

ERIA Discussion Paper Series**No. 434****China and the Regional Comprehensive Economic Partnership: An Economic and Political Perspective**

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Abstract: *This paper studies China's policies and participation in East Asian economic integration and cooperation. The progress of the Regional Comprehensive Economic Partnership (RCEP) is remarkable in the time when global as well as regional economies are facing so many challenges. China as the largest economy in East Asia plays a key role in sustaining regional dynamism. China is active and constructive in initiating the Association of Southeast Asian Nations (ASEAN+1) free trade agreements (FTAs) and an integrated framework of FTAs in East Asia. As RCEP was initiated by ASEAN and supported strongly by China it is essential to keep East Asian economic dynamism: the conclusion of the RCEP negotiations and the implementation has great effects. China's gains from RCEP are not just economic, but also political. Whilst this paper focuses on economic gains for China, it also analyses the political gains for China, for example, against 'decoupling' and political division, which is harmful to East Asian integration and cooperation.*

The novel coronavirus disease (COVID-19) pandemic is still ongoing, so the timely enforcement of RCEP is important as it gives confidence to the region to keep the region open and to work together to make East Asia dynamic in facing the challenges. Some challenges for East Asia are (i) how to rebuild the supply chains that are either weakened or broken by the pandemic; (ii) how to overcome the new barriers created by government policies in the name of 'national security' both in trade and investment areas; and (iii) how to overcome the new divisions created by the United States' policy under its comprehensive strategic competition with China that leads to the exclusive arrangements in East Asia.

East Asian economic integration and cooperation are based on two basic principles: openness and inclusiveness. As a region with great diversity, it is crucial to provide opportunities for all parties with difference. China will continue its open policy and actively participate in multilateral and regional arrangements, and as the largest economy in East Asia it serves as a key pillar to be a centre of the global economy. China will take RCEP as an essential framework to enhance its interest and role in East Asia, as well as in the Asia-Pacific against a politically oriented Indo-Pacific initiative.

Keywords: RCEP agreement; China's strategy; Gradual approach; China's commitments; Political dimension; Implementation

JEL classification: F5

1. Introduction

East Asia became an economic region from the 1970s formed by the ‘flying geese’ model led by Japan and followed by the ‘four dragons’, i.e. Singapore, the Republic of Korea, Hong Kong, and Taiwan, and then joined by Malaysia, Thailand, and the Philippines. Based on the reform and opening-up policy and integration with East Asia, China became an important production centre in the region and an active player in regional affairs. China joined the Asia-Pacific Economic Cooperation (APEC) forum in 1991 and the Association of South East Asian Nations (ASEAN) led East Asia dialogue (ASEAN plus China, Japan, and the Republic of Korea) in 1997 after the 1997 Asian financial crisis. China initiated to negotiate a free trade agreement (FTA) with ASEAN as a group in 2001, and a formal agreement was signed the following year to start the negotiation process, which was concluded in 2010.

The China–ASEAN FTA (CAFTA) was a pioneer to drive more ‘ASEAN+1’ FTAs in East Asia that created a complex interaction of different rules in the region. With this background, to build an integrated framework for East Asia is important for regional cooperation. A feasibility study group for the East Asia FTA (EAFTA, ASEAN+3) was established to provide a policy report to the East Asian leaders. Another study group was formed for the Comprehensive Economic Partnership in East Asia (CEPEA, ASEAN+6). Each group presented its study report to the leaders of ‘ASEAN+3’ and the East Asia Summit (EAS), respectively. ASEAN and other countries in East Asia agreed in 2012 to start negotiations for the Regional Comprehensive Economic Partnership (RCEP). The RCEP negotiations were concluded at the end of 2020 and came into force on 1 January 2022. The coming into force on time of the agreement against the backdrop of the ongoing COVID-19 pandemic and increasing protectionism shows that in the face of challenges, East Asian countries choose cooperation in the spirit of partnership.

As one of the world's major economic centres, East Asia had no regional-based FTAs, whilst the European Union and North America had already established theirs in the 1990s. RCEP plays an essential role in integrating the East Asian market based on opening-up and rule and standard making. It will help East Asia to transform its economic structure and build a new engine for future economic development. Currently, the production network in East Asia is export oriented with North America as the major market, which is vulnerable. East Asia needs to build a strong foundation for regional economic development by improving the regional environment and generating intra-regional dynamics.

