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DEVELOPMENT IN INDONESIA



Regional Comprehensive Economic Partnership (RCEP) – Framing a new way of Thinking

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Jakarta, Indonesia, February 18th, 2013

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Outline

- Considerations for Indonesia in setting goals and standards for RCEP Services
- Current situation in RCEP + 1 with Services and investment
- Emerging issues being considered by other regional groups in developing trade in services agreements
- Moving forward in RCEP: elements to think about for a high quality agreement

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RCEP SCENARIO

- **16 countries** involved
- **45% of world population** – more than three billion people
- **33% of world GDP** – with a combined GDP of around US\$ 17.23 trillion
- **27% of world trade** (2010 WTO figures)

Source: Factsheet on RCEP.
Ministry of Trade and Industry. Singapore, November 2012

21st Century Trade: New Challenges

1. Trade is being led by FDI flows.
 - Global investment flows have grown 6 times faster than global trade flows; mostly in services
 - 3/5 of global FDI is now in services
2. Trade is more and more in INTERMEDIATES, not final goods; has resulted in pattern of GLOBAL VALUE CHAINS.
3. SERVICES are a critical component of trade and modern economies
4. Biggest gains from trade liberalization will be from REDUCING BARRIERS TO SERVICES TRADE / LOGISTICS

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Services are increasingly critical to ASEAN Economies

- Services increasing in importance in:

GDP

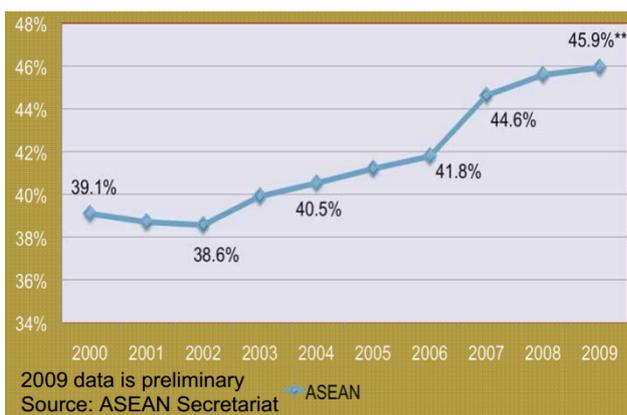
Trade

FDI Flows

Employment

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Growth of Services in ASEAN GDP

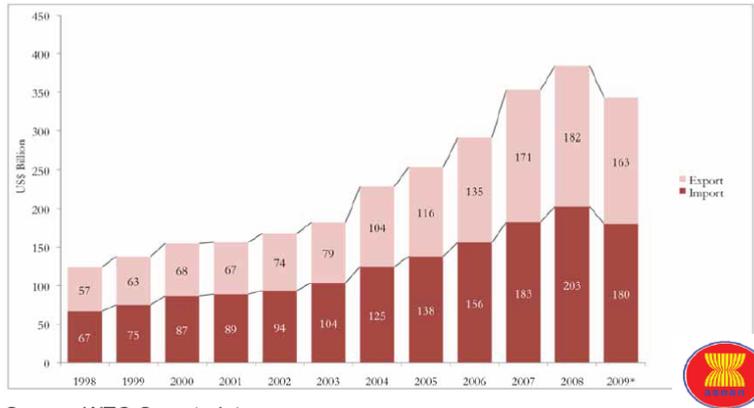


ASEAN → The contribution of agriculture to GDP falls over time; the contribution of manufactures peaks; and the contribution of services rises

Source: Presentation "ASEAN Economic Integration on Trade in Services – A Case Study". WTO/UNESCAP Advanced Regional Workshop on the GATS and Services Negotiations. Kuala Lumpur, Malaysia, 4-7 May 2010. Available at: http://www.unescap.org/tid/projects/gats10_s13.pdf

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Growth of Services in ASEAN Trade



