

RCEP-TNC : Challenges and Opportunities for the 16 countries

East Asian Business Council

Business Stakeholders' Consultations & Dialogues with
the RCEP Negotiating Committee

23 July 2018

Why we need to talk about RCEP ?

Technology Disruption

- Internet (replacing traditional retail and broadcasting)
- Services through app (accommodation & transportation)
- AI (investment, finance, legal and accounting services)
- Electric cars (replacing ICE)

Trade Disruption

- Free trade agreements
- Trade wars



Impact of Trade Agreements and Trade Wars

TAFTA



Australia's auto-industry moved to Thailand because of TAFTA

TPP



China's upstream textile industry moves to Vietnam because of TPP

US-CHINA Trade War



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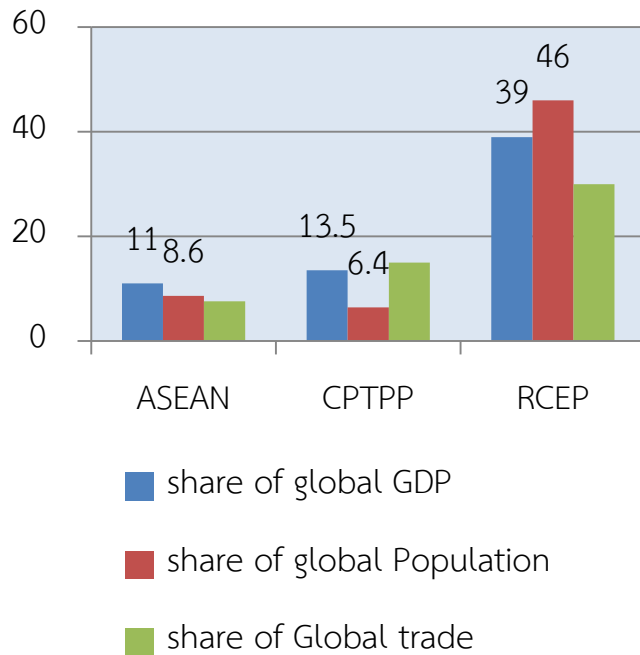
Harley Davison plans to shift its production out of the US due to EU retaliatory tariffs

Japan -Chile FTA



Japan wine imports from Chile increased 3 folds while those from France fell by half.

RCEP: the emerging largest trading bloc



ASEAN

- ASEAN 10

RCEP

- **ASEAN 10** + Japan + South Korea + Australia + New Zealand + **China** + **India**

CPTPP

- ASEAN 4 + Chile + Mexico + Peru + Canada + Australia + New Zealand + Japan

Source: ASEAN Secretariat and UnComtrade

... but also the most diversified trading bloc



- Singapore (4th GDP/PPP per capita)
- Brunei (5th)
- Australia (21st)
- Japan (25th)
- New Zealand (28th)



- Cambodia (140th)
- Vietnam (123th)
- Laos (120th)



