

Asia's Noodle Bowl Of Trade

Dr Deborah Elms, Founder & Executive Director, Asian Trade Centre

Thursday, 16 March 2023



A Word From Today's Chairman

Professor Michael Mainelli

Chairman
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Today's Agenda



- 10:00 – 10:05 Chairman's Introduction
- 10:05 – 10:25 Keynote Presentation – Dr Deborah Elms
- 10:25 – 10:45 Question & Answer



What is your level of knowledge on trade agreements?

- I'm an expert
- Have a rough understanding
- I've heard of them
- I don't know anything about them



Does your company take advantage of trade agreements?

- Yes
- No
- I'm not sure



Today's Speaker

Dr Deborah Elms
Founder & Executive Director
Asian Trade Centre





ASIAN TRADE CENTRE

Asia's Noodle Bowl of Trade Agreements

Dr Deborah Elms
Executive Director, Asian Trade Centre

FS Club
March 16, 2023

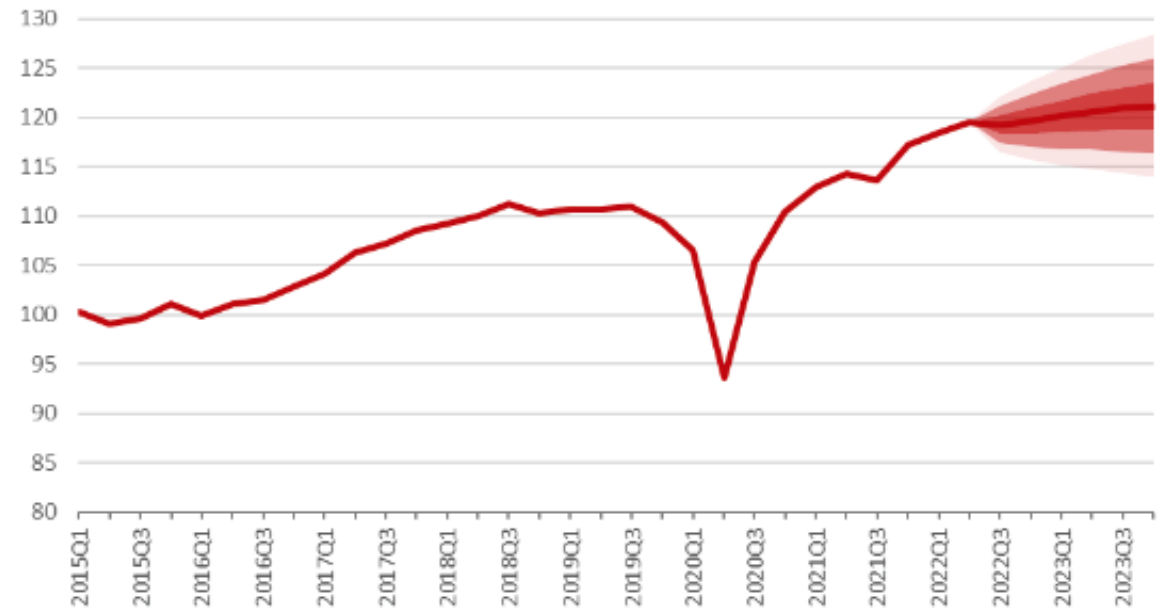


Significant Global Trade Disruption

- Growing pressure on global trade regime
 - Changes in attitude from largest trading partners
 - Less certainty over benefits of trade
- Enter COVID-19..
 - Sudden, sharp shifts in both supply and demand
 - Global impact
 - Rapid reset for businesses
- Governments under increasing pressure to protect local jobs (and still collect revenue) while keeping markets open
- Uncertainty over extent of “decoupling” between US and China
 - Some moves likely to have impact across much of Asia

Chart 1: Volume of world merchandise trade, 2015Q1-2023Q4

Seasonally-adjusted volume index, 2015=100



Note: Each shaded region represents a ± 0.5 standard error band around the central forecast.

Source: WTO and UNCTAD, WTO Secretariat estimates.

