

Expert Roundtable for Regional Comprehensive Economic Partnership (RCEP)

Recommendations on the Approaches to be Adopted in the Negotiations of RCEP and its Implementation

Summary

The Expert Roundtable recommends that RCEP:

- *Adopt the 4 core goals of ASEAN Economic Community (AEC) and implement RCEP economic integration consistently with that in the AEC.*
- *Introduce an innovative combination of agreed targets between 2015 and 2025 where conclusion of common interests, such as trade in goods, and initial commitments (the down payments) on difficult issues in services and investments has to be agreed by 2015. The negotiators must agree on end-point trade liberalization, services and investment framework targets for implementation for all partners by 2025. These targets should include, for example: average external tariffs for members of 0-5 per cent; 95 per cent internal tariff elimination; the removal of core non-tariff trade barriers; the introduction of co-equal rules for ROOs; consolidated certification procedures; commitment to concrete trade facilitation programs; commitment to liberalization of services markets, particularly in areas which strengthen regional production networks; commitment to principles for regulatory reform (including transparency and contestability of markets); and commitment to principles for treatment of foreign investment.*
- *Negotiators concurrently proceed to negotiate the initial down-payments on these targets for delivery on agreement in 2015.*
- *RCEP build in institutions for ongoing implementation of integration agenda through Commissions or Working Groups on the Negotiation of Trade Liberalization, Connectivity, Competition, Productivity and, as necessary on other dimensions of RCEP.*
- *Commit to a development and cooperation agenda tied to connectivity (and built on the Master Plan for ASEAN Connectivity), highlighting flagship regional projects, inclusivity and sustainability*
- *Commit to openness to adding new partners willing to accept the same commitments at entry and end-point as RCEP.*

The Expert Roundtable for the Regional Comprehensive Economic Partnership (RCEP) welcomes the launching of the negotiations for RCEP, which is to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN Member States and ASEAN's FTA Partners. (Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership, 30 August 2012).

The Expert Roundtable fully endorse the Guiding Principles for Negotiating the Regional Comprehensive Economic Partnership (RCEP) (adopted from the above document), which include: (1) GATT/WTO consistency, (2) significant improvements over ASEAN+1 FTAs, (3) trade and investment facilitation, and engagement in supply chains, (4) flexibility in the treatment of developing and least-developed countries, (5) continued existence of ASEAN+1 FTAs, (6) accession by ASEAN FTA partner, (7) provision of technical assistance and capacity building to developing and least-developed countries, (8) parallel negotiations in trade in goods, trade in services, investment, and other areas.

Recognizing that successful RCEP negotiations are very important for achieving economic growth and narrowing development gaps by promoting regional integration and cooperation in East Asia, the Expert Roundtable is eager to contribute to the negotiation process by providing the following recommendations on negotiations and implementation of the RCEP. The Expert Roundtable would be pleased if the Leaders, Economic Ministers, and negotiating government officials find these recommendations useful.

Negotiation

1. Timetable and Objectives: The first task is to identify a process which ensures the feasibility of the timetable established in the Guiding Principles and Objectives. Economic integration is a continuing process and not an episodic change. Nevertheless, RCEP should be so managed as to ensure that by end-2015 ASEAN and its trading partners have concluded negotiations, and laid out an agreed path for the implementation of RCEP. This immediately implies that it should not be regarded as a conventional trade negotiation among 16 countries constructed from pair-wise trading of commitments on goods – line by line through tariff schedules – followed by services, investment and the other elements listed in the Guiding

Principles and Objectives. That would not be compatible with the prescribed timetable. The objective by the end of 2015 should establish a clear path towards a common approach to trade in goods, services and investment. Negotiators should agree on end-point trade liberalization, services and investment framework targets for implementation for all partners by 2025. These targets should include, for example: average external tariffs for members of 0-5 per cent; 95 per cent internal tariff elimination; the removal of core non-tariff trade barriers; the introduction of co-equal rules for ROOs; consolidated certification procedures; commitment to concrete trade facilitation programs; commitment to liberalization of services markets, particularly in areas which strengthen regional production networks; commitment to principles for regulatory reform, commitment to principles for treatment of foreign investment, and substantial progress in other areas including intellectual property and competition.

2. The Evolutionary Process of Negotiations: RCEP needs not be a “single undertaking”. It can be a set of linked agreements that are reached by different timetables, and that in turn implies that there should be no difficulty in accommodating the intention to be flexible in meeting the special needs of least developed members. While common objectives have to be agreed, different transition or adjustment paths can be accommodated. An effective strategy to achieve the objectives as per the determined timeline will require an innovative combination of agreed targets between 2015 and 2025 where initial commitments (the down payments) have to be agreed by 2015 and thereafter, a disciplined cooperation process and negotiations to implement these targets by all members to be carried forward from 2015. The Leaders and Ministers should instruct negotiators to settle targets, proceed to negotiate substantial progress towards those targets by 2015, and set in place a process that will achieve all targets by 2025. A productive strategy is to see a streamlined trade agreement as one of the several steps that will be needed for an RCEP which embraces a more comprehensive program of regional economic integration and development. Specifically, we can think of three layers in terms of the contents of RCEP negotiations. At Layer 1, there are issues in which commonality of interests is strong such as trade in goods. At Layer 2, there are issues where commonality of interests is moderate such as trade in services and investments. At Layer 3, there are issues in which commonality of interests is weak for the time being, such as movement of natural persons, competition policy, IPR, government procurement etc. The RCEP could be designed to be carried out over a

period to ease the negotiation in the three layers. Thus, Layer 3 could be negotiated by 2025, Layer 2 by 2020 and Layer 1 by 2015. The negotiations would move concurrently and the RCEP could come into force with conclusion of Layer 1, along with laying down of specific commitments (the down payments) in Layer 2 and 3, in 2015.