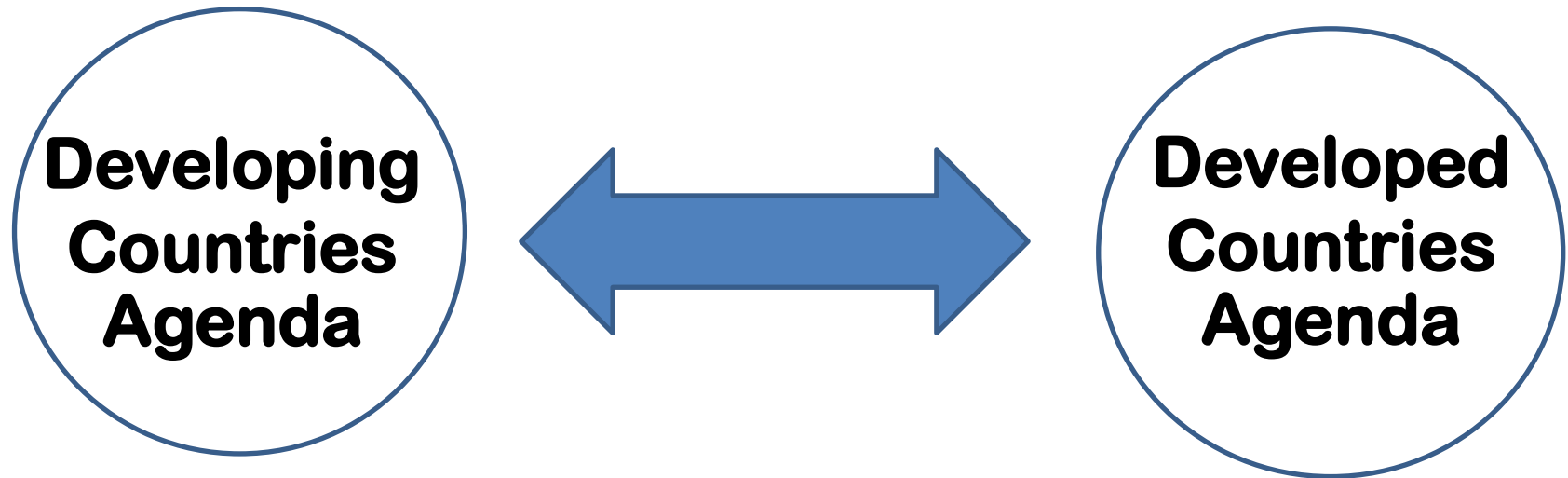
- China (1st GDP/PPP)
- India (4th)



- Laos (104th)
- Cambodia (100th)

Source: the World Bank

The RCEP Agenda ?



- Trade in sector-specific services (market access)
- Technical Assistance & Cooperation
- Movement of semi-skilled workers

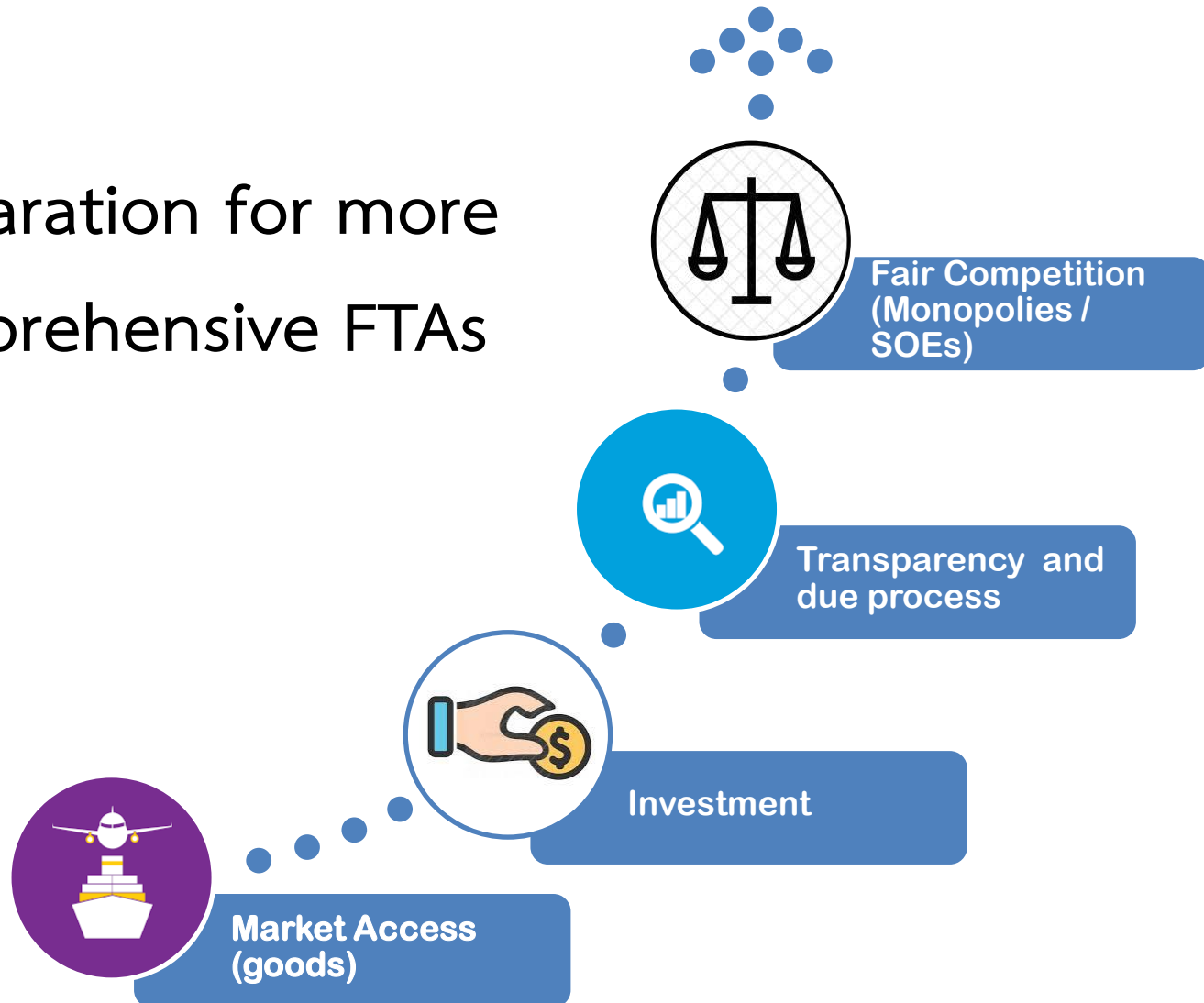
- IPR protection
- Investment liberalization & protection
- Government procurement
- Environment
- Labor rights
- Competition, SOEs, subsidies.