Trade Agreements Can Provide Greater Certainty

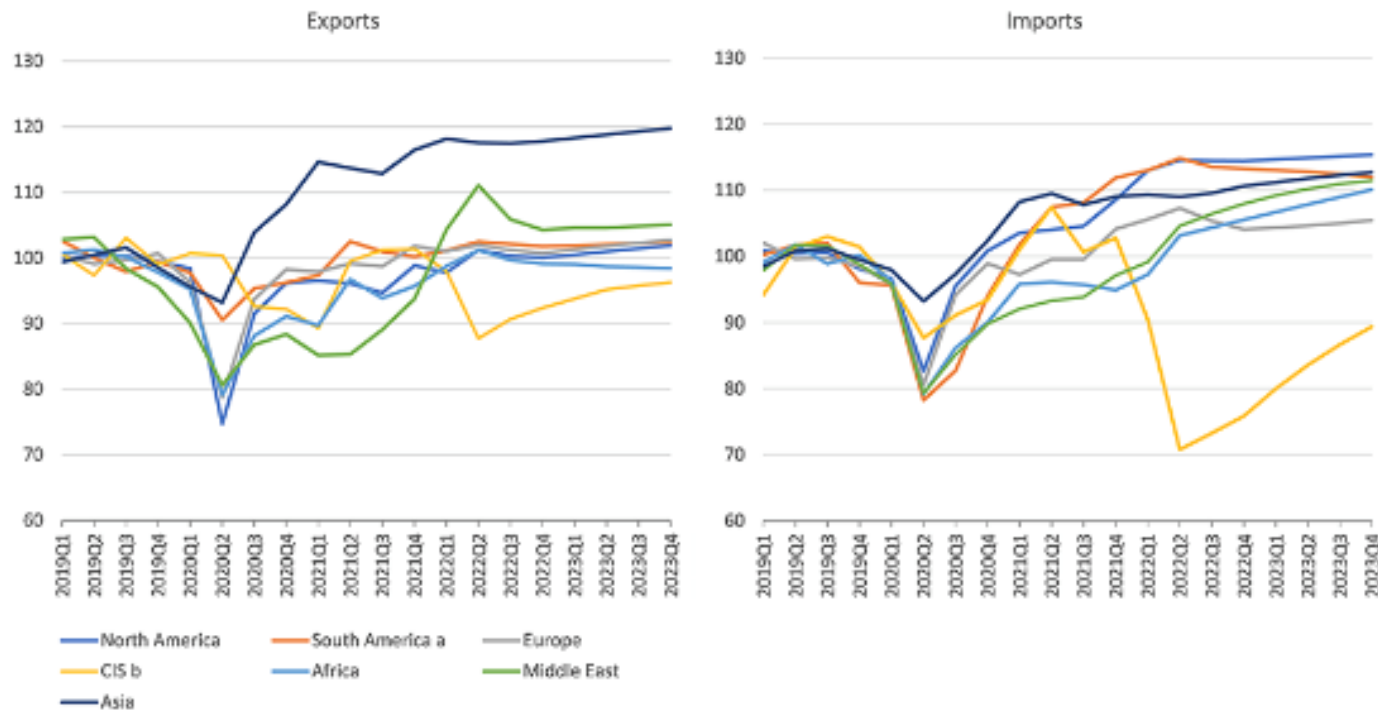


- Given the extent of global trade disruption, how can businesses manage to reduce risks and increase certainty?
- One important and overlooked approach: using the network of Free Trade Agreements (FTAs)
- FTAs do not solve all business challenges, but can be important source of lowered costs and opportunity for more foreign market share
- Every FTA is different
 - Some are more useful than others—deeper and broader coverage
- Each FTA only works between members—cannot use one agreement to move goods to one location and then a different deal to move to a third market*
- FTAs include two parts: a set of rules and country-specific commitments

