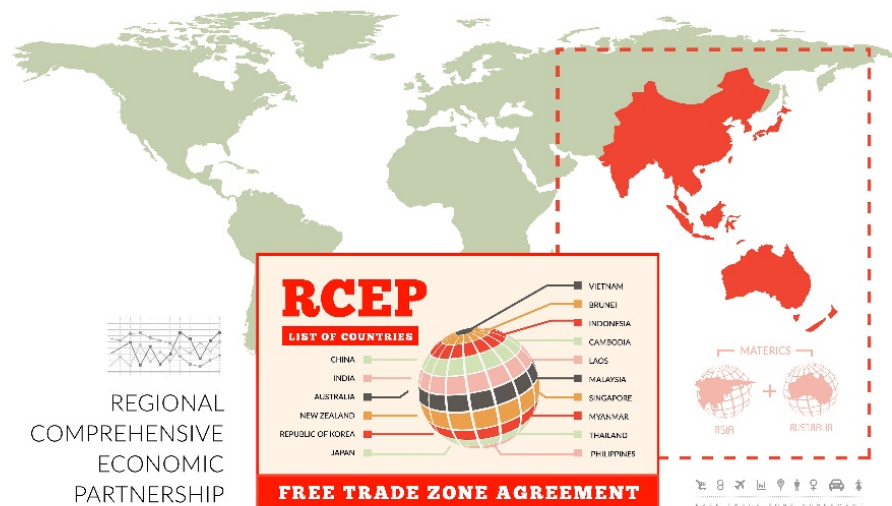


# Short overview of the Regional Comprehensive Economic Partnership (RCEP)



REGIONAL  
COMPREHENSIVE  
ECONOMIC  
PARTNERSHIP



## BRIEFING

# Short overview of the Regional Comprehensive Economic Partnership (RCEP)

### ABSTRACT

15 countries signed the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020. Upon ratification, it will become the largest preferential trade agreement by economic output in the world, with the potential to increase trade and integration among the economies of East Asia. This briefing presents the structure and the content of the agreement, its relationship to existing cooperation in the region, and discusses important economic and political implications. Several notable takeaways stand out. First, we highlight the economic and political significance of RCEP for the region stressing that it is the culmination of past efforts by East Asian countries to pursue economic integration. Second, we show that the agreement itself is considerably less ambitious than comparable agreements such as the Comprehensive and Progressive Transpacific Partnership (CPTPP) and European Union Free Trade Agreements with Asian countries. Third, we document that the final legal text itself does not seem to be dominated by any specific party. Fourth, despite its lack of ambition, the agreement is still expected to provide substantial trade gains for signatories, especially if it helps to consolidate global supply chains based in the region. Fifth, because of its structure, it is likely to be an important focal point for trade liberalization in the future providing European companies with important opportunities.

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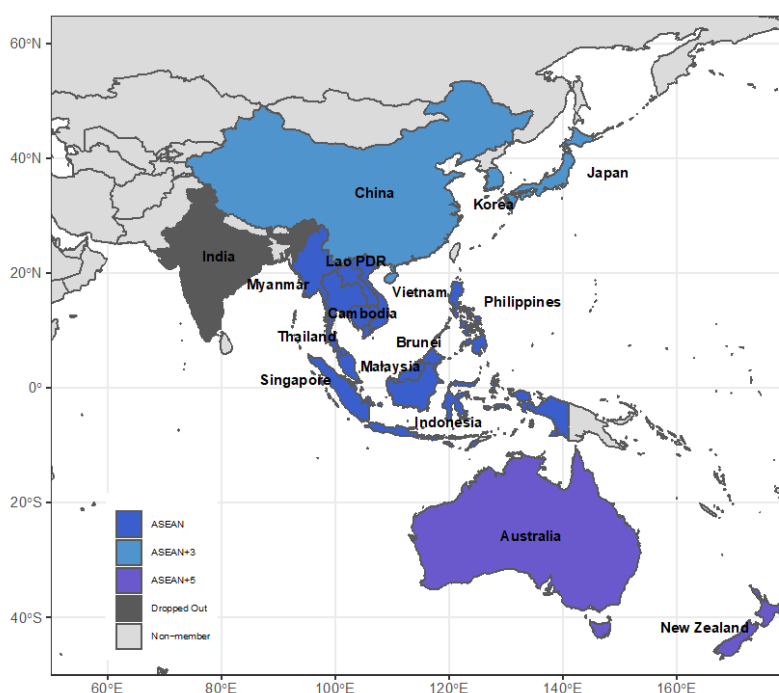
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# 1 Overview of the Agreement

## 1.1 The parties to the Agreement

The Regional Comprehensive Economic Partnership (RCEP) is composed of 15 signatories: Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Vietnam, South Korea, and Thailand. Negotiations among the parties began in 2012 and originally included India, which dropped out of the negotiations in 2019. The Agreement was signed on 15 November 2020. It will enter into force 60 days after ratification by at least six countries of the Association of South East Asian Nations (ASEAN) and three non-ASEAN countries.<sup>1</sup> Figure 1 shows the geographic distribution of the RCEP parties. The Agreement itself seeks to unify and deepen economic activities among the existing ten-member ASEAN trade bloc (shaded in blue) with five other East Asian economies, including China, Korea, and Japan (commonly referred to as ASEAN + 3 and shaded in light blue), and Australia and New Zealand (commonly referred to as ASEAN + 5 and shaded in purple).

**Figure 1:** RCEP membership



Source: Authors' illustration.

Table 1 highlights several economic and trade-related institutional features of the RCEP parties. The Agreement incorporates five of the six biggest economies in the region, China, Japan, South Korea, Australia, and Indonesia, along with several mid-sized countries (Malaysia, Thailand, Singapore, Vietnam, New Zealand, and the Philippines). The economies of Laos, Brunei, Cambodia and Myanmar are substantially smaller. Many of the economies are already well connected through trade and investment, both through existing economic agreements such as ASEAN, and through the growth of global supply chains in East Asia over time.<sup>2</sup>

<sup>1</sup> These conditions are found in Chapter 20 article 6 of the Agreement.

<sup>2</sup> In East Asia the development of supply chains is often referred to as the “flying geese pattern”, where early industrializers such as Japan seek to offshore jobs to lower cost locations as their labour costs raise (see Baldwin, 2012, p. 27; Kojima, 2000).

China and Japan are the first and fourth largest exporters in the world respectively, and several other RCEP countries are particularly well integrated in global trade networks including South Korea, Singapore, Australia, Thailand, and increasingly Vietnam. Trade is also important for many of the smaller, less-developed countries in the region, who have relatively high trade shares relative to their gross domestic product (GDP) and who view integration in regional supply chains as a path to economic success.<sup>3</sup>

The RCEP membership exhibits considerable economic heterogeneity, in terms of overall size, level of development, economic structures, and resources. Moreover, the RCEP parties have also shown different proclivities towards the signing of economic agreements in the past. Singapore, China, South Korea, Japan, Australia, and Malaysia have been actively signing trade and investment agreements, whereas countries such as Myanmar, Brunei, and Cambodia have rarely stepped beyond the bounds of ASEAN. Currently, four RCEP countries have preferential trade agreements (PTAs) with the European Union (EU): Japan, Singapore, South Korea and Vietnam. Negotiations with Australia, Indonesia, the Philippines, Thailand and New Zealand are ongoing.<sup>4</sup> The EU has a separate investment agreement with some RCEP countries in addition to a PTA. In its relations with China, the EU has reached an investment agreement (in principle) in December 2020.<sup>5</sup>

**Table 1:** Economic and trade-related characteristics of RCEP parties

Country	GDP	Total trade	PTAs	BITs	PTA with EU	CPTPP member	Income level
<b>Australia</b>	1450.50	492.57	22	15	no	yes	High Income
<b>Brunei</b>	14.01	12.14	11	6	no	yes	High Income
<b>Cambodia</b>	20.92	35.42	6	16	no	no	Lower Middle Income
<b>China</b>	11537.48	4577.84	18	107	no	no	Upper Middle Income
<b>Indonesia</b>	1204.48	338.96	15	25	no	no	Lower Middle Income
<b>Japan</b>	6210.70	1426.52	18	29	yes	yes	High Income
<b>Laos</b>	13.20	12.02	10	21	no	no	Lower Middle Income
<b>Malaysia</b>	398.95	443.19	19	54	no	yes	Upper Middle Income
<b>Myanmar</b>	86.93	36.72	6	8	no	no	Lower Middle Income
<b>New Zealand</b>	191.73	81.88	17	2	no	yes	High Income
<b>Philippines</b>	360.86	183.84	12	32	no	no	Lower Middle Income
<b>Singapore</b>	335.54	750.03	27	38	yes	yes	High Income
<b>Vietnam</b>	200.86	518.18	15	48	no	yes	Lower Middle Income
<b>South Korea</b>	1482.76	1045.58	21	89	yes	no	High Income
<b>Thailand</b>	452.67	482.53	15	36	no	no	Upper Middle Income

Notes: GDP and trade are in billions of United States Dollars (USD). GDP, trade, and income level from the World Bank's World Development Indicators 2019. Information on Trade Agreements are from the Design of Trade Agreements (DESTA) data (Dür et al., 2014). Information on bilateral investment treaties (BITs) is from the Electronic Database of Investment Treaties (EDIT) (Alschner et al., 2021). Only BITs in force included. Income levels are based on standard World Bank categorization.  
Source: Authors' calculation.

