



Regional Comprehensive Economic Partnership (RCEP)

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ACCELERATING RCI IN ASIA AND THE PACIFIC FOR ECONOMIC
GROWTH, SHARED PROSPERITY, AND SUSTAINABILITY

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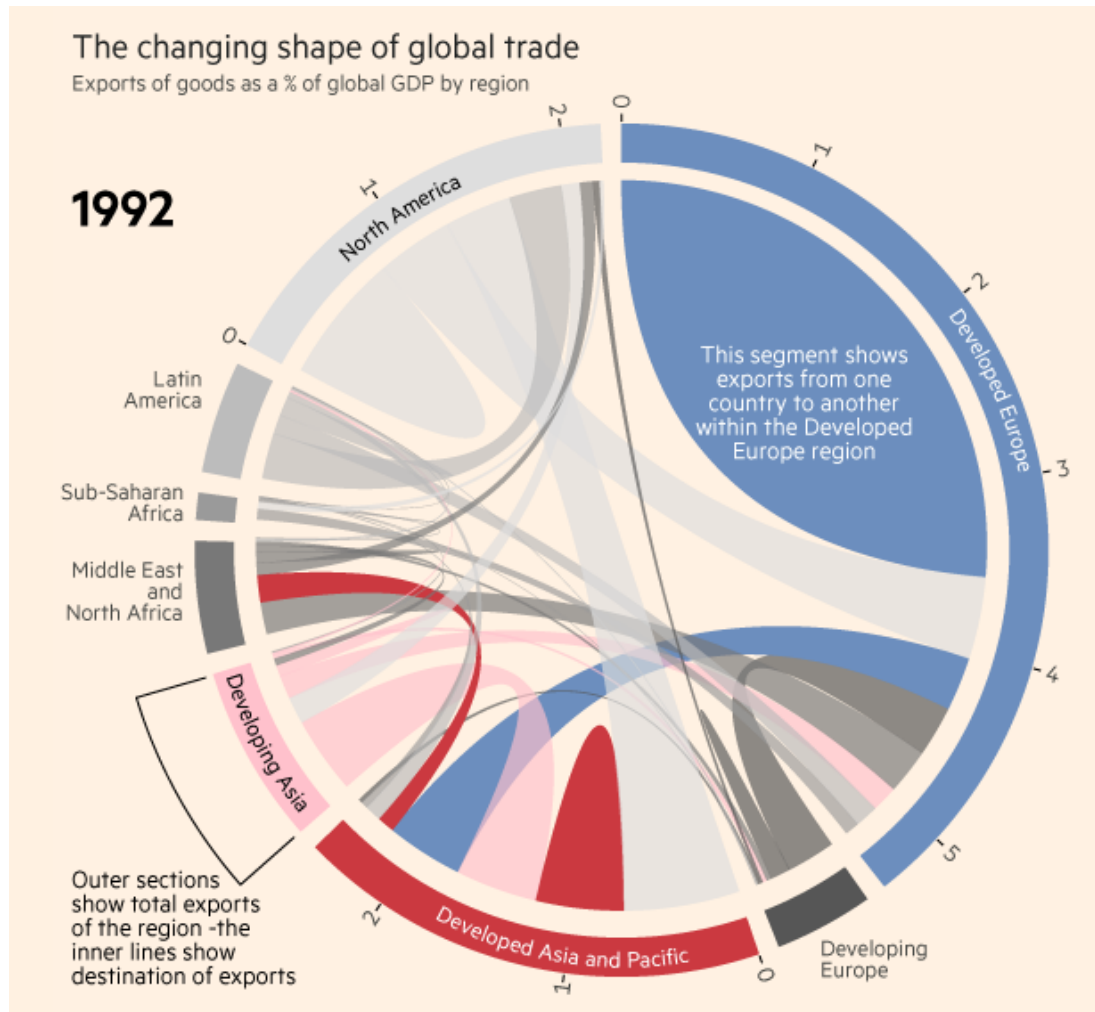
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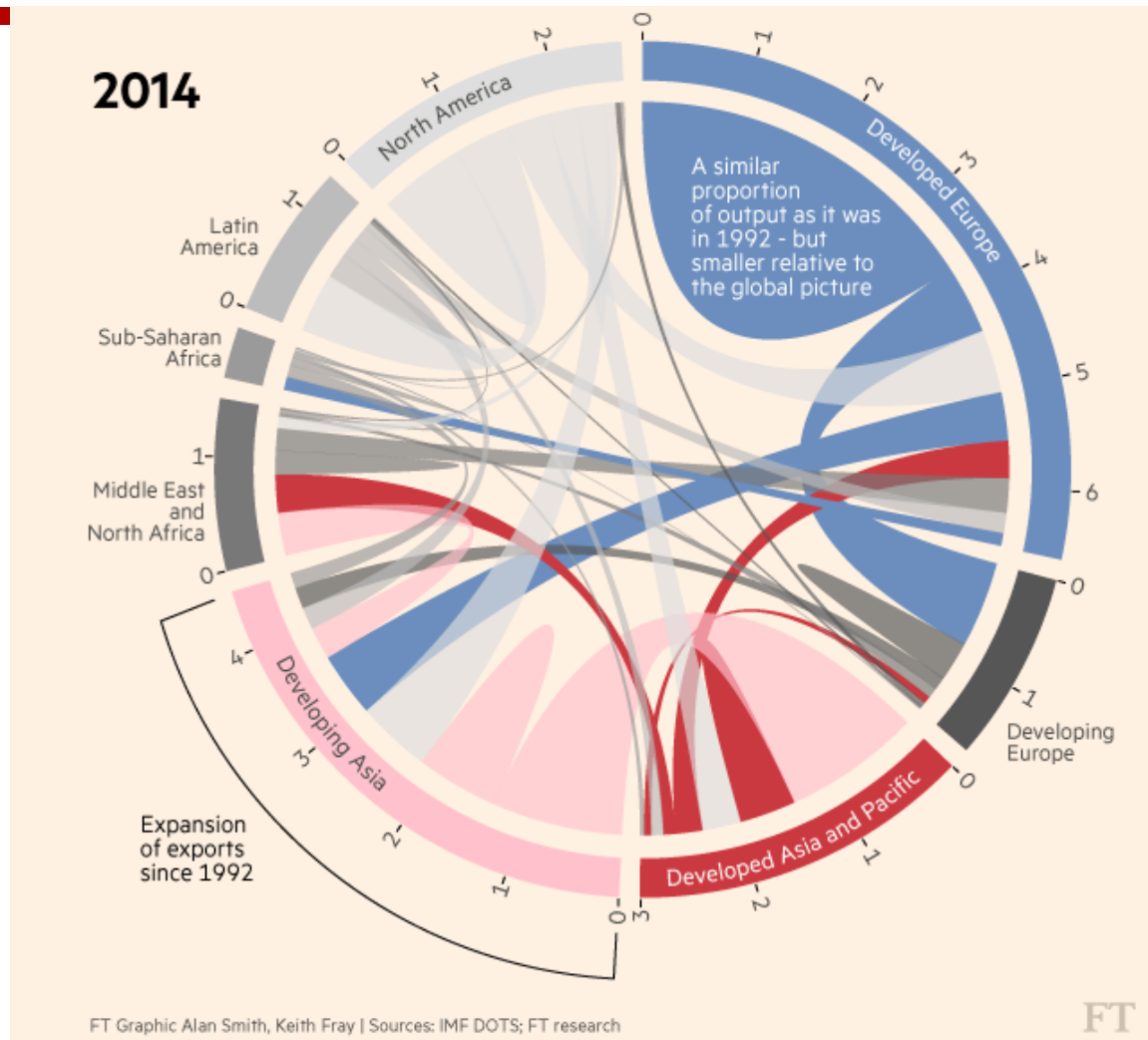
Rise of Asia