Source: WTO Secretariat

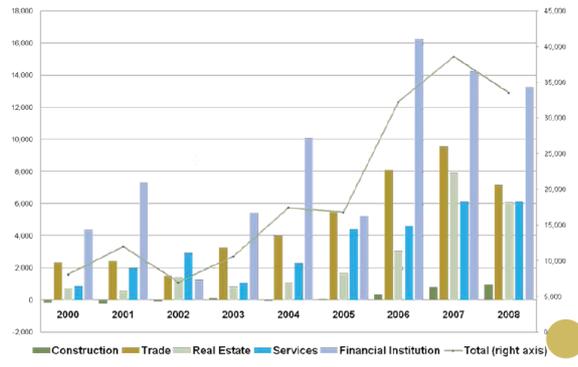
Source: Presentation "ASEAN Economic Integration on Trade in Services – A Case Study". WTO/UNESCAP Advanced Regional Workshop on the GATS and Services Negotiations. Kuala Lumpur, Malaysia, 4 -7 May 2010. Available at: http://www.unescap.org/tid/projects/gats10_s13.pdf

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Growth of Services in FDI to ASEAN

FDI IN SERVICES BY SECTOR

(IN US\$ MILLIONS)



Source: ASEAN Secretariat Database

Source: Presentation "ASEAN Economic Integration on Trade in Services – A Case Study". WTO/UNESCAP Advanced Regional Workshop on the GATS and Services Negotiations. Kuala Lumpur, Malaysia, 4 -7 May 2010. Available at: http://www.unescap.org/tid/projects/gats10_s13.pdf

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Employment by Sector

ASEAN: Employment, by sector (in percent)
for periods indicated

Sector	Brunei Darussalam (2009)	Cambodia (2004)	Indonesia (2010)	Lao PDR	Malaysia (2009)
Agriculture, Fishery & Forestry	4.09	60.30	38.35	-	13.90
Manufacturing	5.74	9.50	12.78	-	16.10
Construction	27.72	2.60	5.17	-	8.90
Wholesales & Retail Trade, Restaurants, & Hotels	27.26	14.50	20.79	-	24.10
Transportation, Storage, Communication	5.04	2.60	5.19	-	5.40
Finance, Insurance, Real Estate and Business Services	8.03	0.40	1.61	-	8.10
Public Services	11.38	9.70	14.75	-	22.40
Others (Mining & Quarrying, Electricity, Gas & Water, Unknown)	10.75	0.40	1.38	-	1.10
Total	100.00	100.00	100.00	-	100.00
Sector	Myanmar (1996)	Philippines (2010)	Singapore (2010) ^{1/}	Thailand (2009)	Viet Nam (2006)
Agriculture, Fishery & Forestry	66.58	33.64	-	40.39	51.92
Manufacturing	8.76	8.40	14.85	13.65	14.35
Construction	2.10	5.41	5.30	5.50	5.64
Wholesales & Retail Trade, Restaurants, & Hotels	9.72	22.63	20.92	22.84	12.77
Transportation, Storage, Communication	2.62	7.40	14.84	2.96	2.53
Finance, Insurance, Real Estate and Business Services	7.86	4.52	19.33	3.07	1.08
Public Services	1.51	17.10	22.85	11.12	10.16
Others (Mining & Quarrying, Electricity, Gas & Water, Unknown)	0.85	0.90	1.92	0.47	1.55
Total	100.00	100.00	100.00	100.00	100.00

Source: ddddddASEAN in Figures, 2011.

^{1/} Refers to residents only.
Note: - : - : - no data available.

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Composition of ASEAN's Services Trade

Table 4: Composition of ASEAN's service trade
(percentage of total ASEAN service trade)

Service Category	Exports		Imports	
	1990	2006	1990	2006
Transport	17.3	26.6	46.8	39.8
Travel	45.3	30.1	19.7	15.8
Communications	0.0	2.5	0.0	1.6
Construction	0.0	2.0	0.0	2.1
Insurance	0.4	1.6	4.9	3.9
Financial services	0.0	3.4	0.0	1.0
Computer and information services	0.0	1.1	0.0	1.0
Royalties and licence fees	0.0	0.6	0.7	9.6
Other business services	33.3	27.0	24.9	19.3
Personal, cultural, recreational services	0.0	0.9	0.0	1.2
Government services nes	2.3	0.7	1.8	0.7

Source: UNCTAD Statistical Handbook.

