

# ASEAN and East Asia Integration: Role of RCEP

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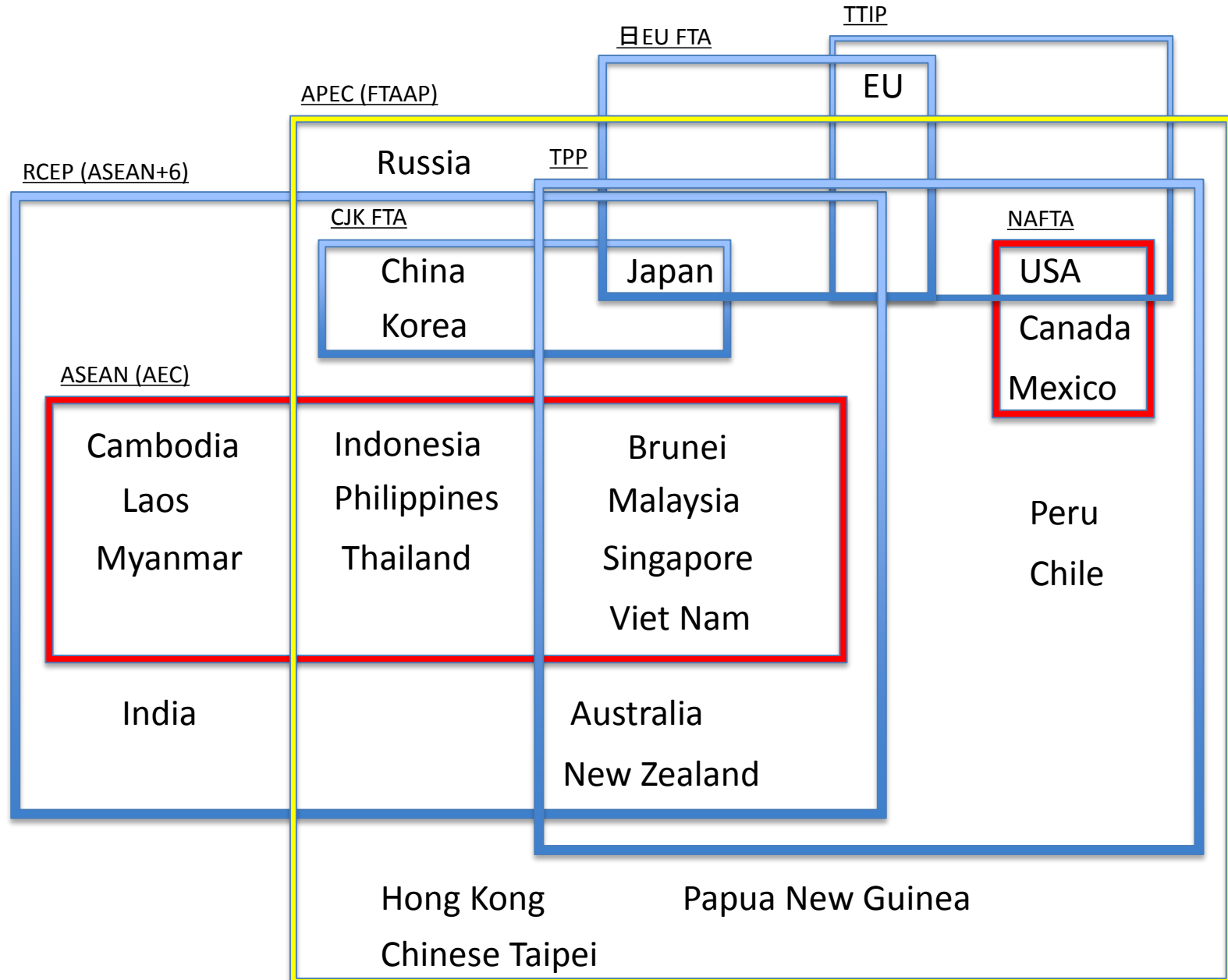
# 1. Why does ASEAN need RCEP?

