
Korea	54.9 (4.4)	76.0 (6.2)	130.9 (5.3)
New Zealand	5.6 (0.4)	3.6 (0.3)	9.2 (0.4)
Total ASEAN	1254 (100)	1221 (100)	2475 (100)

Note: the numbers in the bracket denote share in percent.

Source: ASEAN Secretariat (Statistics Publication)

ASEAN+1 FTA

- ❖ The ASEAN+1 FTAs were signed and negotiated at different points of time
- ❖ Each ASEAN+1 FTA differs in terms of way of negotiation and economic coverage (*Table*)
- ❖ While the liberalisation under trade in goods for some of the FTAs is not high enough, trade in services have only small 'WTO-plus' components and trade facilitation remains generic for most of these ASEAN+1 FTAs

ECONOMIC COVERAGE OF ASEAN+1 FTA

	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA
Signed	2009	2002	2009 (G)	2008	2006
Date of Entry into Force (EIF)	January 2010 (G, S, I)	July 2005 (G), July 2007 (S), Feb 2010 (I)	January 2010 (G)	December 2008	June 2007 (G), May 2009 (S), Sept 2009 (I)
Negotiation Approach	Comprehensive Single Undertaking	Sequential	Sequential	Single Undertaking	Sequential
Total Population, million, 2011	635	1955	1815	736	658
Total GDP, US\$ billion, 2011	3822	9474	4003	8043	3292
Total Trade, US\$ billion, 2011	2983	6036	3162	4072	3474

INDIVIDUAL ASEAN MEMBER COUNTRIES BILATERAL FTA

- ❖ The Southeast Asian countries have also signed bilateral FTAs with distant partners (Table)
- ❖ There are varied political and economic reasons for these bilateral FTAs
- ❖ It is increasingly becoming difficult to track their contents or features regularly
- ❖ The ones that are currently in force are those of Singapore, Malaysia, Thailand and the region-wide initiatives of ASEAN
- ❖ The FTA initiatives in ASEAN range from that of limited FTAs on trade in goods to highly comprehensive ones
- ❖ Varieties of Rules-of-Origin (ROOs) have been applied or are currently being negotiated across ASEAN's FTAs
- ❖ There is lot of overlap among the FTA partners of ASEAN and the individual member countries.
- ❖ There are increasing concerns that the absence of a common framework across these FTAs may negate the maximum gain for the region. There could be negative implications like higher costs of doing business

FTA STATUS OF ASEAN ECONOMIES, 2013

	Proposed	Under Negotiation		Signed but not in effect	Signed and in effect	Total
		Framework Agreement Signed	Negotiation Launched			
Brunei	6	2	2	0	8	18
Cambodia	4	0	2	0	6	12
Indonesia	6	1	6	2	7	22
Laos	4	0	2	0	8	14
Malaysia	7	1	6	1	12	27
Myanmar	4	1	2	0	6	13
Philippines	7	0	2	0	7	16
Singapore	6	1	10	2	19	38
Thailand	8	3	6	0	12	29
Vietnam	4	1	6	0	8	19

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP) AGREEMENT

- ❖ Joins the 10 ASEAN members with its 6 FTA partners – Australia, China, Japan, Korea, and New Zealand
- ❖ Objective of RCEP is to attain a comprehensive and mutually beneficial economic partnership agreement that is WTO-consistent and transparent and is expected to involve deeper engagement between ASEAN and its FTA partners
- ❖ During the November 2012 Summit, the Leaders of ASEAN+6 endorsed the guiding principles, which lists eight negotiation areas - trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, among others
- ❖ The document further mentioned that the agreement will give due consideration to the different levels of development among the members
- ❖ The Leaders decided to launch the negotiation in May 2013 in Brunei, with likelihood of completion by the end of 2015
- ❖ Till January 2014, three rounds of negotiations have been concluded

BENEFITS OF RCEP

- ❖ RCEP, as led by ASEAN, is expected to entrench its 'centrality' in a wider Asia-Pacific regional architecture
- ❖ RCEP was expected to demonstrate ASEAN's leadership in bringing together its own ten members and external partners for economic growth, development and harmonisation
- ❖ RCEP, based on 'ASEAN++' formula was viewed as a good compromise between EAFTA and CEPEA
- ❖ Economically, if successfully done by 2015, RCEP as a grouping is likely to generate a GDP of US\$26.2 trillion (32 per cent of the world), covering about 3.5 billion people (48 per cent of the world)

