

AJISS-Commentary

The Association of Japanese Institutes of Strategic Studies

NPI

Nakasone Yasuhiro
Peace Institute

JIIA

The Japan Institute of
International Affairs

RIPS

Research Institute for
Peace and Security

Editorial Advisory Board:

Akio Watanabe (Chair)
Masashi Nishihara
Kenichiro Sasae
Taizo Yakushiji

Editorial Committee:

Taizo Yakushiji
Tutomu Kikuchi
Tsuyoshi Sunohara
Shujiro Urata and
Koichi Ai

Editor & Online Publisher:

Kenichiro Sasae
President, JIIA

No. 262

29 August 2018

THE ROLES OF JAPAN AND ASEAN IN CONCLUDING RCEP NEGOTIATIONS ACHIEVING AN EAST ASIAN MEGA-FTA IN THE MIDST OF GROWING PROTECTIONISM

Kazushi Shimizu

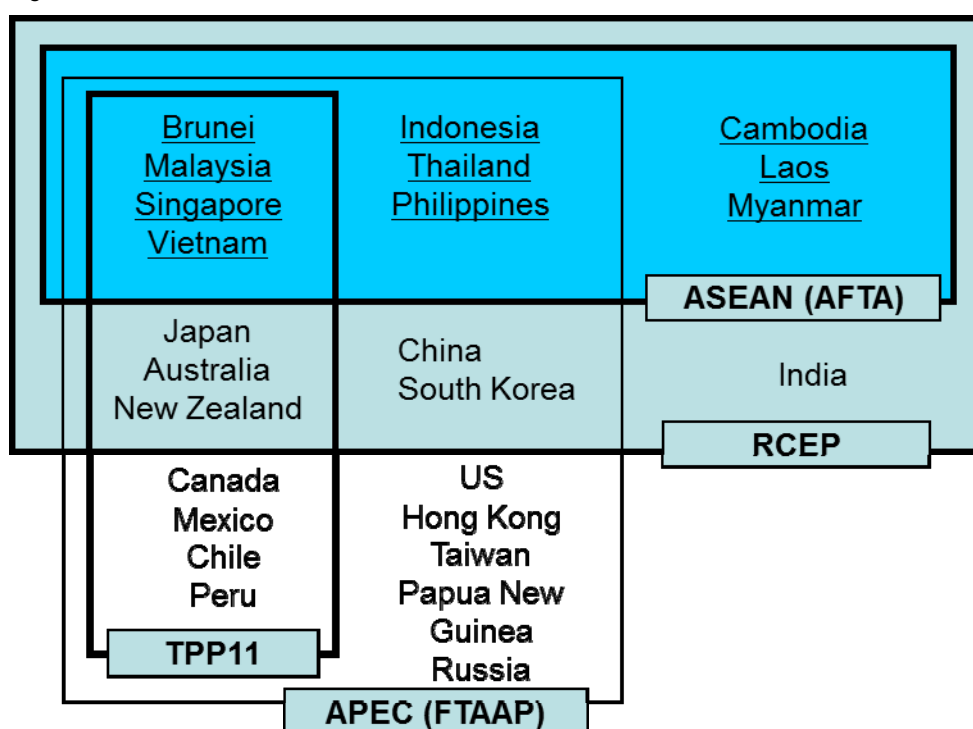
- RCEP is a mega-FTA for the global growth center that is East Asia, and reaching an agreement on RCEP will serve as a major positive for East Asia and the global economy.
- RCEP, together with the TPP11 and the Japan-EU EPA, will help constrain the current worldwide wave of protectionism. Japan is pursuing TPP11 and the Japan-EU EPA to combat this protectionism.
- ASEAN is playing the leading role in RCEP. Japan should cooperate with ASEAN and push for RCEP to be concluded before the year is out.

The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.

On July 1, the Fifth Regional Comprehensive Economic Partnership (RCEP) Intersessional Ministers' Meeting was held in Tokyo, the first RCEP ministerial meeting held outside ASEAN. Japan and Singapore, serving as joint chairs, announced that the negotiations would be accelerated in order to reach an agreement by the end of the year.

RCEP, a mega-FTA for the global growth center that is East Asia, is currently under negotiation. Sixteen countries are participating in the negotiations: ASEAN's ten member states, Japan, China, South Korea, Australia, New Zealand and India. These countries together account for nearly half the world's population (approximately 3.4 billion people) and around 30% of the world's GDP and total trade (approximately \$20 trillion and \$10 trillion, respectively). If realized, RCEP will have a significantly positive impact on East Asia and on the global economy.

