ASEAN’s Leadership in the Regional Comprehensive Economic Partnership

Yoshifumi Fukunaga*

Abstract

Association of Southeast Asian Nations (ASEAN) centrality was one of the biggest motivations for ASEAN’s proposal of the Regional Comprehensive Economic Partnership (RCEP) in 2011. In order to gain both politically and economically, ASEAN should play proactive roles in the RCEP negotiation as the driver of substance. ASEAN has already started exercising its influence over the substances of ASEAN +1 free trade agreements (FTAs). In order to further strengthen its leadership in the RCEP, ASEAN should utilise the ASEAN Economic Community (AEC) as the model for RCEP. AEC has achieved a much deeper level of integration than the existing ASEAN +1 FTAs by setting high ambitions with processes to induce reform initiatives of member states. By using familiar AEC measures, ASEAN can create a single and common position despite the large development gaps among its member states. If modelled after AEC, the RCEP will enforce ASEAN’s reform efforts.

Key words: ASEAN centrality, ASEAN Economic Community, Regional Comprehensive Economic Partnership, ASEAN +1 FTAs, Trans-Pacific Partnership

1. Introduction

In November 2011, the Association of Southeast Asian Nations (ASEAN) proposed a new regional free trade agreement (FTA) initiative called the Regional Comprehensive Economic Partnership (RCEP). It was the moment when ASEAN tabled its first proposal on an East Asian regional FTA. Until then, major proposals, that is, China’s initiative on East Asian Free Trade Area (EAFTA) and Japan’s proposal of Comprehensive Economic Partnership for East Asia (CEPEA), had come from its FTA partners despite ASEAN’s hope for centrality. The RCEP idea, however, came from ASEAN itself and was subsequently supported by the 16 national leaders in November 2012.

One of the biggest motivations in proposing the RCEP was ASEAN’s desire for its centrality. ASEAN leaders declared in the ASEAN

1. ASEAN Framework for Regional Comprehensive Economic Partnership (hereafter ‘ASEAN Framework for RCEP’), adopted at the 19th ASEAN Summit, Bali, Indonesia, 17 November 2011.
2. Three major ASEAN documents emphasise the importance of ASEAN centrality: ASEAN Charter (Arts 1.15, 2.2(m), 32 and 41.3), ASEAN Political Security Blueprint (C.1) and ASEAN Economic Community Blueprint (para. 65).
4. Wang (2013) pointed out that boosting the ASEAN centrality was the main motivation behind ASEAN’s RCEP proposal, rather than deepening regional economic cooperation. Das (2012) also explained ASEAN’s strategy.
Framework for RCEP in November 2011 the following:

[We resolve] to establish an ASEAN-led process by setting out principles under which ASEAN will engage interested ASEAN FTA partners in establishing a regional comprehensive economic partnership agreement and, subsequently, with other external economic partners [. . .]. (Underline was added by the author.)

They also explicitly mentioned the ASEAN centrality as a key principle of RCEP. On the other hand, some ASEAN observers are sceptical about ASEAN’s capacity in exercising the ASEAN centrality in the RCEP negotiation. Amidst this background, this article examines the following questions: Can ASEAN lead the RCEP negotiation? If so, how?

To answer these questions, this article first divides the ASEAN centrality concept into two aspects: ‘facilitator of process’ and ‘driver of substance’ (Section 1). Then, this article argues that ASEAN should drive the substances not just for political reasons but also for economic gains (Section 2). Section 3 illustrates that ASEAN has started leading substantive discussions on RCEP. This article further advocates that the rich experiences in the efforts towards ASEAN Economic Community (AEC) 2015 give a special advantage for ASEAN in ‘driving the substance’ of RCEP (Section 4). It then cites in Section 5 three specific areas in which AEC experiences can be particularly useful: trade facilitation, services liberalisation and non-tariff measures (NTMs). Section 6 briefly discusses the threats to the ASEAN centrality. Section 7 concludes.

2. ‘ASEAN Centrality’: ASEAN as the Driver of Substance

‘ASEAN centrality’ is a key concept in understanding ASEAN’s aspiration for RCEP. In the economic context, ASEAN consciously pursues maintaining ASEAN centrality in its external economic relations mainly by establishing FTA networks with them. Thus, the RCEP proposal was clearly an extension of such policy. The concept was also accepted by all the non-ASEAN members of the RCEP. However, as an undefined concept, it is critical to start from analysing it. Fukunaga et al. (forthcoming) point out that the two aspects of ASEAN centrality should be distinguished: ASEAN as ‘the facilitator of process’; and ASEAN as ‘the driver of substance’.

The first role that ASEAN can play in the regional architecture is as facilitator of process. It is useful to look at the ASEAN Political Security Community (APSC) Blueprint (ASEAN 2009) in understanding this aspect of ASEAN centrality. The APSC Blueprint provides that ASEAN should strengthen ASEAN centrality in regional cooperation and community building. The first concrete action is ‘initiate, host, Chair and/or Co-Chair activities and meetings with Dialogue Partners, other external parties [. . .]’ (ASEAN 2009, pp. 17–18). Thus, the primary understanding of ASEAN centrality looks at the meeting formats rather than the substances discussed in the forums.