OPPORTUNITIES

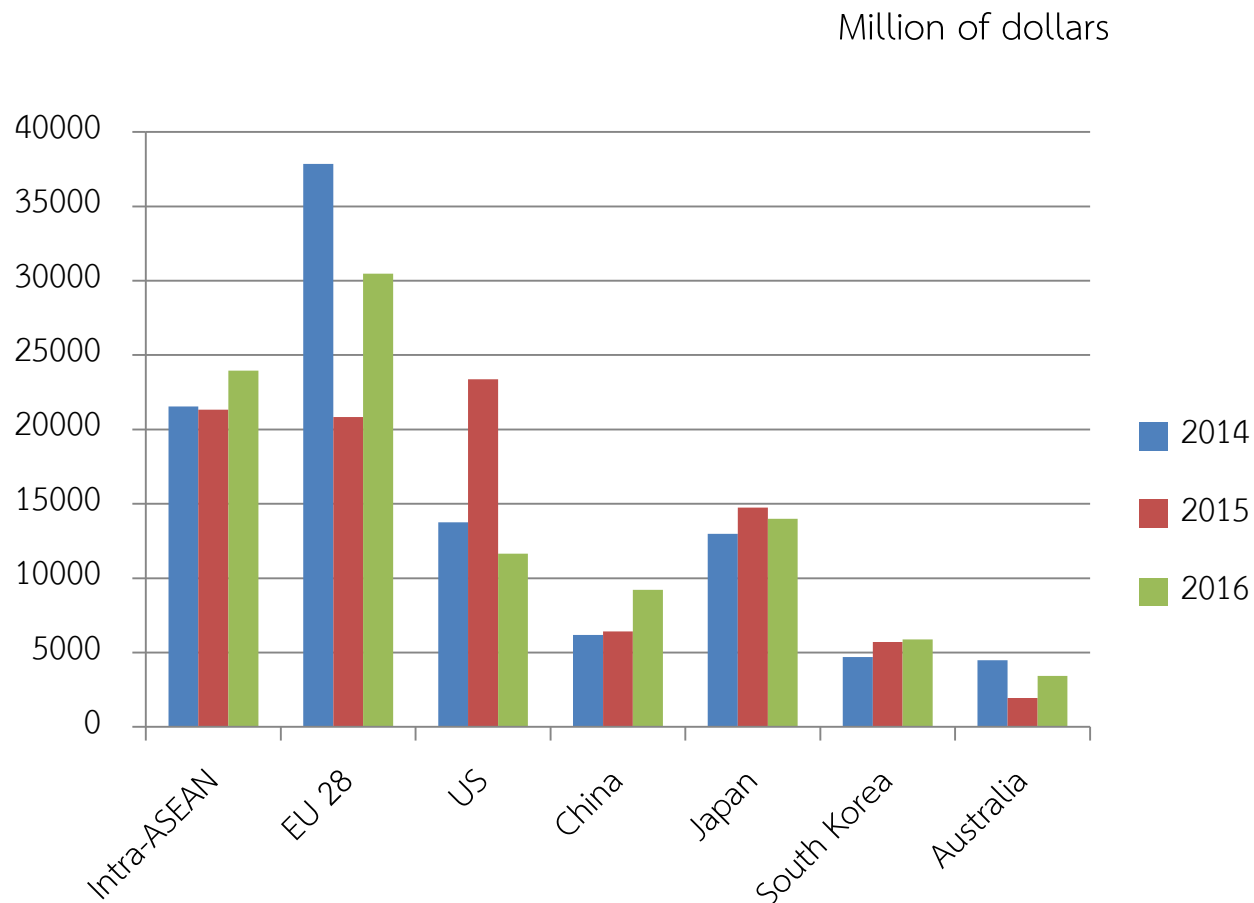


Why RCEP is important ?

Preparation for more
comprehensive FTAs