RCEP is one of two so-called "mega-regional" trade agreements in East Asia. The other is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into force in 2018, and currently counts eleven parties: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The CPTPP emerged from the original Trans-Pacific Partnership

<sup>3</sup> See Petri and Plummer (2020a).

<sup>4</sup> In this briefing, we use the terms PTA and Free Trade Agreement (FTA) interchangeably.

<sup>5</sup> EU-China Comprehensive Agreement on Investment, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2115>.

(TPP) after the United States (US) pulled out of the agreement following the election of Donald Trump in 2016.<sup>6</sup> Currently, seven RCEP members are also members of the CPTPP.

Upon entry into force, RCEP will become one of the most important trade areas in the world. Table 2 demonstrates how it compares to several other regional trade agreements. The size of the Agreement is notable along several dimensions: first, RCEP will become the world's largest PTA by GDP, encompassing around 28.7% of the world's economic activity based on 2019 figures; second, RCEP will be the second largest in terms of overall merchandise trade (behind only the EU), comprising nearly 27.8% of global merchandise trade; third, RCEP will be number one in terms of population. Thus, it is larger than the CPTPP and is substantially bigger – across all metrics – than most other regional agreements.

**Table 2:** Comparing RCEP to other regional trade agreements<sup>7</sup>

Agreement	Parties	Global GDP %	Global trade %	Global population %
<b>Regional Comprehensive Economic Partnership (RCEP)</b>	15	28.70	27.80	29.65
<b>Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)</b>	11	15.03	15.43	6.64
<b>United States-Mexico-Canada Agreement (USMCA)</b>	3	25.82	16.11	6.45
<b>Mercosur</b>	4	3.44	1.49	3.49
<b>African Continental Free Trade Agreement (AfCFTA)</b>	54	3.07	2.79	17.04
<b>Gulf Cooperation Council (GCC)</b>	8	1.84	3.44	0.75

Notes: All underlying data calculated from World Bank's World Development Indicators. Global GDP % is the sum of GDP in US dollars in 2019 (indicator NY.GDP.MKTP.KD) for each agreement signatory divided by the world total. Global Trade is the sum of each agreement signatory's merchandise imports and exports divided by the world total (indicators NE.EXP.GNFS.ZS and TM.VAL.MRCH.CD.WT). Global Population % is the sum of each agreement signatory divided by the world total (indicator SP.POP.TOTL).

The share of exports to GDP varies substantially between the RCEP parties. It ranges from less than 20% for Indonesia to more than two thirds for countries like Cambodia, Malaysia, Singapore, Thailand and Vietnam. The main traded goods of RCEP economies are manufacturing goods.<sup>8</sup> RCEP accounts for nearly half of world manufacturing output. As Figure 2 shows, exports of manufactured goods and machinery and transport equipment dominate the exports from the region, as more than half of all exports from the region fall in these categories. The region focuses particularly on the production of automotive and electronics: around half of global automotive and nearly 70% of electronics world-wide are produced in the region. With major suppliers and producers of electronics like Samsung or Apple and automobile suppliers and factories in the region, many electronics and machinery components are sourced from these economies.

<sup>6</sup> Many of the original TPP provisions were drawn from previous US PTAs and reflected US preferences (see Allee and Lugg, 2016). Upon US withdrawal from TPP several of the provisions were renegotiated among the remaining signatories, including most notably the chapters on investment and intellectual property (see Goodman, 2018).

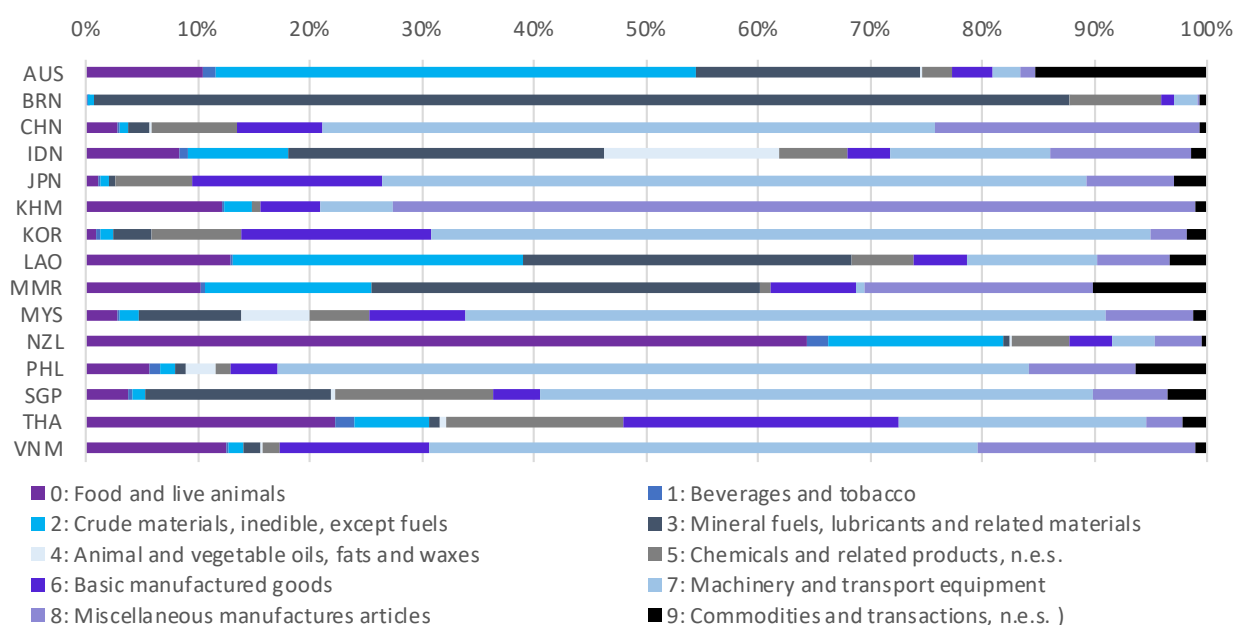
<sup>7</sup> The numbers most commonly used in media coverage of RCEP are that it is roughly 30 percent of the world's total population, GDP, and trade. These seem to be based on a joint statement released by the RCEP signatories in November (see "Summary" 2020), but it is unclear which measures are being used and how world totals are computed. Our estimates are based on 2019 World Bank statistics and include all countries and territories for which there are statistics. Thus, our estimates are likely to be more conservative.

<sup>8</sup> Manufacturing goods comprise commodities in SITC section 5 (Chemicals and related products, n.e.s.), 6 (Basic manufactured goods), 7 (Machinery and transport equipment) and 8 (miscellaneous manufactured goods).

For countries like China and Japan, more than 85 % of merchandise exports are manufacturing goods. But the less developed parties like Cambodia, Laos, Myanmar and Vietnam have rapidly increased their manufacturing output, mainly in low-tech manufacturing output. For example, Vietnam nearly doubled its share in manufacturing exports from 42 % in 2000 to 83 % in 2018. This growth was partly achieved with the help of foreign direct investments (FDI). Despite the global trend of stagnating FDI in the past decade, RCEP member countries experienced an increase of FDI. The region, particularly ASEAN and China, is attractive for new investment projects and export-oriented investments (UNCTAD, 2018).

On average, more than one third of all exports from a RCEP member is imported by another RCEP party. China is an important trade partner, but also trade between ASEAN members is particularly strong.<sup>9</sup> Most countries participating in RCEP are well integrated into global value chains (GVCs). Figure 2 shows that not only the high income countries like Japan and Australia are well integrated into GVCs, also less developed economies like Brunei, Thailand and Vietnam. The volume of trade within GVCs has increased drastically between 2000 and 2018. In the past decade, in particular the less developed members increased their participation in global production by on average 15 percentage points. Most firms in these global production networks provide inputs for further production in other countries, often within the region. The Asia-Pacific region is characterized by strong intra-regional value chain trade amounting to USD 1.5 trillion in 2017 (UNCTAD, 2018).

