

Regional Comprehensive Economic Partnership (RCEP): A New Paradigm in Asia's Trading Architecture?

Setting the Stage for RCEP Implementation

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Why RCEP?

- **RCEP is a natural progression for ASEAN to deepen its economic cooperation**

Economic objectives

- ASEAN Economic Community, ASEAN+1 Free Trade Agreements, RCEP
- ASEAN is often criticized for creating a “noodle bowl” effect from multiple FTAs
- RCEP was formed to mitigate challenges faced by businesses across multiple FTAs.

Strategic objectives

- RCEP was expected to help ASEAN to entrench its ‘centrality’.
 - RCEP was designed at a time when Southeast Asia was increasingly facing discussion of other form of regionalism.
- RCEP is regular compared with another important regional economic integration, titled Comprehensive and Progressive Transpacific Partnership (CPTPP)

What do we know about RCEP?

- **RCEP came into effect on 1 Jan 2022**
- **Implementation of RCEP commitments is unlikely to be an easy task.**
 - Implementation is responsibility of national governments
 - Reflection of challenges was observed during the stage of negotiation
- **Implementation integrity is crucial for ASEAN members**
 - RCEP needs to live up to the expectation of being an effective trade and regional cooperation agreement in Asia.
 - Regional cooperation gained importance during COVID-19 and again in face of other global uncertainties.
 - RCEP, at current juncture, has gaps. But its built-in provisions provide hope for greater liberalization or improved regulatory coherence in the future.

About the Report

- **Qualitative assessment about the agreement**
- **Uniqueness is chapter-wise overview and comparison with CPTPP, ASEAN+1 FTA or WTO, where applicable.**
- **This report is divided into six parts and 19 chapters**
 - Introduction, trade in goods, trade in services, movement of people, cross-cutting issues, conclusion and way forward

Key Findings

Trade in goods and rules of origin and trade facilitation

Challenges

- Tariff phasing down
- Limited cumulation and tariff differentials
- Certification practices
- SPS chapter (no WTO-plus provisions)
- Implementation coordination with TFA

Opportunities:

- Built-in mechanism to accelerate and simplify tariff commitments, review cumulation, certification, and ancillary provision (ex. Article 2.5, and several clauses in Chapter 3)
- Customs clearance and advance ruling: WTO-plus provisions (hortatory language)

Trade in Services and Investment

Challenges

- Limited application of the MFN clause and regulatory heterogeneity.
- Absence of investor-State dispute settlement (ISDS)

Opportunities

- Negative list approach: progressive adoption (services) or upon entry into force (investment)
- New market access opportunities (ex. educational services, health services, computer-related services, other business services)
- Annexes on financial services, telecommunications and professional services
- Extension of “TRIMS-plus” prohibition of performance requirements

Cross-cutting issues on E-Commerce, Digital Economy, Intellectual Property and MSME Development

Highlights

- **Intellectual Property:** Quantum leap in comparison with ASEAN FTAs; TRIPS + new fields, namely genetic resources, traditional knowledge, and folklore
- **E-Commerce:** RCEP commitments going beyond those in FTAs between RCEP countries and the ASEAN Agreement on Electronic Commerce; Provisions on data flows and data localization are less stringent. Establishment of a Dialogue on commitments
- **Competition:** Insertion of chapter on Competition – positive note with respect to ASEAN FTAs but no specific provisions on SOEs; Absence of an RCEP commitment on the private right of action

Policy Recommendations

- **Research and capacity building on raising the attractiveness of RCEP for the private sector**
 - Databases of tariff commitments and product-specific rules of origin under RCEP and other FTAs
 - Policy research on certification, roadmap on SPS/TBT resolution mechanism, schedules of services commitments and non-conforming measures
 - Analysis of services schedules of commitments and non-conforming measures
- **Country-specific research, capacity building and financial assistance**
 - Account for members' varying status and priorities
 - Support domestic reforms. Ex. Implementation of trade facilitation commitments
 - Selected priority area: promoting e-commerce; awareness, understanding, and effective use of intellectual property system; sharing best practices on enhancing SMEs' capability and competitiveness
- **Expand coverage and deepen commitments towards greater liberalization and regulatory coherence**
 - Leveraging on RCEP built-in provisions
 - Institutional mechanism to bring the agenda forward (ex. establishment of professional services working group)
- **Monitoring RCEP implementation**
 - Ex. mechanism of notification of utilization rates

Thank you very much for your attention!

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