



RCEP: PROGRESS, CHALLENGES & OUTLOOK

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COMPARING AEC, RCEP & TPP...

ASEAN Economic Community (AEC)

Holistic economic community of Southeast Asian countries

Total Nominal GDP (2015): **3.1% of Global**

Total Population (2015): **8.8% of Global**

Total Merchandise Trade (2011): **6.5% of Global**

Planned Deadline: **End of 2015**



Regional Comprehensive Economic Partnership (RCEP)

ASEAN's deepening of economic ties with regional partners

Total Nominal GDP (2015): **32% of Global**

Total Population (2015): **48% of Global**

Total Merchandise Trade (2011): **28% of Global**

Planned Deadline: **End of 2015**



Trans-Pacific Partnership (TPP)

United States' 21st century-style trade liberalization partnership

Total Nominal GDP (2015): **30% of Global**

Total Population (2015): **9.4% of Global**

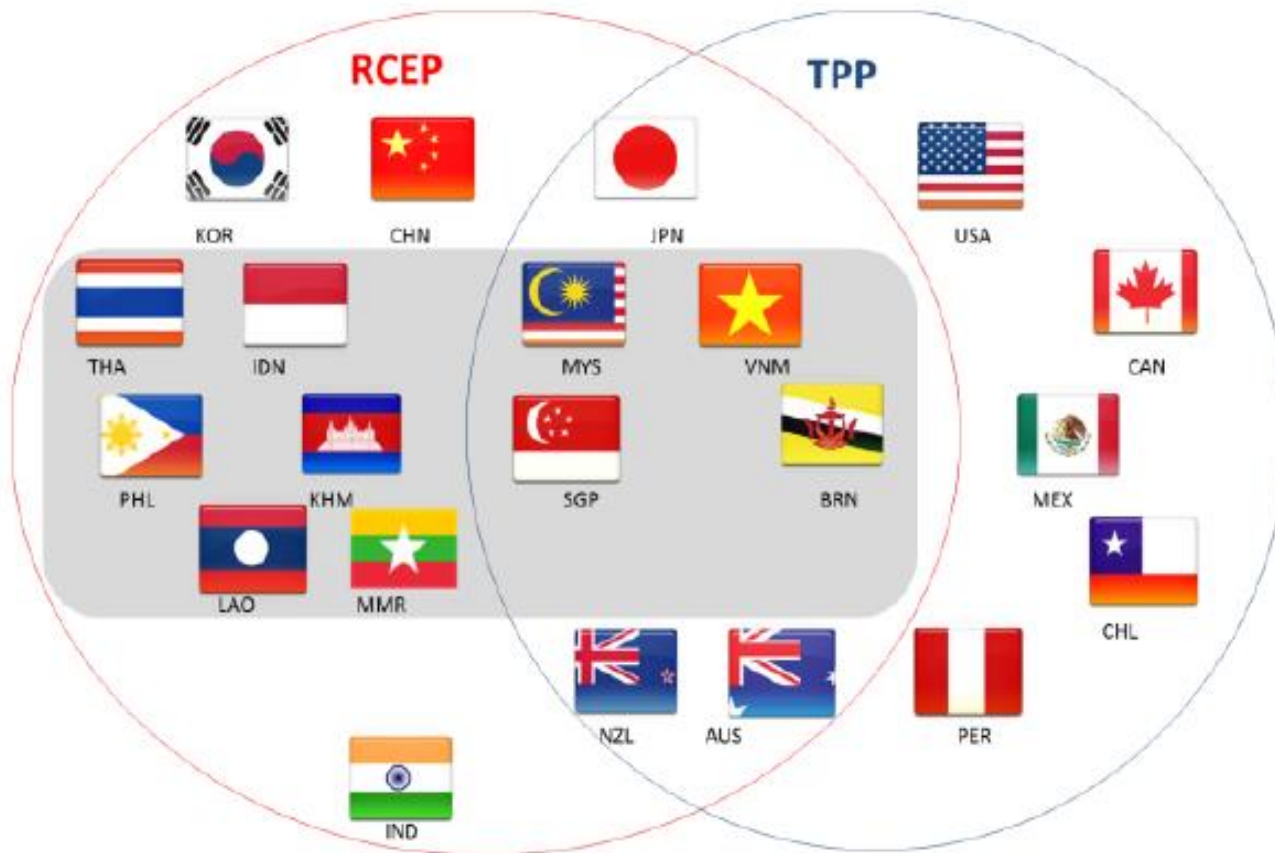
Total Merchandise Trade (2011): **21% of Global**