**Figure 2:** Sectoral distribution of exports in goods from RCEP parties, in percent of total exports in goods, 2018



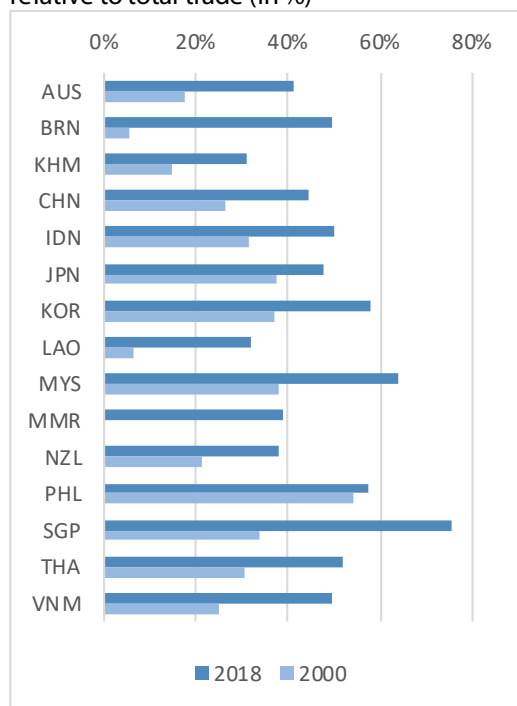
Notes: The trade categories correspond to the Standard International Trade Classification (SITC) Revision 3. Source: UNCTAD Comtrade database; authors' calculations.

Among RCEP economies, the regional value chain linkages are centred around a few economies, in particular around China (Figure 3). China, Japan, Singapore and South Korea are major hubs for inter-regional as well as international trade. RCEP members account for 37 % of GVC trade within RCEP parties and for 24 % of total value added in global value chain trade world-wide in electronics and machineries.

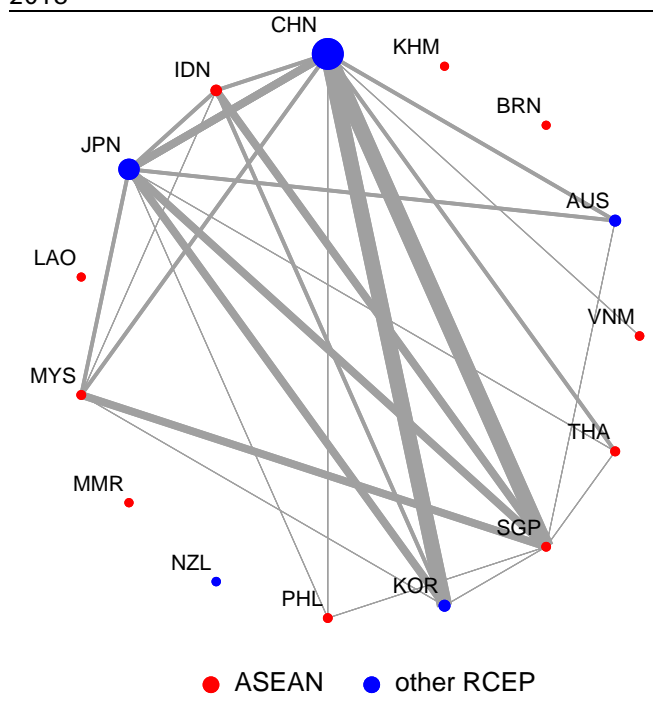
<sup>9</sup> See as well Figure 7 in section 2.2.



**Figure 3:** Trade in global value chains relative to total trade (in %)



**Figure 4:** Value chain connections within RCEP parties, 2018



Notes: Global value chain participation is measured as the share of a country’s exports used in a multi-stage multi-country production process, i.e. it accounts for the foreign value added in domestic production (backward integration) as well as domestic value-added used in third countries exports (forward integration). The thickness of the lines in Figure 4 represent the volume of value chain trade with other RCEP members. Only trade in GVCs with volumes above 5 billion USD are represented. The size of the node denotes the importance of the country as trading partner.  
Source: UNCTAD EORA database (2019) and authors’ calculations.

## 1.2 The objectives of the Agreement

The general objectives are outlined in chapter 1.3 of the Agreement, namely establishing a modern economic partnership agreement to facilitate trade and investment focusing in particular on trade in goods and services liberalization and working towards a competitive investment environment. One of the main drivers in launching the RCEP negotiations in 2012 was to consolidate and bundle all existing ASEAN+1 agreements into one trade agreement.<sup>10</sup> These ASEAN+1 deals had different levels of ambition depending on the partner<sup>11</sup> and most of them lacked important trade and trade-related commitments (e.g. digital trade, intellectual property rights).<sup>12</sup> Also, RCEP was designed to create new trade relations to evolve under a PTA. What is novel is that RCEP allows China and Japan, as well as Japan and South Korea to be

<sup>10</sup> ASEAN had negotiated before the start of the RCEP negotiations ASEAN+1 agreements with China, Japan, South Korea, India, and Australia/New Zealand. During the RCEP negotiations an agreement with Hong Kong was added.

<sup>11</sup> Dür et al. (2014) and Baccini et al. (2015) refer to the depth of an agreement as the amount of liberalization envisaged by an agreement. The authors calculate a depth index ranging between 1 (shallow) and 7 (deep). According to their Design of Trade Agreements (DESTA) dataset, the agreement between ASEAN-Australia-New Zealand (2009) is the deepest ASEAN+1 agreement (depth equals 6), followed by the ASEAN-China Services agreement (2007, depth 3), the ASEAN-Japan agreement (2008, depth 3), the ASEAN-Korea Services agreement (2007, depth 3), the ASEAN-China Goods agreement (2004, depth 2), the ASEAN-India agreement (2009, depth 2) and the ASEAN-Korea Goods agreement (2006, depth 2).

<sup>12</sup> See Elms (2021); also “Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership,” accessed at: <https://asean.org/wp-content/uploads/2012/05/RCEP-Guiding-Principles-public-copy.pdf>.

part of the same trade agreement. In addition, it would have allowed India to embed its trade relations through a contractual agreement with a substantial number of Asian countries. India, however, dropped out in the final year of the negotiations. Most commentators emphasize that Indian politicians were concerned about the potential impact of liberalization on politically important industries in the manufacturing sector and in agriculture, as well as a long-standing commitment to self-sufficiency.<sup>13</sup>

RCEP's focus is on easing trade in goods and services across Asia generally and exploring additional liberalization in market access generally by addressing the usual set of trade topics in modern trade agreements (see section 1.3). However, it was clear from the beginning of the negotiations that the ambitions of the Agreement would be affected by the membership constellation which involves countries with very different levels of economic development. For this reason, the Agreement comes with flexibilities and differentiated commitments. This is in particular evident in the number of different tariff schedules (38 in total), with tariff liberalization for some products to occur over long periods (20 years or longer) as well as varied commitments in services liberalization and investment.<sup>14</sup> Lower ambition is also reflected by leaving out non-trade concerns, including environmental and labour rights and standards. In addition, it was clear from the composition of treaty partners that substantial policy space for national security and public health would be reflected in the legal texts.

### 1.3 The structure and content of the Agreement

The Agreement has a total of 20 chapters across 510 pages.<sup>15</sup> Following chapter 1 (**Initial Provisions and General Definitions**), chapter 2 (**Trade in Goods**) includes obligations for trade in goods (national treatment clause, elimination of customs duties, duty-free temporary admissions, customs valuation, goods in transit, re-affirmation of World Trade Organization (WTO) commitments related to export competition and export subsidies in agricultural products, quantitative restrictions, import licensing). It also describes the process how to deal with tariff differentials (different tariff preferences applied by parties); it foresees consultation on technical regulations and encourages to develop a work program on sector-specific issues. The parties agree to reduce or eliminate customs duties imposed by each member on originating goods by approximately 92 % over a period of 20 years.<sup>16</sup> Some tariffs are abolished immediately, while others will be eliminated gradually according to schedules over 20 years. Overall, RCEP will improve market access, with tariffs and quotas eliminated in over 65 % of goods traded.<sup>17</sup> This will, however, not necessarily imply large tariff reductions for all parties as more favourable trade agreements already exist between some parties.

