RCEP and Its Implications on FTAAP Prospects

Submitted by: Chinese Academy of Social Sciences
RCEP and its implications on FTAAP prospects

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I. The negotiation process is accelerated...

• After TPP was finished in October 15, 2015, the negotiation process of RCEP seems to be accelerated;

• The statements of Leaders of RCEP members on November 22, 2015;

• Intensive negotiation agenda in 2016: one ministerial meeting and 6 rounds negotiation.
By the end of 2016, a new deal?

- August 5, the fourth RCEP trade ministerial meeting was held in Laos;
- August 10-19, the 14 round negotiations in Vietnam;
- In October, there will be another round negotiations in China;
- In December, in Indonesia.
II. Main focuses of RCEP

- Trade in goods;
- Trade in services;
- Investment;
- Economic and technological cooperation;
- IPR;
- Competition.

Key negotiations

- Trade in goods: possible coverage of commitments: 90-95%; detail commitments of the line of products, no;
- Trade in Service: Positive list: 100/160, or 120-150/160?
- Investment: Negative list, pre-establishment national treatments
A MFN within RECP

• Every member of RECP, only can have one same table to all other member, not one member have 15 different tables with different members;
• No matter what commitments are----trade in goods and service, and investment, one member one table;
• This is a RECP-wise MFN.

MFN Beyond 10+1: extension of commitments to all

• Even extension of the existing commitments in 10+1 FTAs to all: from 10+1 to 10+6, is a big achievements;
• This should be the base line for RCEP forward negotiations;
• This is also a bridge of future FTAAP negotiations.
RECP Track of integration: RECP

1. Membership extension;
2. New issues added;
3. Integration of past commitments (binding and updated)

III. RCEP: A special FTA arrangement?

- A very diverse members in terms of development, size and so on;
- A very pragmatic way of liberalization—ambitious, and more friendly to development;
- A new model of developing countries led mega-FTA arrangement with many developed economies participated;
- With more economic benefits to all members...
RECP: more diversity of members

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Sources: WTO, and WB.

More closed members

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Sources: WTO, and WB.
Note: APEC average per capital income is 19 members average without Chinese Taipei and Papua New Guinea.
More benefits from RECP

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<th>Income gain ($2007 Billion)</th>
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Sources: Peter A. Petri, Michael G. Plummer, 2014, The TPP, China, and FTAAP?

IV. Implications for the FTAAP and...

- A new and pragmatic platform for APEC integration;
- A model of economic integration for south countries;
- A new hope for breaking the stalemate of the multilateral negotiations in WTO.
Regional integration should be gradually...

• We had two model of regional integration, the first is ‘high standard, and one deal once and for all’; the second is ‘low standard at start, and more deals in the long time’.
• The example of first model is NAFTA, EU is the second model, so is the WTO/GATT.
• The basic proposition is that regional liberalization process should be gradually, and continually;
• Historically evidence, and theoretically reasons behind this proposition.

TPP way of integration...

• TPP text has a living article (Article 30.4: accession), so it makes TPP a mix model
• That is, ‘high standard, one deal’ model, plus membership expansion;
• High standard, one deal, and extend the memberships to more countries
TPP track integration: TPP

TPP4:
Brunei, NZ, Singapore, Chile
USA, Australia, Japan, Canada, Mexico, Peru, Malaysia, Vietnam

TPP12: 4+8
TPP17: 4+8+5
TPP21: 4+8+5+4=FTAAP

TPP track integration: RCEP

RCEP: 10+6
RCEP21: 16+5
RECP25: 16+5+4
RCEP track of integration: FTAAP

TPP, or RCEP → TPP+RCEP → FTAAP+

More, RCEP track of integration...

- Most of the least developing members of APEC is in RECP, so, if RECP is concluded, the FTAAP would be most possible for all the members in APEC----More inclusive;
- A bridge of APEC and non-APEC members, and in the future, maybe, a new model for WTO negotiations, since India also be included in it.
The negotiation of FTAAP in APEC?

• Based on the template of RECP, should the negotiation of FTAAP begin soon in APEC?
• A time table for this negotiation: for example, next year, and finished by the end of 2020?