- 1) Timing
- 2) Economic effects
- 3) ASEAN centrality

# 1) Timing

- Brexit and Mr. Trump
- Agenda for freer trade and investment valued much
- ASEAN should sell its development strategy for utilizing global values chains (GVCs).
- Be a major advocator for globalization in order to establish reputation.
- Mega-FTAs not dead.
  - TPP11, Japan-EU, ...

# Proposed mega-FTAs in East Asia and Asia-Pacific



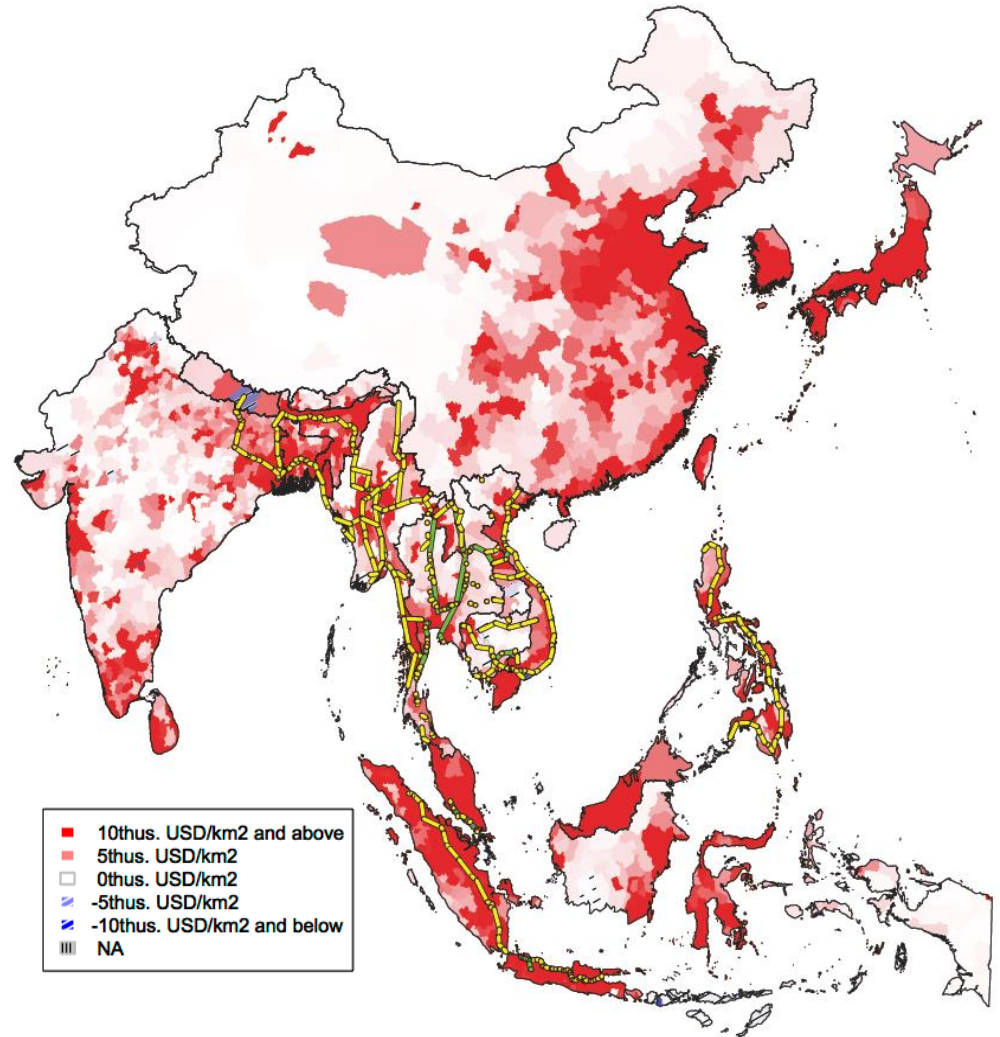
## 2) Economic effects

- Trade diversions is small, trade creation is large.
- Further liberalization in China and India will benefit ASEAN.
- Further rule making will benefit ASEAN.