ASEAN has been successful in this first component of the ASEAN centrality in the regional FTA evolution. ASEAN has been providing a variety of opportunities for leader-level and minister-level meetings. At the leader

7. RCEP Guiding Principles.
8. Petri and Plummer (2013, p. 7) also analysed the ASEAN centrality concept and stated that the centrality is both a goal and potentially a formula for achieving it. Here, ‘formula’ looks more at the process of obtaining the ‘goal’ (substance).
9. One may interpret this item to include ASEAN’S intention to lead substances rather than just hosting and chairing meetings because ‘initiating’ is also included. On the other hand, the verbs of ‘hosting’ and ‘chairing’ as well as object (‘meetings’) clearly look at formalities than the substances.
level, these include ASEAN + 1 Summits, ASEAN + 3 Summit and East Asia Summit, which enable the leaders to discuss key policy issues, including both political strategic and economic agendas. In the trade area, all the ASEAN + 1 FTA negotiations as well as pre-RCEP discussion of EAFTA and CEPEA took place in the AEM-related meetings.11

ASEAN is successfully playing this role in the current RCEP negotiations as well. ASEAN proposed the RCEP concept in the ASEAN Summit in 2011. The RCEP Guiding Principles were agreed upon at the margin of AEM-related meetings in August 2012. Not surprisingly, the launch of RCEP negotiation was announced by the 16 national leaders in the margin of an ASEAN Summit. The Trade Negotiation Committee (TNC), seven RCEP working groups as well as four sub-working groups are all chaired by ASEAN member states (AMSs).12 While ASEAN centrality was agreed in 2012, however, the chairmanship of RCEP meetings was not a given. Rather, it was an actual negotiation issue at the first TNC meeting in May 2013.13 At the meeting, ASEAN insisted on taking the chairmanship because of ASEAN centrality. On the other hand, some of ASEAN’s FTA partners demanded for co-chairmanship taken by them. At the end, the TNC agreed on ASEAN’s chairmanship role without co-chairmanship by the partner countries. In short, ASEAN has initiated, hosted, chaired and co-chaired activities and meetings in the RCEP.

The second aspect of ASEAN centrality is as ‘driver of substance’. The second action item in the APSC Blueprint (p. 18) is ‘explore, initiate and implement concrete cooperation activities’. Thus, it looks at more concrete measures (that is, substances) rather than the meeting formats and emphasises the role that ASEAN should play in this respect. ASEAN centrality means more than ‘sitting on the driving seat’: that is setting directions, engineering compromises and providing leadership (Petri & Plummer 2013, p. 8). This is highly relevant in the RCEP context as well. A country (or a group of countries) may shape the substances of international negotiation outcomes no matter who hosts or chairs the meetings.14

It should be noted here that the boundary between process facilitation and substance composition is sometimes blurred. As Wang (2013) explains with ‘functional centrality’ concept, ASEAN often gains the functional rights by acting as a platform for cooperation. In Wang’s thinking, the role of process facilitator itself creates indirect but important influence on substantive discussion. However, ‘functional centrality’ can be achieved only when proactive engagement is made in substantive discussion. In other words, although originally proposed by ASEAN, if ASEAN does not effectively lead the substantive discussion and rests as a mere process facilitator, the RCEP outcomes may not bring large benefits to ASEAN.

This article examines this second aspect of ASEAN centrality in further detail in the following sections. Why should ASEAN lead the substantive discussion of RCEP rather than rely on its partners? Has ASEAN appropriately played this role as a driver of substance in the RCEP process? If so, what strategy should ASEAN further strengthen in its leadership in the RCEP? These questions are herein analysed in detail.

10. The existing ASEAN + 1 FTAs, as of June 2014, are ASEAN–Australia–New Zealand FTA (AANZFTA), ASEAN–China FTA (ACFTA), ASEAN–India FTA (AIFTA), ASEAN–Japan Comprehensive Economic Partnership Agreement (AJCEP) and ASEAN–Korea FTA (AKFTA). ASEAN plans to start a negotiation of ASEAN–Hong Kong FTA in July 2014, but Hong Kong has not joined the RCEP negotiation.
11. ‘AEM’ stands for the ASEAN Economic Ministers Meeting.
12. The information on the chairmanship in the RCEP meetings is based on communications with several government officials of RCEP members as well as the ASEAN Secretariat. ASEAN also chaired the four ASEAN-Plus Working Groups from 2009 to 2011. On the other hand, the chairmanship role was played by non-ASEAN countries in the EAFTA and CEPEA discussions. See Fukunaga et al. (forthcoming).
13. Communications with government officials of the RCEP members.
14. For example, TPP is driven by the United States, although the chair countries change from time to time.
3. Why Should ASEAN Drive the Substances?

3.1 Political Consideration

Wang (2013) argues that ASEAN prioritises ASEAN-led process over RCEP substances. The increasing usage of ‘ASEAN centrality’ (or similar languages) in official documents in the last several years indicates that ASEAN perceives its centrality to be challenged. The first time the word of ‘centrality’ was used in ASEAN’s external economic relationship context was in 2006. Since then, the word has often been used in ASEAN documents, for example, AEC Blueprint and ASEAN Charter (ASEAN 2008a), as well as other documents of ASEAN plus process.

