

ASEAN and East Asia Integration: The Role of RCEP

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RCEP: Progress to Date

- Launched in November 2012; negotiations began in May 2013
- 19th round of negotiations held in July 2017 in Hyderabad, India
- Out of RCEP's 20 chapters, only two have been concluded (on small and medium-sized enterprises and on economic and technical cooperation)
- Next round will be held in October 2017 in Songdo, Incheon, Korea

**Once concluded,
RCEP will become
one of the
biggest FTAs
globally**



RCEP Countries in 2015	In billions	% of World
Population	3.5	48%
GDP (current prices)	\$22,815.1	31%
Merchandise exports	\$5,084.9	31%
FDI net inflows	\$467.3	22%

Sources: WB World Development Indicators and UNCTADStat FDI Databases. Data downloaded 23 March 2017

Potential Role of RCEP in Enhancing Integration

- ASEAN+3 has the highest level of subregional integration in Asia. RCEP can help boost this further if it lays the groundwork for “deep” instead of shallow integration.
- RCEP can also help foster greater integration among ASEAN, East Asia, and South Asia, initially through India’s membership.
- Trade and investment flows between ASEAN+3 and India remain small, but have been growing.
- India has several FTAs with ASEAN+3 that are already in effect or under negotiation.

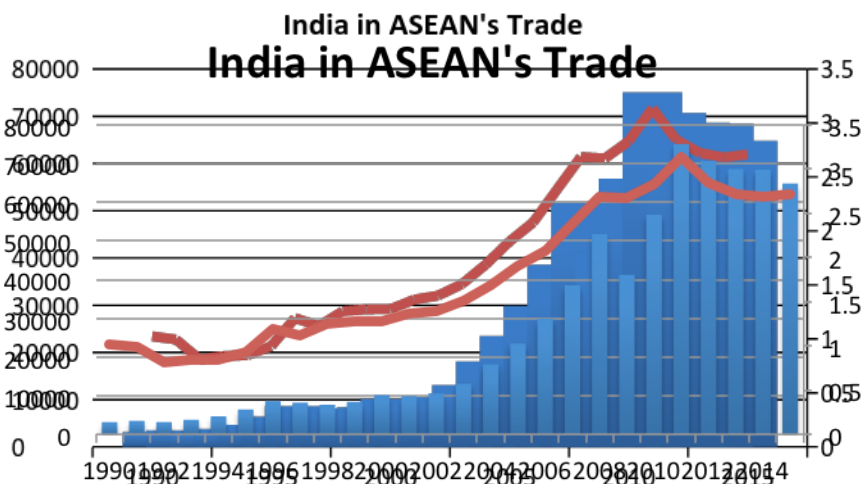
ASEAN and East Asia Integration

Subregional integration is highest in ASEAN+3 (including Hong Kong, China). Others have stronger linkages across subregions.

	Movement in Trade and Investment		Movement in Capital				People Movement							
	Trade (%)	FDI (%)	Equity Holdings (%)	Bond Holdings (%)	Migration (%)	Tourism (%)	Remittances (%)							
	2015	2015	2015	2015	2015	2014	2015							
Within Subregions														
ASEAN+3 (including HKG) ¹	47.1	▲	48.4	▼	14.6	▼	12.1	▼	40.0	▲	72.2	▼	33.7	▲
Central Asia	8.9	▲	3.8	▲	0.0	▼	-		9.3	▼	36.3	▼	7.2	▲
East Asia	36.8	▲	47.1	▼	11.7	▼	8.3	▼	34.6	▼	60.5	▼	35.5	▼
South Asia	5.5	▲	0.6	▼	0.9	▲	2.1	▲	26.2	▼	12.2	▲	15.2	▲
Southeast Asia	23.7	▼	17.6	▼	7.2	▼	8.9	▼	34.1	▲	68.2	▼	14.7	▲
The Pacific and Oceania	6.7	▼	17.7	▲	5.3	▲	1.0	▼	56.3	▲	19.7	▲	30.4	▼
Across Subregions														
ASEAN+3 (including HKG) ¹	10.7	—	4.3	▲	3.8	▼	6.5	▼	8.8	▲	5.5	▲	6.9	▲
Central Asia	28.6	▲	21.3	▲	11.6	▼	14.6	▲	0.8	▲	3.0	▲	0.7	▲
East Asia	18.5	▲	5.9	▼	2.8	▼	7.3	▼	14.3	▲	13.7	▼	15.3	▲
South Asia	32.2	▲	38.3	▲	22.7	▲	10.6	▼	5.8	▲	32.7	▼	5.4	▼
Southeast Asia	45.8	▲	35.3	▲	36.6	▲	25.3	▲	14.6	▼	23.2	▲	13.5	▼
The Pacific and Oceania	61.3	▼	77.2	▲	11.3	▼	7.8	▲	5.4	▼	39.6	▲	13.1	▲

