

RCEP: More relevant now than ever

When United States President Donald Trump called the Trans-Pacific Partnership Agreement (TPP) a “disaster” and vowed to pull out of the agreement as soon as he took office, international media almost instantaneously pronounced the TPP dead.

And in the next breath, they shifted their focus to the less controversial Regional Comprehensive Economic Partnership (RCEP), calling it “China-led” and pitching it as the alternative to the TPP. The impression was that as one was US-led and the other China-led, they must have been competing agreements. Not so.

ASEAN member states involved in the negotiations of both the TPP and RCEP were very mindful that these agreements were complementary, albeit at different levels of scope and ambition. What was more important was that both agreements would ultimately contribute to deeper economic integration of Asia-Pacific, which would come under a Free Trade Area of the Asia-Pacific (FTAAP).

When the FTAAP was mooted by the APEC Business Advisory Council (ABAC), it was not

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well-received. In fact, at their 2006 APEC Economic Leaders' Summit in Hanoi, the leaders rejected the proposal. It was only four years later that the APEC leaders gave their nod for concrete steps to realize the FTAAP. And it gained momentum during China's chairmanship of APEC in 2014 when it was decided that work on the FTAAP would begin in earnest, with the TPP and RCEP serving as building blocks toward this FTAAP goal.

But even as the study on the framework of the FTAAP progresses, it appears that an anti-globalization movement is stirring in the face of Brexit. We have to wait and see if Trump will be able to implement his calls to deal with China and pull out of the North American Free Trade Agreement (NAFTA) and the TPP.

The TPP signatories should rightly be concerned of any agreement that excludes the US and

limits economic gains. But it is in this environment that ASEAN and its partners must consolidate and work to deepen economic integration in this region. Focus must be on the opportunities that agreements, such as RCEP, can be brought not just to ASEAN but also to the global economy. As such, it would be in ASEAN's interest to step up work on RCEP to ensure its conclusion within the next 12 months.

As this is being done, it would be useful to take on board the valuable outcomes from the TPP. First of all, there are important lessons for public engagement now that the discourse on trade negotiations is under greater scrutiny. Parties must explain RCEP to their audiences so that there is an appreciation of its impact and benefits.

Then, there is the issue of the Investor-State Dispute Settlement (ISDS). Post-NAFTA, this has been a major criticism against free-trade areas (FTAs) because of the apparent “power transfer” from the sovereign state to big business.

The high-profile suits brought against governments made the ISDS one of the strong cases

against the TPP while it was being negotiated. As a result, the final text of the TPP included processes and procedures to safeguard against frivolous suits by businesses. This was in itself a major outcome that needs to be preserved, and perhaps even further improved upon, in all FTAs and investment agreements.

Another important inclusion in the TPP was the recognition of the contribution of small and medium enterprises (SMEs). This agreement was perhaps the first to have a dedicated chapter on SME development and cooperation; to ensure that they are integrated into the value and supply chains of the bigger companies.

With the uncertainty around the TPP and an apparent rise in protectionism, ASEAN can lead the way by using RCEP to keep markets open, deepen economic integration and narrow the development gap among the member states. This is because RCEP is an inclusive agreement that takes on board, in true ASEAN spirit, the development concerns of its members.

The TPP was an agreement among equals, with no special and differential treatment à la the

World Trade Organization.

Since RCEP was ASEAN-initiated, it must provide the leadership to ensure that negotiations move forward expeditiously. It is important to be reminded of why RCEP was proposed by ASEAN in the first place. Above all else, this agreement between ASEAN and its six FTA partners (China, Japan, the Republic of Korea, India, Australia and New Zealand) made good business sense. It would create a market that accounts for over 30 percent of the global economy.

More importantly, the potential benefits from ASEAN's demographic dividend and its growing middle-class are reason enough to move ahead with RCEP. By consolidating the five ASEAN+1 FTAs, the noodle-bowl effect of the different rules of origin is reduced, even as the focus is on tariff elimination and streamlining of other trade rules.

The challenge for ASEAN in RCEP is the balancing of different ambition levels among the negotiating parties. The more developed members who are also parties to the TPP set this agreement as the benchmark. But at the other end of the spectrum are parties

whose levels of development limit what they are willing and able to commit. Moreover, while ASEAN has FTAs with each of the six partners, not all six of them have FTAs among themselves.

For example, RCEP may provide the platform for China, Japan and the Republic of Korea to have an indirect FTA just as their trilateral FTA negotiation is stalled.

RCEP is a reflection of ASEAN's thoughtful and deliberate process toward economic integration. ASEAN must lead the way in maneuvering and navigating through these difficult waters. In succeeding to do so, RCEP could well be the model for integrating the least developed countries with developing and developed economies. This model may not be equivalent to the “gold standard” that the TPP is espoused to be, but it will provide a clear pathway toward that goal.

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