
Unlocking Services and Investment Benefits in RCEP

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The Importance of Services

- Consumers and producers are increasingly demanding:
 - more services,
 - more sophisticated services,
 - a wider range of services, and
 - more specialized services than ever before
- This is true even for manufactured products which contain a larger and larger share of services inputs
 - Forward and backwards linkages as well
- Technology is allowing more services to be traded internationally than ever before

FTAs Do Not Match Demand

- Existing FTAs may not cover services at all, or cover services weakly
- Exports often stuck in “traditional services”
- New services not covered at all given positive list structures that are never updated
- Services trade therefore way below potential for much of the region
- Need for both greater policy certainty *and*
- Greater services liberalization
- RCEP needs to accomplish both objectives to deliver real benefits for consumers and companies

Biggest Problem

- Discretionary licenses
 - Entry restricted by formal and informal limits on new licenses
 - Licensing processes are opaque and discretionary
 - Foreign equity limits and licensing in place often decided on case-by-case basis
 - Regulations often missing or unclear
- Regional integration must be accompanied by supportive domestic level regulatory reforms
 - Services trade mostly about domestic regulations

RCEP Should

- Include substantial sectoral coverage
 - All sectors included and as close to 160 subsectors as possible with commercially meaningful commitments
 - All Mode 1 digital services should be included
 - Biggest benefits for smaller firms
 - Depth of commitments also important
 - Limit performance requirements and other limitations of various sorts on services commitments like local presence
 - Limit other discriminatory measures such as training requirements for foreign nationals or language requirements for sectors that do not obviously need it
- RCEP commitments to: transparency, consultation, due process and efficiency in regulations
- Heavily regulated sectors may need specific provisions



Digital Economy

- Services increasingly rely on digital delivery
- Critically important to open up information flows and maintain cloud-based services
 - Especially key for smaller firms with limited resources
- Future innovation will use more data than ever before
 - Artificial intelligence, Internet of Things (IoT), blockchain, etc
 - Promise of future cannot happen if data flows blocked
- E-commerce and services intertwined
- Payments also important element of economy

RCEP Monitoring Mechanism

- To ensure improved compliance, RCEP should introduce monitoring mechanism
- Should report to leaders regularly on progress in implementation of domestic measures to support RCEP commitments
- Allow firms, trade associations and law firms opportunity to submit input to process
- Develop regulatory process for enhancing the creation of services regulations in RCEP economies in future to improve policymaking within region by following best practices and sharing experiences

Investment Provisions

- RCEP members want inbound investment
- Investors want policy commitment that comes from investor-state dispute settlement
 - Promise from governments that they will not unfairly expropriate assets without adequate compensation: like an insurance policy for catastrophic risk
 - RCEP can draft provisions in way that provides both greater certainty to investors *and* adequate policy space to governments

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