- Asian trade landscape changing rapidly
- Not just overall importance of Asia in global trade patterns
- But growing inter-Asian trade—which is likely to accelerate given demographic trends
- Asia becoming important final market in its own right
- Asia increasingly critical hub for global and regional value chains (GVCs and RVCs)
- While region has many existing trade agreements, not all fit new trade patterns well

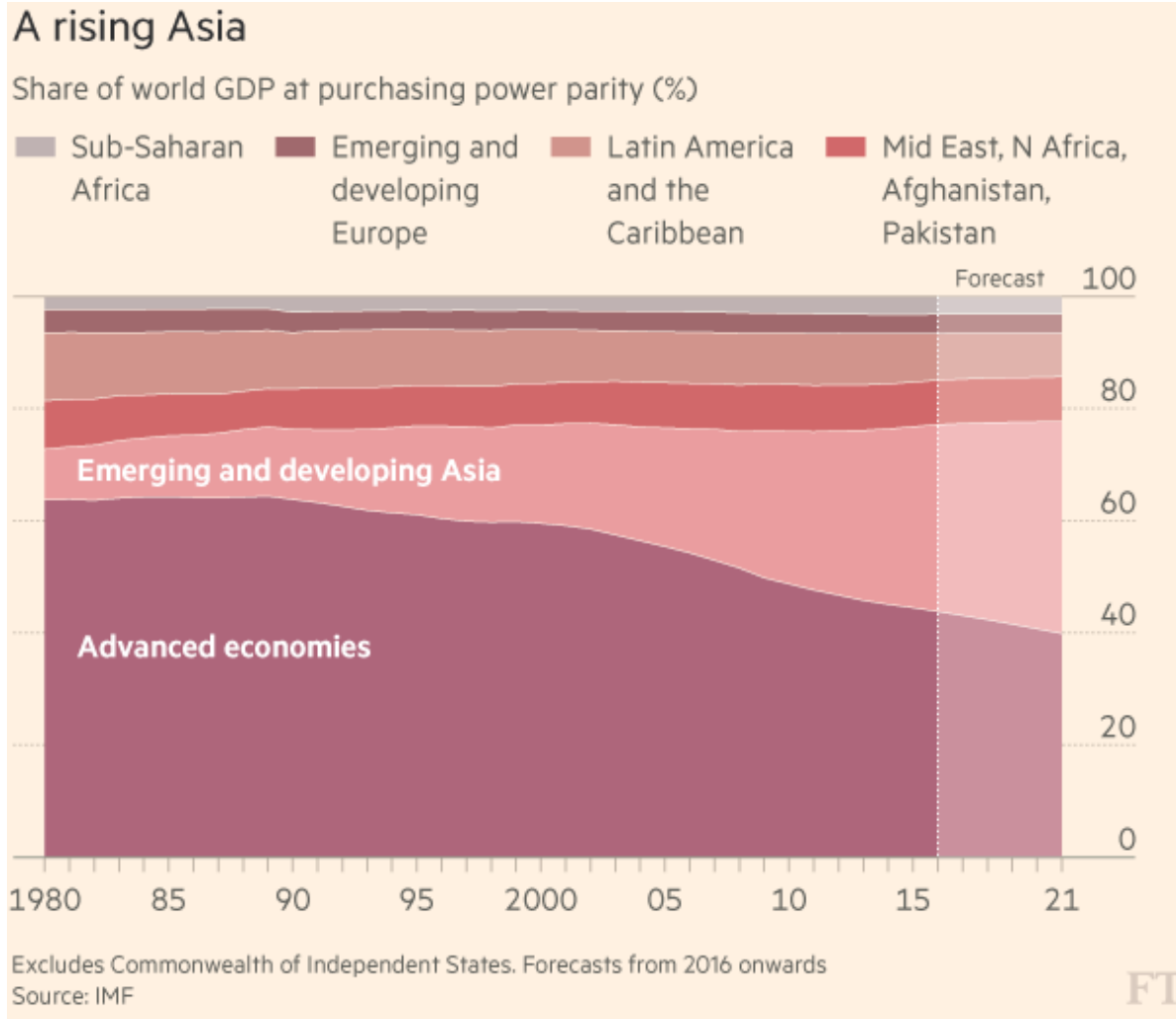
Changing Trade Patterns: 1992



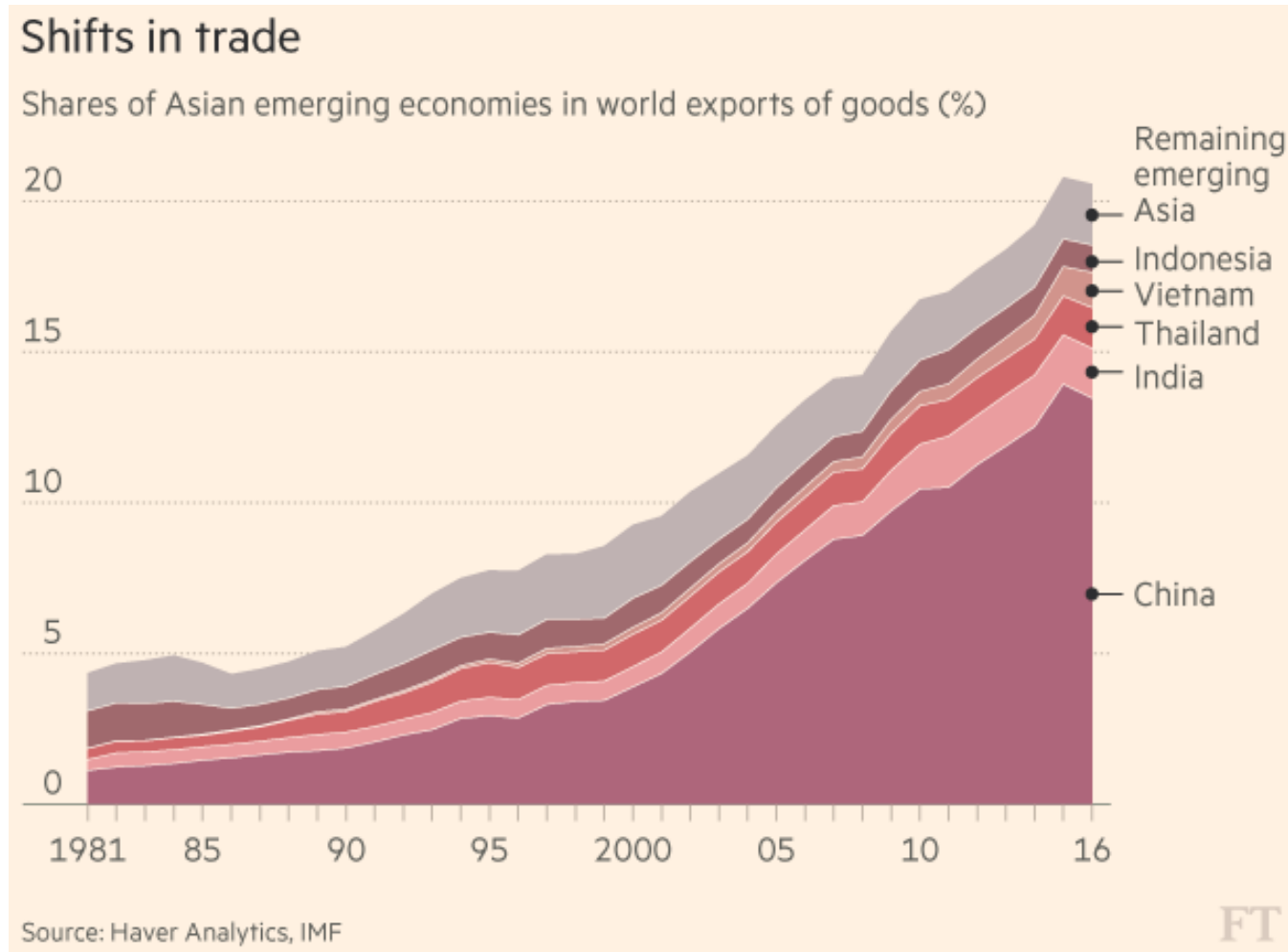
Changing Trade Patterns: 2014



Asia Rising in Global Economy



Shifting Trade Patterns Led by Asia



Existing Trade Rules Problematic For GVCs

- Tariffs very problematic for GVCs—
compounded for every border crossing
- Embedded tariffs can be high and amplification
possible even in FTAs
 - Even in sectors apparently covered by ITA
- Tariff escalation hits GVCs as well, esp food
- Trade facilitation delays also compounded
 - Time, money, extra inventory costs
- Incompatible standards increasingly problem
- Such costs can be added to each and every part
or component in chain as well