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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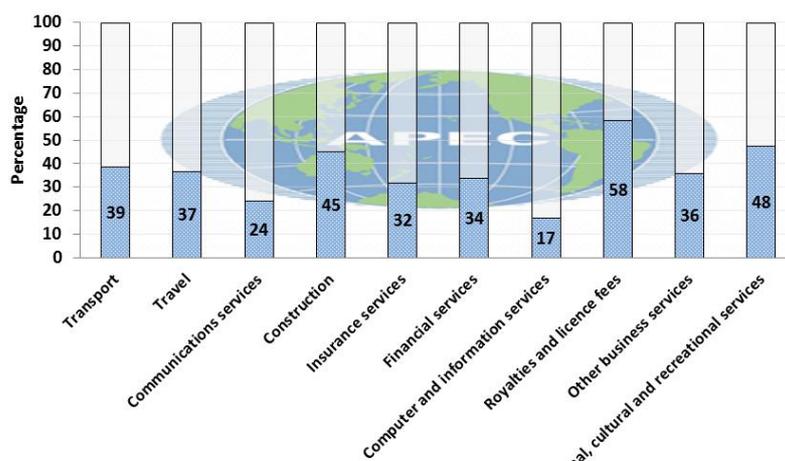
ASEAN: Trade in Services (1990-2007)

- Trade in services constitutes roughly 25% of ASEAN's trade (more in VA terms).
- ASEAN service exports grew from \$29 billion in 1990 to \$130 billion in 2007, or by 350%.
- Travel and transportation and other business services constitute 84% and 75% of ASEAN services exports and imports, respectively.
- Embedded and embodied services facilitate trade in goods within ASEAN but are not shown in statistics.

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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APEC Contribution to Critical Negotiating Mass into the WTO



Source: Andreas Maurer, WTO

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But Level of Protection in Services is very high in ASEAN

Table 6. Ad Valorem Equivalents in Services
(percent)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Electricity, Gas and Water	-	-	-	-	-	-
Construction	6.0	4.0	15.0	-	13.5	6.0
Trade and Transport	12.0	4.5	17.0	2.5	17.0	7.5
Other Private Services	21.5	3.5	17.5	3.0	17.0	9.5
Government Services	10.5	5.5	10.5	5.5	13.0	10.5

Note: Data not available for other ASEAN countries.

Source: Michigan Model

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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ASEAN Economic Community

- ASEAN Economic Community (AEC) is to address these barriers to services trade, ranging from border barriers and restrictions on FDI to harmonization of standards and policies across the economies. Its successful implementation should bring major benefits to ASEAN economies and changes in the region's industrial structure – see model results.

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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CGE Model: Welfare gains from implementing the AEC : \$ increase

Table 9. Welfare Gains Relative to the Baseline (2015)

A. US\$billions, 2004 price, EV

	AFTA	AFTA+	AEC	AEC+	AEC++
ASEAN	10.1	38.0	69.4	115.6	151.0
Cambodia	0.3	0.5	0.6	0.7	1.2
Indonesia	1.0	6.2	27.6	36.5	43.2
Laos	0.0	0.1	0.2	0.2	0.2
Myanmar	0.0	0.2	0.6	0.7	1.4
Malaysia	2.7	2.9	5.7	21.1	27.9
Philippines	0.9	2.2	4.5	4.4	5.9
Singapore	2.6	14.0	15.1	18.1	19.0
Thailand	1.6	9.8	12.2	19.5	25.8
Vietnam	0.9	1.6	2.4	13.8	25.7
Brunei	0.2	0.4	0.5	0.6	0.7
Partners					
China	0.4	-4.6	-7.8	-6.5	-12.2
Japan	0.1	-1.3	-1.6	9.2	7.3
Korea	-0.2	-1.4	-2.7	10.6	9.1
India	0.8	0.1	-0.8	23.9	23.5
Australia	0.0	-0.2	0.2	0.3	0.1
New Zealand	-0.1	-0.1	-0.1	-0.1	-0.2
USA	0.2	-2.8	-1.8	-3.7	-3.6
Europe	-0.3	-7.1	-2.3	-5.4	-6.2
World	11.4	19.4	52.7	143.4	166.8