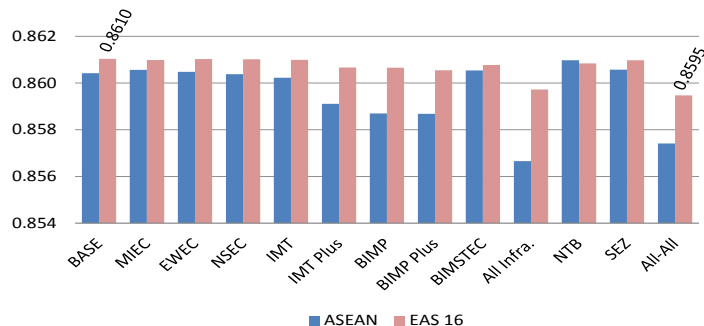
# Geographical simulation model (ERIA (2015))

- Economic impacts of All-All improvements (infrastructure development, NTB reduction, and SEZ development) will be huge
  - 80.87% in 2021-2030 over 2010 GDP, compared with Infra. only (42.08%).
- Regional disparity will be reduced.

Economic Impacts of All -All Improvements (2030, Impact Density)



Economic Impacts on GINI (2030)



Source: IDE/ERIA-GSM simulation result.

# Tariffs – Based on Final Preferential Tariff Rates

Elimination coverage by country under the ASEAN+ FTAs (**HS 6-digit Base**)

	ASEAN-Korea	ASEAN-China	ASEAN-ANZ	ASEAN-India	ASEAN-Japan	Average	(Excluding AIFTA)
<b>SGP</b>	100.0%	100.0%	100.0%	100.0%	100.0%	<b>100.0%</b>	<b>100.0%</b>
<b>BRN</b>	99.2%	98.3%	99.2%	85.3%	97.7%	<b>95.9%</b>	<b>98.6%</b>
<b>MLS</b>	95.5%	93.4%	97.4%	79.8%	94.1%	<b>92.0%</b>	<b>95.1%</b>
<b>THA</b>	95.6%	93.5%	98.9%	78.1%	96.8%	<b>92.6%</b>	<b>96.2%</b>
<b>IDN</b>	91.2%	92.3%	93.7%	48.7%	91.2%	<b>83.4%</b>	<b>92.1%</b>
<b>PHI</b>	99.0%	93.0%	95.1%	80.9%	97.4%	<b>93.1%</b>	<b>96.1%</b>
<b>VTN</b>	89.4%	na	94.8%	79.5%	94.4%	<b>89.5%</b>	<b>92.8%</b>
<b>CAM</b>	97.1%	89.9%	89.1%	88.4%	85.7%	<b>90.0%</b>	<b>90.4%</b>
<b>LAO</b>	90.0%	97.6%	91.9%	80.1%	86.9%	<b>89.3%</b>	<b>91.6%</b>
<b>MYA</b>	92.2%	94.5%	88.1%	76.6%	85.2%	<b>87.3%</b>	<b>90.0%</b>

<b>KOR</b>	90.5%				
<b>CHN</b>		94.1%			
<b>AUS</b>			100.0%		
<b>NZ</b>			100.0%		
<b>IND</b>				78.8%	
<b>JPN</b>					91.9%
<b>Average</b>	<b>94.5%</b>	<b>94.7%</b>	<b>95.7%</b>	<b>79.6%</b>	<b>92.8%</b>

Source: ERIA FTA Stocktaking Study Team

Note: Data on Myanmar under the ASEAN-China FTA is missing for HS01-HS08.

Source: Fukunaga and Kuno (2012).