FDI Flows in ASEAN (2013-2016)



Source: ASEAN Investment Report 2017

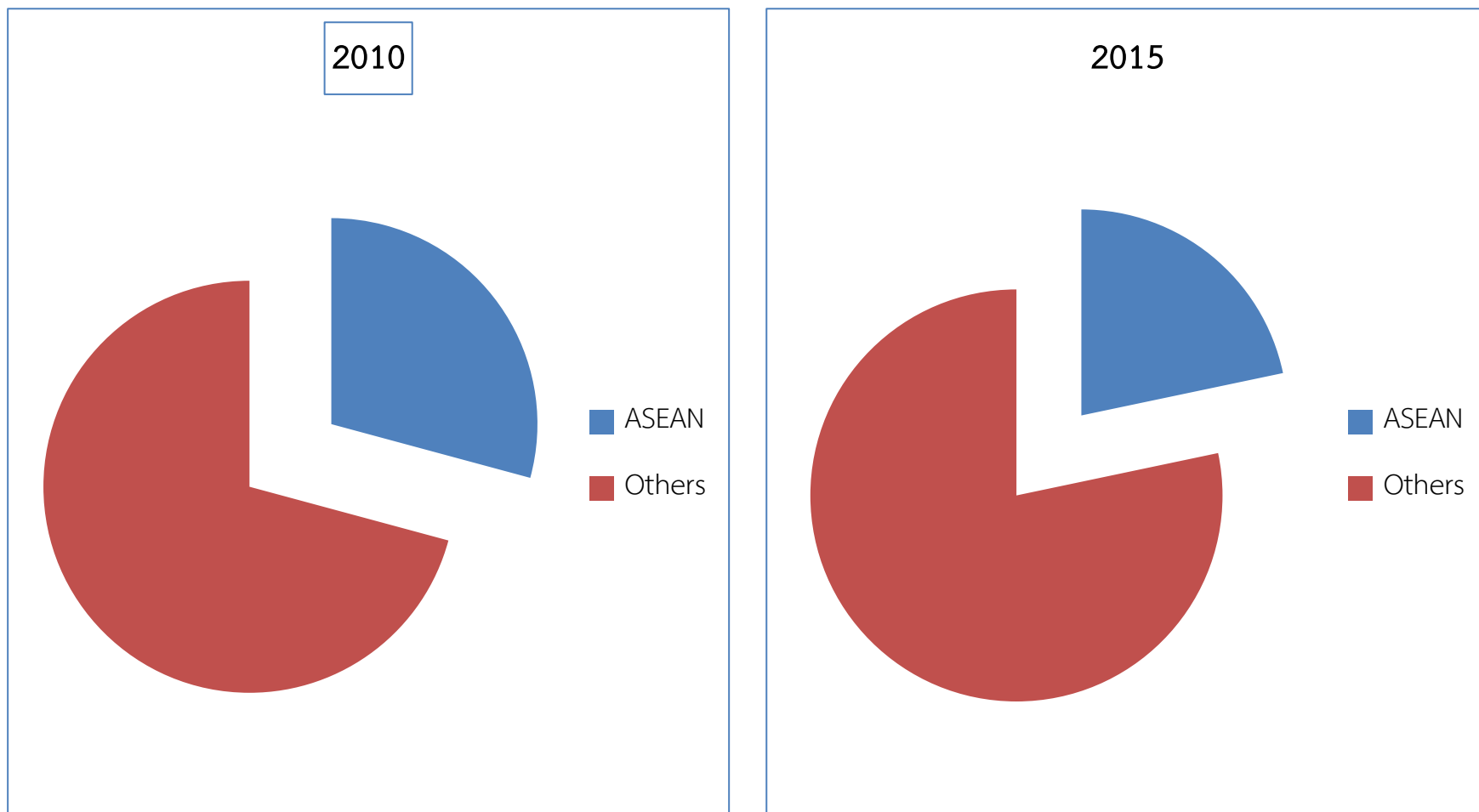
Rising role of RCEP members in services ...

