Raising the Value of Regional Trade Agreements—Key Factors for Successful Implementation and Positive Economic Impact

55004-001
Regional
Active
Technical Assistance

Technical Assistance Special Fund
US$ 300,000.00
Regional Cooperation and Integration Fund
US$ 450,000.00

OP6: Strengthening governance and institutional capacity
OP7: Fostering regional cooperation and integration

Industry and trade / Industry and trade sector development - Trade and services
Public sector management / Economic affairs management

No gender elements
This knowledge and support technical assistance (TA) will support development of a database on regional trade agreement (RTA) tariff commitments and several studies on the economic effects of mega-RTAs, the factors driving their successful implementation, and key policies to fully realize their economic benefits. These include market access aspects of the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) such as tariff commitments, rules of origin, services trade liberalization, trade facilitation, e-commerce, nontariff measures, technical barriers to trade, and investment to improve understanding of their economic impact among policy makers, academics, the private sector, and civil society. These will support policy advice and capacity development of developing member countries (DMCs).

The TA is aligned with the following impact: Improved implementation of trade agreements in participating ADB regional members. The TA will have the following outcome: Increased knowledge and awareness among RTAs stakeholders (policy makers, government, private sector, civil society, and the public) of trade and investment effects of mega-RTAs such as RCEP and CPTPP (with other RTAs). This will be done through elaboration and dissemination of at least three high-quality studies to promote understanding, policy dialogue (among governments, private sector, civil society, ASEAN and ASEAN+3 Secretariat, multilateral organizations, and ADB-supported subregional cooperation programs such as the Greater Mekong Subregion Economic Cooperation Program), and raise capacity of policy makers to maximize RTA net benefits and manage costs. The proposed recommendations and database will support (i) further knowledge, such as flagship reports and other databases, and (ii) ADB's operational work, such as identification of regional public goods and subsequent investment projects, beyond the implementation period of the KSTA.

The TA will also deliver the following solutions and outputs: (i) Knowledge products with regional and country level policy recommendations delivered; (ii) Database on trade agreements with dashboard and visualization established; and (iii) Capacity building activities with public and private RTAs stakeholders delivered.
As global and regional economies prepare to reopen and begin recovery from the coronavirus disease (COVID-19) pandemic, trade uncertainty persists, including in readjustments in global and regional supply chains. On a positive note, the recent RCEP signing is expected to create the world's largest trading bloc, strongly boosting regional free trade efforts, upholding the multilateral trade system, and deepening the region's open, transparent, and inclusive trade and investment for post-pandemic recovery.

However, experience shows that these benefits depend on successful implementation of RCEP commitments and willingness and capacity from the private sector to fully use its provisions within a context of overlapping and competing trade preference schemes (bilateral, regional, multilateral). That is, RTAs are effective only when they are designed with business-friendly rules, implemented transparently and predictably, and well understood by users.

This requires interventions at three levels. First, policy makers need to design RTA provisions reflecting industrial and global value chain constraints of member countries. The bigger the RTA, the bigger the challenge to find rules suitable for all and better than opportunities provided by existing bilateral and regional agreements. Second, weak government capacity to negotiate and apply user-friendly trade rules resulting from lack of understanding of RTA impact and best practices often creates shallow or incomplete trade agreements with unclear legal provisions. Third, limited outreach to explain RTA content, the complexity of RTAs, and unclear trade rules can limit understanding of international trade rules. Users are either unable or unwilling to comply with the RTA requirements such as rules of origin, or may not know how to benefit from preferential treatment. In particular, unclear operational guidelines, such as for RCEP rules of origin, and insufficient training of customs officials may stifle transparency and predictability, discouraging private sector application for preferential border treatment.

Better understanding of the conditions or criteria for the success of trade agreements in Asia is therefore needed to formulate sound, relevant, timely, and targeted policy recommendations and actions at the three levels. By working closely with all RTA stakeholders, this TA aims to: (i) strengthen understanding of key factors in successful RTA implementation, (ii) allow elaboration of strategies and trade policy options across economies and sectors to maximize positive RTA impact, and (iii) mitigate and manage costs that arise during implementation and allow better trade and investment actions.

### Project Outcome

**Description of Outcome**

Increased knowledge and awareness among RTAs stakeholders (policy makers, government, private sector, civil society, and the public) of trade and investment effects of mega-RTAs such as RCEP and CPTPP (with other RTAs).

**Progress Toward Outcome**

**Implementation Progress**
Description of Project Outputs
Knowledge products with regional and country level policy recommendations delivered. Database on trade agreements with dashboard and visualization established. Capacity building with public and private RTA stakeholders delivered.

Status of Implementation Progress
(Outputs, Activities, and Issues)

Geographical Location Regional

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation
During Project Design
During Project Implementation

Responsible ADB Officer Crivelli, Pramila A.
Responsible ADB Department Economic Research and Development Impact Department
Responsible ADB Division Regional Cooperation and Integration Division (ERCI)
Executing Agencies Asian Development Bank

Timetable
Concept Clearance 13 May 2021
Fact Finding 05 Jan 2021 to 05 Jan 2021
MRM -
Approval 29 Jun 2021
Last Review Mission -
Last PDS Update 29 Jun 2021

TA 6740-REG

Milestones

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Financing Plan/TA Utilization

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Cumulative Disbursements