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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CGE Model: Welfare gains from implementing the AEC (% of GDP)

B. EV as % of baseline GDP

	AFTA	AFTA+	AEC	AEC+	AEC++
ASEAN	0.8	2.9	5.3	8.9	11.6
Cambodia	2.7	5.4	6.3	7.2	12.3
Indonesia	0.2	1.4	6.2	8.2	9.7
Laos	0.6	2.5	3.6	3.8	4.6
Myanmar	0.3	1.2	4.4	4.8	9.3
Malaysia	1.4	1.5	3.0	11.2	14.7
Philippines	0.6	1.6	3.2	3.2	4.3
Singapore	1.6	9.0	9.7	11.6	12.2
Thailand	0.6	3.9	4.9	7.8	10.4
Vietnam	1.1	1.8	2.8	16.0	29.8
Brunei	2.6	5.4	7.0	9.3	10.6
Partners					
China	0.0	-0.1	-0.2	-0.1	-0.3
Japan	0.0	0.0	0.0	0.2	0.1
Korea	0.0	-0.1	-0.3	1.1	0.9
India	0.1	0.0	-0.1	1.7	1.6
Australia	0.0	0.0	0.0	0.0	0.0
New Zealand	0.0	-0.1	-0.1	0.0	-0.1
USA	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0
World	0.0	0.0	0.1	0.3	0.3

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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CGE Model: Effects on ASEAN & International Trade – Exports (%)

Table 10. Effects on International Trade (2015)

A. Change in exports, % from baseline

	AFTA	AFTA+	AEC	AEC+	AEC++
ASEAN	6.5	31.2	42.6	70.9	88.9
Cambodia	37.0	70.3	77.6	86.8	113.9
Indonesia	6.5	22.5	53.6	84.0	109.5
Laos	41.0	85.0	101.1	103.6	110.3
Myanmar	8.7	43.9	65.8	100.7	163.2
Malaysia	4.5	26.4	35.6	56.3	65.4
Philippines	2.9	25.4	45.4	67.3	82.4
Singapore	4.5	39.7	43.7	61.1	64.9
Thailand	8.8	27.8	33.6	63.5	85.5
Vietnam	15.4	49.0	55.4	160.1	239.5
Brunei	2.1	9.8	10.4	8.6	13.7
Partners					
China	0.0	-0.7	-0.8	7.5	6.9
Japan	-0.1	-0.6	-0.5	8.4	7.6
Korea	-0.2	-1.1	-1.5	7.1	6.6
India	0.1	-0.1	-0.3	57.4	57.0
Australia	-0.1	-0.5	-1.0	5.3	4.4
New Zealand	-0.3	-0.5	-0.6	6.1	5.1
USA	0.0	-0.3	-0.8	-1.4	2.9
Europe	-0.1	-0.3	-0.9	-1.3	0.6
World	0.4	1.8	2.1	6.4	8.4

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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CGE Model: Scenario Definitions

Table 8. Scenario Definitions

No.	Name	Description
1	AFTA	Completion of the AFTA agreement through the elimination of remaining intra-ASEAN tariffs. Since the base year of the data is 2004, these effects may include changes that have been already implemented by the time of this writing.
2	AFTA+	Intensification of AFTA through the removal of NTBs, including regulatory barriers such as diverging standards and testing requirements. In the absence of detailed information on such barriers, they are modelled by assuming a horizontal reduction in trade costs of 5 percent of trade values.
3	AEC	Reforms that improve the investment climate. They are modeled by increasing FDI inflows to levels expected in "model" countries with a strong investment climate (the methodology is described in Annex II).
4	AEC+	Bilateral FTAs between the AEC and East Asian Summit countries (Australia, New Zealand, India, Japan, China, South Korea). Barriers remain in place among the non-ASEAN partner economies (these too would be eliminated under the proposed Comprehensive Economic Partnership of East Asia).
5	AEC++	Further bilateral FTAs between the AEC and the United States and the European Union. Barriers remain in place among non-ASEAN partners.