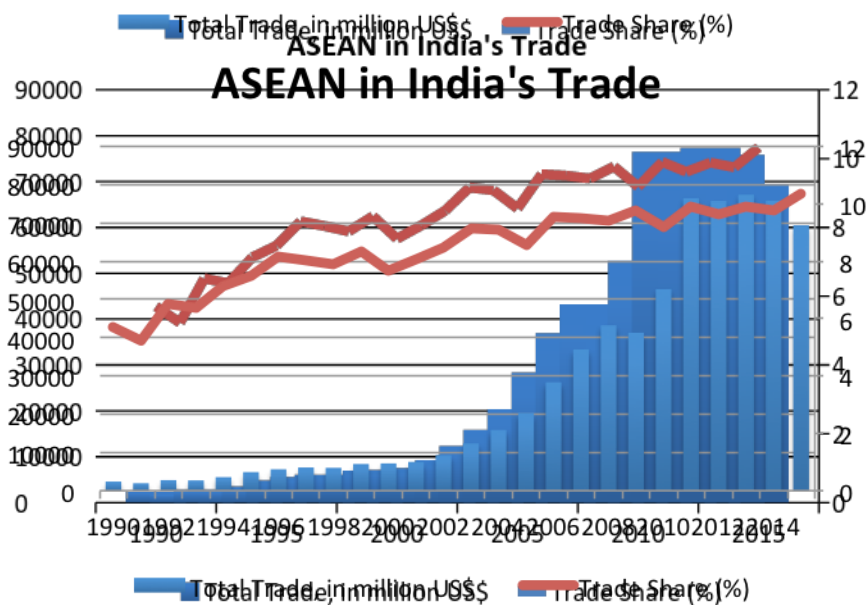
Source: ADB Asian Economic Integration Report 2016

India–ASEAN FTAs



FTAs in effect:

