

Talking points: Shankaran Nambiar

ASEAN is one of the most vibrant economies in the world. While growth in many parts of the world is stagnant or cooling, this is not the case with ASEAN. The region has a rising consuming class, opportunities in infrastructure are increasing, there is huge potential for participation in global production networks, and tremendous space for trade and investment.

The AEC is a significant step in the right direction because it allows ASEAN to harness its capabilities to take advantage of global trends and the emerging opportunities that they present. Two themes underlie the AEC: liberalisation and institutional reform. Liberalisation by itself is not sufficient; it has to be supported by the right rules and regulatory frameworks and these have to be developed so as to take advantage of a more liberal trade and investment environment.

Indeed, the RCEP and the TPP demand liberalisation and institutional reform. Both agreements are different in their structure and emphasis. RCEP is a necessary step towards achieving ASEAN centrality, centrality being conceived as creating a regional entity that can be an attractor of trade and investment, a hub for global production networks, and as a counter-weight to other regional groupings. Obviously, achieving the goals of AEC (as enshrined in the four pillars) is a pre-condition for constituting RCEP. But RCEP faces the additional challenge of securing the agreement of ASEAN's dialogue partners, too. Hopefully, RCEP will not have to submit to the lowest common denominator. While it may not want to set itself the standards that prevail for the TPP, or accept all the issues that are contained within the TPP, it would not be helpful for negotiations to slip to the lowest level permissible. It might make sense to adopt moderate standards but with the aim of progressively raising them.

There are three elements that can be expected to receive due attention within the RCEP: a) attention to SMEs, b) narrowing development gaps, and c) economic cooperation. While the gains from any agreement can be easily harvested by big corporations, the same is not the case for SMEs. Similarly, the varying levels of development in ASEAN cannot be ignored, and ASEAN, if it is to be effective, must, indeed, direct attention to this issue. RCEP can be expected to enhance trade and investment in the region, but beyond that it will also be an instrument for domestic regulatory reform. The RCEP can be expected to favour developmental goals and cooperation.

The TPP, when implemented, will have considerable impact on this part of the world. Those countries that are members of the TPP will derive benefits from trade and investment. But

this will disadvantage those non-TPP members in ASEAN and ASEAN's dialogue partners. This might encourage some of the countries in ASEAN to consider participating in the TPP at a later stage, with all that it entails. But there will be ASEAN member states who might not be equipped to join the TPP at this stage and who might not see it in their interests to do so for some more time to come.

Nevertheless, with the increasing growth and development in ASEAN there will be many infrastructure projects. China has planned an ambitious network of connectivity projects that will span the region. India, too, has initiated many projects that will improve connectivity in the region. The increasing energy demand in the region will also require better infrastructure and investment. This is where the AIIB will have a positive role to play. It will offer a range of opportunities that will add to what the IMF, World Bank and ADB are doing.