In the context of trade regimes, two initiatives can be recognised to be threatening the ASEAN centrality: the Trans-Pacific Partnership (TPP) and the China–Japan–Korea FTA (CJK-FTA). With the US participation in 2009, TPP has gained momentum and successfully expanded its negotiation members to 12. TPP is generally understood as a US-led (or APEC-centred at best) process where only four AMSs (Brunei, Malaysia, Singapore and Vietnam) have access to confidential (or secretive) negotiation documents as original negotiating members. Cambodia, Lao PDR and Myanmar are not even APEC members, and are not eligible to join the current TPP negotiation. While the TPP negotiation has recently missed its conclusion target (by the end of 2013), it still keeps the momentum as evidenced by frequent ministerial-level negotiations. CJK-FTA is another important initiative when considering ASEAN centrality. The three countries, including two of the world’s top three economies, naturally have large influences on the economic integration process in East Asia. While the three trade ministers meet in the margin of the AEM, they also have their own meetings independently and separately from the AEM process. CJK has signed the trilateral investment treaty in May 2012 and is aiming at concluding the trilateral FTA by the end of 2015. Needless to say, ASEAN does not have any direct involvement in the CJK process. If the three large economies have agreed among themselves on certain rules, ASEAN will have a lesser influence in the discussion of the RCEP. Although neither TPP nor CJK-FTA is free from challenges, their steady progress has attracted investors’ attention. Neither of them is an ASEAN-centred process, which poses a question on ASEAN’s centrality in the East Asia region. In contrast, all the 10 AMSs are the original negotiating members of RCEP, and the RCEP negotiations recognise a special position of ASEAN. By proposing an ASEAN-centred platform of a mega-FTA negotiation, ASEAN is trying to have a balance with non-ASEAN initiatives.

3.2 Economic Consideration

While smaller attention has been paid to the economic aspect relative to political consideration, ASEAN should be more conscious of the economic rationales behind RCEP. ASEAN has already signed FTAs, sometimes not only ASEAN + 1 FTAs, but also bilateral FTAs (for example, Thailand–Australia FTA), with all the RCEP members. On the other hand, Terada (2012, p. 55) interprets that RCEP was a reaction to the evolution of CJK-FTA. Terada (2012, p. 55) explains that the CJK countries pay attention to the sensitivity between the trilateral cooperation and ASEAN centrality. For example, the CJK countries announced the launch of CJK-FTA negotiation in the margin of the ASEAN Summit because of ASEAN centrality consideration. In contrast, the United States has paid little attention to the ASEAN centrality notion (Petri & Plummer 2013).

15. Joint Media Statement of the Thirty-Eighth ASEAN Economic Ministers’ (AEM) Meeting, Kuala Lumpur, 22 August 2006, para. 19. (‘The ministers also reiterated the centrality of ASEAN in external economic relations.’)
17. General information about TPP is available at a website of the Office of US Trade Representative <http://www.ustr.gov/tpp>.
18. In general, see relevant websites of the three governments, such as China’s Ministry of Foreign Commerce <http://fta.mofcom.gov.cn/topic/chinarh.shtml>.
19. Terada (2012, p. 55) interprets that RCEP was a reaction to the evolution of CJK-FTA.
20. Terada (2012, p. 55) explains that the CJK countries pay attention to the sensitivity between the trilateral cooperation and ASEAN centrality. For example, the CJK countries announced the launch of CJK-FTA negotiation in the margin of the ASEAN Summit because of ASEAN centrality consideration. In contrast, the United States has paid little attention to the ASEAN centrality notion (Petri & Plummer 2013).
hand, ASEAN’s FTA partners do not have FTAs with each other for most combinations.\textsuperscript{23} Thus, ASEAN is currently enjoying the hub position in the ‘hub-and-spoke’ structure of FTA, which gives an export advantage to the FTA hub countries.\textsuperscript{24} Why should ASEAN push for RCEP? How can RCEP benefit ASEAN economically?

There are three major economic reasons for ASEAN to pursue RCEP (Fukunaga & Isono 2013). First, some of the current ASEAN + 1 FTAs do not provide high-level market access opportunity for ASEAN. Thus, RCEP can potentially provide an opportunity to deepen the liberalisation commitments in trade in goods, services and rules of origin (ROO).\textsuperscript{25}

Second, the coexistence of ASEAN + 1 FTAs itself is creating the ‘noodle-bowl’ situation, which hinders the full utilisation of preferential schemes. RCEP can potentially ease the ‘noodle-bowl’ situation in a variety of rules and commitments in the ASEAN + 1 FTAs\textsuperscript{26} not only in ROO, but also in other rules. Third, economic simulation result shows that ASEAN will lose its potential economic gains if the CJK-FTA is signed but RCEP is not (Itakura 2013). This negative effect comes from preference erosion that ASEAN is currently enjoying in its hub position (Petri & Plummer 2013, pp. 22–3). If RCEP is successfully concluded, on the other hand, ASEAN can mitigate such negative effects and further expand its economic opportunities (Itakura 2013).

