

ASEAN in Global Trade

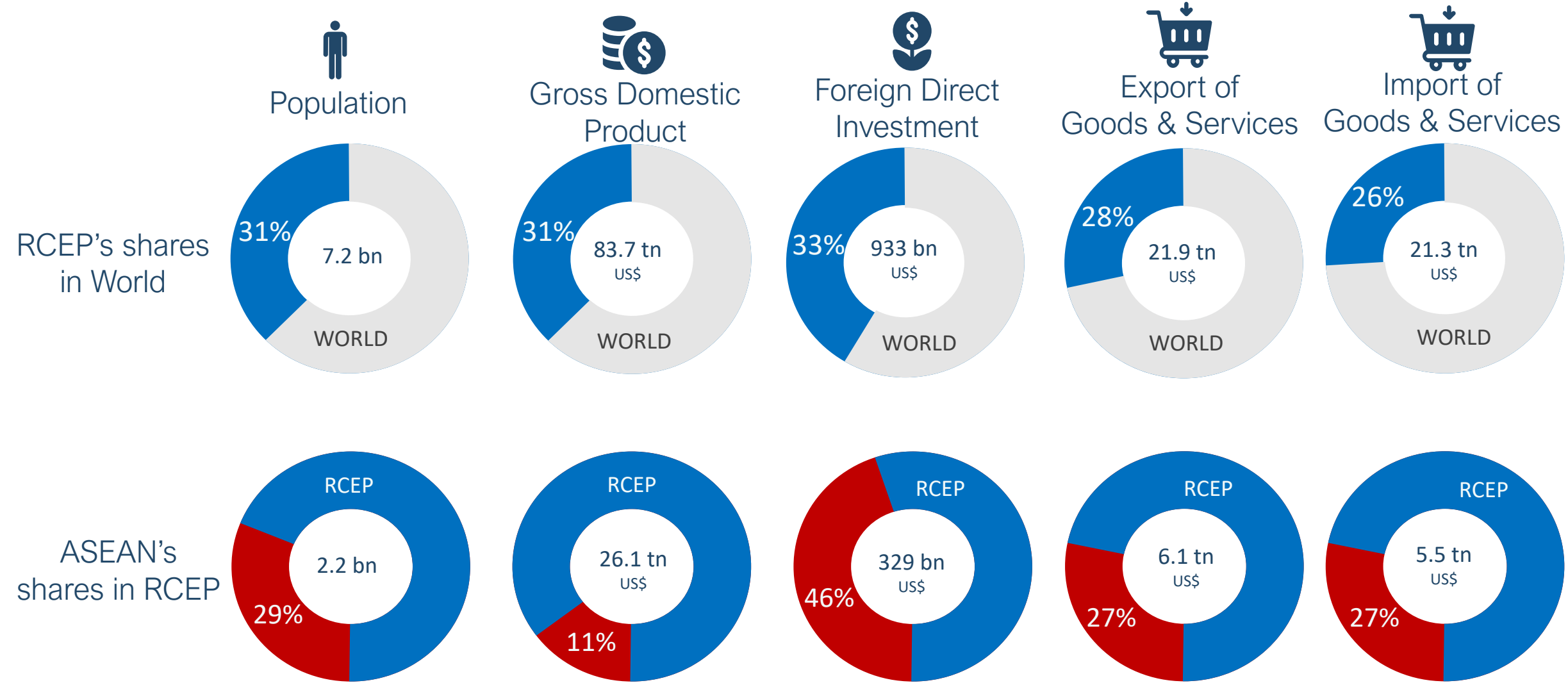
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ASEAN in the RCEP



Source: Economist Intelligence Unit and UNCTAD [4 February 2022]

CPTPP

COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP



WHO'S IN IT?

- 1) Japan
- 2) Vietnam
- 3) Singapore
- 4) Australia
- 5) New Zealand
- 6) Canada
- 7) Mexico

WHO'S YET TO RATIFY IT?

- A) Brunei
- B) Malaysia
- C) Peru
- D) Chile

HOW BIG IS IT?

These 11 countries have a combined GDP of **US\$ 13.9 TRILLION**, making up 14% of the global economy.