Source: The Economics of the ASEAN Economic Community.
Peter A. Petri, Michael G. Plummer and Fan Zhai. (2010)

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ASEAN Region has many opportunities from opening Services...

- Opportunities are enormous – given ASEAN’s location in the world’s most dynamic region and astride critical trade routes.
- ASEAN region holds potential as a logistics hub, center to global production networks (already in electronics and motor vehicles) and as a hub for tourism and other service industries growing in importance (such as medical services).
- But this potential needs to be realized further.... Can RCEP help do this?

Source: ASEAN 2030. Towards a Borderless Economic Community.
Asian Development Bank Institute. (2012)

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RCEP AND SERVICES

What is the starting point?

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Challenge for RCEP: to fulfill principles decided by Leaders

1. Leaders have mandated that RCEP must provide a “significant improvement” in liberalization of services / investment over the ASEAN + 1 Trade Agreements
 2. Also mandated agreement upon 1 common Services Schedule vis-a-vis all ASEAN RCEP partners for each country
- WILL REQUIRE:
1. VISION
 2. SERIOUS THOUGHT
 3. LEADERSHIP: Can Indonesia provide this?

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So...RCEP needs a Vision

- MUST have higher level of AMBITION than the ASEAN + 1 RTAs
- SHOULD focus on an agreement that ENABLES TRADE
- Agreement should reflect the 21st century world of INTEGRATED PRODUCTION AND TRADE & GVCs
- Agreement should be COMMERCIALLY MEANINGFUL for exporters
- Agreement should FOCUS ON THE MOST SIGNIFICANT TRADE BARRIERS – those in services / logistics

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WHAT DOES RCEP HAVE TO BUILD ON FOR INVESTMENT?

Examining the ASEAN + 1 RTAs for Investment

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ASEAN + 1 RTAs : Services/ Investment

FTA Agreement	Description
ASEAN	Separate agreements on services and investment. Framework Agreement for services
ASEAN-Australia-New Zealand FTA	Separate chapters covering goods, services, investment, e-commerce, movement of natural persons (2010).
ASEAN-China CEP	Separate agreements on services and investment (2009)
ASEAN-Korea Framework Agreement on CEP	Separate agreements on services (2007) and investment (2009)
ASEAN-India (goods)	Separate Agreements to be negotiated by working groups on services and investment (2012).
ASEAN-Japan CEP	Separate chapters to be negotiated by sub-committees as part of built-in agenda.

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ASEAN + 1 RTAs Investment Schedules

FTA Agreement	Investment Schedules (Negative)
ASEAN	ACIA with negative lists and a positive list of services incidental to manufacturing, etc.
ASEAN-Australia-New Zealand FTA	Schedules not yet adopted
ASEAN-China CEP	Reservation Lists Not Mentioned
ASEAN-Korea Framework Agreement on CEP	Built in agenda to develop access commitments and reservation lists.
ASEAN-India	To be determined.
ASEAN-Japan CEP	To be determined.

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Issues Covered by Modern RTAs for Investment

Issue	Description
Coverage and Definitions	What sectors, what measures, and definition of investment
National Treatment and Access Commitments	Pre and Post Establishment, MFN, Nationality requirements, TRIMs.
Investment Protections	Financial transfers related to investment. expropriation, compensation for losses.
Dispute Settlement	State-to-state, investor-to-state
Other	Transparency, facilitation, promotion
Reservation Lists	Sectors to be excluded from disciplines

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Issues: RCEP and Investment - Coverage

- ACIA specifically covers manufacturing, agriculture, forestry, mining and **services incidental to these sectors (but not all services *per se*)**.
- No mention of coverage in other ASEAN RTAs

TO DECIDE for RCEP:
1. Coverage of Investment
2. How to relate to the Services Chapter
➤ Will there be a separate Investment Chapter or a separate Agreement with Investment Disciplines?
➤ Will this cover ALL SERVICES ?