COVID-19 has changed the economic environment as each country adopted restrictive measures to control the pandemic, including restricting trade transactions and personal travel, as well as protectionist policies in the name of economic and social security. RCEP gives a clear and strong signal to the region and the world that East Asian countries are determined to keep the market open, which helps to build the region's resilience and dynamics through a cooperative post-pandemic economic recovery process and contribute to the recovery and growth of the global economy.

China has been active and supportive in regional networking building in APEC, 'ASEAN+1', 'ASEAN+3', and RCEP. As China is a centre for regional production and supply chain networks, it is beneficial to China to participate and promote regional networking. China's participation in RCEP demonstrates China's resolve in implementing and promoting a new round of opening-up. China will have remarkable gains from RCEP.

China has adopted a new 'dual circulation' development strategy that intends to mobilise the domestic market potential and enhance the domestic technology innovations. The key for the dual circulation strategy is to mobilise domestic capacity to support economic growth and at the same time to establish close connections between domestic demand and overseas markets. By participating in

RCEP, China's role in the regional production networks and supply chains become more important as China will import more and invest more in an open and rules-based regional market. At the same time, China will benefit from closer integration as a member of RCEP. RCEP becomes more important for China to be a part of a regional grouping in the face of the exclusive Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Indo-Pacific initiative.¹

2. China's Strategy for RCEP

Since 1978 when China started its reform and opening-up agenda, due to its special advantage in low labour costs as well as government pro-market policies and incentives, China gradually became one of the most attractive places for foreign direct investment, for the domestic market and for the re-export production base. By the late 1990s, China became a key production centre for the Asia-Pacific, especially for East Asia. For China, it is essential to join the international economic system, like the World Trade Organization (WTO) and regional economic agreements, like FTAs. After joining the WTO, China began to make FTAs a key strategy.

2.1. FTAs as a Strategy

The first initiative is to promote CAFTA. CAFTA started with a comprehensive economic cooperation framework in 2002, which was concluded in 2010. ASEAN+3 leaders agreed to initiate the East Asia FTA (based on ASEAN plus China, Japan, and the Republic of Korea) in 2004. China gave strong support as it believed it would enhance regional cooperation and make an expanding market for China. Chinese leaders committed to organise an expert group to conduct the

¹ The TPP had a clear strategic design to exclude China, and although the CPTPP is considered to be a successor of the TPP, China openly announced that it has a strong interest to join it. Nevertheless, it seems that it would be difficult for all CPTPP members to accept China.

feasibility study on the EAFTA with the participation from ‘ASEAN+3’ members.² The expert group report on the EAFTA was presented to the economic ministers’ meeting in 2006. Later, China assigned an expert to participate in another feasibility study on CEPEA based on the ASEAN+6 (ASEAN plus China, Japan, the Republic of Korea, Australia, New Zealand, and India) framework, and the report was presented to the ASEAN+6 Economic Ministers’ meeting in 2008. The Chinese expert also participated in the EAFTA phase II study led by the Republic of Korea, and the report was presented to the ASEAN+3 Economic Ministers’ meeting in 2009. At the same time, China also actively promoted China, Japan, and the Republic of Korea (CJK) FTAs as these three economies are the centre for East Asia, and especially as the CJK FTA. The CJK FTA could be a facilitator for the East Asia FTA. The academic studies were conducted by experts from China, Japan, and the Republic of Korea from 2003. Based on the improved understanding and consensus, China, Japan, and the Republic of Korea established an official expert group to conduct the feasibility study on the CJK FTA in 2010. The negotiation for the CJK FTA started in 2012, and an agreement on investment promotion, facilitation and protection for China, Japan, and the Republic of Korea in the same year.

In 2012, ASEAN decided to launch the RCEP negotiations. China supported ASEAN’s leading role in coordinating the negotiations. Although China favours EAFTA, it quickly adjusted its policy when ASEAN decided to launch RCEP based on ASEAN+6. This shows that China has adopted an active, flexible, and pragmatic strategy in participating and promoting the regional arrangements in East Asia.

² Chinese Premier Wen Jiabao announced that China would like to lead the expert group for EAFTA feasibility study during the ASEAN +3 leaders meeting in 2004.