Expansion of financial services in ASEAN 2016-2017 (selected)

Company	Nationality	Host Country
Industrial and Commercial Bank of China (ICBC)	China	Lao PDR, Singapore
Bank of China	China	Brunei, Cambodia
Bank of Tokyo Mitsubishi	Japan	Singapore
Woori Bank	South Korea	Vietnam, Philippines, Indonesia
Shanghai Pudong Development bank	China	Singapore
Prudential	UK	Lao PDR, Indonesia
China Construction Bank	China	Indonesia, Vietnam, Singapore, Malaysia
AXA Munich Re	Germany	Philippines
Zurich Insurance group	France	Malaysia

India: The emerging major investor

ASEAN Share of Indian Global OFDI stock (2010 and 2015) – per cent



Transparency and due process

Disclosure

...

Notification

Consultation

Opportunity to present views or information

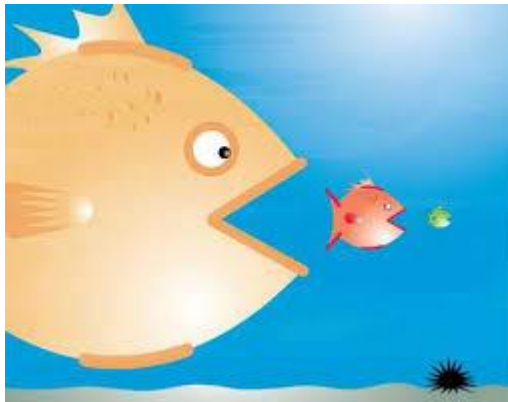
Time limit on administrative procedures



Fair Competition

Government Procurement

...



Subsidy

State-owned enterprises

Monopolies and Exclusive Suppliers

Competition law enforcement

Challenges



Diverse Interests ...



IPR – Japan



Professionals – India



Trade in Goods – ASEAN
+ China



Trade in services –Australia-New
Zealand, Japan

1. Knowing what is in the best interest of the country ... not the industry



- **Upstream vs Downstream Industries**
- **Supporting Services (banking, finances, IT, maintenance and repairs)**
- **Professional services**

2. Having clear measures or policies to support local businesses:



Technology
transfer



Government
procurement



SME support

3. Embracing better governance



Disclosure



Notification



Consultation



Due Process

4. Own house cleaning



Trade
Liberalization

- How to promote SME to export
- How to prevent negative “effective tariff rates”

Services
Liberalization

- How to improve the “doing business environment”
- How to establish “standards” for services and skilled personnel ?
- How to ensure effective safety and other consumer protection regulations?

IPR

- How to promote the use of IP database?
- How to ensure “fair” licensing scheme ?
- How to encourage local businesses to innovate through government procurement ? Or through joint ventures ?

Own house cleaning



Movement
of Natural
Persons

- What skills or professionals does the country need in the SR and LR?
- How to best reap benefits from foreign professionals?

State-
owned
enterprises

- Rethinking the role of state enterprises and monopolies
- How to ensure level-playing field between state and privately owned enterprises competing in the same market?



**Free Trade Agreements
should not be about
“exchanges” of requests
and offers ... but an
opportunity to undertake
reforms that are under
normal circumstances ...
politically challenging .**

Thank You

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