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Issues: RCEP and Investment - Reservations Lists

- National Treatment and Market Access Commitments do not apply to sectors indicated on reservations lists.
- But other than ACIA, no reservations lists have been adopted in ASEAN + 1 RTAs. The China RTA does not mention a reservation list.

**RCEP: Could use ACIA Reservations List as basis for negotiation on Investment.
BUT should go beyond; cover all services**

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Issues: RCEP and Investment - Investor Protections and Dispute Settlement

- ACIA and ASEAN + 1 RTAs have nearly identical language on investment protections.

RCEP could adopt common language of ACIA

- Each of the RTAs has different articles on state-to-state disputes.
- ACIA and AANZFTA have identical language on investor-state disputes.
- China and Korea subsume investor-state disputes into a single article.

RCEP: Could take the language of ACIA for dispute settlement.

BUT must decide to include Investor – State disputes or not?

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Issues: MFN for Investment & Services

- All ASEAN + 1 RTAs offer MFN based on treatment of Parties to Agreement. ACIA extends MFN when there are agreements between ASEAN Member States and non-parties to ACIA.
- Some ASEAN +1 RTAs seem to extend MFN when there are agreements either between ASEAN Member States that conclude RTAs with non-parties.

RCEP: Must decide on whether MFN will be applied to agreements between RCEP parties and non-parties.

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Issues: Commitments on MFN

Investment	
ACIA	For ASEAN Countries
ANZ	None – to be negotiated
China	Limited
Korea	Limited
Services	
AFAS	None
ANZ	Yes
China	None
Korea	None

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ASEAN + 1 RTAs on Investment - Relationship to AFAS

- ASEAN + 1 Investment agreements do not apply to National Treatment and Market Access measures for Services maintained under AFAS. However, investor protections do apply regardless of whether or not a sector is scheduled under AFAS.
- Investor-to-state dispute settlement also applies to services even if a sector is not scheduled.

RCEP: Must decide on relationship of investment chapter / agreement and services chapter. Rules may be kept separate; commitments integrated?

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Issue: Relationship to Services Agreement

Agreement	NT Commitments on Investment apply to AFAS Scheduled Sectors	Investor protections and dispute settlement apply to AFAS Scheduled Sectors
ACIA	No	Yes
ANZ	No	Yes
China	No	Yes
Korea	No	Yes

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Summary of Negotiating Issues for Investment

Issue	Suggested Basis for Negotiation
Reservation Lists	ACIA
Scope	ACIA but including mining concessions
MFN	ASEAN-AANZFTA services clause
Investor Protections	ACIA (all are same)
Dispute Settlement	ACIA and AANZFTA
References to national laws and regulations	Eliminate and include on reservation list for national treatment

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WHAT DOES RCEP HAVE TO BUILD ON FOR SERVICES?

Examining the ASEAN + 1 RTAs for Services

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Current Situation in RCEP: ASEAN + 1 RTAs – Status of Services Agreements

- ASEAN – Australia and NZ FTA
 - Agreement on Trade in Goods, Services and Investment (2009).
- ASEAN – China FTA
 - Agreement on Trade in Services (2007) and Investment Agreement (2009).
- ASEAN – India FTA
 - Agreement on Trade in Services and Investment (completed end 2012).
Trade in Goods Agreement (2009).
- ASEAN – Japan FTA
 - Agreement on Trade in Goods (2008).
- ASEAN – Korea FTA
 - Agreement on Trade in Services (2007) and Investment Agreement (2009).

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ASEAN + 1 RTAs : Services Schedules

FTA Agreement	Services Schedules (GATS Positive List)
ASEAN	GATS+ with substantial liberalization in AEC Blueprint. AFAS-8 (2010) to be implemented . AFAS-9 to be negotiated.
ASEAN-Australia-New Zealand FTA	GATS+ with schedules for services and movement of natural persons. Progressive liberalization
ASEAN-China CEP	GATS+ 2nd package (2011)
ASEAN-Korea Framework Agreement on CEP	GATS+ First package (2007) with an additional annex on financial service.
ASEAN-India FTA	GATS? – Signed, not implemented.
ASEAN-Japan CEP	To be negotiated

