

# RCEP and TPP: New Stages Approach to Regional Economic Integration in Asia-Pacific

November 24, 2014

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# Outline

1. FTA Developments in East Asia:  
The Road to the RCEP
2. FTA Developments in Asia-Pacific:  
The Road to the TPP
3. RCEP and TPP: Conflicting or  
Complementary?
4. Concluding Remarks

# 1. FTA Developments in East Asia: The Road to the RCEP

- East Asia was slow in catching up with the rest of the world in the FTA race
- ASEAN Free Trade Area (AFTA) in 1992, aiming to establish ASEAN Economic Community (AEC) by 2015
- Some ASEAN members, China, Japan, Korea, India, Australia, and New Zealand became active in establishing FTAs in the 21<sup>st</sup> century

# RCEP

- ASEAN+China FTA (2005) led to four other ASEAN+1 FTAs: Japan (2008), Korea (2010), India (2010), and Australia-New Zealand) (2010)
- East Asia FTA (EAFTA) (ASEAN+3) feasibility study: Phase I (2005-2006) and II(2006-2009)
- Comprehensive Economic Partnership in East Asia(CEPEA) (ASEAN+6) feasibility study Phase I (2007-2008) and II (2008-2009)

- ASEAN+6 agreed to launch Negotiations of the Regional Comprehensive Economic Partnership (RCEP) in November 2012
- RCEP negotiations began in May 2013 with a target of conclusion by the end of 2015
- 5th RCEP negotiations were held in July 2014
- Next negotiations will be held in December 2014 in India

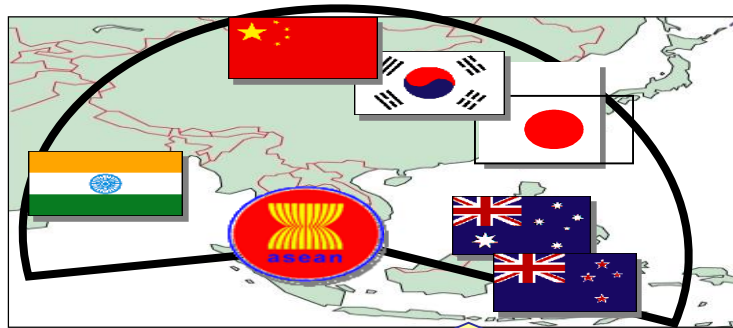
## 2. FTA Developments in Asia-Pacific: The Road to the TPP

- APEC Bogor Goal in 1994: Free and open trade and investment by 2010 for developed members and by 2020 for developing members, voluntary and non-binding approach
- Failure of EVSL (Early Voluntary Sectoral Liberalization) in 1997
- P4 (Singapore, New Zealand, Chile and Brunei) in 2006 => Trans-Pacific Strategic Economic Partnership (TPP)

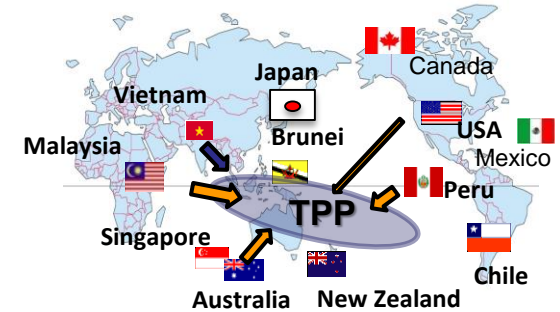
- Free Trade Area of Asia-Pacific (FTAAP) was proposed by the US in 2006
- The US showed an interest in joining TPP negotiations in 2009
- Expanded TPP negotiations with the US, Australia, Peru, Vietnam began in 2010, later joined by Malaysia, Canada, Mexico, and Japan.
- So far 20+ rounds of negotiations have been conducted without reaching an agreement

# Region-wide FTAs in East Asia: RCEPP, TPP, China-Japan-Korea (CJK) FTA

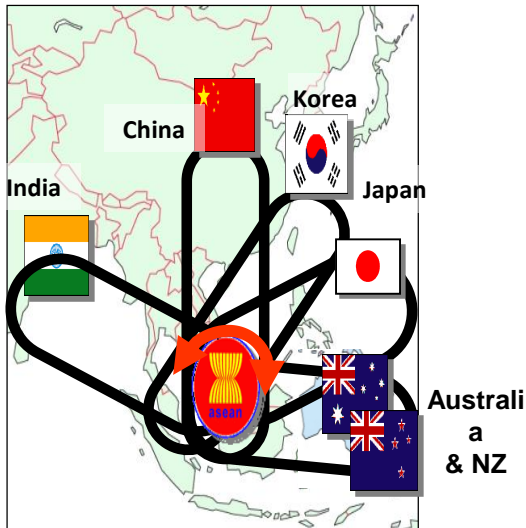
**RCEP(ASEAN+6)**  
(ASEAN+CH, JP, KR, IND, AUS, NZ)



