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中国（深圳）综合开发研究院
China Development Institute

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STRATEGIC INSTITUTE FOR ASIA PACIFIC

PROCEEDINGS REPORT

CHINA-ASEAN THINK TANK WEBINAR

The RCEP Signing: Common Future and Shared Prosperity Towards Regional Cooperation

June 17, 2021 via Zoom

Key points

- RCEP ratification process has to be mindful of its direction the process differs from one country to another by taking account of the issues faced, the outlook, uncertainties, and the long-term effects post ratification.
- In addition to the removal of most tariffs, RCEP must also remove non-trade barriers and focus on the region's digital economy. This requires participating countries to establish regional cross-border e-commerce standards.
- To leverage upon opportunities presented by RCEP, governments need to facilitate better knowledge of RCEP to their populace through all possible means.
- Studies have shown that RCEP does not take away trade from non-RCEP countries, but can bring new trade into the region
- The simplification of Rules of Origin does not provide clear guidelines for countries to facilitate production networks and the global value chain. The coherence of regulatory frameworks and non-tariff barriers need to be addressed.
- BRI recognises that "one size does not fit all". Countries that are less developed in sectors that have been previously been given less attention can be prioritised by so that no country is left behind in this framework.
- Countries can select pilot areas to conduct high-quality experiences on economic cooperation using RCEP protocols and to obtain more data experiences in its implementation to eventually make these supply chains and value chains more successful.
- The drafting of RCEP and BRI did not account for a situation like COVID. Provisions for the movement of labour have been rendered infeasible by the pandemic.
- The framework of RCEP must go beyond trade by including vaccine security where successful countries such as China and Singapore can render assistance to countries in need.

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The following is a link to the video recording of the webinar from which most of the opinions found in this report is based upon:

https://www.youtube.com/watch?v=KNf0NyFFxb8

OPENING REMARKS

Prof. Fan Gang, President, China Development Institute

China ratified the Regional Comprehensive Economic Partnership (RCEP) in March 2021 with the Chinese government already meeting 87 percent of the 700 binding obligations. Plans have been made to meet all binding obligations by early 2022. The RCEP ratification process has to be mindful of its direction the process differs from one country to another. It must consider the issues countries face, their outlook, address uncertainties they may have with the pact, and consider its long-term effects post ratification. It is also crucial to determine ways to improve the agreement for the mutual benefit of all participating countries. RCEP is an important agenda for China and the region. With the world faced with crises and uncertainties, RCEP can offer solutions to countries in hope of overcoming these issues and a role in economic and social recovery.

Tan Sri Dr. Michael Yeoh, President, KSI Strategic Institute for Asia Pacific

In conjunction with the 30th anniversary of ASEAN-China Dialogue Relations, RCEP is a testament to regional cooperation, connectivity, and multilateralism. There is wide support among the Malaysian business community towards RCEP as it enhances trade and economic cooperation. According to a recent Brookings Institute report, RCEP could add USD209 billion annually to world incomes and USD500 billion to world trade by 2030. While RCEP has removed most of the tariffs, there is a need to remove non-trade barriers and focus on the digital economy given its importance to the region.

RCEP: BUILDING CLOSER REGIONAL COOPERATION

Dr. Zhao Jinping, Former Director-General of the Research Department of Foreign Economic Relations, Development Research Center of the State Council

The signing of the RCEP agreement is in line with the acceleration of regional economic development trends around the world. Despite the severe impact of the pandemic and sustained protectionism in trade, global free trade agreements (FTAs) are capable of maintaining a quick pace of growth, according to WTO. This is why China signed 37 new FTAs in 2020. Countries are attempting to stabilise their supply chains and value chain despite hindrance in global trade by seeking bilateral or multilateral partnerships to weather challenges and seek more development opportunities. As the world's largest trade agreement, the RCEP agreement not only has regional implications on the economy but will also play an active role in the continued promotion of global economic globalisation.