CHALLENGES IN RCEP NEGOTIATION

- ❖ RCEP is the first of its kind and has no precedence to emulate.
- ❖ RCEP involves three different dynamics among its sixteen members – ten ASEAN members, ASEAN and FTA partners and six FTA partners.
- ❖ The six FTA partners that may not have existing comprehensive trade agreement with one another (*table*)
- ❖ RCEP negotiation is also challenged by the differences in developmental stages and accordingly differences in interest among the negotiating partners
- ❖ The flexibility clause built into the RCEP framework could be a boon or bane for RCEP
- ❖ As the current FTAs vary considerably from each other, it leads to concern over modality and the eventual quality of the agreement
- ❖ Pursuing harmonisation, consensus and flexibility at the same time could result in a lowest common denominator rule

STATUS OF FTAS BETWEEN RCEP MEMBERS

	ASEAN	Australia	N. Zealand	China	India	Japan	Korea
Australia	S/E	--	S/E	S	N	N	N
N. Zealand	S/E	S/E	--	S/E	N	P	N
China	S/E	S	S/E	--	P	N	N
India	S/E	N	N	P	--	S/E	S/E
Japan	S/E	N	P	N	S/E	--	P
Korea	S/E	N	N	N	S/E	P	--

S – Signed, S/E – Signed and in Effect, N- Negotiation Launched, P – Proposed and Under Study

Source: Author's compilation; Asia Regional Integration Centre (ARIC), ADB.

TPP VS RCEP – THE DEBATE CONTINUES

- ❖ During the APEC Summit of 2011, a framework of the Trans-Pacific Partnership (TPP) Agreement with nine Asia-Pacific economies was launched (later, it was expanded to 12 members)
- ❖ The twelve economies together, in 2012, constituted 38 per cent (US\$27.6 trillion) of the world GDP, 26 per cent of the world trade (US\$9.6 trillion) and 11 per cent (792 million) of the world population
- ❖ Negotiators envision the TPP to be a ‘comprehensive and high-quality’ FTA that aims to liberalise trade in goods and services, encourage investments, promote innovation, economic growth and development and support job creation and retention
- ❖ There is an ongoing debate on whether the mega-trade deals – TPP and RCEP – are competing or complementary. As the agreements are still in a negotiating state, it is difficult to say anything definitive.

TPP VS RCEP

	RCEP	TPP
Comparisons	<p>RCEP is led by ASEAN to gather all separate non-ASEAN FTAs.</p> <p>Born out of ASEAN+1 FTAs with China, India, Japan, South Korea, Australia and New Zealand</p> <p>Based on open accession clause, where membership can be expanded later as they sign FTA with ASEAN.</p> <p>Negotiation expected to start in 2013 and be concluded by 2015.</p>	<p>TPP is led by the US in line with its foreign policy objective of pivot toward Asia.</p> <p>Born out of P4 agreement between New Zealand, Brunei, Singapore and Chile in 2005.</p> <p>APEC countries have been encouraged to join negotiations; also open to accession by non-APEC members.</p> <p>Negotiation started in 2011 and after missing the deadline of December 2013, is likely to be concluded by March 2014.</p>
Characteristics	<p>Aims to form an integrated regional economic agreement that are deeper than the existing FTA co-operations and support equitable economic development.</p> <p>Areas include: liberalise trade in goods, services and investment, technical cooperation, intellectual property, dispute settlement (WTO+ issues)</p>	<p>Aims to establish regional FTA that can tackle the challenges of 21st century.</p> <p>Areas include: liberalise trade in goods, services, investment, intellectual property rights, environmental protection, labour, financial services, technical barriers to trade and other regulatory issue (WTO+ issues).</p>
Concerns	<p>Building on “ASEAN way” and differential treatment depending on level of members’ development could contribute to slow progress.</p> <p>Conflict due to tension between China and the US.</p> <p>ASEAN+1 FTAs have different features and are at different stages of implementation.</p>	<p>Gold standard 21st century FTA and addresses next generation issues (cross-cutting/ new trade challenges).</p> <p>Does not include China and India</p> <p>May divide ASEAN as all are not participating in TPP and that may undermine ASEAN’s centrality</p>