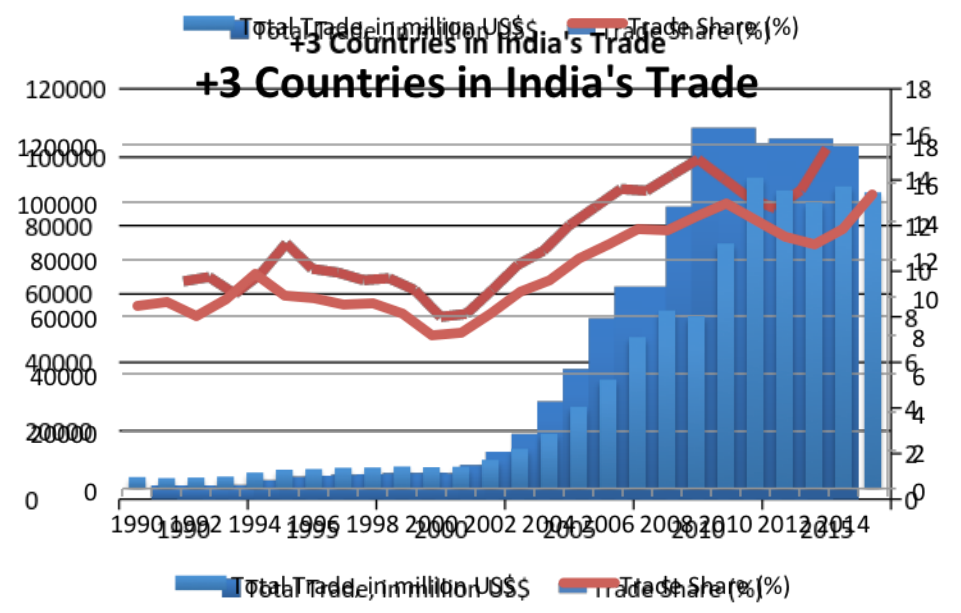
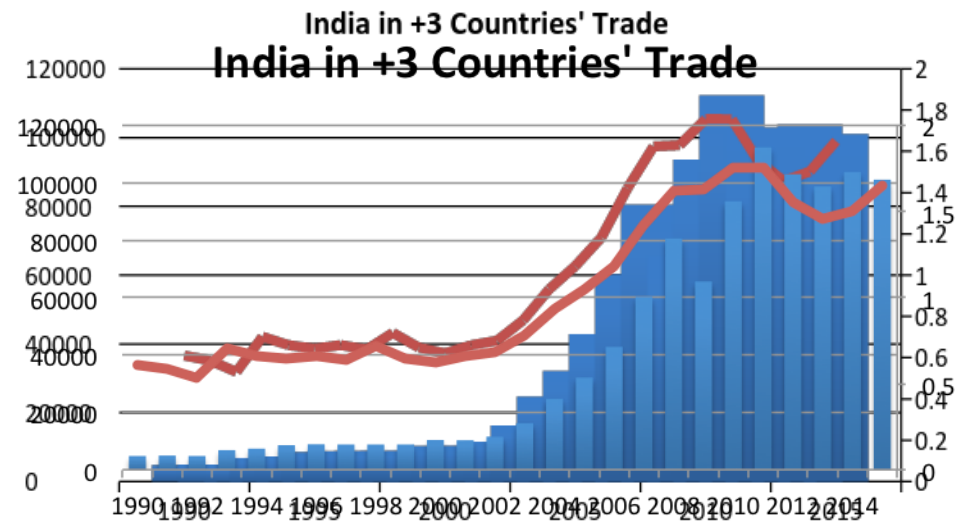
- i. ASEAN–India Comprehensive Economic Partnership Agreement (all ASEAN countries)
- ii. Asia Pacific Trade Agreement (Lao PDR)
- iii. FTA with Malaysia
- iv. FTA with Singapore



FTAs under negotiation:

- i. Regional Comprehensive Economic Partnership (ASEAN+6)
- ii. BIMSTEC Free Trade Area (Myanmar and Thailand)
- iii. FTA with Indonesia
- iv. FTA with Thailand

India-Plus Three FTAs



- FTAs in effect:**
- i. Asia Pacific Trade Agreement (PRC, Republic of Korea)
 - ii. India-Republic of Korea CEPA
 - iii. Japan-India CEPA
- FTAs under negotiation:**
- i. RCEP

Pathways to Further Integration

- Forthcoming volume entitled “Integrating South and East Asia: Economics of Regional Cooperation and Development” examines domestic and regional policy options for increasing trade and investment between South and East Asia (including ASEAN).
- Volume highlights opportunities for (i) increasing India’s presence in regional production networks; and (ii) increasing services trade between the two subregions.

Pathways to Further Integration

- Reveals steady growth in India's integration with global production networks in manufacturing.
- Confirms India's strong presence in services value chains.
- Notes a potential for India's greater integration in manufacturing and services value chains, but several gaps remain:
 - Low levels of export oriented FDI and local value addition
 - Domestic barriers: transport infrastructure and logistics, availability of credit, land, and electric power, labour laws, taxation
 - Regulatory barriers and procedural delays

Role of RCEP provisions (1)

- **To support GVC trade:**

- i. Simplify and harmonize rules of origin (ROOs) (e.g., coequal treatment allowing firms to choose the less restrictive ROO)
- ii. Provide WTO+ liberal provisions on services trade commitments
- iii. Allow greater ease of movement of capital, skilled labor and business service providers
- iv. Enable comprehensive coverage of tariffs and non tariff issues

minimum

*optimal
“deep
integration”*

Role of RCEP provisions (2)

- **To promote FDI:**
 - i. Provide for core protections against nationality-based discrimination toward investors and uncompensated expropriations, and treatment of investments and investors based on the obligation to provide fair and equitable treatment and full protection and security
 - ii. Provide for investor state dispute settlement (ISDS) through arbitration on investment decisions

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