3.3 ASEAN Needs a High-Quality FTA

RCEP is potentially beneficial for ASEAN both politically and economically. When considering the ASEAN centrality only from a political perspective, any agreement seems to be a success for ASEAN once concluded so long as an ASEAN-centred process is achieved. However, a low-quality FTA will bring almost no additional economic gains to ASEAN because of the ASEAN + 1 FTAs, but will still deliver fruits for the FTA partners. As explained above, ASEAN’s FTA partners have incentives to sign the RCEP even when it is low quality because they can expand the geographical coverage of their respective FTA networks. The interests of ASEAN and its partners significantly differ in this point. In order for ASEAN to gain meaningful benefits, the contents of RCEP should be designed well to have ‘significant improvements over the existing ASEAN + 1 FTAs’, as ASEAN leaders correctly proposed in 2011.\textsuperscript{27} It is ASEAN who should pursue a high-quality FTA. Process facilitation is not enough for ASEAN. As Wang (2013) pointed out, process facilitation is often associated with ‘functional power’ in influencing the substances. Yet it requires proactive proposals in substantive contents to ensure that ASEAN can benefit from the new economic pact. Thus, ASEAN should take the lead in driving the substances and overcome the potential opposition from its trading partners.

4. ASEAN’s Influence in the Record

ASEAN has already started exercising its special influence in driving the way forward of RCEP. First, several features of intra-ASEAN economic integration were adopted in the ASEAN + 1 FTAs. As the RCEP negotiation often refers to the existing ASEAN + 1 FTAs, this implies a possibility of ASEAN’s influence on RCEP substances indirectly via the ASEAN + 1 FTAs. Second, ASEAN’s influence can be observed in a more direct manner when comparing the specific elements of ASEAN’s RCEP proposal in 2011 with the current RCEP negotiation. All the RCEP members accepted the ASEAN’s ideas on substances and not only the concept of RCEP.

4.1 ASEAN’s Influence on the ASEAN + 1 FTAs

Some key features of the existing ASEAN + 1 FTAs were originally introduced for

\textsuperscript{23} As of February 2014, the six ASEAN’s FTA partners have signed five FTAs out of 15 possible combinations. These are Australia–Korea, Australia–New Zealand, China–New Zealand, India–Japan, and India–Korea.

\textsuperscript{24} Alba et al. (2010).

\textsuperscript{25} Fukunaga and Isono (2013).

\textsuperscript{26} Das (2012) also emphasises this point.

\textsuperscript{27} ASEAN Framework for RCEP.
intra-ASEAN integration and subsequently adopted in the ASEAN +1 FTAs. For example, the ‘common concession approach’ in tariff liberalisation of the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (AFTA-CEPT Agreement) was subsequently accepted by all the ASEAN +1 FTAs in principle.28 Second, all the ASEAN +1 FTAs set longer transition period for the newer ASEAN members (also called the CLMV countries)29 rather than allowing lower liberalisation ambition. This feature was introduced in the AFTA-CEPT followed by all the ASEAN +1 FTAs. Third, package approach in services liberalisation was ‘innovated’ by ASEAN and adopted by AKFTA as well as ACFTA.30 Such influence can be found in other areas as well, for example, co-equal ROO,31 negotiation sequencing (trade in goods first) as well as longer transition period for high tariff products.32

RCEP is perceived as an exercise to converge the ASEAN +1 FTAs.33 Thus, there is a potential channel of substantive components of FTA from ASEAN to the ASEAN +1 FTAs, and then to RCEP. Although it is too early to judge whether such channel actually works, this possibility is more than just a possibility considering the actual discussion among the 16 governments.34

### 4.2 ASEAN Framework for RCEP (2011) and RCEP Guiding Principles (2012)

In August 2011, the ASEAN Economic Ministers tasked its Senior Economic Officials to craft a template for the ‘ASEAN++ FTA’ (which later became RCEP).35 All the FTA partners recognised the ASEAN template discussion and thus deferred their decision on the China–Japan joint proposal to set up three working groups on CEPEA and EAFTA.36 The original template idea included a lot of details, but in the end the work resulted in a more conceptual proposal, that is, the ASEAN Framework for RCEP in November 2011. The Framework nonetheless included many key points on substances that ASEAN wished to pursue in the RCEP.

33. While the RCEP Guiding Principles do not explicitly mention this word, this understanding is evident implicitly in its frequent reference to the ASEAN +1 FTAs. In the pre-RCEP discussion of EAFTA, three different approaches were compared initially (EAFTA Phase I Study 2006, pp. 29–31), and then the ‘convergence’ approach was selected as optimal (EAFTA Phase II Study 2009, p. 22). The reports are available at: <http://www.thaifta.com/thaifta/Portals/0/eafta_phase2.pdf>, respectively.