Trade Matters in Asia

Chart 4: Merchandise exports and imports by region, 2019Q1-2023Q4

Volume index, 2019=100



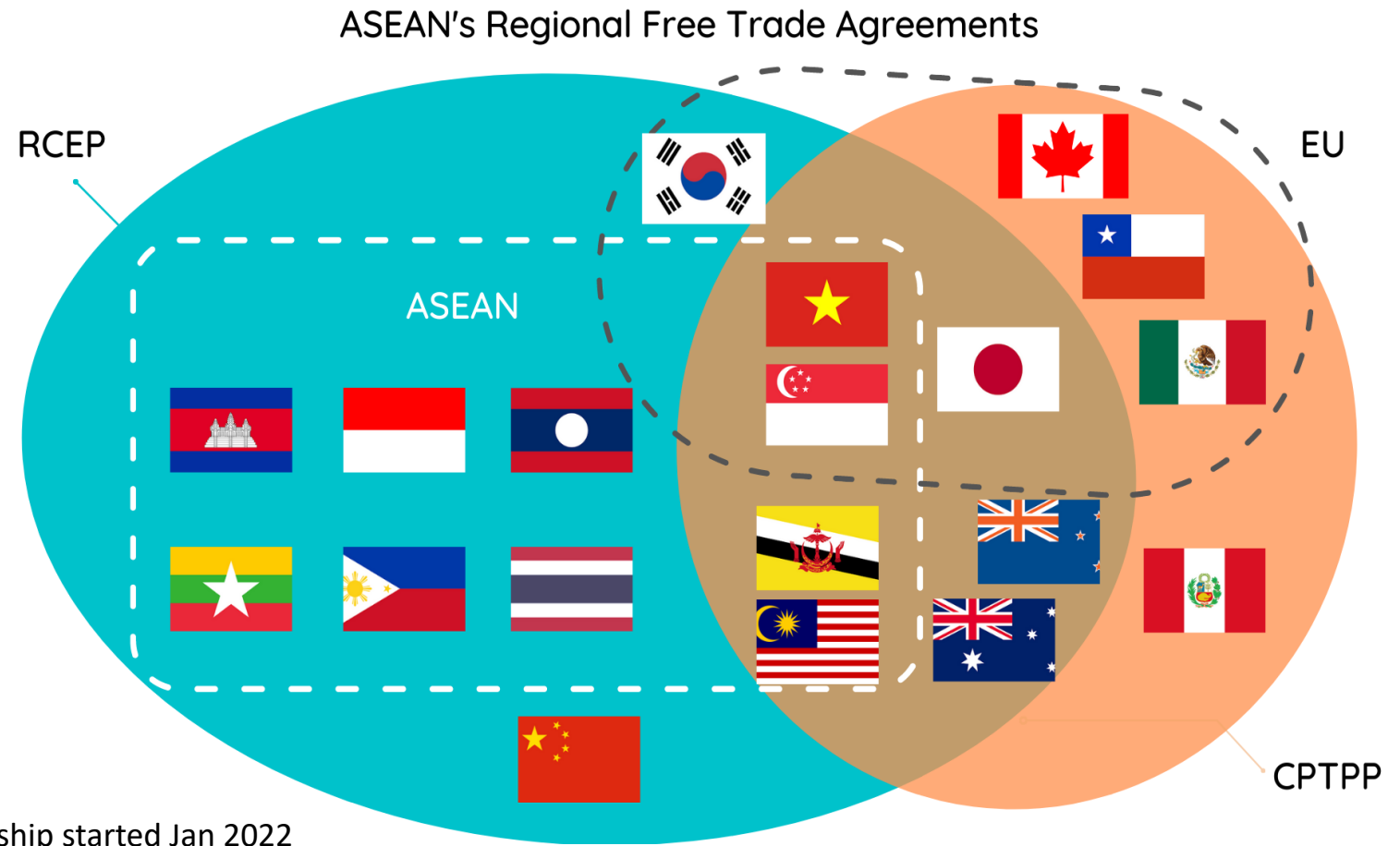
a. Refers to South and Central America and the Caribbean.

b. Refers to the Commonwealth of Independent States, including certain associate and former member States.

Source: WTO and UNCTAD.

Asia Continues to Pursue Economic Integration

- Asia leads the world in creating a network of trade deals that cover different partner markets, with a wide range of potential benefits
- Four are especially key: RCEP, CPTPP, EU deals and ASEAN



RCEP=Regional Comprehensive Economic Partnership started Jan 2022

CPTPP=Comprehensive and Progressive Trans-Pacific Partnership, started for seven members in end 2018