3. Moving ASEAN+1 FTAs to Common Provisions: Conceiving RCEP as a construct based on ASEAN Economic Community (AEC) in its regional and global setting eliminates one of the major reasons for adopting the approach to “consolidate” the existing ASEAN+1 FTAs. So far, the consolidation approach was preferred to negotiating afresh among 16 participants, as it was accepted that having more parties tends to prolong negotiations and also that negotiation among many parties tends to produce lowest-common-denominator agreements. However, “consolidating” existing ASEAN+1 FTAs would not be an easy process if it were approached as a standard trade negotiation. It appears unlikely that even a trade in goods agreement could be reached by the end of 2015, let alone the kind of agreement envisaged in the Guiding Principles and Objectives. The process, therefore, should not be one of rationalizing those agreements but of moving each of them to the AEC objective of common provisions. It should also include commitment to achieving principles for regulatory reform (including transparency and contestability of markets); as well as to principles for treatment of foreign investment (openness and national treatment).
4. New Approach to Service Trade Negotiation: RCEP is to be an integration agreement; it will deal with trade in goods, service and investment. Services, in particular, need innovative negotiation. As East Asia economies are closely linked by supply chains of the production network, the negotiations on the service should emphasize cooperation, facilitation and liberalization of trade in services. The pattern of trading concessions which served GATT well in earlier years is proving singularly inappropriate in the case of services. RCEP may provide an opportunity to approach services cooperation through removing unnecessary barriers to doing business and so provide leadership to international negotiations.
5. Negotiation as a Learning Process: RCEP will require learning in all participating economies, especially among regulators who are accustomed to seeing their task as administering rules aimed at domestic economic activity. Facilitation and

cooperation should give high priority to “learning together”, taking advantage of varied experience, and adapting what has been found to work well to circumstances, which may differ significantly in another economy as all seek common goals. Negotiators have to overcome reluctance, if any, to engage in learning rather than repetition of the familiar.

6. Business Engagement: The challenge to RCEP is to frame the debate so as to optimize the use of regional business to promote economic growth and welfare, pointing to the desirability of making full use of consultations with business as part of the negotiating process. Businesses cannot be expected to recognize all the conflicting objectives of public policy and business desires are therefore not always a good guide to policy decisions, but they do have the best information about what barriers are significant, and are often good advisers on how those barriers can be removed. Stakeholder consultation – wider than business – should be frequent and concentrated.
7. Economic Cooperation: The RCEP negotiations should aim at integrating the ASEAN and East Asia through a wider and deeper economic cooperation programme covering business, government and people simultaneously. An economic cooperation programme which overarches the ASEAN+1 FTAs will integrate ASEAN and East Asia within itself and into the global economy. The cooperation programme will take into account the strength of all its members and enhance the economic competitiveness of the member countries and the region as a whole. The economic cooperation agenda could include free flow of services, investment and capital, skilled labour; infrastructure development, IPR, competition policy, consumer protection, taxation, E-commerce, SME development, special initiative for CLMV, food, agriculture and forestry, environment, energy, government procurement, and improvement of business environment. At a practical level, the RCEP could set the roadmap for integrating economic cooperation activities under bilateral cooperation with those under ASEAN +1 FTAs and also explore the feasibility for an East Asian Cooperation and Development Fund to facilitate the economic cooperation programme.

II. Implementation

1. Evolutionary Process in Implementation: RCEP should be conceived as the next step after the scheduled implementation of the AEC in 2015, establishing the way in which the AEC relates to its region and eventually to the global economy. There will be many aspects of the four pillars of AEC which will continue to be implemented after 2015, and as a significant part of economic integration, AEC will surely continue to evolve and develop in later years. RCEP should also be regarded similarly, as it will evolve and develop in later years. If RCEP is to achieve a degree of integration comparable to the AEC, it will require a sustained long-term effort of learning together to create the necessary capacities and institutions. RCEP should commit to a development cooperation agenda tied to connectivity, highlighting flagship regional projects, inclusivity and sustainability.

2. Effective Governance in Implementation of Commitments: East Asian integration and cooperation have grown out of ASEAN. They are mainly governed through ASEAN through a rotating chairmanship among ASEAN Member States and a small secretariat. RCEP may not progress very far in the absence of a stronger permanent institution that includes EAS-16 structure. Therefore, building of institutions representing all the members of RCEP is both vital and functionally necessary for implementation of integration agenda through Commissions or Working Groups on trade liberalization, connectivity, competition, productivity, economic cooperation and, as necessary, on other dimensions of RCEP. These institutions can be serviced within the structure of ASEAN Secretariat.

3. Implementation Speed: RCEP has to evolve at a pace that is in tandem with the pace of growth in the region and the world at large. While the Guidelines and Objectives have set the timeline for negotiation, the schedule of implementation is yet to be agreed upon. The EAFTA and CEPEA reports had agreed on the imperative of speedy implementation with varying tracks. Accordingly, goods and services can be grouped in terms of sensitivity and assigned different tracks, but sensitivity list must be phased out in stages. Secondly, least developed members can choose to go a slower track, an S&D track, but S&D status is also to be phased out in stages.

The RCEP Expert Roundtable was prepared with inputs from scholars of the East Asia Summit Countries. The four experts, namely, Prof. Zhang Yunling (China), Dr Djisman Simandjuntak (Indonesia), Dr. Chang-Jae Lee (Korea) and Prof Shujiro Urata (Japan) drafted the main report. The report was edited by Ms Anita Prakash, Director (ERIA). Following were the contributors to the report:

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