

Talking points: Shujiro Urata

New regional arrangements such as the TPP, RCEP, and AIIB are likely to contribute to deepening regional economic integration in East Asia, although the extent and the depth of their contributions differ among them,

TPP negotiations reached an agreement on October 5, 2015. It may take some time for the TPP to be enacted because of possible domestic political problems in some TPP member countries. The TPP is likely to have important impacts in East Asia, as it establishes a business friendly environment where free flow of goods, services, capital, and information is promoted with high level of trade and investment liberalization and a comprehensive and ambitious set of rules on economic activities. Specifically, as for trade in goods, almost 100 percent of tariff protection will be eliminated, while in services and investment foreign firms will be treated equally with domestic firms. These agreed measures will promote trade and investment among TPP member countries possibly at the cost of trade and investment for the non-TPP member countries. Non-members have an incentive to join the TPP, in order to avoid discriminatory and negative impacts. Indeed, there are several countries including Indonesia, Korea, and the Philippines that have indicated an intention to join the TPP.

RCEP is likely to take some time to be concluded and enacted, considering the progress in negotiations that has been made so far. Judging from the media reports, compared to the TPP, the RCEP is not going to be as high level in terms of liberalization or comprehensive and ambitious in terms of rules. RCEP members should try to make RCEP high quality in terms of liberalization and rules, in order for RCEP to have positive impacts on its members. One realistic and practical approach that RCEP members may take is to begin with relatively medium quality and to improve its quality over time, a la ASEAN way. One important element in RCEP, which is not given much priority in the TPP, is economic cooperation. Indeed, there are several members that can benefit significantly from economic cooperation to be extended by other RCEP members.

AIIB can play an important role in promoting economic integration in East Asia by increasing connectivity through infrastructure building. AIIB should cooperate with other international organizations including the ADB and the World Bank to build infrastructure, which would benefit the region as a whole, efficiently. The establishment of the AIIB has positive impacts on infrastructure building as it prompted other organizations such as the ADB and other countries including Japan to increase financial assistance for building infrastructure.