Planned Deadline: **End of 2013**



OVERLAPPING MEMBERSHIPS

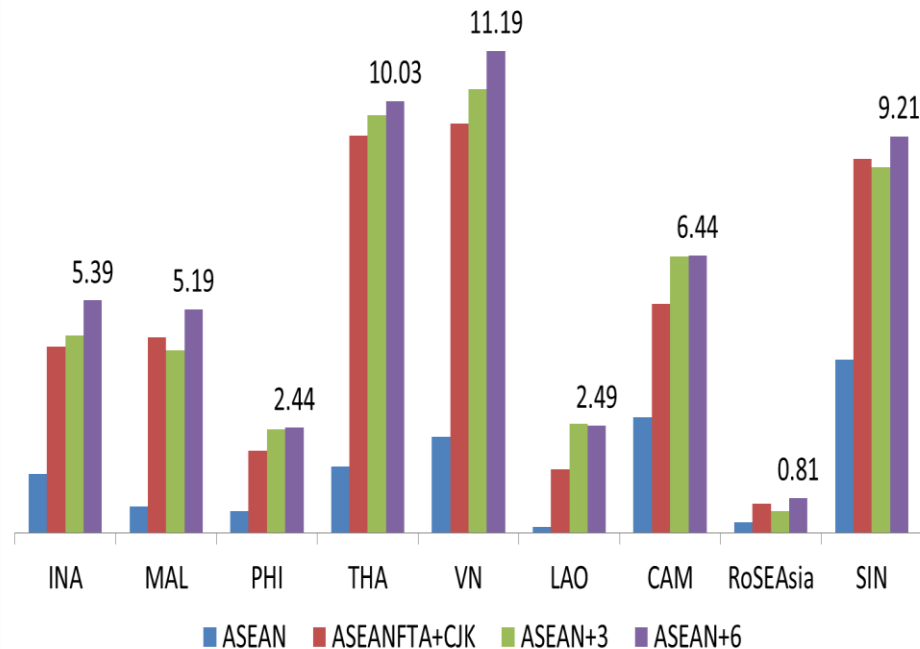
COUNTRIES IN THE TPP VS RCEP



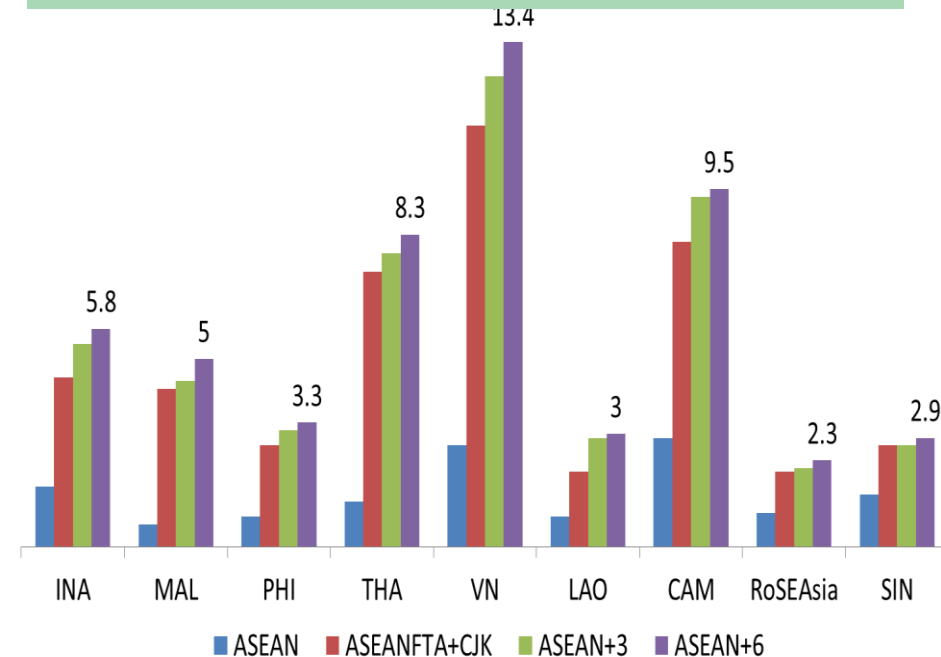
- Membership in RCEP much more diverse than in TTP: from advanced to least-developed
- It affects capacity to participate in meetings & to involve in highly technical discussions