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Liberalization of services/investment in ASEAN + 1 RTAs is very low: assessing restrictiveness of services modes

Table 1. Liberalization in 'ASEAN Plus' Free Trade Agreements: ODF Method

	ASEAN--China	ASEAN--ANZ	ASEAN--South Korea	ASEAN--Japan	ASEAN--India
Modes 1 and 2: Cross-border trade in services					
Simple average	0.457	0.420	0.531	0.081	0.109
Mode 3: Investment					
Simple average	0.354	0.538	0.502	0.120	0.120
Mode 4: Movement of people					
Simple average	0.046	0.277	0.123	0.046	0.046
Total averages	0.286	0.412	0.386	0.083	0.092

Source: Author calculations.

Note: 0 is restrictive, and 1 is unrestricted

Source: Cornish, M. and C. Findlay. (2011). 'Services Liberalization in the 'ASEAN Plus' Free Trade Agreements', in Findlay, C. (ed.), *ASEAN+1 FTAs and Global Value Chains in East Asia*. ERIA Research Project Report 2010-29, Jakarta: ERIA. pp.132-155.

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Services Schedules of Commitments of ASEAN +1 RTAs: Market Access

- Cross-border trade in services accounts for most of the commitments
 - Mode 2 shows the most commitments
- Mode 1 and mode 3 have various country – and sector-specific commitments with respect to market access and national treatment
 - Mode 4 shows the least commitments
- Looking at the commitments by the same country under different RTAs, there is no convergence of its commitments with different ASEAN members and partners; SCHEDULES DIFFER

There is considerable variation in the commitments undertaken



ASEAN-ANZ deepest RTA, followed slightly behind by the ASEAN-Korea RTA

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Services Sectors included in Schedules of Commitments of three ASEAN + 1 RTAs

Services Sectors included in Commitments	Australia and NZ	China	Korea
Business services	X	X	X
Communication services: telecommunications	X		X
Construction and related services	X	X	X
Distribution services: wholesale, retail and			X
Educational services	X	X	X
Environmental services		X	
Financial services	X		X
Health related and social services	X	X	
Tourism	X	X	X
Transport services	X	X	X
Computer and related services	X	X	X
Real Estate Services	X	X	

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Possibility of consolidating these RTAs?

- **What is different among the three ASEAN RTA's?**
 - Different **Scopes** → ASEAN-AANZ goes furthest
 - Different coverage of **Commitments** → AANZ goes furthest
 - Chapter on **Movement of Natural Persons** → only in AANZ
 - **Cooperation** → covered only in ASEAN-China and ASEAN-Korea
 - **ALL HAVE POSITIVE LIST SCHEDULING**
 - **ALL HAVE SAME DISCIPLINES / TEXT FOR MARKET ACCESS AND NATIONAL TREATMENT**

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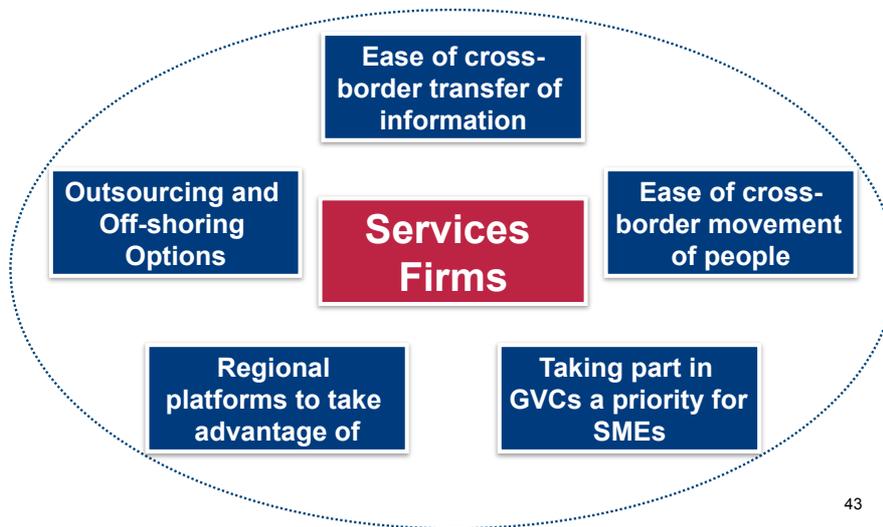


RCEP AND SERVICES

How to design a Services Agreement that takes into account 21st Century reality?

