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RCEP is more than TPP-lite

Setting the record straight on ASEAN's initiative



RCEP is designed to give its 16 members a framework for ongoing discussions on trade and investment issues.

The Regional Comprehensive Economic Partnership appears to have been captured by those developing a "U.S. vs. China" narrative to explain the state of play in global trade. However, the positioning of RCEP as a Chinese-led competitor to the Trans-Pacific Partnership advanced as part of an American pivot to Asia strategy is simply wrong.

Consider this recent comment by Joshua Kurlantzick, senior fellow for Southeast Asia at the Council of Foreign Relations. He wrote: "Only days after [Donald] Trump's election, leaders from Australia, Malaysia and other nations that promoted the TPP changed course and embraced a rival China-led agreement known as the Regional Comprehensive Economic Partnership, which Beijing has been pushing for years. RCEP, which pointedly excludes the U.S., would allow China much more influence to set regional trade rules and norms."

Every proposition in that statement is incorrect. Australia and Malaysia did not change course; they have been party to RCEP discussions since 2011, two years before the expanded 12-member TPP group began comprehensive discussions. RCEP is not China-led; it is a framework that Indonesia, as chair of the Association of Southeast Asian Nations, introduced in 2011. Lastly, RCEP does

not exclude the U.S. or any other interested country; the framework explicitly says that RCEP is open to anyone willing to meet its terms.

RCEP covers ASEAN's 10 members plus six other countries with which the bloc has reached free-trade agreements: Australia, New Zealand, China, India, South Korea and Japan. RCEP was introduced with several goals in mind. One purpose was to restore ASEAN centrality to a process of parallel discussions with the "plus-six" partners. The negotiations around the separate agreements varied widely and reflected different degrees of ambition. RCEP aimed to bring these disparate discussions into a single framework based on principles that could be used to bring about best practices by raising the ambition of the weaker individual agreements.

RCEP was designed to be consistent with multilateral trade reform. The framework says that agreements should be consistent with World Trade Organization rules and best practices as well as transparent. Moreover, by explicitly providing for open accession, the framework recognized that regional agreements should be one of the pathways to securing a stronger multilateral trade and investment system.

RCEP was designed to be more "fit for purpose" in a rapidly changing world than traditional trade agreements. It is not a single negotiating undertaking with a beginning and an end like the TPP but rather was designed to be a framework within which current trade agenda can be agreed, different stages of development recognized and unanticipated future issues can be addressed.

The evolutionary approach and recognition of different levels of development is a style that has served ASEAN well. For instance, the ASEAN Economic Community may have started with low ambition, but went through different stages of deepening and widening, including accelerating timelines. Often, cooperation in the bloc experienced a boost in response to crisis and the need for new sources of growth in the region. As members' confidence increased, new issues were incorporated such as e-commerce.

Not in conflict

In sum, RCEP is neither China-led nor a rival to the TPP. TPP and RCEP are different models and need not be in conflict. They could co-exist in a constructive way. TPP is a single undertaking on which agreement was required on a defined agenda. RCEP is an ongoing framework for discussion of trade and investment issues providing for incremental agreements that are open to all.

With TPP shelved and growing headwinds of increased protectionism and nationalism, there is a need for ASEAN and East Asia to refocus. The openness of the trading system during much of the last three decades has benefited the region's growth and development and lifted large numbers out of poverty. To support continued development for the young and productive population in

countries like Indonesia and India, further reforms and an open global trading system are in Asia's interest.

Despite the economic slowdown in China, the emerging and developing countries of Asia are still growing more rapidly than the rest of the world. Asia is not caught up in the anti-globalization sentiment afflicting Europe and the U.S. Asia remains more optimistic about the need for globalization and continued reforms to ensure that jobs are found for its young and productive population. The challenges facing Asia are more to do with ensuring equitable and inclusive development.

This is the time for Asia to rise to the occasion to ensure the openness of the world trading system. In this regard, Asia can continue unilateral reforms and use RCEP as a platform to provide leadership through example and the needed momentum to keep the global trading system open.

How can we ensure that RCEP will be credible and sufficiently ambitious?

The members of RCEP are very diverse in their level of development and economic systems. The approach adopted by RCEP has been more evolutionary than the comprehensive, one-off TPP. But RCEP will have to find creative and flexible ways to achieve more ambitious targets. The target is to complete negotiations by year-end. If there is collective leadership to achieve this outcome, not just Chinese impetus, then Asia can provide the much-needed leadership during these challenging times and address the disruptions posed by digital technology.

A crucial component of RCEP or any other Asian agreement, because of the region's differing levels of development, is the need for economic cooperation to be a centerpiece. This is the only way to ensure equitable development among and within members, as well as build confidence for continued reforms.

Such cooperation could include capacity building, support for infrastructure or experience-sharing. Recent initiatives from China such as the Belt and Road initiative and the Asian Infrastructure Investment Bank can be part of this too, but will need to be finely targeted to be effective.

The time has come for Asia to rise to the occasion and take leadership. RCEP, with its single-P emphasis on partnership, is a key platform that can contribute tremendously to ensuring that the global trading system remains more open than closed.

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