

Session 3:

Future Prospects for FTAs in the Asia-Pacific Region

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- After the formal agreement to initiate and start the negotiations of Regional Comprehensive Economic Partnership (RCEP) on 20 November in Phnom Penh, Cambodia, ASEAN has enhanced its centrality in East Asia economic integration.
- RCEP has superseded EAFTA and CEPEA. It is aiming for completion by end of 2015. Working groups were already established on goods, services and investment

- The characteristics of the Trans Pacific Partnership (TPP) are different compared to RCEP. There is inherent conflict between the objective of high quality TPP agreement and the inclusive a region-wide FTA framework that provides policy space and flexibility to diverse economies of the Asia Pacific region.

- The TPP is a very high-level FTA with a number of high-standard rules on “behind-the-border” issues such as competition, intellectual property rights (IPR), environmental and labour-related issues.
- These issues are discussed in the context of “cross-cutting” issues such as regulatory coherence, competitiveness, business facilitation, the promotion of SMEs, production and supply chains linkages. The disagreement is not so much in principle but in detail.

- RCEP is differentiated from TPP by flexibility (accomplished in a sequential manner or as a single undertaking or through any other agreed modality) and special and differential treatment for ASEAN member states.
- Nominally TPP and RCEP are competitive. However, the two tracks could be complementary and reinforcing to one another as TPP structure and negotiations tend to be upward-bias and RCEP tends to be downward-bias in achieving comprehensive and “high-quality” FTA in the region.
- This competitive liberalization could lay the foundation for a region-wide agreement.

- Negotiators in both tracks could design that the process converging, rather than diverging by moving towards the least common denominators and major countries minimize the political and security overtones of FTA negotiations.
- Efforts can be made on both tracks to make provisions as complementary as possible with a view to guide the technical development of each track towards convergence.

- In this respect, ASEAN and the US has agreed in November 2012 in Phnom Penh to build their trade relationship through the Expanded Economic Engagement (E3) initiative.

- If RCEP is concluded with broader and deeper engagement with significant improvements over the existing ASEAN + 1 FTAs, while recognizing the individual and diverse circumstance of the participating countries, RCEP would become the “hub” of the regional economic integration in East Asia.
- On the other hand, if it is far short of its original objective and if the ASEAN Economic Community by 2015 is not effectively implemented, the configuration of FTAs in the region would be quite complex and uncertain.

- China-Japan-Korea FTAs is scheduled to start negotiations in early 2013.
- But with deteriorating bilateral relations between China and Japan over disputed uninhabited tiny island in East China Sea, and between Japan and Korea over a disputed island, the scheduled negotiations are very likely to be delayed.

- In addition, the starting RCEP negotiations would also tend to dampen the interest on CJK FTA, although an agreement of CJK would facilitate the successful conclusion of RCEP as the three Northeast Asian countries are the first, second and fourth largest economy in Asia, respectively.

- Free Trade Area of Asia Pacific (FTAAP) under APEC initiative is losing its steam due to the fact that the US and ASEAN countries have their own FTA initiative, although APEC IAPs by all 21 economies and with PSU's Progress Reports continue to have steady progress in many facilitations areas such as Standards and Conformance, Customs Procedure, Business Mobility and capacity building assistance programs.

- This concentric circle of FTA process and negotiations continue to exert positive effect towards an accepted modality and process of economic integration in East Asia and the Asia Pacific region.
- In this context, the RCEP agreement has an open clause to enable the participation of any ASEAN FTA partner that did not participate in the RCEP negotiations and any other external economic partners after the completion of the RCEP negotiations.

- It is a high time in FTA negotiations to take into account the supply chains and production network as well as sustainability.
- Therefore, the development of FTAs to assure the stable supply of resources should be an integral part of consolidating and improving the existing FTAs. This aspect could also be discussed within the context of economic cooperation chapter. For example, ASEAN has programs for cooperation in energy and food security as well as sustainable development.

- The concept of national borders in trade reform is normally discussed within the purview of competition policy. This chapter should cover both domestic and external aspects of competition issues.
- The successful completion of RCEP would facilitate a broader and deeper economic integration in East Asia, if it is timely concluded and consistent with the WTO, including GATT Article XXIV and GATS Article V as indicated in the Guiding Principles and Objectives for Negotiating the RCEP.

- The extent of their success critically depends on the acceptable compromise on the challenging issues such as Rules of Origin (ROOs), agreements on trade in services and investment and many “behind-the-border” issues, and implementation integrity from all participating members.
- This, in turn, depends on cooperation between negotiating and implementing agencies, socialization of benefits, selling FTAs to domestic stakeholders and timely implementation.

- If ASEAN can successfully maximize its enhanced role in RCEP, and completed the AEC comprehensively as scheduled in 2015, ASEAN would continue as the default hub of East Asia economic integration.
- Otherwise, the prospects for trade liberalization in the Asia-Pacific region would become more complex and uncertain as non-converging elements are brought into FTA structure and negotiations by competing regional FTA tracks.

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