Chapter 3 (**Rules of Origin, ROO**) determines which goods are originating under RCEP and therefore can benefit from preferential tariff treatment. It has two sections. Section A sets out the requirement for qualifying from the originating status. Section B sets out specific procedures related to the proof of origin and other administrative procedures. The chapter has two annexes: (i) the Product-Specific Rules, which cover all tariff lines at the HS 6-digit level; and (ii) Minimum Information Requirements, listing the required information for a Certificate of Origin or a Declaration of Origin. It brings all origin rules originally stipulated under the ASEAN-Plus-one and other bilateral PTAs together. So overall, RCEP consolidates ROO, by making it easier for exporters to “cumulate” (more inputs) and rely on a single proof of origin.

<sup>13</sup> See for example Gupta and Ganguly (2020). Moreover, other commentators stress that India was concerned about an influx of Chinese products, lack of liberalization in the services sectors, and geopolitical dynamics with China (see Priya and Ghosh, 2020).

<sup>14</sup> See Elms (2021).

<sup>15</sup> See also ASEAN (2020).

<sup>16</sup> Ministry of Trade and Industry of Singapore, Press Release, 15 November 2020; <https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2020/11/Press-Release-on-the-Regional-Comprehensive-Economic-Partnership-Signing-15-Nov.pdf>

<sup>17</sup> <https://asean.org/asean-hits-historic-milestone-signing-rcep/>

Chapter 4 (**Customs Procedures and Trade Facilitation**) includes trade facilitation provisions, such as advance rulings, rules of origin, customs valuation; customs clearance of goods, risk management and post-clearance audits. The details of implementation of commitments are provided in an annex to the chapter which takes account of differentiated needs.

The next set of chapters covers non-tariff measures. Chapter 5 (**Sanitary and Phytosanitary Measures**) relies significantly on established WTO law and practice as well as the work of the respective WTO Committee on SPS. Further emphasis is given to transparency, cooperation and capacity-building. Chapter 6 (**Standards, Technical Regulations, and Conformity Assessment Procedures**) relies significantly on WTO law and practice, as well as the work of the WTO Committee on Technical Barriers to Trade (TBT). Following the example of Chapter 5, cooperation among parties is encouraged.

Chapter 7 (**Trade Remedies**) covers both safeguards as well as anti-dumping and countervailing duties. In both cases parties' rights and obligations under WTO law are confirmed. In terms of safeguards a *de minimis* rule of 3 % is mentioned and in terms of anti-dumping the practice of zeroing is explicitly prohibited.<sup>18</sup> The chapter further includes an annex on anti-dumping and countervailing duties proceedings to promote transparency and best practice.

Chapter 8 (**Trade in Services**) includes provisions on market access, national treatment, most-favoured-nation treatment, and local presence. These are all subject to Parties' Schedules of Specific Commitments or Schedules of Reservations and Non-Conforming Measures. Importantly, several parties<sup>19</sup> scheduled their services commitments through a "negative list"<sup>20</sup> approach while the parties that have used a "positive list"<sup>21</sup> for services commitments are required to transition to a negative list within six years of entry into force of the agreement. Overall, it provides commitments for trade in services that go beyond commitments in existing PTAs among the RCEP parties. It is foreseen that at least 65 % of services sectors will be fully open with increased foreign shareholding in Professional Services, Telecommunications, Financial Services, Computer and Related Services, and Distribution and Logistics Services. There are also three specific annexes on financial services, telecommunications services and professional services (including recognition of professional qualifications) with obligations and frameworks for increased cooperation.

Chapter 9 (**Temporary Movement of Natural Persons**) covers rules regarding temporary entry and temporary stay of natural persons related to trade, services and investment. It includes party-specific schedules that are found in the appendix. Chapter 10 (**Investment**) covers the areas of investment protection. It does not, however, offer refinements compared to the parties existing investment agreements. Linked to the chapter are schedules of reservations and non-conforming measures following a negative list approach with standstill and ratchet mechanism.<sup>22</sup> What is noteworthy is that parties did not agree on an investor-state dispute settlement (ISDS) mechanism which usually is part of most modern investment chapters.<sup>23</sup> This is a notable difference with the EU's investment agreements, concluded in addition to the trade agreements with Singapore and Vietnam, which have set high investment protection

<sup>18</sup> Zeroing is a contested calculation practice by the US to calculate dumping margins and therefore damages. This has led to many WTO disputes where the WTO dispute settlement system has largely found the US practice not to be in compliance with WTO obligations.

<sup>19</sup> Australia, Brunei, Indonesia, Japan, Korea, Malaysia, and Singapore adopted a negative list approach for services liberalisation.

<sup>20</sup> All services are considered liberalised unless otherwise indicated through lists of reservations.

<sup>21</sup> Cambodia, China, the Lao PDR, Myanmar, New Zealand, the Philippines, Thailand, and Vietnam have opted for a positive list of services commitments.

<sup>22</sup> A ratchet mechanism means that if a party, after entry into force of an agreement, unilaterally removes a barrier to investment, this automatically benefits all parties to the agreement and the barrier cannot be re-introduced at a later stage.

<sup>23</sup> However, a work programme will be set up, no later than two years after entry into force, to consider whether or not RCEP should include an ISDS.

standards and put in place ISDS mechanisms. Chapter 11 (**Intellectual Property, IP**) covers many of the areas related to IP (*Copyright, Trademarks, Geographical Indications, Patents, Industrial Design and Genetic Resources, Traditional Knowledge and Folklore, Domain Names*). It is over 40 pages long building mostly on WTO law. It encourages members to accede to IP Conventions<sup>24</sup> and re-affirms the flexibilities related to the WTO Doha Declaration on Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health. In terms of geographical indications, all parties must adopt or maintain transparency obligations. The chapter is accompanied by a list of party-specific transition periods and a list of technical assistance requests.

Chapter 12 (**Electronic Commerce**) calls for a framework for future liberalization in e-commerce. It covers various topics that are usually part of an e-commerce chapter ranging from a commitment not to impose customs duties for electronic transmission to an obligation to protect personal information, but it is less ambitious than comparable agreements on issues such as data localization. Also, commitments do not apply to financial services and include exceptions for national security or other public policy reasons. Competition policy is covered in Chapter 13 (**Competition**). The chapter encourages parties to rely on competition law to address non-competitive behaviour. It also encourages information exchange and cooperation among regulatory agencies and support for capacity-building. There are additional transition periods listed in specific appendices for less advanced economies. The chapter also calls on parties to address consumer protection. Chapter 14 (**Small and Medium Enterprises, SMEs**) recognizes the role of SMEs. It demands sharing RCEP-related information relevant to SMEs.

Chapter 15 (**Economic and Technical Cooperation**) provides a framework of cooperation, in particular by calling for an establishment of a work programme. Chapter 16 (**Government Procurement**) sets out provisions regarding transparency and acknowledges the need for future cooperation. Government procurement was not part of the original mandate, but was added later in the negotiations. There are no substantial commitments at this stage in government procurement, however it is the first time that ASEAN as a whole, as well as a number of individual RCEP countries, incorporate rules on public procurement in a trade agreement. Chapter 17 (**General Provisions and Exceptions**) covers transparency obligations with respect to each Party's laws and regulations. It also excludes investment screening from dispute settlement, includes general security, balance of payment and other exceptions (Article XX of GATT and Article XIV of GATS). Chapter 18 (**Institutional Provisions**) provides information about arrangements regarding various bodies (*meetings of RCEP ministers, RCEP joint committee*) and 4 specific sub-Committees (*Goods, Services and Investment, Sustainable Growth and Business environments*). Chapter 19 (**Dispute Settlement**) follows a standard approach with the possibility to convene a panel of experts to administrate an arbitration procedure. There is a strong expectation that panellists have previous experience in the WTO dispute settlement system. There are detailed rules about procedures, implementation and compliance. The chapter also foresees rights for 3rd parties. In cases involving least developed country parties, the complaining party has the obligation to exercise its rights with restraint allowing for special and differential treatment. Finally, chapters on Electronic Commerce and Competition are excluded from Dispute Settlement. Chapter 20 (**Final provisions**) sets out, among other provisions, a general review mechanism (after five years) and procedures for accession (without geographical restrictions) with explicitly mentioning the possibility for India to joining without having to wait 18 months after RCEP's entry into force (Art. 20.9). There are four market access annexes: First, there are country-specific tariff schedules and for some members, there are additional clarification for tariff differentials. Singapore's tariff schedules are noteworthy as the annex reads "Singapore shall eliminate the customs duties on all originating goods under this Agreement, as from the date of entry into force of this Agreement." Second, there are schedules

<sup>24</sup> Such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

of specific commitments for services for those members that follow a positive list approach. Third, schedules of reservations and non-conforming measures for services and investment are listed. The fourth annex consists of schedules of specific commitments on temporary movement of natural persons.

