

RIN STATEMENT NO. 6

Second RIN Statement on the Regional Comprehensive Economic Partnership



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**ERIA Regional Institute Network
RIN Statement No 6**

The Regional Comprehensive Economic Partnership

The Regional Comprehensive Economic Partnership is important. It should be established now.

RCEP is important for the credibility of ASEAN. ASEAN is a group of mostly small or medium-sized member states which have established their ability to coexist with larger states by practising successful collaboration for mutual advantage. As ASEAN develops its ASEAN Community, including the ASEAN Economic Community, it should locate its economic collaboration in the wider region and in the international economy. RCEP is the vehicle for doing that.

RCEP is important for world and regional trade and economic growth. Asian economic growth can no longer rely on a generally benign global environment. Europe is beset with external pressures such as large, unmanaged migration flows, and from internal challenges such as maintaining the current design of the Euro and managing the withdrawal of the UK. The United States has lost confidence in the international economy as a partner in its own economic growth. For the medium-term, Asia will have to take the lead for its development agenda. RCEP is an important vehicle.

To be credible and to promote Asian economic growth, RCEP has to be a significant force for economic integration. It cannot be a token or a derisory agreement. But ASEAN does not have to adopt the questionable claims of others to have established the “gold standard” or “twenty-first century” trade agreement. ASEAN has demonstrated the effectiveness of the “ASEAN Way” of establishing an agreed end-point and monitoring by peer review the progress towards it by each participant.

Allowing participants to vary in the speed and manner by which they proceed to the agreed end point facilitates RCEP’s choice of an appropriate balance between ambition and flexibility. Finding that balance is an exercise in realism, not weakness. (The most recent effort to create a single step agreement, TPP, ended with a set of different adjustment paths defined by individual annexes to the agreement.)

RCEP is not only about opening markets to all members. It is about building a community and enhancing the welfare of all its members. Opening markets is not only about giving commercial enterprises opportunities to earn profits, since the indirect effects include making consumption items more affordable, but open markets also ensure that the benefits of increased competition are widespread. Economic integration is about creating rules for managing economic interdependence, and those rules are self-imposed provisions for facilitating the best possible outcome for welfare throughout the participating region.

RCEP is about the future of ASEAN and its region. The vision of a (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN as it was expressed in the *ASEAN Community Vision 2025*, should be constantly in the thoughts of those entrusted with creating RCEP. They will inevitably also be concerned with the challenges of the immediate: the unpopularity of imposing change, the cost of facilitating transition from current employment to producing something which generates greater welfare for consumers, and adjustment to the changed relative value of specific existing assets all impose real demands

on negotiators. Those bearing immediate costs are more vocal than the future beneficiaries of economic integration. Political leadership is indispensable, and so are negotiators who are able to keep their eye on the ultimate outcome.

Focus on the vision has to be balanced against realism. RCEP needs an immediate impact but it needs even more to convey assurance of firm adherence to a path of integration, community building and enhanced welfare. The comprehensive agreement envisaged in the *Guiding Principles and Objectives* remains appropriate and the process of monitoring progress towards an agreed objective should aim at achieving the *ASEAN Community Vision 2025* across the whole range of the *Guiding Principles and Objectives* but priority should be given to ensuring that international production networks can spread prosperity throughout the RCEP region and continue development so that the RCEP region can lead future world trade and future world growth. So from the start, RCEP should challenge tariff peaks which restrict ready movement across multiple borders as goods move through intermediate stages to final products. It should also seek to improve the competitiveness of services, not only the visible international services like financial services and air services, important though both of those are, but also the business services which are embodied in traded goods and which are crucial to the operation of production networks. Because RCEP must deal with services, it has also to provide for international investment; many services require investment in commercial presence, and so do production networks. RCEP should also seek immediately to initiate regional agreement on how Intellectual Property rules promote collaboration among suppliers at different points of a production network, supporting the implementation of standards which reduce the coordination costs of the network and promoting the creativity and ingenuity of small and medium enterprises to contribute process innovation in a competitive, dynamic and innovative region.

A starting point with elements such as these would create confidence in the cooperative nature of RCEP. It would not be a vehicle competing with existing channels of Overseas Development Assistance. Nor would it be a case of imposing the customs and practices of existing developed economies on developing economies. It would give opportunities for learning together, to create greater understanding of the interests of individual partners and a genuine search for ways of promoting all of those interests simultaneously. At the centre would be capacity-building, not greater capacity for you to do things my way, but greater capacity to generate both collective welfare and the policy goals of individual partners.

RCEP needs confidence in its own agreed position and agreed path for development for it to be able to engage with other regional organizations and with individual economies. For example, the ASEAN-Pacific Alliance Framework for Cooperation has to be informed by RCEP, and so does the longer-established APEC, especially as the Free Trade Area of Asia Pacific seeks to ensure that the Pacific Ocean remains an area of connectivity rather than a barrier to integration. The RCEP region will also develop new relationships as the Belt and Road Initiative increases connectivity with Central Asia, South Asia, Africa and Europe. And RCEP needs a common approach to individual economies that may try to impose different approaches, including neglect of the WTO and reliance exclusively on bilateral agreements. Eventually ‘fear of missing out’ will probably be the main driver of such economies joining a cooperative and community-oriented process of international economic integration.

Quick achievement of RCEP is therefore important. While this is widely recognised, achievement of RCEP in ASEAN’s 50th year is hindered by worries about challenges to specific sectors and interests in individual economies. The ERIA Regional Institutes Network urges that ASEAN Member States decide at a high political level to launch the first installment of RCEP including provisions on Trade in Goods and Investment, instructing negotiators

- to transfer remaining disagreements into national processes for facilitating adjustment; and

- to establish a timetable to develop RCEP over time into the comprehensive and living agreement envisaged in the *Guiding Principles and Objectives*.
- to have political level initiative and leadership in the negotiation process necessary to break through the sticking points to substantially conclude negotiations this year
- to use economic and technical cooperation for furthering MSME development, effective capacity building and to adhere to a common and ambitus set of rules.
- to have open, transparent, consistent consultation with stakeholders to ensure inclusion of elements that resonate with the business community.

The Regional Institutes Network links ERIA to research institutes through the economies participating in RCEP. Its emphasis is on policy-relevant research. While this Statement is advocacy, it rests on the economic research of ERIA, members of RIN, and other research organizations such as UNCTAD and ADB.

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