

COMMENT ON “ASIA’S REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP” (RCEP)¹

Unless you are a regular reader of *East Asia Forum*, published by the [East Asian Bureau of Economic Research](#), or a frequent follower of the announcements from the [Asian Development Bank Institute](#) (ADB), you are likely to be confused by the growing number of free trade agreements (FTAs) and comprehensive economic partnerships (CEPs) in the greater East Asian region. You may also wonder about the difference between FTA and CEP, and perhaps more urgently you may be concerned about when this apparent proliferation of agreements pertaining to regional trade and economic partnerships began, not to mention where they are likely to lead. This comment is designed to alleviate some of these sources of confusion and also to point you in the direction of more complete accounts and analyses of the agreements if you are interested in knowing more.

It began with ASEAN (Association of Southeast Asia Nation) that was established on 8 August 1967, when the ASEAN Declaration (also known as the Bangkok Declaration) was signed.² The original membership consisted of Indonesia, Malaysia, the Philippines, Singapore and Thailand (ASEAN-5). To this, Brunei Darussalam was added in 1967 and Viet Nam in 1995 (ASEAN-7). Subsequently both Laos and Myanmar joined in 1997, with Cambodia acceding in 1999 (ASEAN-10).

The accumulation of names has not ended there, however, despite ASEAN-10 being the main core of the Southeast Asian grouping of nations:

ASEAN Candidate States: Papua New Guinea and Timor-Leste.

ASEAN-Plus-Three: China, Japan and South Korea.

East Asia Summit: ASEAN-Plus-Three and Australia, India, New Zealand, Russian Federation and the United States.

ASEAN Regional Forum (ARF): East Asia Summit plus Bangladesh, Canada, Mongolia, North Korea and Pakistan. This was established as an informal multilateral dialogue with 27 members that seeks to deal with security issues in the Asia-Pacific region.³

¹ Sanchita Basu Das, “Asia’s Regional Comprehensive Economic Partnership”, *East Asia Forum*, 27 August 2012. Available at: <http://www.eastasiaforum.org/2012/08/27/asias-regional-comprehensive-economic-partnership/>

² The Association of Southeast Asia (ASA), established in 1961, was the forerunner to ASEAN but lacked a formal structure and has generally been replaced in search engines with the newer acronym associated with an expanded membership from three (the Philippines, Malaysia and Thailand) to the 10 listed above in the text.

³ Australia’s involvement in ARF is stated in <http://www.dfat.gov.au/arf/index.html>.

Other regional acronyms include the following:⁴

ACCORD is the *ASEAN-China Cooperative Operations in Response to dangerous drugs*.

ACD is Thailand's initiative as an *Asia Cooperation Dialogue*. It consists of 30 countries from East to West Asia and is the first forum that aims to eventually encompass all countries in Asia: Founding members: Bahrain, Bangladesh, Brunei Darussalam, Cambodia, China, India, Indonesia Myanmar, Pakistan, the Philippines, Qatar, Singapore, Thailand and Vietnam. Members added in 2003: Kazakhstan, Kuwait, Oman, and Sri Lanka. Members added in 2004: Bhutan, Iran, Mongolia and UAE. Members added in 2005: Russian Federation and Saudi Arabia. Members added in 2006: Tajikistan and Uzbekistan.

AMBCD is ASEAN's initiative on *ASEAN-Mekong Basin Development Cooperation*, which has been focusing on the Singapore-Kunming Rail Link. At the present time, it consists only of ASEAN members plus China.

EALAF is *East Asia-Latin America Forum* that consists of ASEAN-Plus-3 and 17 countries in Latin America for in economic cooperation consultations. The Latin American members are (in order of GDP in nominal prices in 2010): Brazil, Mexico, Argentina, Columbia, Venezuela, Peru, Chile, Cuba, Ecuador, Dominican Republic, Guatemala, Costa Rica, Uruguay, Bolivia, Panama, El Salvador, Paraguay and Nicaragua.⁵

GMS is the *Greater Mekong Sub-region* that was organised by the Asian Development Bank (ADB) to include Cambodia, Laos, Myanmar, Thailand and Viet Nam.

IDEA is *Japan's Initiative for Development in East Asia* and is administered through Japan's Ministry of Foreign Affairs (<http://www.mofa.go.jp/region/asia-paci/idea0208-4.htm>).

MRC is the *Mekong River Commission* and is based in Phnom Penh. It consists of Cambodia, Laos, Thailand and Viet Nam, with China and Myanmar listed as possible future members.

Trade and Economic Cooperation Agreements

The principal trade agreement within ASEAN is the *ASEAN Free Trade Agreement (AFTA)* – 1993. The ultimate goal is the free flow of goods within ASEAN as the association achieves an ASEAN Economic Community in 2015. The establishment of this agreement was influenced by the corresponding developments within the European Union and the North American Free Trade Agreement. These regional developments signalled a possible alternative to global trade liberalisation under the World Trade Organisation (WTO) but it

⁴ These are taken from: <http://www.aseansec.org/termsak/table2.htm>.

⁵ For recent information, refer to http://www.eclac.org/publicaciones/xml/7/44307/Forum_East_Asia_Latin_America_Cooperation_trade_investment_2011.pdf.

also hinted that an eventual extension of regional trade agreements (RTAs) to include more and more trading nations might eventually result in a global liberalisation of trade and in an extended framework for economic cooperation.

