THE LONG-AWAITED REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP: SIGNIFICANCE AND CHALLENGES

KONG Tuan Yuen & Sarah Y TONG

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Executive Summary

1. In the face of growing economic challenges in 2019, economies in the Asia-Pacific region were hoping for a swift conclusion of the long-anticipated Regional Comprehensive Economic Partnership (RCEP). After seven years of negotiations, 15 of the 16 member countries (excluding India) concluded text-based negotiations in 2019.

2. A successful RCEP will be a much needed boost to growth and prosperity in the Asia-Pacific region, particularly for participating members. In the past decade, most RCEP members have been actively signing various preferential trade agreements with their trading partners, within and beyond the RCEP group, for a place in their increasingly expanding and intensifying production networks and supply chain.

3. While ASEAN countries focused more on tariff of industrial goods, broader policy areas are incorporated by Northeast Asian countries. In comparison, Australia and New Zealand are more concerned with intellectual property rights issues and India is keen on avoiding anti-dumping issues in its trade deals.

4. India opted out of RCEP negotiations as it is concerned with its trade deficit with other RCEP members which could negatively impact its domestic sectors, particularly the farmers and small enterprises. While these may seem understandable, it could also be an opportunity lost for India due to its long-standing hesitance to economic opening and liberalisation.

5. Views from the 15-member RCEP differ. While ASEAN states, China and South Korea indicated their strong support, Japan, Australia and New Zealand have shown signs of hesitation, particularly with India's withdrawal. For some, such as New Zealand, RCEP has limited additional value without India.

6. The on-going US-China trade conflict may increase uncertainties for the RCEP. If the conflict prolongs or further deteriorates, dimming global economic prospects, regional trade deals will be more pressing. Meanwhile, the dynamics of

Comprehensive and Progressive Agreement for Trans-Pacific Partnership development may distract efforts in the promotion of RCEP negotiation as some RCEP participants are members of both.

7. Uncertainties from other areas may also emerge. Conflict of interest among countries in the South China Sea is an example, as Vietnam is both a claimant state and ASEAN chair for 2020. The on-going COVID-19 outbreak that has spread to Southeast Asia on the other hand may pressure countries to work more closely to combat common difficulties and accelerate trade talks.