Provides access to around

500 MILLION PEOPLE



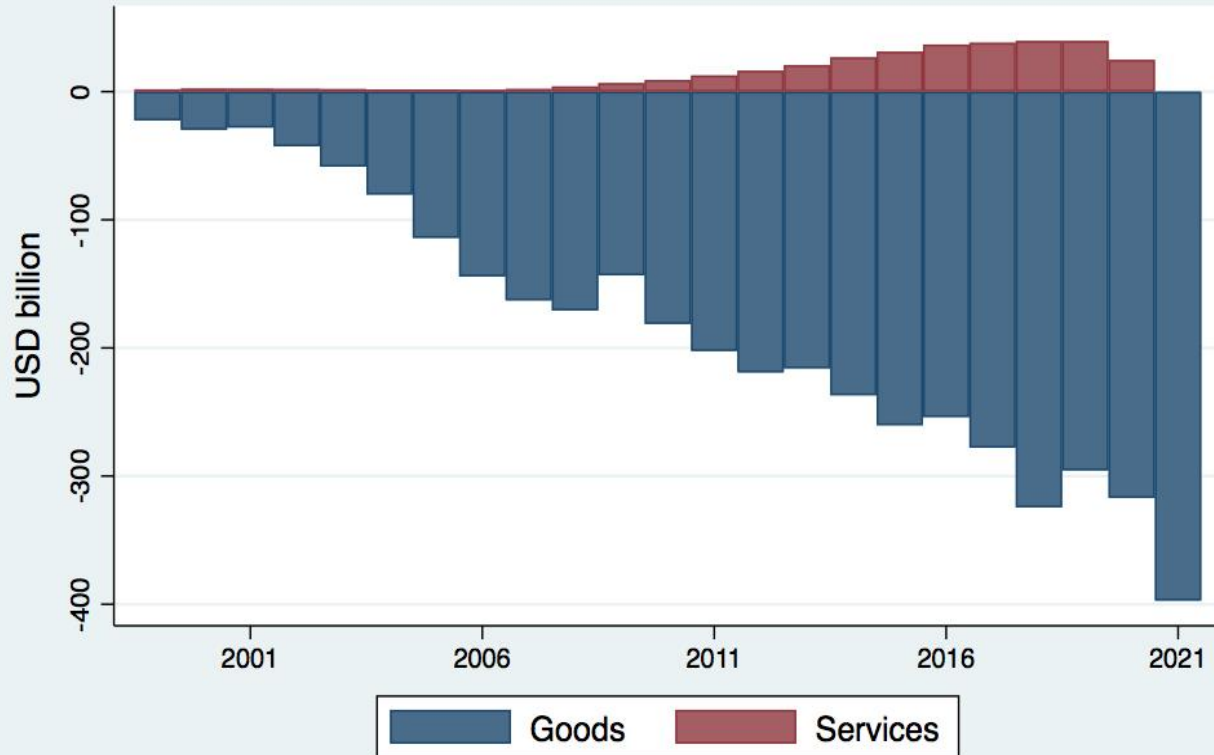
Sources: Ministry of Trade and Industry (SG), Straits Times (2018), ASEAN Post

Will ASEAN join the CPTPP?

- Most ASEAN countries will less likely join the CPTPP, in the absence of the US. Reasons:
 - **Economic reason:** High adjustment costs for relatively smaller benefits than the RCEP.
 - **Domestic political economy:** The CPTPP contains more ambitious provisions that require broader, deeper, and shorter time for adjustments in domestic laws: SOEs, IPR, competition policy, labor and environmental standards.
 - **Development level consideration:** the RCEP better reflects concerns of developing countries than the CPTPP.
- ASEAN's current top priority: The RCEP and the ASEAN-EU (either bilaterally or as a unified ASEAN).

US-China trade tension? *Everyone is losing*

US-China Bilateral Trade Balance, 1999-2021



Source: Bureau of Economic Analysis, China's General Administration of Customs.
Retrieved in CEIC Database on 3 February 2022

- In 2021, US recorded \$397bn trade deficit in goods with China and USD 1,08 with the world, the largest ever.
- US-China's rising trade tension adversely affects ASEAN, as China is the region's largest trading partner.
- Amid US-China tension, the RCEP is estimated to increase intra-regional trade by \$428bn (Petri and Plummer 2020) by 2030.
- While useful, forming mega-FTAs with pro-trade middle powers is a stopgap solution, and no substitute for a well-functioning multilateral trading system WTO.

Urgency to strengthen the Multilateral Trading System



1. US-China tension further intensifies the urgency of strengthening the rules-based multilateral trading system.
2. Proposed Solutions: Let WTO serve its 3 main functions: Trade Rules, Negotiations, and Dispute Settlement. Do not tangle one to another.
 - Dispute settlement: DS should be well functioning (selection of Appellate Body members)
 - Implement Doha Development Agenda. In response to new issues in trade, develop an open plurilateral agreement mechanism to move forward in the negotiation on difficult issues in WTO.