## 2 The implications of RCEP

RCEP reflects a commitment to follow a continued path to regional integration. Building on existing frameworks for market access, trade and investment, the agreement could help to boost intra-regional trade at a time of global economic and political uncertainty, foster investment links and enhance further regional cooperation. Certainly, RCEP has important economic implications for trade, FDI and value chain integration within and outside the country group, while posing new challenges to existing supply chain structures. However, also political-economy implications are noteworthy.

### 2.1 The implications for the Asia-Pacific region

#### 2.1.1 Political-economy implications

RCEP has the potential to shape global trade patterns and rules in the future. Although RCEP is not as deep as CPTPP or EU's FTAs in the region, it still is likely to generate significant trade gains for the signatories, while reflecting the preferences of major players in the region (see Petri and Plummer, 2020a, 2020b).

As to potential effects, it is important to understand "who wrote RCEP", in other words which past treaty texts influenced the final legal text of RCEP. Having a better understanding about whose PTA models align with RCEP provides information about costs and benefits for parties in terms of trade-related adaptations to meet the agreements objectives. Figure 5 is based on a text-as-data analysis of 56 previous PTAs signed by the RCEP members since 2010 as well as all ASEAN+1 agreements. The analysis also includes the Comprehensive Economic and Trade Agreement (CETA), TPP, and the United States-Mexico-Canada Agreement (USMCA). Employing a methodology similar to Allee et al. (2017a,b) and Elsig and Klotz (2019), Figure 5 shows that around 30 % of RCEP's text are duplicated from CPTPP and TPP. The USMCA is the most influential PTA of non-RCEP members. The five most influential EU agreements include the PTAs with Japan (15 % text overlap), with Vietnam (10 %), with Singapore (10 %), with Canada (10 %), and with Korea (8 %).

Overall, above results indicate that there is no clear template around which the text of RCEP is based.<sup>(25)</sup> Also, the results caution an interpretation that RCEP is mainly ASEAN-driven. Rather, portions of the Agreement seem to represent a mixture of text from recent mega-regional agreements involving RCEP signatories, such as the CPTPP, and also bilateral agreements involving ASEAN members and RCEP signatories, while also containing commitments that were negotiated *de novo*. Ultimately, much of the Agreement seems to reflect both an attempt to find mutually agreeable solutions to the inconsistent web of regional and bilateral agreements that were already in place, while also pushing forward regional trade rules that are preference compatible with the major players, including ASEAN, China, Japan, Australia, and South Korea (see also Elms, 2021).

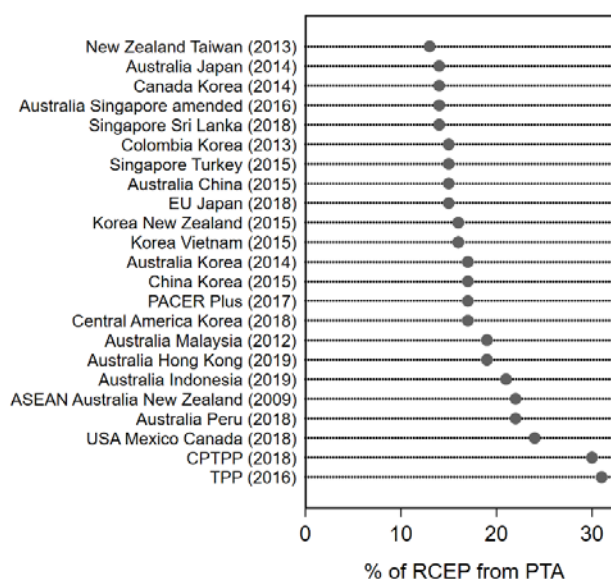
From a more overtly political standpoint RCEP represents a geopolitical win for the participating countries, especially ASEAN and China. ASEAN's "middle power" diplomacy helped facilitate the deal, proving that the ASEAN approach to cooperation not only works, but can bring together countries with long-standing animosities such as China, South Korea, and Japan (see Petria and Plummer, 2020a; Solís, 2021). Moreover, the withdrawal of the United States from TPP under the Trump administration and attempts to isolate China antagonized many countries in the region. With the US absent, this provided an opening for China and others to write the rules of the road for future cooperation in the region. In this sense, RCEP represents

<sup>25</sup> A textual analysis on the chapter level could provide additional insights as to which chapters have been influenced by which specific trade agreements.



an effort by the East Asian countries to integrate their economies and establish compatible trade rules without the pressure to make commitments from outside actors, such as the US.

**Figure 5:** PTAs which influenced RCEP



Source: Authors' calculation and illustration.

That said, it is unclear at this point what steps the incoming Biden administration will take in an effort to reinsert the US into the process of East Asian integration. The new administration has undone several of Trump's withdrawals from multilateral cooperation (e.g. in climate and health), but has not made concrete steps to renegotiate or re-join the CPTPP, which would likely face domestic opposition from a variety of quarters and is unlikely to be an immediate priority (see Tan, 2021). Importantly, RCEP provides a potential forum for increased liberalization in Asia and Oceania. It is possible that other countries in Asia (e.g. India) will join at a later stage. Moreover, it is not excluded that countries outside the region could join as well, drawn by the promise of access to major East Asian markets, most notably China.

The creation of a permanent Secretariat is also notable, as this provides RCEP parties with a mechanism through which to engage in continued negotiations, making future commitments as they become politically feasible. Thus, there is a built-in agenda for further services liberalization and continued talks for a range of subject areas, which should help sustain and build momentum for future negotiations centred around the RCEP countries. A number of sub-committees have already been agreed to meet regularly (e.g. on goods and on services). Other topics might well see a deepening of the commitments (e.g. public procurement rules). This is especially important given that multilateral talks at the WTO remain stalled.

## 2.1.2 Estimated economic effects

Several studies attempt to estimate the economic and trade effects of RCEP for its member states. Francois and Wignaraja (2008) and Francois et al. (2009) provide early assessments of alternative constellations of Asian integration schemes. Focused more specifically on RCEP, several recent simulation studies indicate that RCEP members gain from the Agreement, while non-members might lose (Kawasaki, 2015; Itakura and Lee, 2019; Mahadevan and Nugroho, 2019; Petri and Plummer, 2020a). Particularly, the simplifications of ROOs within the RCEP member states allows to easier manage regional value and supply chains. At the same time, while not necessarily stressed in recent studies of RCEP, other existing agreements (for example, the CPTPP) certainly matter in terms of the economic effects specific to this agreement. The existence of overlapping agreement membership also points to potentially complex ROO challenges.

According to simulations by Petri and Plummer (2020a)<sup>26</sup>, RCEP is expected to substantially contribute to GDP growth in the region by 0.4 percentage points by 2030 on a permanent base, which amounts to a raise in annual real income by USD 187 billion. Trade is expected to increase within the region by over ten percent in the next five years. Main beneficiaries are China, Japan and South Korea. These countries are the main economic drivers of the region accounting for more than three quarters of the GDP of RCEP members. Further, these countries are not yet part of deep PTAs in the region and benefit from a drastic tariff reduction while other members already benefitted from the ASEAN Free Trade Area and low tariffs. RCEP is expected to increase the real income of South Korea by one percent, amounting to an increase of USD 23 billion annually by 2030. Among Asian non-members, India and Taiwan are expected to lose in terms of real income from the closer integration of RCEP members. India's regional influence on trade is expected to fade<sup>27</sup>, similar to the importance of US for the region as trading partner.

The benefits from the Agreement might lower the losses of China from the US-China trade war. If the tensions between the US and China continue, the benefits of RCEP are likely to be higher due to an even stronger focus of China on the Asian market leading to even more efficient supply chains within Asia. RCEP will replace some of the trade that was affected due to the US-China trade war. Substantial increases in trade flows between USD 428 billion and USD 445 billion, depending on the trade environment, are expected for the RCEP region (Petri and Plummer, 2020a). Trade mainly grows between RCEP members, while it is expected to decline with countries outside of the Agreement. The closer economic integration might increase world real income by around USD 209 billion annually by 2030, of which China gains around USD 100 billion annually (Petri and Plummer, 2020a).

