

## **Asia's Mission 2015: Wrap Up RCEP and Get Ready for the 21st Century FTA**

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Asian countries are not alone in shifting their trade policy priority to mega free trade agreements (FTAs). The four mega FTAs (Trans-Pacific Partnership [TPP], Trans-Atlantic Trade and Investment Partnership [TTIP], Regional Comprehensive Economic Partnership [RCEP], and Japan–European Union Economic Partnership Agreement) combined will account for over 90 percent of global trade and investment. The second unbundling of globalisation is associated with international fragmentation and offshoring of production, which allows those formerly national production processes to be unbundled and dispersed internationally. To date, competitiveness is determined by sub-stage activities rather than whole production processes. As the characteristics and productivity of labour are now defined in detail and in various categories, the expansion of global production sharing leads to a finer division of labour and a new pattern of international trade. As a result, 21st century trade includes not only trade in goods and services, but also cross-border flows of investment, technology, data, human capital and so on. The sophisticated global value chains demand complex rules to govern these complex cross-border flows, which is beyond the capacity of current multilateral trading system. The mega FTAs emerge to meet the needs for a new structure and more sophisticated function of global trade governance.

However, a shift from the World Trade Organization–centred multilateral system to plurilateral governance could be a double-edged sword. On one side, mega FTAs include trade and investment rules in trade governance that meet the need of global value chains; on the other side, they may have conflicting and inconsistent rules that go against developing countries.

Yet the RCEP is not a pure south–south agreement; it does involve many developing and less developed countries. The initiative aims to build a ‘modern, comprehensive, high-quality, and mutually beneficial FTA’ by consolidating the five ASEAN+1 FTAs with the emphases on strengthening ASEAN’s centrality in regional economic integration, and committing to the compatibility of RCEP’s rules with the trade principles of the World Trade Organization (WTO). ASEAN’s attempt to consolidate the bilateral FTA into RCEP is pragmatic to regionalise the sophisticated global production networks via the reduction of trade barriers and setting of new rules that are consistent with WTO agreements, the facilitation of technology transfers and factor mobility,

the rationalisation and better administration of rules of origin, and the improvement of trade governance.

Essentially, either WTO2.0 or the 21st century FTAs intend to cover a wide range of regulations for global value chains that are beyond the current WTO system in order to facilitate international production sharing and to support sustainable development. This requires not only 'at-the-border' liberalisation but also 'behind-the-border' economic reforms.

The signing of TPP adds urgency for Asian countries to move further and faster. The new rules and commitments of TPP might be referred to by the negotiators of other mega FTAs and (at least some of them) would probably become de facto global standards for international trade and investment.

It is important for Asian countries to keep thinking globally, prospering regionally, and progressing domestically. The RCEP is a crucial part of ASEAN's long-term profound mission to build a competitive region with equitable development and deep involvement into global value chains. The quicker the agreement is concluded and the higher the quality it achieves, the easier can Asia move forward to the next stage architecture of regional integration.