34. ASEAN Plus Working Groups from 2009 to 2011 participated by all the RCEP member states started their study from the comparison of ASEAN +1 FTAs. While the final reports are not publicly available, Japanese Ministry of Economy, Trade and Industry uploads a brief summary of activities on its website: <http://www.meti.go.jp/policy/trade_policy/east_asia/dl/4WG.pdf> (in Japanese).


© 2014 The Author. Asia and the Pacific Policy Studies published by Wiley Publishing Asia Pty Ltd and Crawford School of Public Policy at The Australian National University
The principles that ASEAN proposed in 2011 were largely accepted by its FTA partners in 2012. They include (i) recognition of ASEAN centrality, (ii) broader and deeper engagement with significant improvements over the existing ASEAN + 1 FTAs, (iii) open accession clause, (iv) emphasis of economic and technical cooperation, (v) importance of trade and investment facilitation (in addition to liberalisation), and (vi) special and differential treatment for ASEAN especially the CLMV countries. Some of them are common elements in the existing ASEAN + 1 FTAs (for example, special and differential treatment for the CLMV countries). Some others were emphasised in earlier official studies of CEPEA (for example, economic and technical cooperation; trade and investment facilitation). The other elements were newly proposed by ASEAN in 2011.

On the other hand, the ‘periodic review’ that ASEAN proposed has not been accepted by its FTA partners so far. The RCEP Guiding Principles newly stated that the existing ASEAN + 1 FTAs will continue to exist. More detailed substances were developed for trade in goods, trade in services and investment. Furthermore, ‘other areas related to trade and investment’ are specified via ASEAN’s discussion with its FTA partners (that is, intellectual property, competition policy and dispute settlement). However, none of ASEAN’s proposals in 2011 was explicitly declined by its partners in the 2012 RCEP Guiding Principles. This simple comparison of the two documents presents a fact that ASEAN is trying to lead the substantive discussions in the RCEP process and is also successful to a great extent. There are a lot more concrete substances to be negotiated before the new pact is signed. But now, ASEAN should consider how it can further influence the RCEP negotiation substantively.

5. AEC as Reference for the Future RCEP Negotiation

It is not easy for ASEAN to drive the substances in the RCEP negotiation because ASEAN consists of 10 countries with vast differences in the level of development, which makes it difficult to agree on a single and common position. If ASEAN delays in reaching a consensus among the 10 members, its FTA partners will get frustrated and may start driving the substances. On the other hand, ASEAN has a special advantage because of its rich experiences in its efforts towards AEC 2015, which provides a good basis for ASEAN’s leadership in RCEP. The AEC experiences bring several advantages for ASEAN when considering its leadership in RCEP.

Given a limited time to the target of RCEP conclusion (that is, the end of 2015), the most effective and probably the only strategy that ASEAN could take to reach a consensus among the 10 sovereignties is to utilise AEC as a model. All the ASEAN member states are familiar with the AEC issues and AEC liberalisation and facilitation measures. What is more, the AEC Blueprint urges its members to carry out reform programs that help them to be ready for liberalisation in a larger geography (for example, East Asia).

More importantly, AEC is deeper in commitments and broader in issue coverage as compared to the existing ASEAN + 1 FTAs.

37. In addition, WTO consistency and transparency are also found both in the ASEAN Framework and RCEP Guiding Principles, but they are common elements in any FTA.

40. It is not only the FTA partners, but potentially ASEAN member states who may start taking a distance from the ASEAN approach in FTA strategy. It was the biggest reason why Singapore preferred bilateral FTA negotiation in the early years (Lee 2006).
41. Damuri (2012) briefly mentioned this possibility. He also pointed out that the slow progress in AEC measures may pose a question for ASEAN’s capacity of centrality.
42. RCEP does not necessarily demand ‘deeper’ liberalisation when compared with AEC.
43. The deepest and broadest economic integration initiative in the East Asia region is the Closer Economic Relations Trade Agreement between Australia and New Zealand. See, in general, the website of Australian government <http://www.dfat.gov.au/fta/anzcerta/>. The two countries share language, culture and legal traditions with similar level of administrative capacities. Thus, it cannot
Corbett and Umezaki (2009, p. 54) pointed out that ‘[e]conomic development in general entails structural adjustment, and economic integration is expected to accelerate the process’. The AEC is in line with this consideration and should be understood as a concerted effort for structural reform rather than conventional trade negotiation. ASEAN sets clear and ambitious targets of economic integration and establishes a process to reach the targets. To take an example, ASEAN Trade in Goods Agreement (ATIGA) demands almost complete tariff elimination.\(^44\) It also set clear timeline with relatively long transition period with different nuance in accordance with level of economic development.\(^45\) At the same time, the process put a flexibility measure so that each member state can select its own sensitive products during the transition period.\(^46\) Long transition period and flexibility measure are mechanisms that give member states some discretion for its reform initiatives in terms of pace and priority, and thus facilitate the progressive economic integration without compromising the level of ambition. AEC adopts a lot of facilitation and cooperation initiatives to encourage efforts for capacity building. Trade facilitation is a good example. The national single window (NSW) development has pushed member states to simplify duplicate documentation requirement. Streamlined procedures for trading contribute to the export competitiveness of the country that takes the reform initiative and thus is quite different from the trade negotiation mindset. There are other interesting initiatives such as the regional guidelines for competition policy, which potentially contribute to the convergence of national competition regulations in a long run.