FTAs Don't Usually Solve Problems

- FTAs too small or have wrong countries
- Tariff cuts inadequate—too small, too late, not cut at all
- Rules of origin (ROOs) a hassle
- Customs problems of all sorts: paperwork challenges, rules not helpful, too complex
- Services often not included at all or barely
- Non-tariff issues usually excluded, including standards, which are often biggest problems
- Businesses not consulted (or poorly consulted) during negotiation phase

RCEP = 16 Members Across Asia



Why Regional Comprehensive Economic Partnership (RCEP)?

- Goal is to ensure similar rules across Asia
 - Driven by growth in supply chains across region
- Lock-in domestic economic reforms
- Give investors confidence, encourages FDI in new sectors
- Consider standardized measures to make trade easier?
- For some RCEP members:
 - A comprehensive agreement would ensure similar economic rules for the region
- Framework announced in November 2017
- Final deal in 2018?



Problems of Consolidating ASEAN+1 Agreements

- Must have ASEAN+1 to get into RCEP in first place
- Wide variation in ASEAN+1 agreements
 - In general, ASEAN opened 73.3% of goods to all Dialogue partners
 - 0.9% excluded to all
 - But nearly a quarter of all tariff lines may or may not be opened in any given agreement
- Best goods coverage in AANZFTA (nearly 96%)
- Worst in ASEAN-India (no country but Singapore pledged more than 88%, India at 78.8%, Indonesia 48.7%)
- Services and investment also poor or missing



RCEP New Goods Market Access?

- Key sticking point in negotiations: how much tariff access: 90% cuts? How fast?
 - For GVCs, zero is important
 - Needs to be on items actually traded
- Tariff cuts—duty free or just reductions?
- Rules of origin (ROOs) also going to be key
 - Product specific ROOs in RCEP
 - Multiple methods allowed? Can be helpful for GVCs
- Better trade facilitation: faster, easier processing of goods at customs
 - Same paperwork in all 16 members
 - Bali TFA is meant to be “floor” for RCEP



Other RCEP Chapters

- RCEP is comprehensive agreement—16 substantive chapters now underway
 - But some will be largely about increasing transparency
 - Eg, government procurement
- Services under negotiation
 - Positive list (only sectors listed will be opened)
 - ASEAN and ASEAN+1 track record on services not promising
- Investment also included using negative list
 - More sectors likely to be opened for foreign investment by RCEP investors
 - Includes provisions on investor-state dispute (ISDS)
- Also some work on standards (SPS and TBT), legal, IP
 - Note that ASEAN naming for chapters is different



GVC Policies in RCEP?