The benefits from RCEP are distributed over all sectors. While more developed RCEP countries like China, Japan and South Korea are expected to experience an increase in the production of high-tech goods and focus stronger on the service industry, low income RCEP members are expected to see an increase in light manufacturing products. Thus, RCEP is likely to lead to a structural change for most of its members towards manufacturing and services, away from agriculture (Kawaskaki, 2015; Itakura and Lee, 2019). Figure 6 shows expected sectoral adjustments in 2035 for selected RCEP members based on estimates by Itakura and Lee (2019). Taking GVC structures into account, Itakura and Lee (2019) estimate that the output of the automotive industry particularly in Japan increases, while Singapore gains in terms of petroleum and chemical products and Vietnam focuses more on trade in machinery and electronic equipment. The labour intensive textile and apparel industry grows in low income RCEP countries. Thus, RCEP strengthens the comparative advantages in manufacturing in the region, promotes intra-regional supply chain integration and encourages international investments.

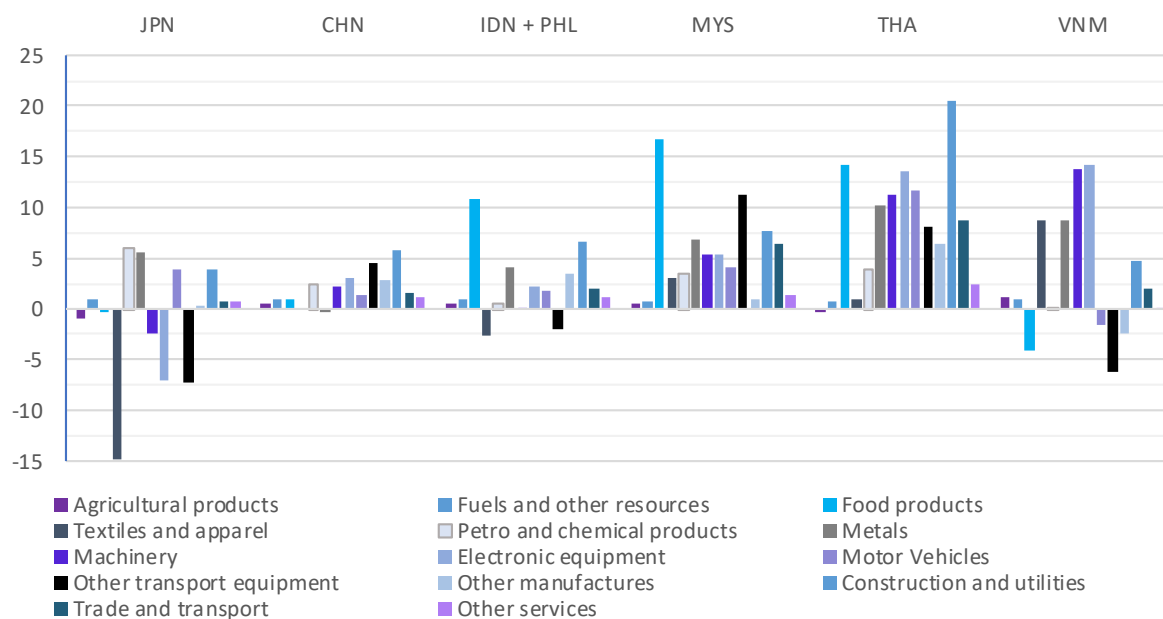
As UNCTAD (2020) argues, the intra-regional FDI flows are relatively low compared to other major economic integrated areas such as the EU, the USMCA and CPTPP. Yet, the integration efforts of ASEAN led to a rapid rise in intra-ASEAN investment and invite FDI to the region. With the new mega deal, further investment expansions can be expected – opposing the global trend. Multinational enterprises in high-income member states are expected to shift parts of the production from high-cost environments to lower cost locations. Already prior to RCEP, activities of multinational enterprises in less developed countries in Southeast Asia like Vietnam, Thailand and Malaysia increased. These investment flows might contribute to enhancing development in these member states and close the large income gap between these members and the other RCEP members. China, Japan and South Korea are major sources of investment flows within RCEP. RCEP enhances the attractiveness of the region as whole for investments with complementary

<sup>26</sup> Petri and Plummer (2020a) provide the most recent simulations with the most current data and RCEP negotiations. They simulate a computable equilibrium model to estimate the potential income effect of CPTPP and RCEP for selected countries assuming a scenario with and without continuing trade tensions between the US and China.

<sup>27</sup> Petri and Plummer (2020a) estimate that India loses around USD 6 billion annually by 2030 due to its decision not to join RCEP. If India decides to join RCEP, it can expect annual gains of USD 60 billion, 1.2 percent of India's forecasted GDP in 2030.

location advantages. As UNCTAD (2020) stresses, the agreement provides new opportunities for market-seeking investments also from outside the region.

**Figure 6:** Simulated sectoral output adjustments for selected countries in percentage change



Note: The sectoral output adjustments are simulated by Itakura and Lee (2019) using a dynamic global computable general equilibrium model that takes the links of GVCs into account by using inter-country input-output tables. Their scenario model assumes that RCEP is implemented from 2021 onwards and welcomes Taiwan as new member in 2026. The tariff rates on goods other than agriculture and food products are assumed to decline gradually over a period of 15 years to zero. RCEP includes in their simulations as well India, however, this inclusion does not alter the simulated sectoral output adjustments much (see Itakura and Lee, 2020).

Source: Itakura and Lee (2019), Table 4.

### 2.1.3 Regional value chain implications

There has been a worldwide net decline for more than a decade in the value of intermediate goods that are either imported to be re-exported or are exported to other countries for them to re-export.<sup>28</sup> This decline has been further magnified by the international trade tensions occurred at the beginning of 2018 and the recent pandemic, with people unable to go to work, disrupted transportation systems, suppliers shut downs and borders being more difficult to cross.

Despite these global trends, countries in the Asia Pacific region have overall demonstrated a relative increase in their participation in GVCs. This has led to a specialisation in those activities where countries have comparative advantage. The net effect has been an increase in income and an upgrade in production along the value chains. A key strategy for countries in the Asia Pacific region has thus been to further invest in those sectors where they produce relatively more efficiently than other economies. This has increased the level of intra-regional trade flows and RCEP is going to provide further boost to this development.<sup>29</sup> A key factor is the strong diversity among the RCEP signatories as evidenced by complementary locational advantages and catch-up development potential. The revealed comparative advantage indices calculated for the timeframe 2007–2019 show that ASEAN countries have a competitive advantage in the low-technology manufacturing sector.<sup>30</sup> Further, the most developed economies of East Asia (Japan, China, and South Korea) display a steady comparative advantage in technology- and capital-intensive sectors. All

<sup>28</sup> Source: UNCTAD-Eora Global Value Chain database.

<sup>29</sup> UNCTAD (2020). Global Investment Trend Monitor, No. 37.

<sup>30</sup> Asian Development Bank (2020). Key Indicators for Asia and the Pacific 2020.



these countries are known manufacturing hubs for highly specialised electronic components used in motor vehicles, machinery, and other equipment, and their revealed comparative advantage calculated for the same timeframe reflects this specialization. Finally, while Australia's revealed comparative advantage indices show a strong competitive advantage for knowledge intensive services, New Zealand's indices show a competitive advantage in processed and unprocessed products in the food and fibre sectors.<sup>31</sup>

Intensification of trade in intermediate inputs has resulted in major gains for economies such as China and Vietnam over last two decades. This has strengthened their role as assembly hubs for global manufacturing economies. Other economies in the region such as the Philippines and India have dominated the more service-oriented parts of production through business process outsourcing. For India, the last moment decision to drop out of RCEP is particularly significant. Indeed, compared to most of the other parties of RCEP, India's export basket is concentrated on the lower stages of manufacturing.

RCEP is expected to strengthen the value chains among its signatories. While countries wishing to participate in GVCs may solely need the market access which can be guaranteed by a WTO membership, much of the production of value chains occurs at regional level. It is usually only at the final demand stage that the chains become global. Therefore, deeper integration, in areas such as investment facilitation and protection, should be more easily achieved with RCEP. With as many as 27 existing PTAs and 44 BITs among the RCEP signatories, the unification and standardisation of ROOs will represent a boost for trade and facilitate investments, a key prerequisite for the development of regional value chains.

Despite the many advantages that RCEP may bring along in terms of development of regional value chains, extended value chains can also be associated with increased uncertainty. This usually arises from greater fluctuations in trading patterns. As this is especially true for smaller economies, policymakers in ASEAN countries will have to be particularly careful in assessing these potential risks. To counterbalance these risks, they may seek to diversify trading partners, so that they will be less directly dependent on shocks occurring in a single export destination or import source.

## 2.2 Implications for Europe

### 2.2.1 Comparing RCEP with EU-Asia agreements

This section provides a brief overview comparing RCEP with agreements that the EU has concluded with selected Asian partners, hereafter denoted as "EU-Asia agreements".<sup>32</sup> Table A1 in the Appendix compares the coverage of EU-Asia agreements with RCEP.

