

Preface

The Regional Comprehensive Economic Partnership (RCEP), signed on 15 November 2020, is the largest free trade agreement (FTA) in the world. It comprises the 10 Association of Southeast Asian Nations (ASEAN) Member States (i.e. Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and five countries in the region with which ASEAN has FTAs (i.e. Australia, China, Japan, the Republic of Korea, and New Zealand). RCEP came into effect on 1 January 2022 through the ratification of six ASEAN Member States (i.e. Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Thailand, Singapore, and Viet Nam) and Australia, China, Japan, and New Zealand.

RCEP is the world's largest regional trading bloc, consisting of a combined population of 2.2 billion people (30% of the world), total regional gross domestic product (GDP) of around \$38,813 billion (30% of global GDP in 2019), and nearly 28% of global trade. This regional multilateral FTA sets an important agenda for trade and regional integration and the creation of dynamic regional and global production value chains. It mobilises and releases huge resources for trade and investment in global trade in terms of opening the large domestic markets (i.e. demand) of East Asia. RCEP is expected to benefit not only East Asia but also to have a global impact, as indicated by the recent studies in this book. Open regionalism and global trade in terms of a rules-based trading framework will be enhanced by RCEP, which is also expected to have a significant impact on the pandemic and post-pandemic recovery of the region.

One of the key features of RCEP is the role of ASEAN as the centre of activities for regional integration in East Asia. ASEAN centrality is important and necessary for enhancing regional cooperation, facilitating, and supporting the 'living' agreement of RCEP, and inducing greater liberalisation and deeper structural reforms in the region for all ASEAN Member States to fully benefit from the RCEP agreement.

The first book, *The Regional Comprehensive Economic Partnership (RCEP): Implications, Challenges, and Future Growth of ASEAN and East Asia*, focusses on the key social, economic, and political dimensions of RCEP. It details the key agenda to maximise the impact of RCEP on ASEAN and East Asian countries in the pandemic and post-pandemic recovery. The book provides a framework for creating sustainable and inclusive growth for ASEAN as well as greater regional integration.



Pan Sorasak

Chair of ASEAN Economic Ministers
Minister of Commerce
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Preface

The Regional Comprehensive Economic Partnership (RCEP) became the largest free trade agreement in the world when it was signed in 2020. It comprises the 10 members of ASEAN (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) and five other countries in the region – Australia, China, Japan, the Republic of Korea, and New Zealand. It encompasses a combined population of 2.2 billion people (30% of the world population), a total regional gross domestic product (GDP) of around \$38,813 billion (30% of global GDP in 2019), and nearly 28% of global trade.

RCEP sets an important agenda by releasing huge resources for trade and investment, and creating dynamic regional and global value-chain activities. It is a critically important framework for global trade and regionalism, especially given the current context of uncertainty and inward-looking policies due to the coronavirus disease (COVID-19) pandemic. It provides an impetus for global trade and investment and supports open regionalism.

RCEP, however, is not yet fully understood by many in terms of its features, commitments, likely impact, and how it differs from the other trade agreements. Moreover, RCEP introduced several new features not previously seen in other agreements, such as 'differential tariff concessions', co-sharing, single rules of origin, and transition from positive to negative list in services liberalisation. All of these are likely to create new dynamics in the implementation of the agreement and potentially create impacts different from those of other previously signed agreements.

Last year ERIA initiated another round of research on RCEP, strongly motivated by seeking to raise the awareness of stakeholders of the potential value added and the complexity of some modalities used by the agreement. Our research is a reflection of ERIA's strong commitment to supporting deeper ASEAN and East Asia regional integration. In fact, we are proud to mention that ERIA recommended the conclusion of RCEP negotiation as one of its recommendations in the Mid-Term Review (MTR) of AEC Blueprint 2015, which was submitted to the ASEAN Economic Ministers (AEM) during Cambodia's ASEAN Chairmanship in 2012. The MTR found that stronger links with the other East Asian economies are critical for robust economic growth in ASEAN, supporting the idea of RCEP.

ERIA's research this time assesses various elements of the agreement and potential implications for economic integration in the region. It highlights the key features of the agreement and sets out to demonstrate how these could strengthen regional integration. The impact on businesses, behind-the-border issues, and lack of domestic capacity of some RCEP members are also assessed. Adding another dimension is some discussion of how implementation of the agreement is entangled with the COVID-19 pandemic recovery.

This book is the first of three books ERIA intends to publish. This volume is provided to quickly disseminate some of the key findings of our research. ERIA is privileged to be part of this second-track process as there is an urgent need from the stakeholders, including government, and especially businesses and consumers, for guidance on how they can adjust or maximise the welfare impact arising from the implementation of the agreement. Most of the authors of this volume, in addition to our in-house economists, are experienced researchers and have been frequent participants in projects organised by ERIA. This book also serves as an important reference for researchers and students of international trade and related subjects.

ERIA looks forward to extending its fruitful partnership with the members of the East Asia Summit in a region-wide and people-oriented collective effort to strengthen Southeast Asian and East Asian economic integration. I would like to thank all contributors and I look forward to further collaboration.



Professor Hidetoshi Nishimura

President, Economic Research Institute for ASEAN and East Asia