Commonality of ROOs

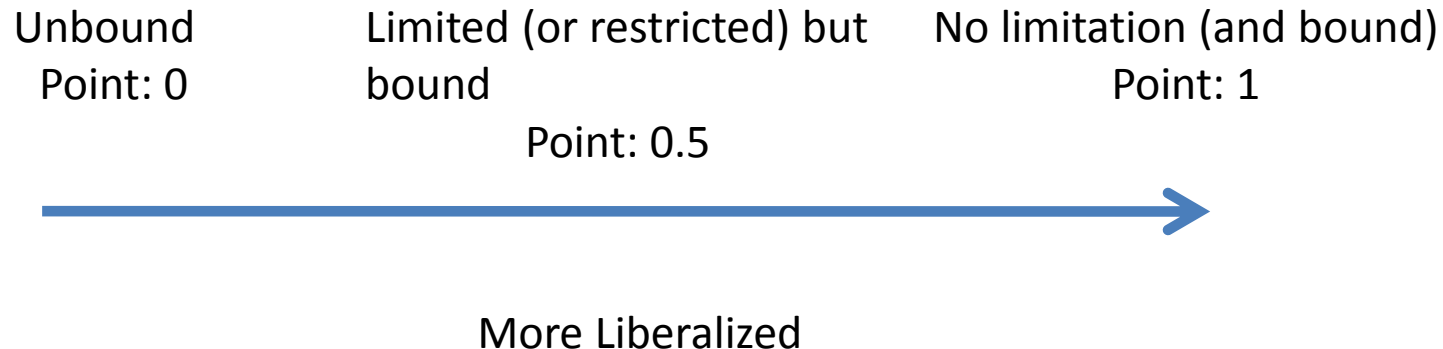


Source: ERIA FTA  
Stocktaking Study  
Team



# Services – Restrictiveness Index

- The service chapters of ASEAN+n adopt a GATS-style reporting
- In each service sector, the four modes times two aspects of liberalization i.e., market access (MA) and national treatment (NT), make eight “cells”, to each of which the existence of limitations is indicated.



Level of service liberalization (Hoekman Index, average of all service sectors)

	<b>AFAS(5)</b>	<b>AFAS(7)</b>	<b>AANZFTA</b>	<b>ACFTA</b>	<b>AKFTA</b>
Brunei	0.17	0.23	0.18	0.05	0.08
Cambodia	0.40	0.41	0.51	0.38	0.38
Indonesia	0.18	0.36	0.29	0.09	0.18
Laos	0.09	0.34	0.24	0.02	0.07
Malaysia	0.22	0.34	0.31	0.11	0.20
Myanmar	0.20	0.36	0.26	0.04	0.06
Philippines	0.22	0.33	0.26	0.11	0.17
Singapore	0.28	0.39	0.44	0.30	0.33
Thailand	0.30	0.50	0.36	0.25	NA
Vietnam	0.31	0.38	0.46	0.34	0.32
ASEAN Average	0.24	0.36	0.33	0.17	0.20
Australia			0.52		
New Zealand			0.51		
China				0.28	
Korea					0.31

Note: 1 = fully liberalized, 0 = unbound (government has not committed to liberalize)

Note: Specific Commitment Basis and some Horizontal Commitments

Source: Ishido and Fukunaga (2012).