POTENTIAL BENEFITS OF RCEP

Benefit of RCEP (ERIA Findings):
Impact on Welfare of AEC, ASEAN+1s,
ASEAN+3, ASEAN+6



Benefit of RCEP (ERIA Findings):
Impact on GDP (2015) of AEC, ASEAN+1s,
ASEAN+3, ASEAN+6



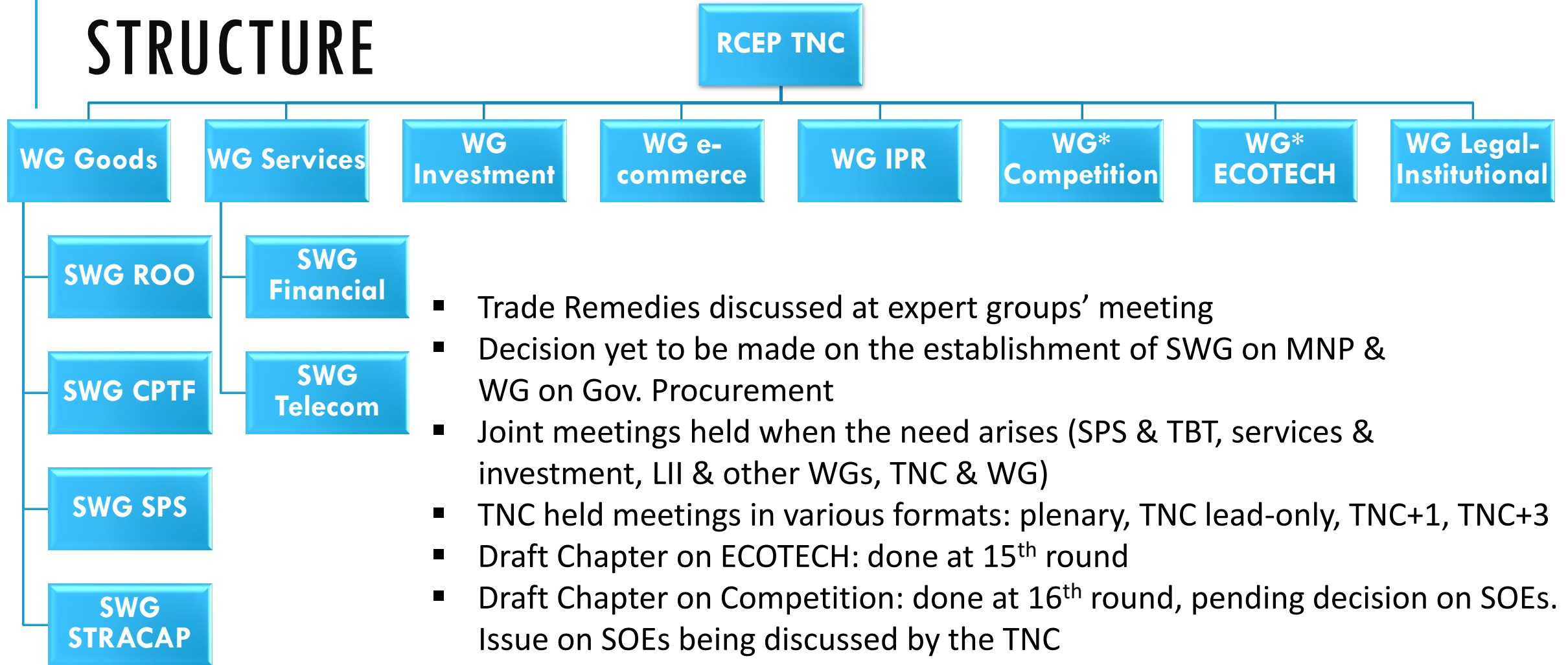
Notes: % point, accumulation 2011-2015. Assumptions are (1) complete elimination of tariff over specified period of time; (2) reduction of ad valorem equivalents of services trade barriers by 20%; and (3) improvement in logistics cutting time spent to export or import goods by 20%