The digital economy will be an area of growth leading to regional and multilateral cooperation. The RCEP agreement will accelerate the digitalisation process, leading to the integration of the digital economy along with other trades and activities. According to the United Nations in 2020, seven

major countries including China, United States, United Kingdom, Japan, South Korea, and Australia, social consumption retail value accounts for 19 percent of the total consumption which is 3 percent higher than 2019. Online consumption in 2020, despite the pandemic, has grown by 22 percent while social consumption fell by 1 percent. The development of cross-border e-commerce has ushered in a new stage of rapid development. In 2019, China led cross-border transactions amounting to USD1,051billion, ranking first in the world in e-commerce, followed by the United States, United Kingdom, and Hong Kong. The RCEP agreement is consistent with this trend as its terms of agreement include chapters and articles on cross-border e-commerce in an attempt to boost the digital economy. This requires participating countries to establish regional cross-border e-commerce standards.

Prof. Simon Tay, Chairman of Singapore Institute for International Affairs

RCEP is a breakthrough for trade in the era of nationalism and great power rivalry. Against the backdrop of the U.S.-China economic competition, there is discomfort among some ASEAN countries vis-à-vis their economic relations with China. Member states of ASEAN must have the confidence to ratify RCEP and in return, China must provide them assurance. For sustainable economic growth, ASEAN states should introduce travel bubbles to better facilitate business relationships. RCEP's scope on digitisation and digital economy is limited (in contrast to CPTPP), Therefore, ASEAN should set up its digitalisation efforts to facilitate cross-border trade. The framework of RCEP must go beyond trade by including vaccine security where successful countries such as China and Singapore can render assistance to countries in need (e.g. through COVAX). RCEP will be important for post-pandemic recovery especially e food and agriculture, automotive and consumer electronics while strengthening regional supply chains.

Prof. Kriengsak Chareonwongsak, President of Institute of Future Studies for Development / former Member of Parliament and Adviser to Prime Minister of Thailand

RCEP is sizeable compared to APEC and TPP with the potential to be a successful network. Opportunities from this cooperation can bring positive effects to SMEs, intellectual property, e-commerce, government procurement, and other aspects. To leverage upon opportunities presented by RCEP, governments need to facilitate better knowledge of RCEP to their populace through all possible means. The benefits of RCEP can be enhanced by decreasing non-tariff measures, supporting production standards improvement, creating easy access to the market, and improved logistics. Administrative processes also need to be improved by sharing best practices by using the MCTS model (Manual, Template, Checklist, and Scheduling) to allow RCEP's benefits to be reaped.

Due to its size, RCEP can be difficult and tedious as more countries wanting to join the pact would imply increase complexity in negotiations. This takes account of the population and level of economic development of these countries. While some countries already have experience with other FTAs dealing with recurring partners such as the ASEAN-China FTA and ASEAN-Japan Comprehensive Economic Partnership, there will be new relationship dynamics in play with less experience, such as the case between China and India or China and Japan, which can pose a challenge during negotiations. Past and ongoing conflicts between membered countries will also pose a challenge but can be overcome through RCEP.

Nguyen Anh Duong, Director of Department of General Research, Central Institute for Economic Management, Vietnam

Linkages need to be fostered between FDI and domestic firms as RCEP can bring new opportunities for investment, where investors will have more reasons to come to Vietnam and work with companies in the regional supply chain. In Vietnam's Economic Integration Roadmap, RCEP builds upon the progress it has made with other FTAs, including FTAs with ASEAN countries. In 2013, Vietnam was the only country that conducted parallel negotiations with major FTAs with the EU, RCEP, and TPP. The Vietnamese government realises that RCEP negotiations will take time to conclude as it not a simple process, just as Vietnam spent 7-8 years to finalise the CPTPP and EU-Vietnam FTA. Despite the long wait to finalise RCEP, the outcomes and opportunities will be worthwhile and not something that should be given up on.

RCEP brings a new dynamism to the Asia-Pacific region. After Vietnam signed RCEP in November 2020, it then focused on its Economic Integration Roadmap with an eye on developing the ASEAN Free Trade Agreement (AFTA). This was acknowledged in 2016 by APEC leaders who described RCEP and TPP as pathways to FTAAP. Now, as Vietnam is involved in both RCEP and CPTPP, it is in a better position to chart a pathway to AFTA. Research by Vietnamese experts has determined that RCEP will improve exports and national income. Studies have also shown that RCEP has trade creation effects, rather than merely trade divergence. Therefore, it does not take away trade from non-RCEP countries, but can bring new trade into the region, especially in light of the COVID-19 pandemic as various countries within the region are projected to recover relatively early compared to those outside the region.