Thank you

References

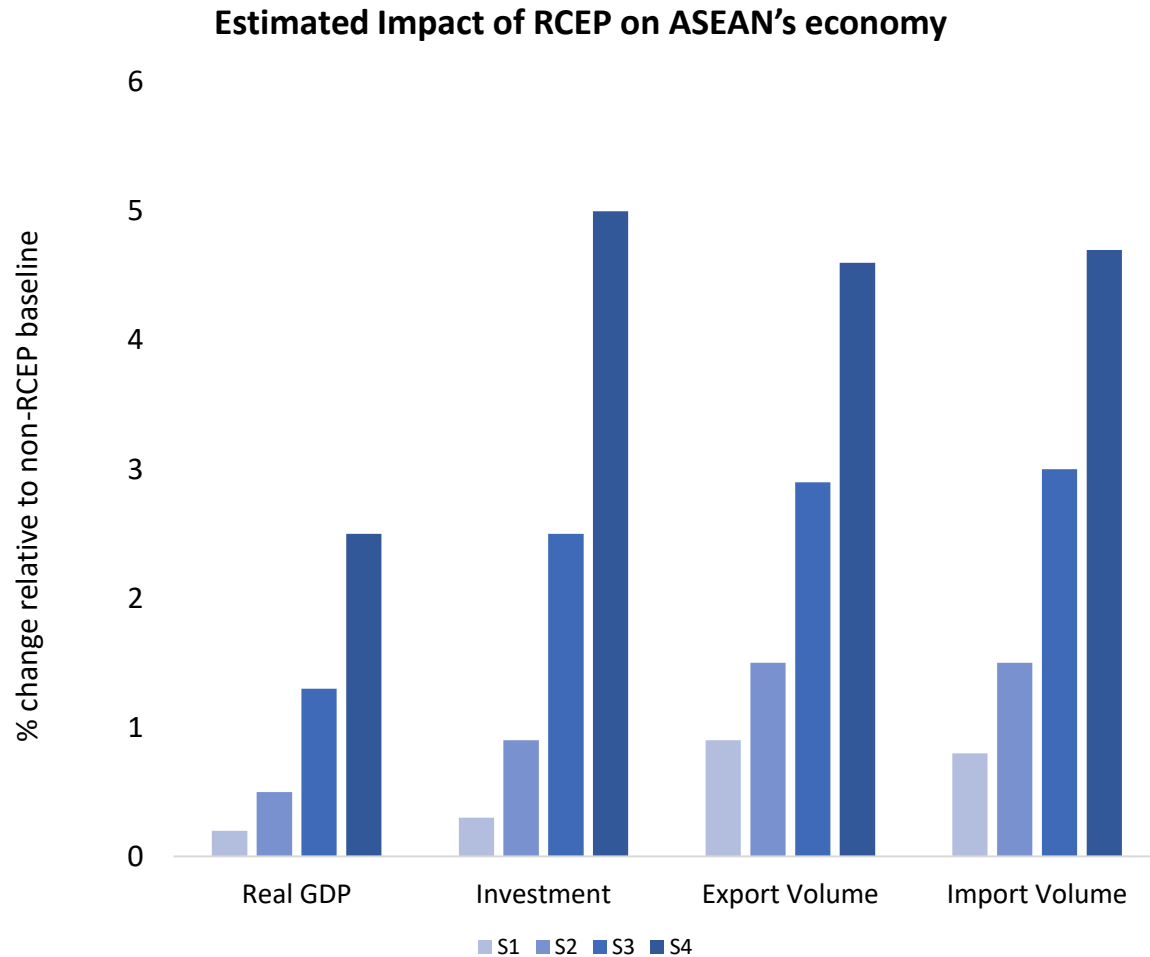
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Challenges in RCEP Implementation



- Pandemic protectionism
- Rules of Origins and Non-Tariff Measures
- Investment/Services Negative List
- E-commerce and digital trade
- Investment Dispute Settlement
(RCEP should pursue for State-State Dispute Settlement)

Estimated impacts of the RCEP



Source: Itakura (2022)