STRATEGIC ROLE OF TPP

- ❖ The TPP agreement is a key component for the US 'pivot' or 'rebalancing' strategy towards Asia
- ❖ For the Asian economies, the U.S.' presence in the region through TPP is a comforting factor, especially for the ones who have apprehensions from rise of China
- ❖ The TPP is viewed largely as a manifestation of discussion on CEPEA and EAFTA since 2001, but picked up momentum after the 2008 crisis.
- ❖ TPP could be viewed as a consequence of slow progress in APEC, that the US has been using as a vehicle to maintain its economic activities in Asia.
- ❖ TPP as a vehicle to contain China?

GENESIS OF RCEP

- ❖ East Asia has been thinking of a region-wide FTA as early as 2001.
- ❖ East Asia Vision Group (EAVG) recommended the establishment of an East Asian Free Trade Area (EAFTA) to the leaders of ASEAN+3.
- ❖ A feasibility study was conducted in 2004. However, there was not much action on the recommendations provided until the 2008 crisis.
- ❖ Japan proposed an alternative approach, the Comprehensive Economic Partnership of East Asia (CEPEA), based on the earlier East Asia Summit (EAS) framework in 2006. A study group was formed.
- ❖ In August 2011, EAS Economic Ministers welcomed a Chinese and Japanese joint 'Initiative on Speeding up the Establishment of EAFTA and CEPEA'.
- ❖ To end the debate, in November 2011, ASEAN proposed its own model for an ASEAN-centric regional FTA – the RCEP.

STRATEGIC ROLE OF RCEP

- ❖ ASEAN felt pressure from TPP, which was launched with a grand promotion by the U.S.
- ❖ These factors seemed to be sweeping away the ASEAN-centred pattern of ‘plus’ diplomacy that has underpinned Asian regionalism to date (ASEAN+1, ASEAN+3 or ASEAN+6 and later +8).
- ❖ Moreover, it was felt that the US was not interested in promoting regional trade integration with ASEAN countries as a group.
- ❖ RCEP showcases ASEAN’s principle of “all for one and one for all”, as a key component of its foreign economic relations.
- ❖ Through RCEP, ASEAN is able to further entrench its centrality that was severely challenged amidst the rapid pace of regional economic cooperation arrangements evolving in the region.

CONCLUSION: POSSIBILITY FOR AN FTAAP

- ❖ Since 2011, talks on two major FTAs – RCEP and TPP – are in progress and are likely to be concluded in the next two years.
- ❖ Over the longer term, there are increasing discussions that an enlarged TPP and/ or an enlarged RCEP will lead to the creation of an FTAAP that is expected to be comprehensive and high-quality in nature and will harmonise rules of integration of other small-scale FTAs in the region.
- ❖ An FTAAP, using either of the TPP or the RCEP pathways, is possible, if it is endorsed by the big powers like the U.S., Japan and China.
- ❖ The most heard criticism of FTAAP is that it will never happen because of political conflicts.
- ❖ Moreover, in their current forms, nature and membership of TPP and RCEP vary significantly.

CONCLUSION: POSSIBILITY FOR AN FTAAP

- ❖ Both negotiations face complex challenges and are difficult to conclude.
- ❖ Although the TPP is said to be in its final stages, it is facing difficulty as the partner countries are reluctant to close the talks without assurance that the deal with the U.S. will stick and will not face any roadblocks from Congress.
- ❖ The RCEP negotiations are not without complications too, especially keeping in mind the dynamics between China, Korea and Japan.
- ❖ However, economically, an FTAAP under certain conditions can deliver on maximum trade creation effect and minimum trade diversion effect.
- ❖ Currently, there are uncertainties on which of the two tracks – TPP and RCEP- will help to shape the future regional and perhaps the global trading architecture or whether they will be consolidated in the long-run.

CONCLUSION: POSSIBILITY FOR AN FTAAP

- ❖ It is very important to keep both the US and China interested in the future regional/ global trading system.
- ❖ Another concern is over competing forces between the two agreements of TPP and RCEP. This tendency may make it difficult for the agreements to converge later.
- ❖ The U.S. and China must keep aside their differences and should take more active common positions on trade cooperation, leading to an FTAAP.

THANK YOU!

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