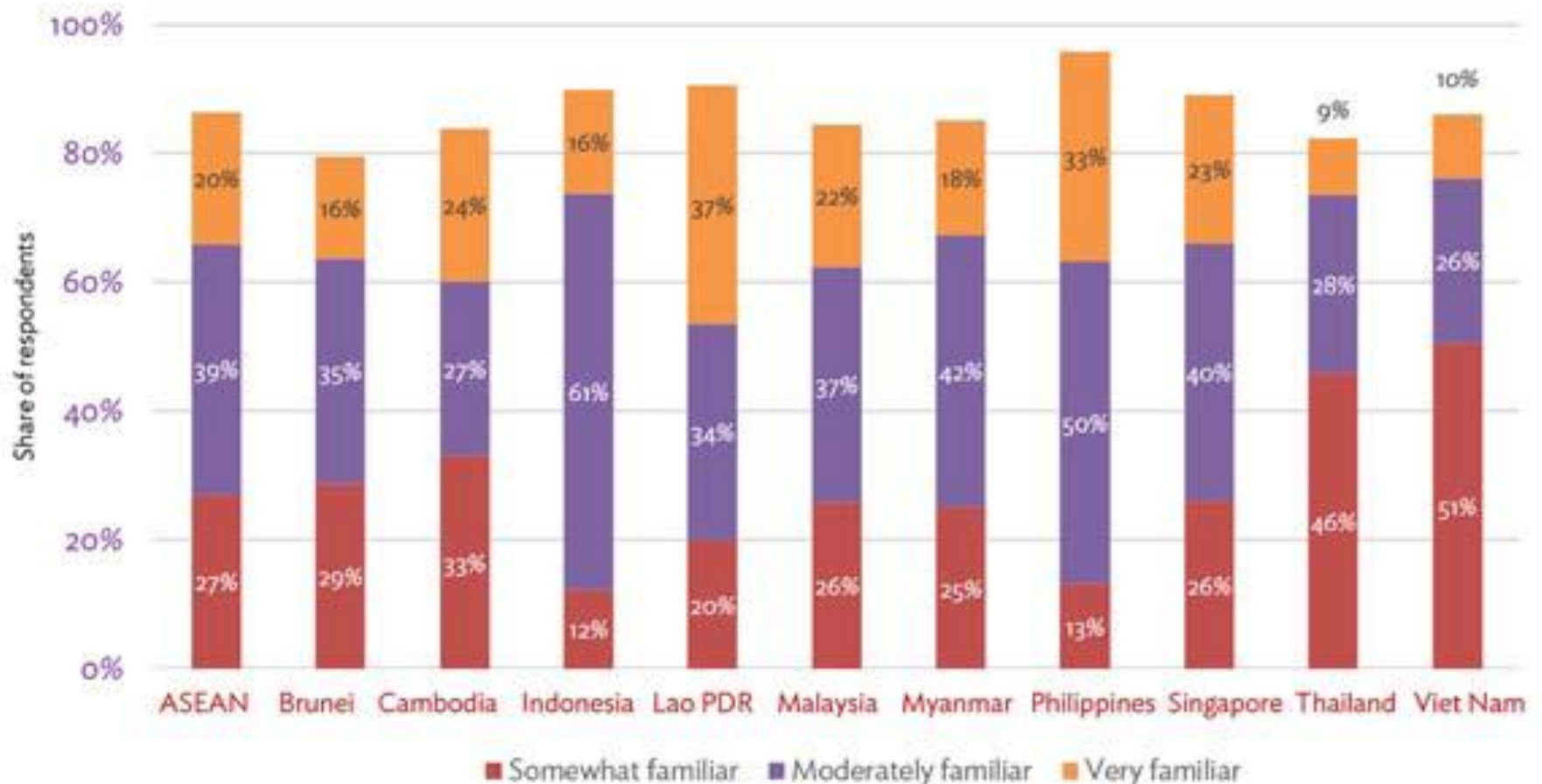
### 3) ASEAN centrality

- Smart move to utilize outsiders well.
- No cost for leading negotiations but a lot of potential benefits.
- Set AEC as a benchmark.