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Current Context for Services Firms



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21st Century Challenges for Services

- Regulatory Coherence
 - Internal and external coherence; transparency, impartiality and independence, efficiency, best practices, consultation with the private sector
- Open Borders for Data Flows
- Discriminatory support for State Owned and State Assisted Enterprises
- Government Procurement Opportunities for Services
- Logistics and the need for efficiency → key in operation of GVCs ; role of SMEs in GVCs

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RCEP must “go beyond” what exists

- RCEP MUST HAVE **BOTH DEEPER DISCIPLINES AND COMMITMENTS** THAN :
 - ASEAN + 1 RTAs and -- WTO GATS
 - Level of ambition just below AEC
 - **Needs to be IN TUNE with BUSINESS NEEDS and to have a mechanism to keep it up-date and dynamic.**

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Topics relevant to **SERVICES** being addressed in modern RTAs

- Cross-Border Trade in Services
 - MFN clause
 - Ratchet mechanism
 - Negative lists of commitments
- Temporary Movement: Mode 4
- Facilitation of professional services through mutual recognition
- Investment
 - Broad definition
 - Generous denial of benefits clause
 - Negative lists of commitments
 - Investor-state dispute settlement
- Competition Policy
- Subsidies in services
- Government procurement chapter covering services
- Intellectual Property chapter covering services
- Chapter dealing with Value Chains
- Chapter facilitating international engagement by SMEs; and with facilitation of business model innovation through out-sourcing and on- and off-shoring
- Separate chapters on ICT, Logistics, Telecommunications, Financial Services, Education

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ASEAN can take AUSNZ RTA as starting point for RCEP

- Take most comprehensive ASEAN + 1 RTA–AUSNZ and use this as starting point for RCEP
 - Advantages: most extensive coverage of sectors and commitments; Mode 4 commitments

BUT WILL THIS BE ENOUGH?

- **Still no deep disciplines on REGULATIONS**
- **STILL MISSING** many other disciplines that are key in 21st century world of trade and investment

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Questions raised by RCEP...

- How will RCEP compare with high quality RTAs being negotiated elsewhere?
- Will it allow ASEAN + 6 to act as a platform to expand a broad regional participation in GVCs?
- Or will each country try to develop its own competitiveness (intermediate goods, assembly, services, etc.) in order to build a national platform for participation in GVC' s?
- Will it attract interest of the private sector?
- How will RCEP fit in with national service strategies?

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How can Value be added to RCEP for Services?

Issue	To Consider
MODALITY	Hybrid approach: “Positive List” for Market Access; “Negative List” for National Treatment (like the ISA)
SCHEDULING DISCIPLINES	Standstill Listing commitments at level of actual practice/ openness Including reference to law / regulations
INTRODUCING DYNAMISM	Periodic review Ratchet Clause?
INVESTMENT	Separate Chapter, with coverage of Investor Protection and other Disciplines for all Services

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Adding Value to RCEP for Services

Issue	To Consider
DISCIPLINES	Regulatory Coherence Domestic Regulation Mutual Recognition Monopolies/ Competition Policy Business Practices Transparency
SECTORAL CHAPTERS	Telecommunications Movement of Natural Persons Financial Services? Any other? Education?
DEVELOPMENT CONSIDERATIONS	Chapter on SMEs Technical Assistance for Regulatory Review and Reform

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INDONESIA

Considerations in setting goals for RCEP in Services

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What Indonesia needs to negotiate RCEP

- Coordinated national approach on services to define priorities, together with stakeholders
- Inventory of regulations affecting trade in services
- Understanding of modern services issues
 - (Participating in the ISA discussions in Geneva would help)

➤ **Mainstreaming a
“TRADE IN SERVICES”
Policy into the national
agenda & new 5- Year Plan**

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Thank You

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