In addition to the AEC efforts, ASEAN’s experiences in ASEAN + 1 FTAs will also help ASEAN in leading the substantive discussion of RCEP. Despite the many commonalities among the ASEAN + 1 FTAs, there remain significant differences between them as well. It is only the ASEAN countries who know the advantages and disadvantages of different approaches of the ASEAN + 1 FTAs.\(^47\) Therefore, ASEAN is in the best position to lead the discussion in shaping the new regional architecture.

Indeed, ASEAN’s experiences have started influencing the ASEAN + 1 FTAs as discussed in the previous section. Yet some more recent AEC experiences are not reflected in the ASEAN + 1 FTAs because these pacts were signed before 2010 while AEC efforts are speeding up at the moment. AEC has more than what were already adopted in the ASEAN + 1 FTAs. ASEAN should reflect its own experiences, both success and failure, and propose the best measures in the RCEP.

The next section illustrates some possible agendas where AEC experiences can be particularly useful: (i) services liberalisation, (ii) trade facilitation and (iii) NTBs.

### 6. Three Possible Areas of ASEAN Model

#### 6.1 Services Liberalisation

An economic simulation of RCEP shows that large benefits come from services liberalisation (Itakura 2013). ASEAN’s services liberalisation agreement (ASEAN Framework Agreement on Services (AFAS)) has achieved higher liberalisation in services sectors than any other ASEAN + 1 FTAs (Ishido & Fukunaga 2012). When applying the Hoekman Index, AFAS marks the highest scores (that is, most liberal commitments) as compared with ASEAN–Australia–New Zealand Free Trade Area (ANZFTA) and the Trans-Pacific Partnership (TPP).

44. ATIGA Art. 19.1. In addition to tariffs, a similar approach is taken for services as discussed in Section 5 of this article.

45. ATIGA Art. 19.2.

46. For example, while ATIGA Art. 19.2 (a)(iv) stipulate that the CLMV countries can choose up to 7 per cent tariff lines to be eliminated by 2018 while they need to eliminate tariff for the rest by 2015. The 7 per cent tariff lines can be selected by each country.

47. ASEAN’s FTA partners have signed many FTAs as well, which also bring insights to the RCEP negotiation. These FTAs are mostly bilateral, however, and different in nature from regional FTAs.
Zealand FTA, ACFTA and AKFTA.48 Thus, in order to gain more market access from services liberalisation, ASEAN should propose to use AFAS as the basis of the RCEP services chapter so that the ASEAN + 1 FTA services commitment will ratchet up to the AFAS level or higher via the RCEP process.

The most important difference between AFAS and ASEAN + 1 FTAs is the negotiation modality. All the ASEAN + 1 FTAs take the classic ‘request and offer’ approach in services negotiation.49 ASEAN used to apply the same negotiation format at the initial stage (that is, in its first and second packages), followed by a modified approach tested during the third to sixth packages (Hiong 2011). After these experiences and experiments, with the endorsement of the AEC Blueprint, AFAS is now taking a ‘formula approach’, which is one of the most important innovations in AFAS (Sauvé 2013, p. 31). In the formula approach, each AMS should meet the set target such as sectoral coverage and a maximum cap of foreign equity limitation (for each package as well as in 2015 as the final goal) but does not need to play the ‘request and offer’ negotiation game any longer. AFAS practically functions as a mechanism to push for concerted efforts of domestic regulatory reform at the regional level while taking the conventional ‘trade liberalisation’ form. Services reform brings large benefits to the country that reformed rather than foreign country seeking for improved market access because the productivity of the services sectors contributes to the manufacturing sectors’ competitiveness as well as to the overall economic efficiency of the country (Dee 2012). Thus, the concerted effort of services liberalisation is a reasonable method of reform.

ASEAN may not be comfortable in giving the same level of preferential treatment to non-ASEAN countries, yet it can still propose adopting the formula approach with lower ambition than AFAS10 but higher than the existing ASEAN + 1 FTAs.

6.2 Trade Facilitation

The RCEP Guiding Principles state that RCEP will include ‘provisions to facilitate trade and investment and to enhance transparency in trade and investment relations’. Economic gains from RCEP will also be larger when tariff and services liberalisation is combined with trade facilitation (Itakura 2013). ASEAN has adopted a number of tangible trade facilitation initiatives. Some are already highly successful while others are still moving forward. For example, the ASEAN Single Window (ASW) initiative is running the test run project by linking the seven NSWs. ASEAN has successfully established its own harmonised tariff nomenclature based on but going deeper than the global harmonised system of tariff nomenclature.50 ASEAN is currently creating an ASEAN Trade Repository by linking the National Trade Repositories. Another ongoing initiative of self-certification in ATIGA will also facilitate trade especially for small and medium enterprises. While ASEAN + 1 FTAs also cover trade facilitation aspects, the programs are not comprehensive in some FTAs (Pellan and Wong 2013). ASEAN’s experiences can provide many ideas as well as technical designs of regional trade facilitation initiatives. Indeed, the CEPEA Phase II Study Report explicitly mentioned in 2009 that ‘facilitation measures under CEPEA should build on existing ASEAN initiatives’. The Report specifically mentioned the ASW as a potential measure to be adopted in RCEP. Trade facilitation will therefore be an important area that AEC experiences can give lessons for the RCEP members.