## 2. So, what to do?

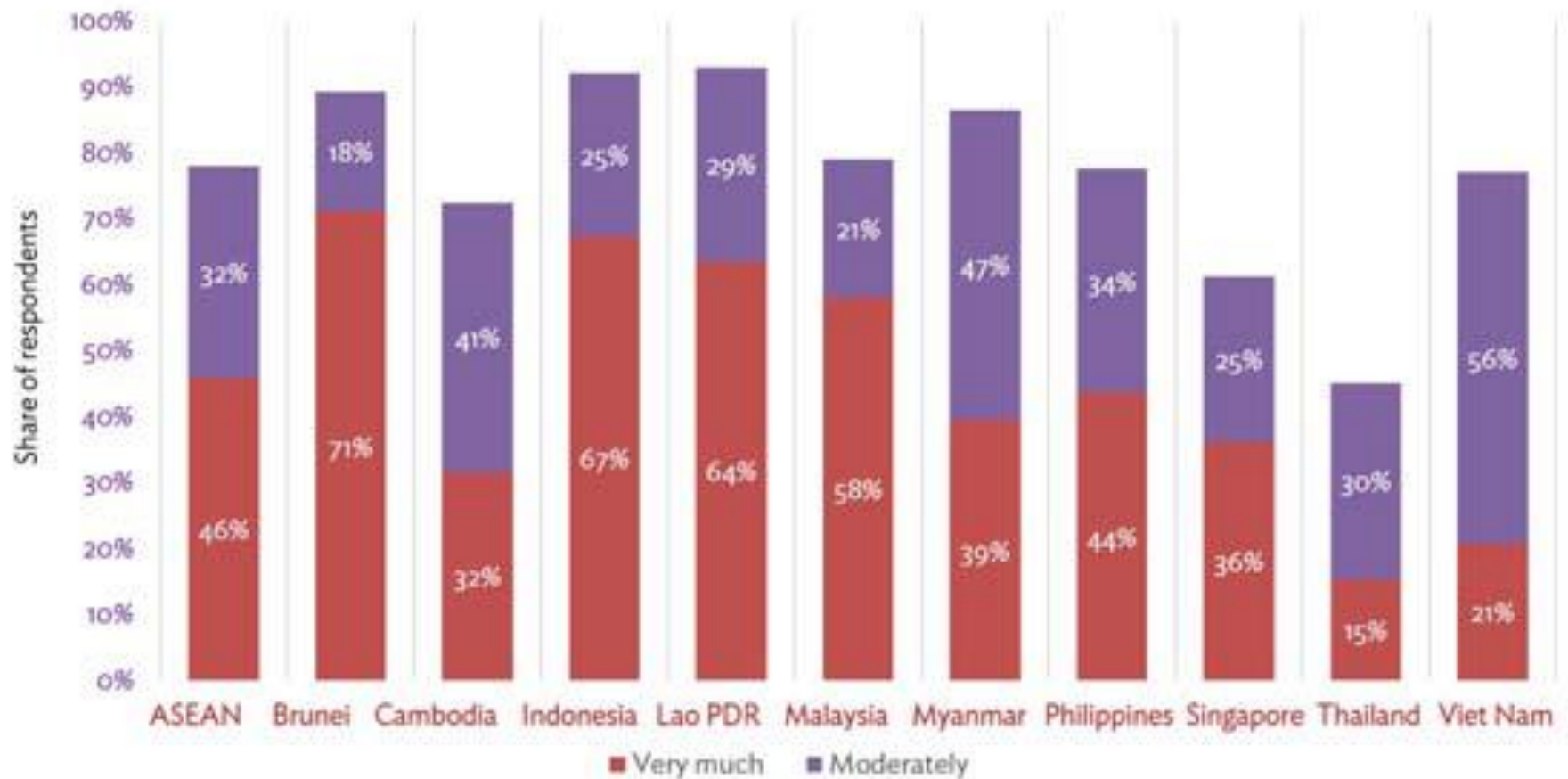
- ASEAN way
  - To overcome a tradeoff between the quality and the speed, set multiple stages.
    - Liberalization first.
    - Second, go to leftovers and international rules
- Should be proud of ASEAN integration.
  - New model: integration + development agenda
  - Set ASEAN as a benchmark for RCEP
- Fireworks for ASEAN to cheer up ASEAN people.

## Awareness of ASEAN



Source: Intal and Ruddy (2017) .

## Feeling of Being an ASEAN Citizen



Source: Intal and Ruddy (2017) .

# References

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