2.2. Importance of RCEP

Whilst East Asia had made no progress on either the EAFTA or the CEPEA, the United States (US) launched the TPP in 2009.³ The TPP included Japan as well as four members of ASEAN, but excluded China. This urged ASEAN to take action to start RCEP bringing ASEAN and other East Asian countries together. In East Asia, the multiple 'ASEAN+1' FTAs create a 'spaghetti bowl effect' because there are so many different rules and standards. RCEP intends to build up an integrated framework through new negotiations.

RCEP is the most significant outcome of East Asian economic integration aimed at establishing a modern, comprehensive, high-quality large regional FTA. The agreement covers comprehensive areas including Initial Provisions and General Definitions, Trade in Goods, Rules of Origin, Customs Procedures and Trade Facilitation, Sanitary and Phytosanitary Measures, Standards, Technical Regulations, and Conformity Assessment Procedures, Trade Remedies, Trade in Services, Temporary Movement of Natural Persons, Investment, Intellectual Property, Electronic Commerce, Competition, Small and Medium-sized Enterprises, Economic and Technical Cooperation, Government Procurement, General Provisions and Exceptions, Institutional Provisions, Dispute Settlement, and Final Provisions, as well as four Market Access Annexes. RCEP provides a mega framework to integrate trade and economic rules within the region by bringing together five ASEAN '10+1' FTAs with China, Japan, the Republic of Korea, Australia, and New Zealand as well as India.⁴

RCEP deepens regional industrial and value chains by harmonising the rules of origin and promoting cross-border logistics by facilitating customs procedures, as well as enhancing transparency of investment policies by adopting the negative

³ President Obama announced in November 2009 the United States' intention to participate in the Trans-Pacific Partnership (TPP) negotiations to conclude an ambitious, next-generation, Asia-Pacific trade agreement that reflects US economic priorities and values (Office of the United States Trade Representative, n.d.).

⁴ India decided to quit the RCEP negotiations, however RCEP members would welcome India to join in the future.

list approach to advance investment liberalisation.⁵ For merchandise trade, over 90% of goods will be eventually zero tariff. Services trade and investment are much more open than existing 10+1 FTAs. RCEP also includes new topics such as intellectual property, e-commerce, competition policies, and government procurement. RCEP takes the inclusive approach by according the least developed countries special and differential treatment that is helpful for East Asia to build an inclusive and balanced development model.

China, Japan, and the Republic of Korea are the major economies of East Asia. RCEP provides a broad regional base for China, Japan, and the Republic of Korea to build their open economic network. The three countries have not established their FTA yet, although negotiations were started the year same as the RCEP negotiations. China is the largest trading partner for Japan and the Republic of Korea and both nations are amongst China's top five trading partners. Despite the volume of trade flowing between these countries, China and Japan had not previously signed an FTA. As a result, tariffs were determined by the most favoured nation treatment standard stipulated by the WTO. RCEP changes this. Ultimately, China, Japan, and Republic of Korea may gain far more from this agreement than ASEAN through the new linkages encouraged by RCEP's tariff reductions (Graham, 2021). RCEP will give them an opportunity to establish the FTA for a higher level that will help RCEP to be advanced.

The world economy is facing serious challenges from the emerging trade and investment protectionism, unilateralism against other parties, and the COVID-19 pandemic that caused a slowdown in growth, uncertainty, and erosion of confidence. RCEP will boost the confidence of East Asian countries as well as the world business community in keeping the market open and cooperative, which is crucial to boost economic growth. RCEP sends a strong signal that East Asian countries support liberalisation and cooperation both in the regional arrangements and the

⁵ Some members including China start with the positive list approach, but they will move to the negative list approach within a few years after RCEP is implemented.

multilateral trading system. Also importantly, East Asia, countries insist on following an inclusive doctrine to bring the countries together with great diversity both in political systems and economic levels.

The RCEP free trade area is a new milestone in regional economic integration in East Asia. It will help to improve the overall economic environment in the region by reducing business costs and the trade creation effect. RCEP will also gradually bridge the development gap amongst its members, promote coordinated and balanced regional development, and foster a new pattern of integrated development for an open regional economy by stepping up economic and technical assistance to developing and least developed economies.