Trade agreements between ASEAN as a group and other trading nations include the following:⁶

ASEAN-China Free Trade Agreement (ACFTA) – 2005

ASEAN-Korea Free Trade Agreement (AKFTA) – 2007

ASEAN-Japan Comprehensive Economic Partnership (AJCEP) – 2008

ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) – 2010

ASEAN-India Free Trade Agreement (AIFTA) – 2010

Details relating to the coverage of these agreements are available from the International Institute for Asia-Pacific Studies at Bangkok University

(<http://www.insaps.org/page.php?id=MzA0>).

The term “comprehensive economic partnership” is used to convey an agreement that includes not only liberalisation of merchandise trade, but also includes investment and other trade-related services as well as intellectual property rights, standards, competition policy, procurement, labour mobility, and various forms of economic cooperation. The last of these may go beyond traditional forms of economic cooperation to include infrastructure, human resource development, capacity building, technical assistance, and sub-regional development. “Comprehensive economic partnership agreements cover areas not yet covered or covered inadequately by [the World Trade Organisation] WTO, and are thus commonly known as WTO plus.”⁷

Other strategic partnerships for ASEAN include the following:

ASEAN-US Trade and Investment Framework Agreement

ASEAN-EU Work Program on Trade and Investment

ASEAN-Canada Joint Declaration on Trade and Investment

ASEAN-GCC 2-Year Action Plan on Trade and Investment.⁸

⁶ Haridass Nagalingam, “Benefits and Costs of Region-Wide FTAs: The ASEAN Experience”, conference presentation at the Asian Development Bank on Networks and Trade Policy in Turbulent Times, 26 June 2012. Document is available at:

<http://www.adbi.org/files/2012.05.17.cpp.day2.2.nagalingam.benefits.costs.fta.asean.pdf>.

⁷ Yunling Zhang and Ninghui Shen, “The Status of East Asian Free Trade Agreements”, *ADBI Working Paper Series No 282*, May 2011, p. 9. Available at:

<http://www.adbi.org/files/2011.05.17.wp282.status.east.asian.free.trade.agreements.pdf>.

⁸ Refers to an agreement with the Gulf Cooperation Council. Additional detail is available at:

<http://www.aseansec.org/documents/ASEAN-GCC%20Two-Year%20Action%20Plan%20as%20of%201%20June%202010.pdf>.

The set of trade agreements undertaken by ASEAN are sometimes lumped together and referred to as the East Asia Free Trade Agreement (EAFTA) with China, South Korea, Japan, Australia, New Zealand and India cited as ASEAN's FTA partners. While the partnership implications are straightforward, the wider definition East Asia becomes somewhat perplexing since East Asia is traditionally associated with China, Japan, North Korea, South Korea and Mongolia, together with Taipei, China and the special administrative regions of Hong Kong and Macau -- or what some people refer to as "Northeast Asia". The article by Sanchita Basu Das, to which this comment is directed, refers to EAFTA in the manner just described. This is not a serious departure from the more commonly used expression, since it is clear from Das' text that ASEAN is the centre of the agreement being described. It nevertheless indicates that the proliferation of agreements is not as great as might otherwise be assessed since different analysts and commentators may choose different names and different acronyms.

To discuss the more substantive issues that Das brings out in the article, there are two points that deserve special comment. First, it seems clear, as Das notes, that increased attention within ASEAN is likely to be given to negotiations relating to non-tariff barriers to trade, as described above in the context of comprehensive economic partnerships (CEPs). Experience with the European Union, as well as ASEAN, suggests that these negotiations tend to be more protracted than those associated with tariff reduction for imported merchandise so that early efforts to achieve a desired result might hopefully become a "template" for subsequent negotiations.

Second, it also seems clear that ASEAN members like the idea of a "hub-and-spoke" procedure that results in an agreement among its members to be used as a bargaining wedge for a series of ASEAN-Plus-1 agreements. These, in turn, are used as a secondary "template" for bilateral trade agreements between ASEAN member-states and the individual "plus country". This helps to offset the reduced bargaining power that individual member-states would otherwise experience in negotiations with a much larger trading nation. It also simplifies the efforts of the ASEAN Secretariat to ensure that the resulting bilateral agreements are consistent with the main ASEAN free trade agreement.

Apart from a brief elaboration on these two issues, the Das paper is useful in providing links for more detailed analyses. Several of these are cited in this comment, but one additional publication deserves added attention. Masahiro Kawai and Ganeshan Wignaraja edited a volume⁹ that partly fills an important gap, namely, answering the question about the extent to which the proliferation of trade agreements in the ASEAN region is being accepted by exporters, importers and consumers. Each initiating nation, or group of nations, will continue to be motivated by the desire to maximise their own benefit from trade

⁹ Masahiro Kawai and Ganeshan Wignaraja, eds, *Asia's Free Trade Agreements: How Is Business Responding*, joint publication by the Asian Development Bank and the Asian Development Bank Institute, 2011. Available at: <http://www.adbi.org/files/2011.01.31.book.asia.free.trade.agreements.pdf>.

agreements, and similarly to minimise the associated costs. Various procedures will therefore be used to gain a benefit-cost advantage. Such a competitive spirit is to be applauded, but it can be evaluated by focusing not on the chosen procedures, which has received the greatest amount of comment, but on their results.

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