

Preface

The Regional Comprehensive Economic Partnership (RCEP) is the world's largest regional trading bloc, consisting of 30% of the world's population, 30% of global gross domestic product (GDP) in 2019, and nearly 28% of global trade. This regional multilateral free trade agreement (FTA) sets an important agenda for trade and regional integration and the creation of dynamic regional and global production value chains. Open regionalism and global trade in terms of a rules-based trading framework will be enhanced by RCEP. RCEP is key to the next stage of growth for the Association of Southeast Asian Nations (ASEAN) and East Asia to create more inclusive and sustainable development in regionalism and integration of value chain activities.

RCEP is a 'living' agreement, which allows it to address current and contemporary issues that affect regional integration. It could drive deeper trade and investment reforms, implementing new technologies and managing structural transformation, addressing environmental and climate change issues, and creating more sustainable and inclusive growth in East Asia and ASEAN.

In this second book, *The Dynamism of East Asia and Regional Comprehensive Economic Partnership (RCEP): The Framework for Regional Integration*, technical issues related to trade in goods, trade in services, investment, and economic cooperation are examined. A multilateral FTA like RCEP is expected to positively impact domestic economies through the integration of key domestic sources such as the private sector and human capital, as well as trade and investment facilitation.

This book further outlines a trade and regional integration framework to help create more sustainable and inclusive growth in the region. Indeed, a rules-based trade and regional integration framework must be established to manage global uncertainties from the Russia–Ukraine war, COVID-19 pandemic, and global production value chain resilience.



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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 Member States of the Association of Southeast Asian Nations (ASEAN) (Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (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.

RCEP provides an 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. Moreover, RCEP will enhance digital connectivity as presented in ERIA's study, *The Comprehensive Asia Development Plan 3.0 (CADP 3.0)*, published this year, and accelerate the move towards a digital economy and society in the region. It provides an impetus for global trade and investment and supports open regionalism.

However, RCEP 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 a transition from positive to negative lists in services liberalisation. All these features are likely to create new dynamics in the implementation of the agreement and potentially create different impacts from those of previous agreements.

The Economic Research Institute for ASEAN and East Asia (ERIA) initiated a research project on RCEP in 2021, strongly motivated by the desire to raise the awareness of stakeholders of the potential value added and the complexity of some of the modalities used in the agreement. Our research reflects ERIA's strong commitment to supporting deeper ASEAN and East Asia regional integration. In fact, ERIA recommended the conclusion of the RCEP negotiations in the Mid-Term Review of the ASEAN Economic Community Blueprint 2015, which was submitted to the ASEAN Economic Ministers during Cambodia's ASEAN chairmanship in 2012. The Mid-Term Review found that stronger links with other East Asian economies are critical for robust economic growth in ASEAN, supporting the idea of RCEP.

ERIA's RCEP research project 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 and behind-the-border issues, as well as the lack of domestic capacity of some RCEP member states, are also assessed. Adding another dimension is a discussion of how implementation of the agreement is entangled with the COVID-19 pandemic recovery.

This volume is the second of three books ERIA intends to publish. It sheds light on basic regional trade facts and the potential benefits arising from the member states' commitments to trade in goods, services, and investment, as well as cooperation between the member states on topics related to trade and sustainable growth. This book also compares the RCEP commitments with those of other major trade agreements being implemented by the RCEP member states.

ERIA is privileged to be part of this second-track process, as there is an urgent need on the part of stakeholders – including governments, but 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.



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