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RCEP won't replace TPP, but can strengthen trade^①

Whether the Trans-Pacific Partnership (TPP) comes to a complete stop or enters into dormancy remains an open question. The TPP was signed by the 12 member nations early this year and its full text became available to the public one year ago, and after being reviewed intensely it clearly is the highest-standard free trade deal ever. However, the trade deal has encountered setbacks and with the TPP temporarily held down by US President-elect Donald Trump's statement of intent to withdraw, could there be a chance that the Regional Comprehensive Economic Partnership (RCEP) will replace the TPP?

Recently, the 16th round of RCEP talks concluded a chapter concerning small and medium-sized enterprises (SMEs). This marks another substantial step following the end of negotiations over economic and technological cooperation. In light of this, RCEP talks are likely to wrap up in 2017. Worth pointing out is that the countries that

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both signed the TPP and are participating in RCEP talks, including Brunei, Malaysia, Singapore, Vietnam and Japan, might possibly pivot toward the RCEP to push for trade liberalization given the TPP's bleak outlook.

With the global economy and trade still sluggish, the RCEP's finalization in the shortest possible period of time would convey a positive signal that trade liberalization will continue. But it can't be said it will supplant the TPP.

First, the texts reveal a critical difference between the two trade deals. The RCEP is indicative of an action in progress versus the finished action described by the TPP. The TPP scales up the current trade rules of the WTO, especially in areas including state-owned enterprises and designated monopolies, SMEs, e-commerce and regulatory coherence. As such, it lives up to its reputation as the highest-standard new free trade deal in terms of both breadth and depth. Therefore, even if the TPP dies on the day Trump is sworn in, the standards it set, which have already become the template for global trade rules, will still essentially lead the way in building the new trade and investment paradigm worldwide. Since the first round of TPP negotiations in 2009, participating countries have modified and revised their domestic laws in accordance with the negotiated terms. Even in the US, Trade Promotion Authority legislation was signed by President Barack Obama. While it is a concern that the TPP might fail to be ratified in the US, it's not a castle in the air for the



world's largest economy.

Second, in comparison with the TPP's high standards, the RCEP only covers traditional areas, with an emphasis on goods trade, and is incapable of covering labor and environmental standards at its current stage. More so, the RCEP chapters on economic cooperation and SMEs simply follow the TPP but with lower standards. The reason lies in the varying goals of the two trade pacts - the TPP signifies an attempt by developed economies to revise current international trade and investment rules so as to set the future trend of global trade, while the majority of members in the RCEP are developing countries and underdeveloped countries which are seeking to hug each other to get warm. The two regional trade agreements won't replace or substitute one another considering the different goals they pursue. Overall, the RCEP is far from reaching the levels of openness advocated by the TPP. Hence it is too early to conclude that the RCEP will overtake the TPP.

Last, the finalization of the RCEP seems to be easier in reality, as the trade pact allows new issues to be covered with the addition of new member countries. The TPP, however, will only accept new member countries based on its existing issues and standards. The RCEP and the TPP were to serve as a stepping stone for the Free Trade Area of the Asia-Pacific (FTAAP), but considering the low likelihood of TPP ratification, the RCEP may play a bigger role in facilitating the FTAAP.



To be fair, no free trade talk ensures a smooth sailing, particularly ones involving different types of economies and diversified political and cultural regimes. Uncertainties throughout the RCEP talks include issues such as the fact that the 10 Association of Southeast Asian Nations members are comparatively behind in terms of economic development, Japan and South Korea as developed countries might not be satisfied by the RCEP promising only low levels of openness, and India might have concerns over whether the trade deal sufficiently appeals to its interests. It is also unclear whether China has enough wisdom and courage to speed up the negotiations to quickly wrap up the trade deal.

Coordinated efforts by all participating members lie at the heart of the RCEP's conclusion next year. And regardless of the TPP's outcome, the RCEP won't likely replace it either realistically or theoretically. Instead, the two trade deals will help advance trade liberalization across the globe.

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