Source: Ken ITAKURA, ERIA's ASEAN Mid-Term Study Review, 2013

PROCESS

- ❑ The basic idea developed & endorsed in 2011 as an ASEAN concept: to consolidate the existing ASEAN+1 FTAs
- ❑ 16 countries adopted *The Guiding Principles and Objectives for Negotiating the RCEP* in November 2012 and officially launched the negotiations
- ❑ The 1st negotiation round held in May 2013 in Brunei; the 17th round held in Kobe on 27 February – 3 March 2017. The 18th round scheduled on 2 – 12 May in Manila
- ❑ Intersessional meetings held at the SWG, WG, TNC & ministerial levels to help addressing outstanding issues. Next intersessional RCEP ministerial is on 22 May 2017
- ❑ Stakeholder engagements with the TNC & WGs involved business, civil society & academics; host country to decide & arrange. Requests for disclosure of negotiated documents increased

STRUCTURE



- Trade Remedies discussed at expert groups' meeting
- Decision yet to be made on the establishment of SWG on MNP & WG on Gov. Procurement
- Joint meetings held when the need arises (SPS & TBT, services & investment, LII & other WGs, TNC & WG)
- TNC held meetings in various formats: plenary, TNC lead-only, TNC+1, TNC+3
- Draft Chapter on ECOTECH: done at 15th round
- Draft Chapter on Competition: done at 16th round, pending decision on SOEs. Issue on SOEs being discussed by the TNC
- Members of delegate grew from ±60 at the 1st round to ±658-732 at most recent rounds

PROGRESS: TEXTS & MARKET ACCESS

- ☑ No significant progress on texts, around 10%, except on Competition & ECOTECH
 - hostage takings by some RCEP Participating Countries (RPCs)
 - same officials in charge of 2 or more WGs/SWGs (i.e., ROO & CPTF)
 - slow progress on market access negotiations affects discussions on texts
- ☑ Negotiations on market access the most challenging one....

CHALLENGES — 1: DIFFERENT SENSITIVITIES

- ☒ Not all ASEAN FTA Partners (AFPs) have FTA relations with the other AFPs

Signed/Concluded/Implemented	Under Negotiations	No Negotiation Launched
Australia – Japan (1 January 2015) Australia – Korea (12 December 2014) Australia – New Zealand (1983) Australia - China (November 2014) Australia – India (launched in May 2011) China – New Zealand (1 October 2008) Japan – India (1 August 2011) India – Korea (1 January 2010) Korea – New Zealand (12 December 2014) China – Korea (May 2012)	China – Japan – Korea (March 2013) New Zealand – India (April 2010)	Japan – Korea Japan – New Zealand India – China* China – Japan

- ☒ Different RPCs have different sensitivities toward certain RPCs; even RPCs of TPP members could not just offer their TPP commitments in RCEP negotiation
- ☒ Existing ASEAN+1 FTAs have different levels of commitments (slides followed)

