

Executive Summary

RCEP negotiations were formally launched by the heads of state of ASEAN Members and ASEAN FTA's trade partners (Australia, China, India, Japan, Korea and New Zealand) in November 2012 at the ASEAN summit in Cambodia. From the outset, leaders declared that RCEP would be “a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement¹ establishing an open trade and investment environment in the region to facilitate the expansion of regional trade and investment and contribute to global economic growth and development”.²

Negotiations commenced in early 2013 with a somewhat optimistic target for completion of the talks for the end of 2015. Up to the time of writing, five rounds of negotiations have been conducted, with a sixth round currently scheduled for early December 2014. Although some progress has been achieved, the lack of any draft negotiating texts to date is a somewhat conspicuous sign that forward momentum at these talks may have been lagging to date.

Given the huge disparities that exist between the various ASEAN+1 FTAs, and the inevitable differences in the levels of ambition for the RCEP negotiations that these differences engender, we conclude that it is indeed questionable whether the RCEP negotiations will ever effectively culminate in a completed trade agreement. Moreover, we believe that even if the RCEP talks eventually succeed in producing a trade agreement, we are doubtful as to its trade liberalizing impact, given that it is likely to represent a lowest common denominator agreement. Given the presence of India in these negotiations, which is currently very poorly disposed to the prospect of increased trade and investment liberalization, we see very little chance in a finished agreement or at least not one that represents any genuine and tangible progress towards achieving greater, deeper or stronger economic integration among the participating economies.

Given the lack of any positive outlook for RCEP, we also question Taiwan's motives in wanting to accede. We conclude that Taiwan has some very real concerns and imperatives when it comes to avoiding being excluded from preferential market access schemes, but we find that Taiwan can achieve substantively similar or better outcomes through a process of bilateral engagement with selected trade and investment partners. This seems to be an approach already embarked upon by Taiwan given its recent and successful policy of concluding PTAs with New Zealand and Singapore.

We also conclude that the apparent choice between engaging more closely with

China or trying to keep China at arm's length is a false choice and that for Taiwan to gain more distance in its economic and commercial relationship with the Mainland, it will first have to get closer to China by ratifying the Cross- Straights services agreement and completing, in good faith, the process of closer economic cooperation and integration it first embarked upon several years ago. There is only one way to go for now with China and that is forward.

For reasons we outline below we find that Taiwan's position is actually stronger than many observers (including many in Taiwan) currently believe, and that Taiwan has a number of strengths that it has hitherto failed to exploit. Being small, rich, industrialized, democratic, economically inclusive and highly skilled is hardly a bad starting point from which to engage the region and the world.