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The Regional Comprehensive Economic Partnership: New Paradigm or Old Wine in a New Bottle?

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Sanchita Basu Das, ISEAS
Fellow and Lead Researcher at the ASEAN Studies Centre, explains that, “Although RCEP could be an easier negotiating path for the ASEAN nations and others, there is a high chance that it may lose sight of its strategic goals, such as maintaining centrality, that make it an attractive proposition in the first place.”

There are high expectations for ASEAN in 2015, when the grouping is not only supposed to deliver on its ASEAN Economic Community commitments but also to conclude the negotiations of the Regional Comprehensive Economic Partnership (RCEP) agreement. But there are concerns about whether this mega-regional partnership, assuming that the negotiations are completed, will introduce a “new paradigm” or it will be “an old wine in a new bottle.”

After the sixth round in December 2014, RCEP negotiations are said to be on track as discussions are continuing to define the scope and parameters in the core areas of goods, services, and investment. While the negotiators for the goods sector achieved consensus on the modality for the tariff negotiations, the issue of the non-tariff barrier has yet to be fully tackled. The discussion is ongoing on the elements to be included in the trade in services chapter, whereas the investment negotiators have already decided on their approach to the scheduling of commitments.

From the beginning, RCEP is said to be somewhat atypical and does not fall into the same category as other often-discussed bilateral or plurilateral agreements. Rather, RCEP signifies an unprecedented regional economic cooperation arrangement among 16 predominantly developing countries and has implications for regionalism and the World Trade Organization (WTO), and for the balance of economic power among the major trading blocs. The RCEP has the potential to harmonize rules and regulations across the multiple and overlapping FTAs in the region, thereby serving as a building block for the multilateral trading system. Hence, academics have suggested that RCEP agreement will have the capacity to attract new members and concurrently have the potential to create a new paradigm for economic regionalism by forming the basis for a Free Trade Area of the Asia-Pacific (FTAAP) if the negotiations result in certain outcomes: tariff elimination coverage of 95 per cent; a common market access schedule and comprehensive coverage of WTO-plus issues (such as, deeper cooperation in investment, environmental protection, financial services, and labor standards); focus on domestic structural reforms; and consideration given to private sector interests and “behind the border” integration measures such as road connectivity, port services bottlenecks, and customs delays.

However, if RCEP negotiations are not undertaken with a macroscopic vision in mind, these potential outcomes are unlikely to materialize. There are three key reasons for this. Firstly, in most FTA negotiations, including RCEP, issues related to coverage pose a

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substantive challenge. While all participating members agree with the benefits of market access liberalization measures, they also face domestic pressure to limit competition in their home markets. For RCEP, it comprises a country like Singapore, which is relatively unique and is the least concerned with liberalization, at least with respect to trade in goods, and also includes countries like Indonesia and India, which are likely to make market access negotiations difficult. Accordingly, there will be a number of potential sticking points during negotiations, especially related to agriculture and services sector liberalization.

Secondly, the RCEP agreement is plagued by the difference in the development stages of its participating countries. Concerns have been raised that any kind of deeper economic integration could lead to huge social costs incurred by the less developed member economies. This could be due to structural adjustments and the risks of falling into a low-cost labor trap, where there is little incentive for domestic industries to move up the value chain. In order to address the issue, ASEAN, as a leader in the negotiations, has already mentioned that RCEP includes a flexibility principle and stated that “the agreement shall provide for special and differential treatment to ASEAN Member States.”

Lastly, as RCEP is said to consolidate ASEAN’s existing “plus one” FTAs, there have been increasing discussions as to whether it ought to be structured based on one of those ASEAN+1 FTAs. A key challenge for the RCEP negotiations is agreeing to a common base or template, from where negotiations on the granting of additional market access can be discussed by the members. The more RCEP looks like ASEAN’s least attractive “plus one” FTA, with the exclusion of products that the participating countries consider sensitive, the less likely the chances are of the partnership attracting new members in the future.

In addition to these issues, the RCEP agreement is yet to garner key domestic support, which is a critical factor during the ratification and implementation of the agreement. Often, the private sector complains about a lack of information and getting almost no consultation on FTAs. It should be noted that RCEP is being negotiated at a time when the private sector is struggling to understand other agendas, such as the AEC 2015 and the existing bilateral FTAs.

Against this backdrop, it may well be the case that RCEP will appear on the surface to be representative of a “new paradigm,” but will in fact still represent the domestic interests of member countries.

Although RCEP could be an easier negotiating path for the ASEAN nations and others, there is a high chance that it may lose sight of its strategic goals, such as maintaining centrality, that make it an attractive proposition in the first place. Hence, as the chair of the RCEP negotiations, ASEAN must deliberate on its objectives for the agreement. In addition, ASEAN should earnestly work on its own integration process, so that it leaves the impression that the region is striving for a high-standard agreement that may eventually become the basis for an FTAAP.

ASEAN should remember that the RCEP agreement is not the only option available for Asia-Pacific regionalism. The ongoing TPP negotiations can also potentially serve as an FTAAP model, giving the US a lead role in setting the agenda for a future regional architecture.

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