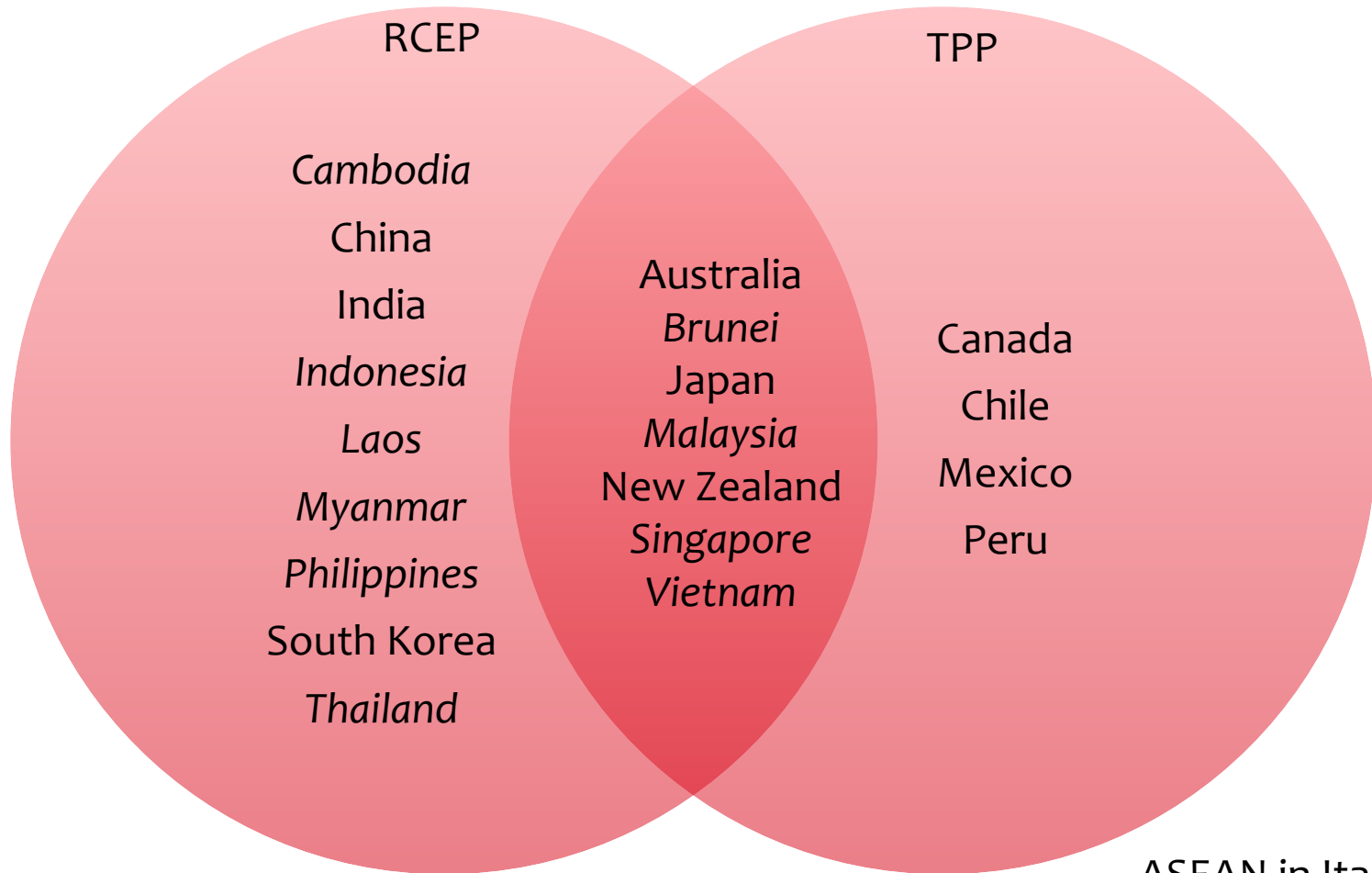
- RCEP still under negotiation, so hard to know end point
- But, RCEP likely to have less ambitious goods opening—not to zero on 100%, with many carveouts
 - Still scope for escalation, agriculture problematic
- Services and investment commitments: light?
 - Many likely to give nothing beyond WTO promises
- Uncertain coverage elsewhere—TF, standards?
- S&D treatment means not all members covered
- Lots of policy flexibility included in agreement in general



Importance of SMEs in RCEP

- Nearly all RCEP economies are SME-heavy
- Critical issue: Getting smaller firms to grow
- Perhaps best way—leverage on opportunities created by e-commerce
 - Use larger markets in region
 - Take advantage of rapidly shifting technologies
- So far, e-commerce and digital topics still moving
 - Many governments think only big players get benefits
- Key issues: data flows, data localizations, data privacy, security, consumer protection
- Is an SME chapter in RCEP, but about making website

RCEP and TPP: Overlapping Membership



ASEAN in Italics



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