The effective implementation of RCEP in Vietnam requires domestic institutions and adherence to standards found in new generation FTAs. Unilateral reforms will be needed to adhere to international best practices. Vietnam needs to improve its domestic policies, trade policies, investment policies, and bottlenecks relating to infrastructure and human resources. Microeconomic reforms will also be necessary, as its Ease of Doing Business indicators could affect the operations and efficiency of the Vietnamese business community. Even so, Vietnam will not stand alone and can receive technical assistance and shared knowledge from other members in the region. Such provisions are also provided for in RCEP's economic and technical cooperation chapter which can be leveraged upon.

Assoc. Prof. Piti Srisaengnam, Director for Academic Affairs, ASEAN Studies Centre, Chulalongkorn University, Thailand

RCEP is more than an FTA as it is an opportunity for mutual development and allows the strengthening of regional value chains which in turn support the recovery of global value chains. Global value chains can boost growth, create better jobs, and reduce poverty which is especially important in the current climate with the global pandemic. Between 2015-2019, global value chains comprised 3 main regions – America, Europe, and Asia. The value of trade increased to USD18 trillion but was significantly affected by COVID-19. However, it is expected to return to high volumes by 2023, but through a different trade flow. Integrating ASEAN into this trade flow will be highly beneficial as it would create opportunities for ASEAN and its dialogue partners once they are part of the global value chain through RCEP.

RCEP can be described as “FTA 2.0” or a New Generation FTA as it is more comprehensive and possesses higher standards. RCEP is more focused on negotiations that tackle a variety of issues rather than just being focused on reduced taxes. Compared to other FTAs, RCEP is more inclusive and negotiations are conducted to ensure all parties are catered to. RCEP does not coerce other countries to join nor faults them for not joining, giving these states the choice to participate in this cooperation. Such a setting is a good starting point to prepare prospective member states for other more complicated trade negotiations.

SYNERGY OF RCEP AND BRI: PROSPECT AND OPPORTUNITIES

Dr. Yose Rizal Damuri, Head of Department of Economics, Center for Strategic and International Studies (CSIS), Indonesia

Under the framework of traditional trade agreements such as ASEAN’s FTA in 1992, the development for integrating the countries in the region is mostly market-driven integration. This framework primarily focuses on tariff reduction to support the trade of intermediate goods in the region and thus, such form of integration is believed to have little impact on the membered-countries due to the low margin of preference. In contrast, the introduction of RCEP provides more facilitation to the development of the global value chain and production network as it also identifies the connection of trade investment, services, and knowledge transfer. This shifts the focus from tariff reduction to beneficial for the production network. RCEP improves trade facilitation by providing opportunities to simplify Rules of Origin (ROOs). This simplification will bring the development of the production network in the region to another level. Regional integration requires not only trade liberalisation but also better connectivity among economies in East and Southeast Asia.

RCEP is faced with several challenges. For example, the simplification of ROOs does not provide clear guidelines as to how countries can facilitate this production network and the global value chain as the coherence of regulatory frameworks and non-tariff barriers are not addressed. RCEP also has not addressed issues like digital trade and sustainability issues. It should offer greener and sustainable approaches by introducing environmental standards or international acceptable schemes to enhance contributions towards the global fight against climate change. Thus, RCEP needs to be bold in its implementation and future expansion. BRI has constantly aimed to provide better connectivity in the ASEAN region. However, due to the lack of coordination and standards, political issues have weakened the initial aims of BRI. Instead, the number of participants should be increased to transform BRI into a regional initiative rather than a “China + 1” initiative.

