

Mega Regional Trade Agreements

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Background

- ▶ Mega-regional Trade Agreements
 - Theoretical argument: Second best option
 - RCEP, TPP
 - Driver: slow DDA
 - Limited deliverables
 - Inclusive
 - Enlarging
 - Complementarity
 - TPP: deeper integration with the Americas
 - RCEP: Continuing integration across Asian markets

RCEP

- ▶ Launched negotiations in November 2012
- ▶ Negotiations began in 2013
- ▶ Expected to be completed by end 2015
 - Derives from the ASEAN++ formula
 - Compromise
 - EAFTA (ASEAN+3: China) & CEPEA (ASEAN+6: Japan)
 - ASEAN+6
 - ASEAN and its FTA partners
- ▶ Comprehensive: goods, services & investment
 - Deeper integration
- ▶ Step – by – step process
- ▶ S&DT
 - Accommodative of developmental differentials
 - Flexibility
- ▶ Open accession
- ▶ Estimation of gains
 - CJKI: As no FTAs among these
 - Each with ASEAN: so gains limited

ASEAN Centrality

- ▶ Why integrate with ASEAN
 - Growth dynamism
 - GDP: 3% of world GDP
 - Open economies
 - Significant in global SS chains
 - Trade/GDP: 135%
 - FDI stocks: 52% of GDP
 - ASEAN's trade composition
 - Shifted from resource- intensive to electronics & manufactures
 - Well embedded in global ss chains
 - Share of manufacturing: $\frac{3}{4}$ of total exports
 - China's share in ASEAN trade: tripled over 2001(5%): 2010 (13%)
- ▶ Encouraging/ consolidating production networks
 - Aims to reduce transaction costs along all parts of a supply chain rather than just at the border when the finished good is shipped to the overseas customer
 - Requires a deep understanding of how regional supply chains work and are evolving
 - Automobiles
 - ICT
 - Financial services
 - Logistics

ASEAN Centrality

- ▶ Economic pillar: AEC: 2015
 - Credibility:
 - f(creation of a common market, integrated economic entity)
 - Progress but may not meet its target (ADB, 2013)
 - AFTA in place
 - Progress achieved in tariffs
 - 99% of the ASEAN-6 total tariff lines are down to zero on intra-regional trade (others: by 2015)

But

- NTBs, trade facilitation, single window etc
 - Record on services liberalization is mixed:
 - mode 3 and mode 4
 - FDI : many challenges with regard to removal of restrictive measures and NT
- ▶ ASEAN Summit: 80%
 - Not easily verifiable
 - 20%: more challenging
 - ▶ Post 2015 programme

ASEAN Centrality

▶ Practical hurdles

- ASEAN diversity
 - Diversity of income: range:
 - Singapore's PCY is 50 times that of Cambodia
 - Trade barriers are among the lowest in the world in Singapore, Malaysia and Thailand but remain high in Indonesia and Philippines
- Parallel internal and external agreements
 - Bilaterals & ASEAN+1s
 - Reinforce each other?
 - Contradict each other?
- Simultaneously, FTA talks among China, Japan and South Korea are under way
 - The CJK agreement could be a challenge to the ASEAN Centrality
 - Weight in negotiations

RCEP: Other Challenges

- ▶ Convergence of ASEAN+1s?
 - Tariff elimination rates are different for different FTAs
 - Services and investment agreements not yet concluded for all ASEAN+1s
- ▶ India
 - India–China
 - India–Japan & India–Korea
 - But: a lot of prior work??
 - *TPP*

TPP

- ▶ Limited participation by the US in the post UR round rise of regionalism
- ▶ DDA
- ▶ First: since the NAFTA
 - Lead to the FTAAP
- ▶ Earlier Asia Pacific initiatives: not v successful
 - APEC
 - FTAAAs
 - Sensitivities of diverse partners
- ▶ TPP: 11 members
 - Involves some ASEAN countries
 - Vietnam, Malaysia and Singapore
 - 14 rounds of negotiations: moving towards final rounds

TPP

▶ TPP

- Likelihood of success

- Open economies
- Like-minded economies
- Though post gfc: attraction of the US economy?

▶ Likely expansion to 16

- Then RCEP minus China, India & CLM

- How to manage the existing linkages with these economies?

▶ Higher standards: Gold/ platinum: WTO plus

- Increased differential among countries

TPP

- ▶ Areas to be covered
 - Goods
 - Services
 - TBT
 - SPS
 - Competition
 - IPR
 - Investment
 - Govt. procurement
 - Dispute settlement
 - RoO
 - Trade remedies
 - Customs procedures

TPP

▶ Few Precedents

- Labour
- Environment
- E-Commerce
- Agriculture
- Financial services
- Telecom

Competitive Tracks

- ▶ ASEAN members & TPP
 - Brunei, Singapore, Malaysia, Vietnam
- ▶ For many Southeast Asian economies, however, the TPP will be especially important
 - Fewer ASEAN economies now have FTAs with the United States than with China and other Northeast Asian partners
- ▶ A pragmatic RCEP approach that takes into account a second-best world with greater market access might be more appealing to some ASEAN members, as opposed to TPP's "no gold standard, no deal."
- ▶ This notion may become increasingly relevant from a commercial perspective in some sectors and industries in the current post-global economic crisis environment where global trade volumes are struggling and economic protectionism is rising
- ▶ In practice, most economies will probably have the option of participating in both tracks and it's difficult to imagine that they will avoid doing so in the long run

India-ASEAN Regional Trade Shares (%)

	M			X			Trade		
	2000	2010	2012	2000	2010	2012	2000	2010	2012
ASEAN	8.7	8.46 (24)	8.67 (4.91)	6.45	10.32 (33)	11.31 (-7.05)	7.67	9.19 (28)	9.67 (-1.67)
ASEAN +3	17.55	25.44 (33)	25.07 (2.74)	13.45	21.98 (42)	20.01 (-9.71)	15.67	24.09 (36)	23.16 (-.73)

Source: ARIC, ADB; () figures: Rog over previous year

India-ASEAN: Trade Composition

Imports		Exports	
2000-01	2011-12	2000-01	2011-12
Animal or vegetable fats /oils	Mineral fuels, mineral oils /pts	Pearls/gemstones	Mineral fuels, mineral oils
Machinery	Animal or vegetable fats /oils	Machinery	Ships, boats /float. Str.
Electrical machinery.	Electrical machinery a	Residues and waste	Organic chemicals
Wood and articles of wood;	Machinery	Electrical machinery	Meat and edible meat
Organic chemicals	Organic chemicals	Organic chemicals	Machinery
Mineral fuels, mineral oils /pts	Wood and articles of wood;	Aluminium and articles	Pearls, precious.jewelry
Miscellaneous chemical pts	Ores, slag and ash.	cotton.	Oil seeds and olea. fruits;
Plastic and articles thereof.	Plastic and articles thereof.	Meat and edible meat	Vehicles
Printed bookds,	Pearls/jewellery	Iron and steel	Electrical
Optical, photographic	Rubber and articles thereof.	Pharmaceuticals	Cereals.