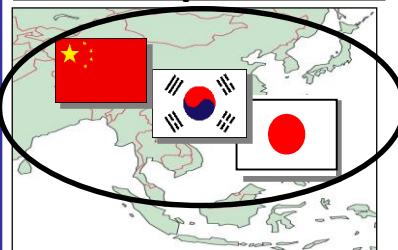
**TPP**



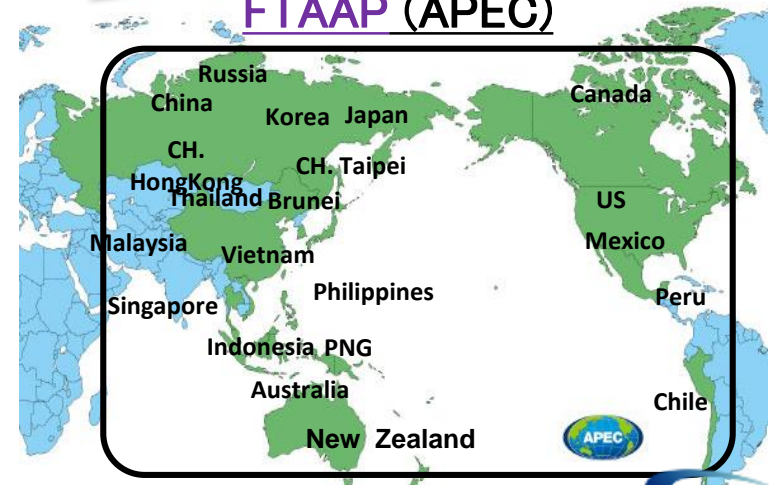
**ASEAN+1 FTA**



**China-Japan-Korea**



**FTAAP (APEC)**





### 3. RCEP and TPP: Conflicting or Complementary?

- Positions in FTAAP
- FTAAP: Long-term goal of regional economic integration in Asia-Pacific
- RCEP and TPP are both pathways to FTAAP
- APEC Leaders agreed in 2010 that TPP, ASEAN+3FTA, ASEAN+6FTA are three pathways to FTAAP. Since then ASEAN+3FTA and ASEAN+6FTA initiatives were merged to become RCEP

- Membership coverage
- RCEP: ASEAN (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam), China, Japan, Korea, India, Australia, New Zealand
- TPP: Singapore, Brunei, New Zealand, Chile, Vietnam, Malaysia, Australia, Japan, the US, Peru, Canada, Mexico
- APEC: TPP, Indonesia, Thailand, the Philippines, China, Korea, Hong Kong, Taipei, Russia, Papua New Guinea

- Objectives
- RCEP: To support and to contribute to economic integration, equitable economic development, and strengthening economic cooperation among the participating countries (Guiding Principles and Objectives)
- TPP: To establish a high standard, regional agreement that addresses new and emerging issues, incorporates new elements reflecting our values and priorities, and responds to the 21st century challenges our citizens face. (USTR website)

- Issue Coverage:
- RCEP: limited coverage: trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, other areas
- CJK FTA: broader coverage: trade in goods, trade in services, investment, trade remedies, rules of origin, customs procedures/trade facilitation, SPS, TBT, competition (experts' meeting: intellectual property, electronic commerce, government procurement, environment, food)

- TPP: comprehensive coverage (24 working groups) not only market access, services, investment, rules of origin, TBT, SPS, e-commerce, government procurement, competition, intellectual property, but also labor, environment, and cross-cutting “horizontal issues” such as regulatory coherence, competitiveness and business facilitation, development and Small and Medium Enterprises (SMEs)

- Level of trade and FDI liberalization:
- RCEP: Low/Medium
- TPP: high
- Mode of Agreement
- RCEP: Stepwise, gradual
- TPP: Single undertaking
- Developing and Least-developed countries
- RCEP: Flexibility, special and differential treatment
- TPP: Capacity building, staging of commitments

Tariff Concessions in ASEAN+1 FTAs (%)						
	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA	Average
Brunei	99.2	98.3	85.3	97.7	99.2	95.9
Cambodia	89.1	89.9	88.4	85.7	97.1	90
Indonesia	93.7	92.3	48.7	91.2	91.2	83.4
Lao PDR	91.9	97.6	80.1	86.9	90	89.3
Malaysia	97.4	93.4	79.8	94.1	95.5	92
Myanmar	88.1	94.5	76.6	85.2	92.2	87.3
Philippines	95.1	93	80.9	97.4	99	93.1
Singapore	100	100	100	100	100	100
Thailand	98.9	93.5	78.1	96.8	95.6	92.6
Vietnam	94.8	n.a.	79.5	94.4	89.4	89.5
Australia	100					
China		94.1				
Indonesia			78.8			
Japan				91.9		
Korea					90.5	
New Zealand	100					
Average	95.7	94.7	79.6	92.8	94.5	

Notes: HS2007 version, HS 6 digit base. Data for Vietnam for the ASEAN-China FTA are missing. Data for Myanmar for the ASEAN-China FTA are missing for HS01-HS08.

ACFTA: ASEAN-China FTA

AIFTA: ASEAN-India FTA

AJFTA: ASEAN-Japan FTA

AKFTA: ASEAN-Korea FTA

Figures indicate the proportion of tariff elimination in terms of tariff lines.

# 5. Concluding Remarks

- RCEP and TPP are quite different in their characteristics. RCEP and TPP coexist and they can be complementary. They do not get merged.
- RCEP with an emphasis on economic cooperation may begin with shallow integration but gradually need to become deep. Eventual goal may be to establish an economic community a la ASEAN Economic Community



- TPP with an emphasis on liberalization and rule making. TPP may develop into FTAAP, which in turn may develop into WTO Mark II, or global economic rule.
- Both RCEP and TPP need to broaden membership by accepting new members (open accession)
- Developing countries may participate in RCEP first, and they join the TPP when they are ready to accept the high standard economic rules.(new stages approach)