

Foreword

This study entitled 'East Asian Integration' is one of the flagship reports of the Economic Research Institute of ASEAN and East Asia (ERIA). The East Asia Summit held on 10 October 2013, through Article 34 of the Chairman's Statement, mandates that ERIA provide analytic support in sharpening the Regional Comprehensive Economic Partnership (RCEP) process to ensure a successful and mutually beneficial end for all parties, and enhance overall East Asian Integration. RCEP is a critical element in regional integration in East Asia and Pacific.

RCEP takes initiatives on regional economic integration in East Asia to a higher level. First, in contrast to the ASEAN+1 FTAs where individual ASEAN member states (AMSs) had essentially bilateral commitments with the ASEAN+1 dialogue partners, AMSs would likely need to have common commitments with the partners (perhaps with a few exceptions) under RCEP. Second, the commitments of the dialogue partners need to be common commitments congruent with those of the AMSs. Third, the commitments under RCEP are considered substantially higher than those under the ASEAN+1 FTAs. RCEP is expected to be not merely a consolidation of the ASEAN+1 FTAs. RCEP, or any form of East Asia integration, would need to be a better quality agreement than the existing ones for it to be credible and worthy of the resources and ensure a more meaningful integration.

This report would not have been realised without the strategic guidance from our government counterparts, particularly the ASEAN Senior Officials, and the ASEAN Secretariat team, whom we gratefully acknowledge. We also thank the opportunity given to ERIA to be engaged and share the findings at the RCEP Trade Negotiation Committee Lead Meeting in June 2013, ASEAN Senior Economic Officials Meeting in April 2014, East Asia Policy Dialogue with H.E. Pascal Lamy in April 2015, and a number of capacity building symposia on the RCEP in Cambodia, Lao PDR, Myanmar, and Viet Nam.

This report is carefully crafted by distinguished scholars in international trade and investment: Lili Yan Ing, Shujiro Urata, Ken Itakura, Misa Okabe, Inkyo Cheong, Erlinda Medalla, Olivier Cadot, Hikari Ishido, Shandre Thangavelu, Junianto James Losari, and Nanda Nurridzki.

It consists of three main topics: trade in goods, trade in services, and investment.

Chapter 1 provides insights on the impacts of different scenarios describing different levels of liberalisation in trade in goods, trade in services, and investment on East Asia's trade, income, and overall welfare. Chapter 2 explains the impacts of the existing FTAs on East Asia's trade. Chapter 3 provides insights on how to improve the use of FTAs, lessons learned from Korea. Chapter 4 details the rules of origin (ROO) of the existing ASEAN Free Trade Area (AFTA) and ASEAN+1 FTAs: ASEAN–China, ASEAN–India, ASEAN–Japan, ASEAN–Korea, and ASEAN–Australia and New Zealand FTAs. Chapter 5 provides evidence on the cost of compliance of ROO of ASEAN's FTAs. Chapter 6 conducts mapping exercises on commitment of liberalisation in the services sector of existing FTAs in the region. Chapter 7 outlines the impacts of trade expansion on labour productivity in the services sector, and the linkage between services and manufacturing sectors. Chapter 8 reviews investment protection of investment agreements, the ASEAN Comprehensive Investment Agreement, and the ASEAN–Australia New Zealand, the ASEAN–China, and the ASEAN–Korea Investment Agreements. Chapter 9 provides reviews of clauses of liberalisation of the existing investment agreements in the region.

For policymakers, business associations, and academia, the report will be an important base on key areas of regional and multilateral integration, as we all hope that regional integration could be a building block of multilateral integration.

We hope that the findings of this study can provide insights on overall East Asian integration and be useful as benchmark exercises to accelerate to the growth of trade in goods, trade in services, and investment in region.



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President of ERIA

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