



December 18th, 2020

Asia-Pacific **Regional Comprehensive Economic Partnership**

On 15 November 2020, the Member States of the ASEAN¹ and 5 regional partners being Australia, China, Japan, Korea and New Zealand, met virtually to witness the signing of the Regional Comprehensive Economic Partnership (RCEP) Agreement after 8 years of ASEAN-led grueling negotiations.

The world's largest free trade arrangement, "the RCEP is an unprecedented mega regional trading arrangement covering a market of 2.2 billion people, or almost 30% of the world's population, with a combined GDP of US\$ 26.2 trillion or about 30% of global GDP, and accounts for nearly 28% of global trade"²³. The RCEP also represents the first ever free trade agreement between China, Japan and South Korea and is highly symbolic in a time of trade tensions and tariffs.

However, without India⁴, the RCEP stimulates intra-East Asian integration around China and Japan, seen by many as the biggest winners of the RCEP.

The RCEP is expected to play an important role in building the region's resilience through inclusive and sustainable post-pandemic economic recovery process and make the economies of North and Southeast Asia more efficient, linking their strengths in technology, manufacturing, agriculture, and natural resources.

A key achievement of the RCEP is its new favorable rules of origin harmonising disparate rules of origin concepts and providing greater levels of certainty and consistency for business in managing their supply chains across the region.

Although a huge political milestone, the content of the RCEP is shaped by compromises reached in seeking to achieve consensus amongst politically and economically diverse nations as the RCEP:

- (i) is not as rigorous as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP);

¹ Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam

² Joint leaders' statement on the RCEP

³ based on 2019 figures

⁴ India was to be a member but withdrew under the Modi government

- (ii) eliminates fewer tariffs than other comparable regional trade agreements, to be phased out over a period of 20 years (against the average 10 years);
- (iii) incentivises supply chains across the region but also caters to political sensitivities;
- (iv) while including provisions on intellectual property, adds little to existing domestic provisions; and
- (v) is silent on components of social and sustainable development such as labour or environment.

The RCEP also includes provisions on telecommunications, financial services, e-commerce and professional services.

The RCEP should accelerate Northeast Asian economic integration as China, South Korea and Japan are expected to resume stalled negotiations on the trilateral China-South Korea-Japan free trade agreement.

Links:

- [Official summary of the RCEP agreement](#)
- [The full text of the RCEP agreement](#)

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