RCEP's tariff preferences are accompanied by an elaborated set of **ROOs** that should lead to a substantial utilization rate. Product-specific rules, that are found in the ROO chapter annexes, allow to determine the preferential origin status of goods, and are complemented with rules about minimal operations and processes with non-originating materials. Furthermore, procedural aspects for the practical application of the origin-based duty reductions are foreseen, including the use of a unique certificate of origin, facilitating the integration of supply chains, enhancing flexibility and reducing transactional and administrative costs. Noteworthy, the agreement foresees in the possibility for cumulation.<sup>33</sup> Just as in the EU-Asia agreements, RCEP's ROO seek to find a balance between providing companies with flexibility to source parts from other countries and establishing minimum conditions for products to benefit from preferences stated in the

<sup>31</sup> Australia Government (2018). Industry Insights: Globalizing Australia; Ministry of Business, Innovation & Employment (2013). An updated look at New Zealand's comparative advantage.

<sup>32</sup> These agreements are the EU-South Korea FTA (2015), the EU-Singapore Trade and Investment Agreements (2019), the EU-Japan EPA (2019) and the EU-Vietnam FTA (2019).

<sup>33</sup> The cumulation rule states that originating goods from one member state can be used as material or input in the production of a product in another member state, which will require origin in the latter member state.

agreements. Initially, only authorized exporters in RCEP countries are allowed to self-certify the origin of exported goods. Others have to apply for a certificate of origin from the authorities in the country of export. After an initial transition period, all exporters will be allowed to self-certify the originating status of exported goods. In comparison, the past years, when negotiating its recent PTAs, the EU has been working towards changing the system of governmental certification towards a system entirely based on self-certification. The EU-Japan Economic Partnership Agreement (EPA, 2019) was the first agreement in which the EU also gives importers the possibility to self-certify the originating status of traded goods (based on 'importers knowledge').<sup>34</sup>

As to **tariff liberalization**, RCEP will eliminate 92 % of the customs duties on goods from member states. By comparison, the EU-Japan EPA will eliminate 97 % of the customs duties on goods from the EU (vice versa even 99 %), the EU-Vietnam FTA 99 % and the EU-Singapore FTA even 100 %. Aforementioned percentages refer to aggregate numbers, meaning that the reduction of customs duties shows differences between the sectors. Also, in the EU PTAs with ASEAN members, tariffs reduction or elimination are achieved in a shorter-term. For example, with the first trade and investment bilateral agreement concluded between the EU and an ASEAN country, i.e. the EU-Singapore PTA, customs duties on goods of Singapore's domestic exports to the EU were removed of approximately 84 % on the day the agreement entered into force on 21 November 2019, and the remaining 16 % of customs duties will be removed over a period of five years.<sup>35</sup>

Both RCEP and the EU-Asia agreements contain provisions on SPS, TBT, government procurement, competition and investment policy. Yet substantial differences do occur in some chapters. For instance, the **government procurement** chapter in RCEP is very modest compared to the EU-Asia agreements. RCEP promotes governmental transparency but lacks significant market access commitments, which is attributed to the fact that China still has to include these commitments in its bilateral agreements and that many of the RCEP members are not part of the WTO's plurilateral agreement on Government Procurement.

RCEP covers aspects of protection, liberalization, promotion and facilitation of **investment**. RCEP, however, does not rely on an investor-state arbitration system. The EU-South Korea FTA does incorporate some provisions on investments related to establishment, national treatment and MFN principles in a chapter that includes also provisions on services and e-commerce. The same applies to the EU-Japan EPA, the EU-Vietnam FTA and the EU-Singapore FTA. The EU has, however, negotiated a separate investment protection agreement which includes investor-state arbitration with both Vietnam and Singapore. The negotiations with Japan on a specific investment agreement are ongoing.

The EU FTAs with ASEAN members, i.e. Singapore and Vietnam, have introduced extensive and ambitious provisions on **trade in services**, even though the EU has adopted a "positive list" approach in its FTAs, and only the sectors and subsectors listed are liberalised in respect of service suppliers of the other party<sup>36</sup>. Unlike in the RCEP Agreement, there is no MFN clause generally applicable with respect to services and investment in the EU-style FTA<sup>37</sup>. Such MFN clauses, however, exist in the EU FTAs with South Korea, Japan and Vietnam. While the EU FTAs exclude audio-visual services from national treatment provisions, RCEP Parties have agreed on new commitments for the liberalisation of such services.

<sup>34</sup> Appendix A2 provides an overview of ROO elements in RCEP and EU-Asia agreements.

<sup>35</sup> European Commission (2019), European Union – Singapore Trade and Investment Agreements; available at [https://trade.ec.europa.eu/doclib/docs/2019/february/tradoc\\_157684.pdf](https://trade.ec.europa.eu/doclib/docs/2019/february/tradoc_157684.pdf).

<sup>36</sup> European Parliament, Policy Department, Directorate-General for External Policies (2018) "Free Trade Agreement between the EU and the Republic of Singapore – Analysis"; available at:

[https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603864/EXPO\\_STU\(2018\)603864\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603864/EXPO_STU(2018)603864_EN.pdf)

<sup>37</sup> Expect a partial MFN clause in the EUSFTA in relation to banking licences.

Although RCEP covers many trade topics, parties have decided not to include provisions related to the **environment, labour, state-owned enterprises and government subsidies**. In comparison, environmental provisions are present in each of the four EU-Asia agreements. EU Asian agreements also tackle sustainable management of natural resources, biodiversity and forests. In terms of labour rights, the EU generally advocates in its FTAs the implementation of the core labour standards of the International Labour Organization (ILO) and the support of the Paris Climate Agreement. The EU-Japan EPA (2019) goes even further with a chapter on corporate governance, stating that Corporate Social Responsibility (CSR) should be promoted, along with investment strategies that enhance sustainable development. Moreover, RCEP does not address the role of state-owned enterprises. By comparison, obligations related to state-owned enterprises are included in the EU-Japan EPA and the EU-Vietnam FTA. Noteworthy is the emphasis on **SMEs** in RCEP compared to EU-Asia agreements (except for the EU-Japan EPA, which foresees the establishment a shared information database). RCEP introduces a platform to provide information on RCEP-related content (tariffs, rules, regulations) that will be accessible to SMEs. Moreover, paperwork is reduced for SMEs to promote better access to regional supply chains that are embedded in a larger market.

## 2.2.2 The possible impact on EU trade including EU GVC participation

RCEP might serve as catalyst for further growth of intra-regional GVCs. The EU has strong relations to the member countries of RCEP. The importance of RCEP as export destination for European goods varies by country. It ranges from a low share of imports of European goods for Singapore of roughly one percent to around 20% for Japan and New Zealand, with an average of 5.4%. Similarly, the EU member states are an important destination for goods produced in the RCEP region (see Figure 7). The share of trade coming from or going to the EU is around nine percent on average.

For Japan, New Zealand, Cambodia, and Malaysia the EU, particularly the EU-15, is one of the most important trading partners. However, if trade in goods and services among the Asian partners increases, demand might decline for goods imported from European and other western trading partners. The trade facilitation and reduction of trade costs among RCEP members might lead to a relative decline in competitiveness of European products as a result of trade diversion. However, even though Europe might experience a slight decline in demand due to a redirection of trade flows<sup>38</sup>, European firms might also benefit from a closer integration of the region that might offset potential losses. The agreed ROOs allow for value added from third country parties, thus, facilitating as well the participation of third country firms in the growing markets of the RCEP region. Europe is expected to benefit from RCEP by an annual net income increase of USD 13 billion by 2030 (Petri and Plummer, 2020a).