48. The other two ASEAN + 1 FTAs (that is, AIFTA and AJCEP) are close to finalising their services packages, but the details are not publicly available as of the time of writing.
49. ACFTA and AKFTA have not adopted the formula approach while taking the package structure in services liberalisation, which can be a main reason for the slow progress in ACFTA and AKFTA. See Fukunaga and Ishido (2013).
50. An idea of common tariff nomenclature across the RCEP region was discussed during the ASEAN Plus Working Group on Tariff Nomenclature (during 2009 and 2011). However, the result is not available to the public.
6.3 NTBs and Non-tariff Measures (NTMs)

NTBs and NTMs are a key element of RCEP. If new NTBs/NTMs are introduced, the potential gain from tariff elimination can be easily mitigated or nullified. It is natural for AMSs, therefore, to seek elimination of NTBs as well as minimisation of NTMs so that ASEAN firms can fully enjoy the improved market access in goods.

ASEAN has made significant efforts in reducing NTBs/NTMs: some have been successful while others are still ongoing (ERIA 2012, pp. III-19-23). First of all, the AEC Blueprint mandates the elimination of NTBs by 2010 for ASEAN-5, by 2012 for the Philippines and by 2015 for CLMV countries (with flexibilities to 2018). In accordance with this mandate, ATIGA provides all the NTBs shall be eliminated. However, the records have not been very successful mainly because of the lack of a clear definition of NTBs. Transparency measure requires notification to the Secretariat before a new measure is introduced. However, such a rule is not fully respected. As a result, there are a number of ‘core NTMs’ (NTMs that are likely to have barrier effects) that exist, both in terms of frequency and prevalence, according to ERIA’s scoring study (ERIA 2012, pp. III-21-24). In other words, ASEAN faces challenges in eliminating NTBs (including setting clear definition) and minimising NTMs. NTBs/NTMs are growing concerns in ASEAN economic integration. The 45th AEM endorsed regional-level and national-level work programs on NTMs, which was the primary outcome from the AEM.

On the other hand, some measures are becoming more promising. One is the ASEAN NTM Database compiled by the ASEAN Secretariat which provides transparency. In addition, the recent practice of ‘Matrix of Actual Cases’ (also uploaded on the ASEAN Secretariat’s website) provides a government-to-government consultation mechanism, which has resulted in concrete, although limited number of, resolution of disputes. Notably, some NTM complaints in the Matrix are found to be based on wrong interpretation of laws in the complainant countries rather than an implementation of problematic measures in the respondent countries. This therefore strongly indicates the value of transparency measure in trade-related regulations.

ASEAN +1 FTAs also have NTB-related provisions. These are somewhat similar to ATIGA provisions, which typically include transparency mechanism, non-application of quantitative measures and consistency with the World Trade Organization’s rules for NTMs. Yet the benefits of these ASEAN +1 NTB/NTM provisions have not been proved.

While ASEAN itself has not been completely successful in addressing the NTB/NTM issues, its rich experiences can give insights on how the RCEP may address these issues. The implementation records of the newly adopted work programs will be the important litmus test.

52. The RCEP Guiding Principles provide that ‘[t]he RCEP will aim at progressively eliminating tariff and non-tariff barriers on substantially all trade in goods in order to establish a free trade area among the parties’.
53. AEC Blueprint, para.14.
54. ATIGA, Art. 41 for quantitative measures, Art. 42 for all the other NTBs.
55. In addition to ERIA (2012), this point is also discussed in Austria (2013, pp. 39, 77, 78).
56. ATIGA, Arts 11 and 40.
57. Key Outcomes of the 10th AEC Council Meeting, 45th ASEAN Economic Ministers’ Meeting and Related Meetings, 18–21 August 2013, Bandar Seri Begawan, Brunei Darussalam, para. 3(a).
60. For example, Das (2012) emphasises the importance of learning from experiences in NTBs. She proposes to create and maintain a database on NTBs to trade. Unlike the ASEAN NTM database, however, the proposed database should be based on surveys of relevant firms rather than governments. She further proposed for RCEP to (i) develop regional standards and subject the NTBs to them, (ii) streamline and regionally harmonise licensing and customs procedures, and (iii) develop common approaches to testing methods and conformity assessments.
7. Threats to the ASEAN Centrality