Prof. Joefe Santarita, Director of Asian Studies Center, University of the Philippines Diliman

RCEP’s e-commerce activities can be enhanced by the Digital Silk Road (DSR), particularly with China’s 5G technology, facilities, and applications, as e-commerce is accounted for in the RCEP agreement. With the help of BRI projects, e-commerce could be made possible and be swiftly facilitated, especially in response to the pandemic. RCEP’s e-commerce, such as the facilitation of paperless trade, electronic authentication, electronic signatures, online consumer protection, and online personal information protection can be carried out through hard and soft infrastructure offered by BRI. The digital revolution will lead to the simplification of import and export procedures, reduce processing time, and cost for businesses while increasing profit margins and the competitiveness among RCEP countries. Transactions carried out by and

for SMEs can be supported by the China-based digital and telecommunications companies such as Alibaba.

RCEP's free trade can be facilitated through the financing of more free trade zones or special economic zones in the area. Future projects financed by BRI such as the ocean renewable energy can help in fuelling free trade activities. Grid networks from the coast of rural areas offering affordable rates can benefit from the energy generated from the source down to the nearby economic zones and subsequently empowers agriculture producers as regional and global trade. BRI recognises that "one size does not fit all". Countries that are less developed in sectors that have been previously been given less attention can be prioritised so that no country is left behind in this framework. Active regional commercial activities would fast-track more soft and hard infrastructure development in the areas and vice versa to hasten flows in the supply chain. Digitalisation will minimise supply chain disruptions. RCEP and BRI should establish an implementing agency or office attached to the ASEAN Secretariat, or establish an independent office funded by BRI to coordinate feasibility studies, proposals, and implementation of projects. This will help coordinate what is needed on the ground and complement free-trade agreements by facilitating trade through improved physical conditions.

Prof. Lu Guangsheng, Dean of Institute of International Relations, Yunnan University

RCEP and BRI are faced with challenges from global geopolitical issues. US-China relations have remained strained which pose challenges to economic cooperation. The global pandemic has impacted the flow of commodities and economic activities. Border lockdowns have negatively affected trade and the flow of people and materials from one country to another. This is expected to last for an extended period. Southeast Asia is the first touchpoint for China's global circulation with the Belt and Road Initiative (BRI) serving as an important carrier and platform for its Double Circulation strategy. The ASEAN-China industrial chain will determine the success of East Asia's industry chain, which is crucial, given that the China-South Korea supply chain is faced with uncertainties. Here, ASEAN countries can play an important role as a connector in this multilateral framework and regional integration by enhancing East Asia's industry chain through RCEP and play a major role in regional integration.

The China-ASEAN supply chain will help reduce carbon emissions and be a role model for the Green Silk Road's sustainability agenda. China has established carbon emission limits that can trickle down the supply chain through the RCEP framework from its rules and systems. Mechanisms will be established to control carbon emissions with the help of the carbon exchange market, leading to better carbon controls and greener supply chains, in doing so, reduce the carbon footprint. Countries can select pilot areas to conduct high-quality experiences on economic cooperation using RCEP protocols and to obtain more data experiences in its implementation to eventually make these supply chains and value chains more successful. These pilot programmes can be tested in the southern parts of China.

Adj. Prof. Shazali Sulaiman, School of Business and Economics, University Brunei Darussalam

Countries in the likes of Brunei have small populations and a lack of a domestic economy to support micro small and medium enterprises (MSME). RCEP has provisions to support these enterprises. China is important to Brunei as 30 percent of its population being ethnically Chinese and many Bruneians have Chinese heritage. In the past decade, China has invested heavily in Brunei's downstream industries and has been instrumental in upgrading its digital infrastructure through Huawei.

COVID has accelerated the uptake of the digitalised economy. However, these changes have caught some off guard as not everyone has been able to keep pace with the changes. Facilitating these changes requires training, funding, and infrastructure. To adopt digitalised processes, there is a need for internet accessibility and connectivity. COVID has affected Brunei's supply chain and affected its tourism industry as it is highly reliant on international and cross-border flows. However, when RCEP and BRI were drafted, it did not account for a situation like COVID. Human capacity development has been affected by COVID due to a lack of a market and logistics network. Many Brunei companies have been unable to expand beyond the country. While RCEP has provisions for the movement of labour, COVID has rendered this infeasible. Countries like Brunei are accessible only by air and sea which is why there is a need for stability in the South China Sea. There needs to be restraint with disputes in the South China Sea which need to be resolved through negotiations and peaceful means rather than through military force.

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