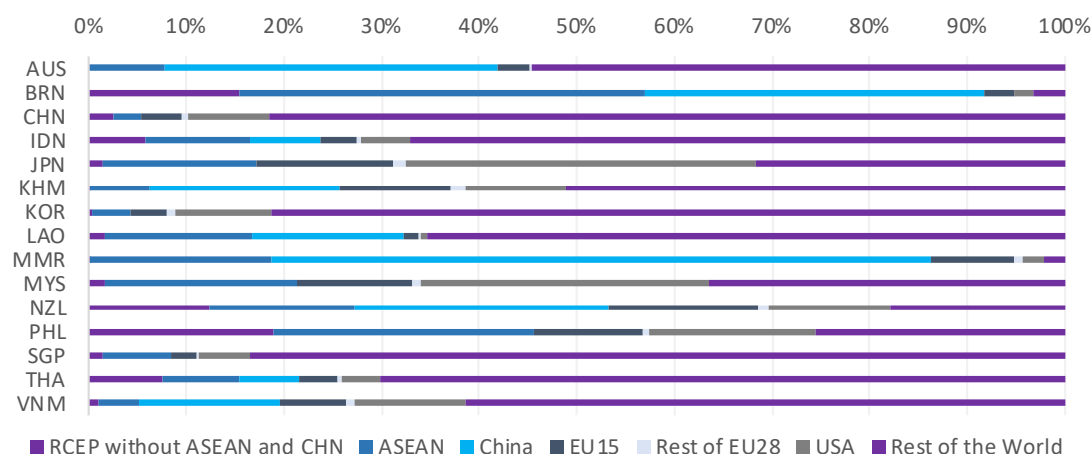
The reduction of non-tariff barriers through the harmonization of information requirements and local content standards for businesses facilitates not only local supply chain management, it also generates a more stable environment for trade for European firms. A stronger regional trade integration makes the RCEP countries more attractive to multinational firms for diversification of their supply chains. European companies can benefit from more resilient supply chains, lower transaction costs and the facilitation of exporting to RCEP countries.

Given the technological advancements of China, Japan and South Korea, the focus of production of these economies and the region is slowly moving to more differentiated, high-tech production. Exports in advanced manufacturing-sectors are expected to increase most, particularly for China, Japan and South Korea (UNCTAD, 2020). Petri and Plummer (2020a) estimate that more than 30% of the trade expansion of RCEP can be attributed to an increase in advanced manufacturing, including electrical and electronic equipment and automobiles. These products typically have extensive long multi-country supply chains and require

<sup>38</sup> Petri and Plummer (2020a) estimate a reduction of trade among non-members by around \$48 billion by 2030.

sophisticated inputs, many of which are produced by multinationals also located in the EU. However, trade diversion effects might shift part of the production of these goods from Europe to RCEP members<sup>39</sup>.

**Figure 7:** Importance of trading partners measured by the share of trade in goods from and to the respective partner region relative to total trade in goods, 2018



Notes: Exports of goods to and imports of goods from respective partners as share of total trade in goods. Imports and exports from the US are missing for Australia. Chinese trade data is partly incomplete for Japan, Korea, Philippines and Singapore.

Source: UNCTAD Comtrade database; authors calculations

### 2.2.3 The EU as a regional standard setter

Since RCEP is still modest in its ambitions in areas of non-tariff barriers and behind-the-border measures, there remains a potential opportunity for the EU to influence the creation and diffusion of standards in the region. This applies for instance to market access questions related to the liberalization of services and public procurement approaches that are only partly covered in RCEP. In addition, there remains room for the EU to further advocate its competition policy and regulatory cooperation philosophies more generally in Asia. This applies to all areas, but in particular to intellectual property rights, e-commerce, investment protection and subsidies (e.g. state-owned enterprises). The EU's approach in these areas has not been countered and questioned by RCEP so far and individual RCEP countries might be willing to engage further in discussions on regulatory questions. In some areas, where CPTPP has stronger and more ambitious commitments (e.g. in digital trade, subsidies) than RCEP (see also Dieter 2021), these existing templates will need to be factored in when developing the future engagement strategy. In addition, there remains substantial scope for cooperation in the areas of labour, environment and good governance, where RCEP has been silent.<sup>40</sup>

While future cooperation through RCEP will be supported by creating an RCEP Secretariat, we do not expect rapid success to tackle additional liberalization steps and to develop new templates for governing behind-the-border issues. The EU may well contribute actively to regulatory instruments that lead to additional economic cooperation and integration in the future. What is clear, however, is that it depends largely on how China strategically engages in the future development of RCEP. China has over time moved from a "rule-taker" to a "rule-maker" in trade-related standards and regulations as advocated in its China

<sup>39</sup> A strong market growth in the region makes the economies also more attractive for investments.

<sup>40</sup> The CPTPP includes labour and environment provisions to protect worker rights and the environment. Further, CPTPP has developed specific rules for state-owned enterprises.

Standards 2035 strategy. It also depends on how in particular Japan and South Korea will exert their influence within the RCEP framework and challenge some of the Chinese-led attempts to developing trade regulation (Rühlig, 2020). Having trade agreements in place with South Korea, Japan, Vietnam and Singapore certainly can help the EU in its future elaboration of norms in the context of the implementation of these agreements and potential future modernizations. The EU can further intensify its economic cooperation with other RCEP members to shape coalitions to promote the elaboration of product and process standards and engage toward creating responsible, sustainable and resilient value chains. Particularly the ASEAN states have a long and successful record in addressing trade costs through standardization and through promoting rules-based trade which align with EU approaches. Beyond intensifying bilateral economic cooperation and engagement with ASEAN, the question how to cooperate more closely with CPTPP remains to be addressed. Overall, while momentum may be shifting towards RCEP, other platforms such as CPTPP, ASEAN and existing (and future) EU trade agreements in the region continue to play an important role for the development of regional standards.

### 3 Annex

**Table A1:** Provisions of Recent Agreements

	EU-Japan <sup>41</sup> (2019)	EU-Singapore <sup>42</sup> (2019)	EU-South Korea <sup>43</sup> (2015)	EU-Vietnam <sup>44</sup> (2019)	RCEP (2020)
Trade in goods	+	+	+	+	+
Rules of Origin	+	+*	+*	+*	+
Trade remedies	+	+	+	+	+
Trade facilitation	+	+	+	+	+
SPS measures	+	+	+	+	+
TBT measures	+	+	+	+	+
Investment	+*	+*	+*	+*	+
Trade in services	+	+	+	+	+
E-commerce	+	+	+	+	+
Capital movements	+	-	+	-	-
Govern. procurement	+	+	+	+	+
Competition policy	+	+	+	+	+
Labour standards	+*	+*	+*	+*	-
Subsidies	+	+*	+*	+*	-
State-owned enterprises	+	-	±*	+*	-
Intellectual property	+	+	+	+	+
Corporate governance	+	+*	+*	+*	-
Environment	+*	+*	+*	+*	-
Transparency	+	+	+	+	+*
Dispute settlement	+	+	+	+	+
Regulatory cooperation	+	+*	+*	+	+*
SMEs	+	-	-	-	+

Note: For the five agreements that are covered in the table, following diagram legend is used: + = a chapter is devoted to the topic; +\* = no separate chapter is devoted to the topic, but the topic is covered in the text (in articles under one or more headings); -- = the topic is not mentioned.

<sup>41</sup> European Commission. (December 2017), *EU-Japan Partnership Agreement: texts of the agreement*. Consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1684>

<sup>42</sup> European Commission. (April 2018), *EU-Singapore Trade and Investment Agreements*. Consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=961>

<sup>43</sup> European Commission. *EU-South Korea Free Trade Agreement*. Consulted at [https://trade.ec.europa.eu/doclib/docs/2009/october/tradoc\\_145203.pdf](https://trade.ec.europa.eu/doclib/docs/2009/october/tradoc_145203.pdf)

<sup>44</sup> European Commission. (September 2018), *EU-Vietnam Trade and Investment Relations*. Consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>

The table shown below summarizes the presence of several aspects of the ROO in the different agreements.

**Table A2:** ROO in comparison<sup>45</sup>

	<b>EU-Japan<sup>46</sup> (2019)</b>	<b>EU-Singapore<sup>47</sup> (2019)</b>	<b>EU-South Korea<sup>48</sup> (2015)</b>	<b>EU-Vietnam<sup>49</sup> (2019)</b>	<b>RCEP (2020)</b>
<b>Cumulation</b>	Bilateral and full cumulation	Bilateral cumulation	Bilateral cumulation	Bilateral cumulation	Regional cumulation
<b>Tolerance</b>	Annexes and notes	10%	10%	10%	10%
<b>Non-alteration rule</b>	+	+	+	+	-
<b>Duty drawback</b>	Drawback is allowed	Drawback is not allowed	Drawback is allowed	Drawback is allowed	Drawback is allowed
<b>Self-certification</b>	+	+	+	+	±
<b>Accounting segregation method</b>	Can be applied	Can be applied	Can be applied	Can be applied	Not mentioned in the agreement

<sup>45</sup> European Commission. Common provisions. Consulted at [https://ec.europa.eu/taxation\\_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/common-provisions\\_en](https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/common-provisions_en)

<sup>46</sup> European Commission. (December 2017), *EU-Japan Partnership Agreement: texts of the agreement*. Consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1684>

<sup>47</sup> European Commission. (April 2018), *EU-Singapore Trade and Investment Agreements*. Consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=961>

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