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

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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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