Note: S1 = RCEP tariff reduction according to Annex I schedules

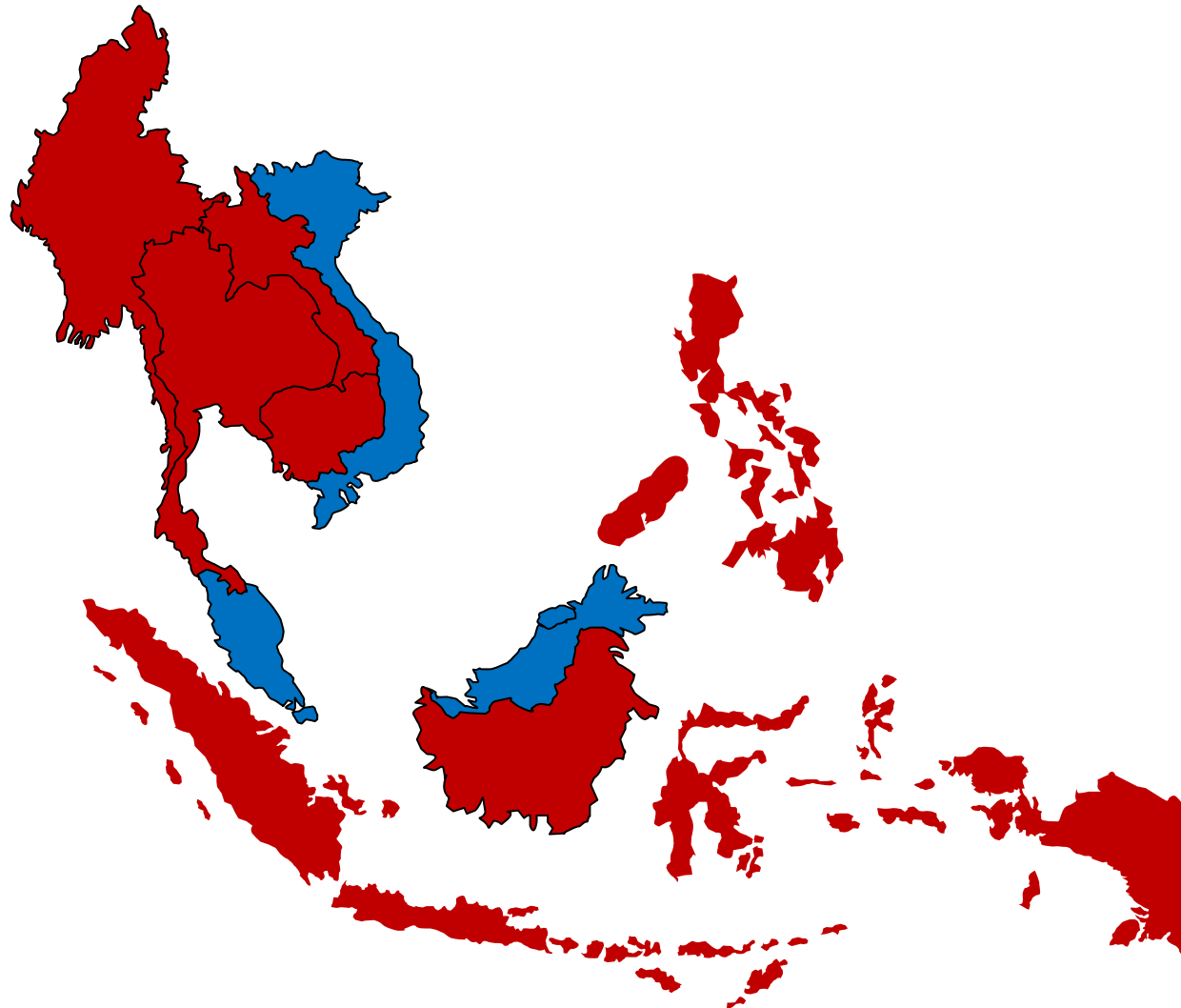
S2 = S1 + AVE reduction of services trade barriers by 20% in 10 years

S3 = S2 + reduction of time cost of trade by 20% in 10 years

S4 = S3 + investment liberalization commitments

- RCEP is estimated to be beneficial for member countries, mostly in favor of GVC-integrated countries like Japan and China.
- Margins of growth/improvement from RCEP:
 - GVC participation & upgrade
 - Supply chain integration
 - Greater market access, esp. intermediate goods
 - ROOs simplification + expansion of areas of originating inputs,
 - Minimizing current ROOs confusion from noodle bowl effects
 - Reduced trade & logistic costs
 - Domestic reform that rises competitiveness
 - Reduction in NTBs and NTMs
 - Higher FDI attractiveness and flows

ASEAN in the RCEP and the CPTPP



■ Member of RCEP only
■ Member of both RCEP and CPTPP

	RATIFICATION STATUS	
	RCEP	CPTPP
Brunei Darussalam	<div></div>	<div></div>
Cambodia	<div></div>	<div></div>
Indonesia	<div></div>	<div></div>
Lao PDR	<div></div>	<div></div>
Malaysia	<div></div>	<div></div>
Myanmar	<div></div>	<div></div>
Philippines	<div></div>	<div></div>
Singapore	<div></div>	<div></div>
Thailand	<div></div>	<div></div>
Vietnam	<div></div>	<div></div>

● Ratified ● Yet to Ratify ● Not Joining

Indonesia's G20: Managing Uncertainties



Three Priorities

1. Economic recovery

- Global responses to a pandemic (health protocols, generic vaccines, health supply distribution)
- Extend access to pandemic-related funding facilities for low-middle income countries
- Integrate health into fiscal and exit strategy;

2. New World Economic Order

- Strengthen multilateral trading system
- Restructure international financial architecture (account safeguards, liquidity flow, debt restructuring, digital currency)
- Robots, automation, artificial intelligence (global responses on skill upgrading, financing ICT gaps, guidance on human centric technologies)

3. Sustainable development

- Sustainable financing for energy transition and infrastructure
- Continue the deliverables of 2030 Agenda