

# Revisiting the RCEP Agreement & APEC

By Kazumasa Kusaka

During the last two months of 2020, the Japan Economic Foundation (JEF) held two annual Asian forums, namely “The 7th China-Japan-Korea Cooperation Dialogue” conducted by the Korean East Asia Foundation on Nov. 25, and the ASEAN+6 “Asia-Pacific Forum 2020” coordinated with the New Zealand Institute of International Affairs on Dec. 3-4.

Recently we have focused on common domestic challenges such as structural economic reforms rather than regional frameworks. We believe that international agreements are easier to negotiate and agree, but the more difficult job is to sell the agreements domestically to parliaments, the public and stakeholders. Therefore, we have come to focus more on how to overcome our own domestic difficulties.

However, this year, under the social and economic difficulties caused by the Covid-19 pandemic and against recent setback in globalization, we celebrated the birth of the Regional Comprehensive Economic Partnership (RCEP). In November 2020, after eight years of negotiation, the RCEP was signed, bringing together ASEAN and five of its partners, namely China, Japan, South Korea, Australia and New Zealand, with only India missing from the “ASEAN+6” group. The RCEP agreement is expected to improve market access and establish rules between various countries that are at different stages of development and with different systems across a wide range of fields, such as intellectual property and e-commerce, aiming to promote regional trade and investment and enhance the efficiency of regional supply chains.

But the difference in development stages is a key aspect. In Asia, de facto integration has proceeded with foreign direct investment and accompanying supply chains as the driver, while in Europe de jure institutional agreements to create a single market within the European Union initiated integration. East Asia is far more diversified than the EU in terms of per capita income, religious affiliations and political systems among countries in the region. Therefore, any attempt to explore “a community” has to be an effort to institutionalize de facto integration. This implies that the RCEP is not necessarily WTO-type trade liberalization, but a first step toward an East Asia Community. Meanwhile, the RCEP is not limited to a geographically-defined East Asia, as India in South Asia could become a key player. Also, of course, it is open to the United States as it was originally agreed that any country concluding an FTA with ASEAN would be entitled to participate in the negotiations.

As a mirror image, the Trans-Pacific Partnership (TPP) is open to China, the United Kingdom and others. The TPP aims at high-level liberalization and rule-making that matches the realities and

needs of the economy, as it were a sub-set of the GATT/WTO, considered to be a stepping stone for global trade liberalization. The TPP was originally drafted assuming China would be a shadow member. Therefore, it does have a substantive state-owned enterprise clause and intellectual property rules and principles of transparency, all of which are aimed at being applied to this future member. For our region, the RCEP and TPP are not mutually exclusive but complement each other. Chinese President Xi Jinping recently said China is open to joining the TPP.

Looking back over the last three decades, when global trade liberalization was stagnating it was APEC’s initiative that encouraged the EU to return to the Uruguay Round negotiations. When the WTO Seattle Ministerial Meeting collapsed, it was a series of bilateral FTA initiatives in Asia that revitalized efforts for global trade liberalization. Similarly, especially if India eventually signs on to the RCEP, it will again be Asian dynamism that prevents trade and investment from stagnating under anti-globalization sentiment and this Covid-19 pandemic.

The answer to the question of Asia-Pacific regional architecture lies in the spirit of APEC. Until APEC was conceived, ASEAN had been the only regional organization in Asia. Not to undermine ASEAN was a prerequisite, and equal partnership was from the beginning the core principle. The wisdom then, though implicit, was that big countries in the region should not dominate. And US participation as a regional player was also considered essential. The so-called three Chinas – the People’s Republic of China, Chinese Taipei and Chinese Hong Kong – joined only in the third APEC meeting in Seoul. But as Asia Pacific Initiative Chairman Yoichi Funabashi reported at the time from the inaugural 1989 Canberra APEC Ministerial Meeting, the presence of China was enormous even though it was not actually attending the meeting. This tells us that the East Asian region needs both the US and China as core members.

A second thing to note about APEC is that it has three pillars: trade and investment liberalization, trade facilitation, and economic and technical cooperation. This tells us that APEC is not a sub-set of the GATT/WTO for trade liberalization, but a community with diversified members. It aims for sustainable and inclusive growth, and more importantly “a better globalization” – which means that globalization should be good not only for a small portion of the population, but for society as a whole.

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