



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Structural Productivity Convergence of Rcep

A.M Dyg Afffizzah, Awgku Alizra A.A, Ting Mee Sing

Faculty of Economics and Business, Universiti Malaysia Sarawak, 94300, Kota Samarahan, Sarawak, Malaysia.

Abstract

This study aimed is to test the convergence on value added share of four major sectors namely manufacturing, services, agriculture and construction within a group of selected Regional Comprehensive Economic Partnership (RCEP) referring to Malaysia, Brunei Darussalam, Singapore, Thailand, Indonesia, Philippines, Japan, South Korea, China, India, Australia and New Zealand. From the finding it shows that there is no panel structural convergence found in all four sectors for all the countries. However, it does not indicate that there is no possibility of convergence because a country might cluster with another country. Among the four major sectors, agricultural sector shows the most diverse formation of convergence indicating vast gap in its agricultural sector development among the RCEP countries. Yet manufacturing sectors shows more similarities and common characters shared by countries in the study. In other words, RCEP countries are more similar in its development in term of its manufacturing performance. Structural convergence is indeed essential to strengthen the integration of economics in order to achieve the objective of RCEP Based on the results, a country ought to build regional linkages with another country as well as examine their own similarities with other regions. When the countries happen to share similar structural economy, any form of external shocks will result in symmetric but depending on the areas.

Keyword: Convergence, Club Convergence, RCEP Countries, Structural Productivity, Structural Convergence.

Introduction

Regional Comprehensive Economic Partnership (RCEP) is a framework formed in 2012 inspired by the AFTA with collaboration of the ASEAN countries. The negotiations within the RCEP is beneficial to make the ASEAN's economics must more recognized globally. The essential mission of RCEP is to transform ASEAN into a single market which most of the ASEAN economies are diverse. overview of the productivity growth, value added share and labour share of RCEP.

Petri, Plummer and Zhai (2014) mentioned that the RCEP is considering still at their earlier stage due to liberalization and diversity. The progression is low which makes the East Asia way too far from the European economic development. The economic performance of each country in RCEP are varies which experienced different level of growth. Take an example from Brunei Darussalam, this country is well known as high income group but still their productivity is considering low.