TARIFF ELIMINATIONS ON 6-DIGIT HS2007

	ASEAN-ANZ	ASEAN-China	ASEAN-India	ASEAN-Japan	ASEAN-Korea	Average
Brunei	99%	98%	85%	98%	99%	96%
Cambodia	89%	90%	88%	85%	91%	89%
Indonesia	93%	92%	49%	91%	91%	83%
Lao PDR	92%	97%	80%	86%	90%	89%
Malaysia	97%	93%	80%	94%	92%	91%
Myanmar	88%	94%	77%	85%	92%	87%
Philippines	95%	92%	81%	97%	90%	91%
Singapore	100%	100%	100%	100%	100%	100%
Thailand	99%	93%	78%	96%	95%	92%
Viet Nam	95%	92%	79%	94%	89%	90%
Australia	100%					
China		95%				
India			79%			
Japan				92%		
Korea					90%	
New Zealand	100%					
Average	96%	94%	80%	93%	93%	

SERVICES LIBERALIZATION: HOEKMAN INDEX

	AFAS(8)	AANZFTA	ACFTA(2)	AKFTA
Brunei	0.30	0.18	0.04	0.09
Cambodia	0.45	0.53	0.40	0.40
Indonesia	0.58	0.30	0.11	0.19
Lao	0.39	0.26	0.05	0.08
Malaysia	0.45	0.33	0.21	0.21
Myanmar	0.42	0.25	0.08	0.06
Philippines	0.30	0.26	0.20	0.15
Singapore	0.42	0.46	0.40	0.35
Thailand	0.60	0.36	0.27	NA
Vietnam	0.44	0.48	0.38	0.34
ASEAN (average)	0.44	0.34	0.21	0.21
Australia		0.52		
New Zealand		0.53		
China			0.34	
Korea				0.31

Note: Hoekman index measures degree of commitments in the services sector. 1: liberalized and 0: closed (the government has no commitments for liberalization). **Source:** Ishido, 2013, based on ERIA database

CHALLENGES — 2: BUILDING UPON ASEAN+1 FTAS

- value-adds in services & investment: MFN, ratchet, transparency list; are quantitative benchmarks a guarantee for “commercially meaningful outcomes”?
- new elements added (i.e., environment & culture in determining “product specific rules”)
- the goal-gates moving every now & then (new liberalization targets as a built-in agenda in services: 100 subsectors at EIF then 120 subsectors within X years after EIF & 140 subsectors within Y years after EIF)
- issues in other negotiations brought into RCEP (i.e., CJK FTA negotiation)
- some ASEAN member states cannot get on board to come with “ASEAN positions” in some issues. Hence, “positions of ASEAN” rather than “ASEAN positions”
- “trading-off” not easy. This is multi-party negotiation; it doesn’t work on some issues. There is a “trust deficit”

KOBE ROUND & AEM RETREAT

- ASEAN managed to push the process by tabling “work-in-progress” modalities
- on goods, start crunching the numbers toward the second offer; final level of liberalization (based on “common concession”) will be fixed by Ministers; “limited deviation” be worked out in parallel, then enter into bilateral/plurilateral negotiations of request & offer
- on services & investment, table improved offers to see how far parties can go, then enter into bilateral/plurilateral negotiations of request & offer
- issues categorized into 3 to be dealt with:
 1. technical issues – WG level to fix
 2. policy issues (including legislative constraints) – TNC level to decide
 3. political issues (including constitutional constraints) – ministerial level to provide guidance
- single undertaking reconfirmed. Offers tabled are on a without-prejudice basis. Only those who have tabled offers can get access to offers by others

TOWARD THE FINISH LINE?

- Substantive parts of the negotiations (market access & rules) maybe concluded; requires strongest political supports
- But there will be some texts to be completed beyond 2017; legal scrubbing process to follow
- RPCs not joining the larger group should make a political decision whether to stay on board
- Uncertainties on TPP, TTIPs put pressure on RCEP as “the only game in town”; RCEP region may become a “new powerhouse of globalization”? But RPCs should be cautious not to “TPP-nize” the RCEP.
- The idea of RCEP & TPP combined to establish FTAAP may complicate RCEP process
- Engagement with stakeholders be enhanced, be they business or—and increasingly important—the civil society: balancing between ambitions & sensitivities. Take the lesson from Brexit, Trump, the rise of anti-globalization & anti-trade. But sensitivities should not compromise the quality. Toward “asymmetric equilibrium”?

THANK YOU