Figure 1: ASEAN, RCEP and TPP11



Source: Prepared by the author.

Note: The names of free trade agreements (including initiatives) are shown in parentheses. AFTA is the ASEAN Free Trade Agreement. The TPP11 is officially known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). FTAAP is the Free Trade Area of the Asia-Pacific.

RCEP was first proposed in 2011 by ASEAN, which has since led the negotiations. ASEAN has been a driving force for East Asian economic integration, forming the ASEAN Economic Community (AEC) in 2015. Following the initial proposal for RCEP in November 2011, the first RCEP negotiations were conducted in May 2013. The signing of the TPP in February 2016 has provided a tailwind for RCEP negotiations.

RCEP's "purpose" is to serve as a modern, comprehensive, high-quality and mutually beneficial agreement for economic collaboration among the sixteen countries involved. Market access, rules, and cooperation constitute RCEP's three main pillars, and the negotiations broadly cover 18 topics.

First among the benefits of RCEP is that its realization will encourage trade and investment in goods and services across East Asia, contributing to further economic development of the region as a whole. The countries of East Asia have developed quickly within a context of rapidly growing exports and investment since the latter half of the 1980s. Second is that it will contribute to the creation of rules for trade; with rules being formulated for new areas such as intellectual property and e-commerce transactions. Third is that it will facilitate the establishment of production networks and supply chains in East Asia, whose rapid growth has been supported by the international division of labor among manufacturers in different countries.

The circumstances surrounding RCEP changed greatly, however, with the inauguration of President Trump in January 2017 and the US' withdrawal from the TPP. The TPP had given momentum to the RCEP negotiations, but the US' withdrawal from the TPP made it difficult for the TPP to help drive the RCEP negotiations forward. While efforts were made to wrap up the RCEP negotiations before the end of 2017, the divides between countries on liberalization, market access and rules proved too wide to bridge, and no agreement was reached.


The protectionism and trade frictions triggered by the US have shaken the global economy. When the US raises tariffs, the retaliatory tariffs imposed by China and other countries only spread protectionism even further around the world. Greater protectionism will deal a major blow to East Asia, which managed to develop so quickly thanks to the expansion of trade and investment.

With the TPP negotiations derailed, Japan proposed the TPP11 in May 2017, and the TPP11 (CPTPP) was signed on March 8, 2018, giving impetus to the RCEP negotiations. Japan also pushed ahead in concluding a mega-FTA with the EU, which was signed on July 17, 2018. With protectionism seemingly on the rise, RCEP has functioned, together with the TPP11 and the Japan-EU EPA, to help keep global protectionism in check.

Among the difficulties confronting the RCEP negotiations is the sheer diversity of the countries taking part, one reason that no settlement has yet been reached. The participants' stances on trade in goods, for example, range from Australia's and New Zealand's backing of a high level of liberalization to India's extremely negative attitude on the issue. There are also many disagreements over rules governing such areas as intellectual property rights and e-commerce. Bringing these negotiations to a successful end will require several countries to accept transitional measures for liberalization and rule formulation, and will necessitate greater support for capacity-building.

ASEAN has been a key part of RCEP negotiations. It was ASEAN that proposed RCEP, and ASEAN that has taken the lead in RCEP negotiations. RCEP has an "ASEAN-centeredness" by virtue of the fact that 10 of the 16 participating countries belong to ASEAN. There is great significance in ASEAN leading the way to make RCEP a mega-FTA for East Asia, unlike such approaches as the Belt & Road Initiative being advanced by China. This year's ASEAN Chair is Singapore, which is enthusiastic about FTAs, and ASEAN has been focusing its efforts on wrapping up the RCEP negotiations. To conclude these negotiations, Japan will likely need to step up its capacity-building support to the CLMV countries and others to enable ASEAN to come together as a more coherent body.

Nevertheless, given the recent growth of protectionism, the parties involved should strive to ensure high quality in market access and rules and to conclude the RCEP negotiations as soon as possible. Japan is taking a stand against protectionism through three mega-FTAs – the TPP11, RCEP, and the Japan-EU EPA – and its role in that regard is a significant one. Pushing forward with RCEP negotiations and strengthening ties with ASEAN will be of great

economic, political and strategic significance. Japan should cooperate with ASEAN to bring about a successful conclusion to the RCEP negotiations. 

Kazushi Shimizu is a professor in the Faculty of Economics at Kyushu University.