RCEP = Signed by 15 Members Across Asia



RCEP now in force for 13 members, started in January 2022

RCEP is a Comprehensive Trade Agreement

RCEP

HOME

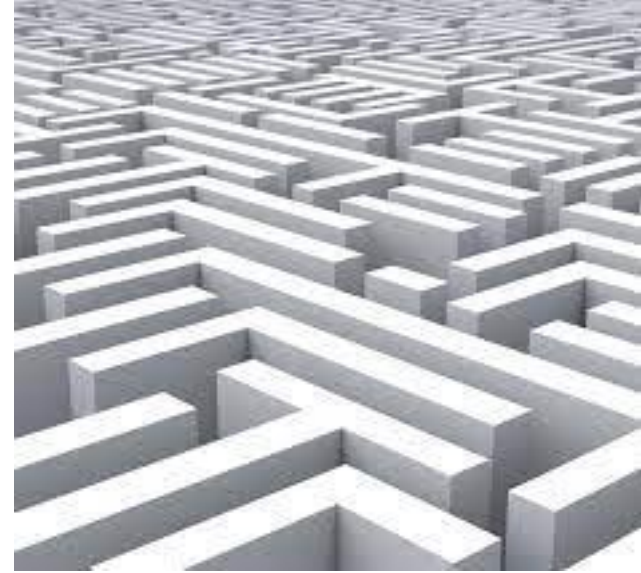
ABOUT

OFFICIAL DOCUMENTS

- RCEP contains 20 chapters and more than 14,000 pages of country-specific commitments including:
 - Goods, services, investment, trade facilitation, intellectual property, e-commerce, standards, SMEs, government procurement, and dispute settlement
- Designed to reduce complexity in Asia by integrating ASEAN's existing trade arrangements with larger ASEAN Dialogue Partners in the region
 - Remained ASEAN-led from the start to finish through 8 years of negotiations
- Agreement came into force in January 2022 for most members
 - Australia, Brunei, Cambodia, China, Japan, Korea, Laos, Malaysia, New Zealand, Singapore, Thailand and Vietnam
 - Indonesia joined on January 2, 2023
 - Myanmar and Philippines legally part of deal by June 2023
- Texts and schedules available for review at: <https://rcepsec.org/legal-text/>
 - RCEP will be creating Secretariat to help better manage implementation
- RCEP opens for possible accessions in mid-2023

Trade in Goods

- RCEP members already had a lot of existing trade agreements between them that had to be reflected
- Diversity in membership in RCEP is significant
- Result: Tariff reductions can be complicated
 - Not all drop to become duty-free, many with long timelines
 - Bigger issue: complexity, 37 separate tariff schedules
- Rules of origin (ROOs) very helpful
 - One ROO for each tariff line used by all member countries
- Better trade facilitation: faster, easier processing of goods at customs
 - Only one RCEP Preferential Certificate of Origin document needed for trade across all 13 Asian members



Trade in Services and Investment

- Many services firms already operate in RCEP countries
 - Many also currently invest in member states
- *But* access and protection not guaranteed
- Rules can shift quite suddenly, leaving firms with little recourse and limited warning
- RCEP should help limit risk and improve stability for firms
- Like all trade agreements, services and investment commitments have rules plus country-specific commitments or schedules
- One complication in services: members used two different methods or approaches to listing their country-specific commitments
 - Can be extremely hard to understand and unravel, especially for businesses
 - But all agreed to switch to negative lists, starting in 2030
- Investment chapter, by contrast, all members used same negative list schedules as all wanted to encourage in-bound investment



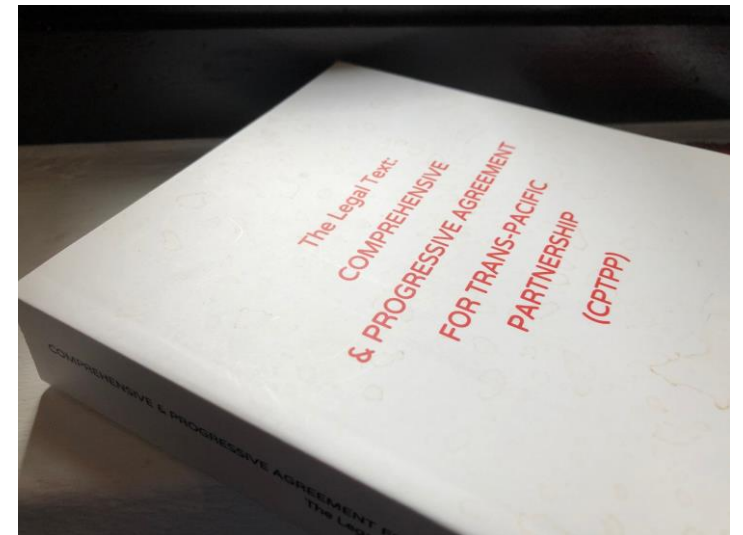
Bottom Line: RCEP

- RCEP is likely to transform trade in region: “in Asia for Asia”
- Will take time to phase in many of the existing tariff cuts
- But the consistent rules of origin and PCO requirements will help firms by lowering compliance costs
- Can start to create “Asian” qualifying goods for shipment across 13 important markets
- Goods commitments coupled with changes coming in services, investment, and other elements in agreement
- Agreement can be upgraded and improved over time:
 - More goods coverage
 - Faster tariff reductions
 - New rules to maintain consistency in Asia