There are many threat factors for ASEAN centrality. First of all, ASEAN may not be able to take a single position. As the AEC Blueprint provides, a coherence of member states’ positions is a prerequisite for ASEAN centrality (ASEAN 2008b, para. 65). There are several factors for possible division within the ASEAN group, including the development gaps that bring about the differences in economic structures among the 10 countries. In addition, some scholars point out that TPP membership may distract the unity. Currently, four ASEAN members join the TPP negotiation and thus may have different preferences on the regional economic integration than the other ASEAN members. If the TPP goes than RCEP, for example, these members may push for more ambitious outcomes in the RCEP while non-TPP members stick to lower targets. So far, however, there is no evidence for such division taking place in the RCEP negotiation process. As both initiatives are still ongoing, it is too early to judge how TPP will affect the RCEP process. Second, and related to the first point, a protectionist momentum in some ASEAN members may impede the RCEP negotiation process. The global financial crisis has triggered a protectionist reaction in the world, including ASEAN. If an ASEAN member hesitates to further liberalisation in the East Asia region, ASEAN herself may delay the RCEP negotiations process. Moreover, if such a protectionist mindset affects the implementation of AEC, it would affect the credibility of ASEAN in taking a leading role in the RCEP as well.

8. Conclusion

ASEAN centrality was one of the biggest reasons for ASEAN’s proposal of RCEP in 2011. In order to gain both politically and economically from RCEP, ASEAN should play proactive roles in the RCEP negotiation. Such roles should include the one as the driver of substance in addition to the one as a facilitator of process. ASEAN has already started exercising its influence over the substances of ASEAN +1 FTAs and RCEP. At the same time, however, many more concrete substances should be negotiated before the conclusion of the negotiation. Thus, a challenge before ASEAN is whether and how ASEAN can lead the substantive discussions in the next 2 years. This article argues that ASEAN should utilise the AEC as much as possible as the model for RCEP. AEC has achieved a much higher level of liberalisation than the existing ASEAN +1 FTAs by setting clear and high-end targets with long transition period to allow domestic reform. It also provides rich facilitation programs especially in trade in goods. It is easier for ASEAN to create a single and common position because of its familiarity of the AEC measures. The AEC is inducing the ASEAN member states to implement necessary reform agendas. Its rich experiences, both success and failure, will bring major insights for the RCEP negotiation. At the same time, the credible achievement of AEC 2015 is of vital importance. As the ASEAN leaders declared in 2010, the best way to ensure ASEAN centrality in the

61. This risk of division among ASEAN members is raised by Pakpahan (2012) and Damuri (2012). In addition to the treaty substances, the existence of frequent negotiations of TPP affects the negotiation resources of TPP members and thus may delay the creation of ASEAN’s common position as well as RCEP negotiation itself.

62. The difference between RCEP and TPP in terms of issue coverage may not be substantive (Intal et al., 2014, pp. 303–305) because RCEP is also aiming to be a comprehensive FTA. For example, e-commerce is explicitly mentioned in the RCEP Guiding Principles as a possible component of economic and technical cooperation. On the other hand, some issues are covered in TPP while not likely in the RCEP, for example, environment, labour and government procurement. While TPP is often perceived as having a higher ambition than the RCEP, the actual negotiation outcomes, however, are not yet available.

63. See World Trade Organization (2014) and its earlier series for the recent trends of trade restrictive measures in the G20 countries including Indonesia.

64. For a discussion of Indonesia’s recent changes in trade policy, see Anas (2012).

65. Damuri (2012) argues the delays in AEC implementation to be one of the two major risks for ASEAN centrality in the RCEP.
evolving regional architecture is to pursue ‘a two-pronged approach which gives priority to the acceleration of ASEAN integration while intensifying ASEAN’s external relations’.66 If ASEAN halts because of domestic opposition, the ASEAN centrality goals will never be achieved.

October 2014.
Earlier version of this article was presented at the Indonesia–Australia Symposium on Regional Strategies (co-hosted by The Australian National University and the Centre for Strategic and International Studies), Jakarta, 10 April 2014. The author appreciates the useful inputs and comments made at the symposium.

References

ASEAN (2008a) The ASEAN Charter. ASEAN Secretariat, Jakarta.
ASEAN (2008b) ASEAN Economic Community Blueprint. ASEAN Secretariat, Jakarta.
ASEAN (2009) ASEAN Political-Security Community Blueprint. ASEAN Secretariat, Jakarta.
Corbett J, Umezaki S (2009) Overview: Deepening East Asian Economic Integration. In:

66. Chairman’s Statement of the 17th ASEAN Summit, Ha Noi, 28 October 2010, para. 38.

ERIA (2012) ASEAN Economic Community Blueprint Mid-Term Review. Report submitted to the ASEAN Secretariat. ERIA, Jakarta.
Itakura K (2013) Impact of Liberalization and Improved Connectivity and Facilitation in
ASEAN for the ASEAN Economic Community. ERIA Discussion Paper 2013-01, ERIA.


Yoshifumi Fukunaga is a senior policy coordinator at the Economic Research Institute for ASEAN and East Asia. He researches on a variety of issues regarding the ASEAN Economic Community and ASEAN’s FTA with external partners. His recent publication includes ‘Taking ASEAN+1 FTAs towards the RCEP: A Mapping Study’ (ERIA Discussion Paper 2013-02) and ASEAN Economic Community Midterm Review: Executive Summary (ERIA). He received his LLM from Harvard Law School and MA (international relations) from the Fletcher School of Law and Diplomacy, Tufts University.