CPTPP

- Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) in force since late 2018
 - Australia, Canada, Chile, Japan, Mexico, New Zealand, Peru, Malaysia, Singapore, and Vietnam
 - Tariff cuts now already on “Year 6”
 - Entire remainder of agreement already in force
 - Very tiny number of exceptions for Vietnam set to expire (mostly related to digital and IP rule implementation)
- CPTPP currently expanding:
 - United Kingdom partly finished with process
 - Formal applications pending from China, Ecuador, Chinese Taipei, Costa Rica, and Guatemala



What's Different About the CPTPP?

- CPTPP is broader:
 - Covers markets for *all* goods (including agriculture), services, investment, government procurement, e-commerce with meaningful promises for opening
 - Tariff cuts nearly all currently at duty-free or zero tariffs for everything
 - All services, investment and other commitments active already
 - 30 chapters included in agreement, 6000+ pages
- CPTPP is deeper:
 - Has new rules for areas like intellectual property, food and food safety (SPS), standards (TBT), environment, labor, competition, customs, etc.
- Shared norms:
 - Every member has same commitments (just longer time frames for some members to implement deal)



EU Active in Region



- Economic integration in Asia also includes active policies by European Union
 - Two ASEAN bilaterals in force already: Singapore and Vietnam
 - More under negotiation, including Indonesia
 - Eventual plan to create bloc-to-bloc FTA
- EU also connected to wider Asia
 - Bilaterals already in place with Japan and Korea
 - New agreements pending with Australia and New Zealand
- EU also provides significant funding for trade capacity building and other institutional support for ASEAN
- However, the EU also requires the inclusion of commitments on trade and sustainable development including human rights requirements for partners

Indo-Pacific Economic Framework (IPEF)



- IPEF is the newest acronym on the block—but IPEF is NOT a trade agreement like others
 - 14 members joined US: Australia, Brunei, India, Indonesia, Japan, Fiji, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam
 - It has an unusual structure and does not cover the majority of topics in all other Asian trade arrangements
- Four "pillars" of activity: trade, supply chains, green infrastructure, tax and anti-corruption
 - First managed by USTR in the US, #2-4 managed by US Commerce Department
 - #1 is "all or nothing" in nature, #2-4 allows members to pick and choose topics
- Under trade pillar, currently 9 items including labor (worker rights), environment, digital, competition, regulatory practices, and bit on standards
 - Unclear what form final agreements will take
 - Some will replicate existing commitments in other forums, some will have new activities
 - Negotiations likely to start concurrently but unlikely to end concurrently

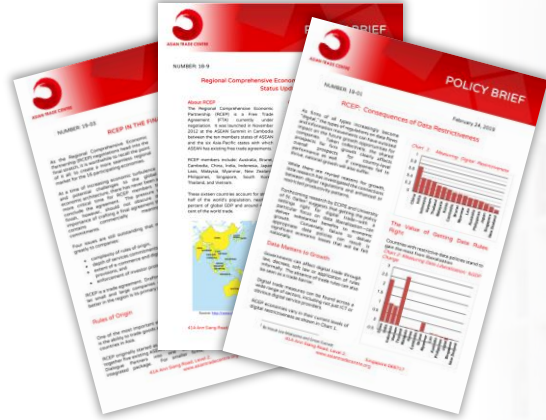
Go in-depth



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Questions?

The ATC is the premier regional thought leader, advocate and educator for trade in the Asia-Pacific. We are trade policy and supply chain subject matter experts uniquely positioned to meet the trade related needs of businesses—small and large—and governments—regional and foreign—operating across the region.



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- Mon, 20 Mar (16:00-16:45) Transforming Retail Banking To Meet Evolving Customer Needs
- Wed, 22 Mar (16:00-16:45) Working Upstream Of Crisis
- Thu, 23 Mar (09:00-09:45) Launch Of Global Financial Centres Index 33
- Tue, 28 Mar (10:00-10:45) SMEs: The Key To Unlocking Net Zero In The Square Mile?

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