The RCEP members' economic structures are highly complementary, and it will help to enhance regional industrial, supply, and value chains by eliminating barriers of trade in goods, services, and investment, as well as harmonising the rules and standards and facilitating customs procedures, inspection, and quarantine requirements. It is expected that RCEP will increase 0.86% of gross domestic product (GDP), 18.3% and 9.63% of export and import, respectively and 1.47% of investment for East Asia by 2035. East Asia will keep its dynamics and be the growth centre for the world economy.⁶

2.3. China's Endeavour

RCEP is a major progress made in China's endeavour to implement its free trade area strategies. RCEP will become an important platform for China to expand its opening-up to the outside world. A huge integrated market under RCEP Agreement will release enormous potential and further promote intra-regional trade and investment flows, which will help China further optimise its foreign trade and investment architecture, bring domestic rules in line with high-standard international trade and investment rules and make institutional innovations to

⁶ See the evaluation on the impact of RCEP. <http://finance.sina.com.cn/tech/2022-01-05/doc-ikyakumx8362208.shtml>

support an open economy of higher standards through more comprehensive, in-depth, and diversified opening-up.

RCEP will help Chinese firms in all sectors to further engage in market competition and enhance their ability to allocate resources in both the international and domestic markets. This will help China facilitate domestic innovation, reform, and development through greater opening-up, continuously transform and upgrade various sectors, consolidate its position in regional industrial and supply chains, provide effective support for virtuous flows in the national economy, move faster to foster new strengths in international economic competition and cooperation, and promote high-quality economic development.

RCEP will add much more substance to China's FTA network. Moving faster to implement the FTA strategies is an important element in China's new round of opening-up. After signing RCEP Agreement, China has a total of 19 free trade agreements signed with foreign countries and 26 free trade partners. China and Japan have established free trade relations through RCEP Agreement, which marks the first time for China to sign a free trade agreement with one of the world's top 10 economies, and represents a major breakthrough in the implementation of its FTA strategies. With RCEP, trade between China and its free trade partners will account for a larger share of about 35% of China's total foreign trade. The agreement will greatly increase the value of China's FTA network (MOFCOM, 2020).

RCEP gives China a unique opportunity to engage a mega FTA. The US has launched a comprehensive strategic competition against China for that it has made lots of measures to exclude China ranging from unilateral sanctions and decoupling to creating the 'reliable supply chains'. The negotiation of the China-US investment agreement ended with no sign to resume in the near future, and a ready China-EU investment agreement was suspended due to political disputes. By providing common rules and standards, RCEP will enhance the real economic linkages amongst the member economies and enhance the spill-over effect of

China's economic potentials to other economies. It is expected that RCEP will increase 0.35% of GDP, 7.59% of export, and 10.55% of imports for China by 2035.⁷ By establishing an open regional framework, RCEP will strengthen the supply chain synchronisation amongst the regional members that has been disrupted by the recent COVID-19 pandemic and US decoupling actions.

3. China and RCEP Negotiations

3.1. Gradual Approach

RCEP is considered as a high standard and modern agreement including both traditional areas and a list of new areas. But at the same time RCEP has its own approach, i.e. a gradual and realistic approach to move to the final goal as a high standard and modern agreement.

RCEP is based on five ASEAN+1 FTAs, but it is a new agreement with a higher level of liberalisation and broader scope of subjects. Although the existing bilateral and ASEAN+1 FTAs continue to be effective, every member must adhere to RCEP rules.

Whilst keeping high standards as a goal, RCEP takes inclusiveness and comfortability as the basic line by providing special and differential arrangements to the less developed members, and different levels of liberalisation commitments for different members are allowed according to their capability and internal conditions. For example, whilst taking the negative list approach as the basic guideline, allowing some members to take the positive list approach as a start and adopt the negative list approach within a period of time.

Due to the complexity of RCEP members' economies and their different interests, the negotiation process was hard. Originally, RCEP's negotiations should have been concluded in 2015, but only the agreement for market access of trade in

⁷ See evaluation on the impact of RCEP. <http://finance.sina.com.cn/tech/2022-01-05/doc-ikyakumx8362208.shtml>

goods was reached. The negotiations slowed due to the difficulties. The first RCEP leaders' meeting was held in 2017, and the leaders made clear that RCEP should be inclusive, and they committed to concluding the RCEP negotiations by 2020. As stated by the leaders, 'While this negotiation continues to be a complex and challenging task, we reaffirmed our commitment to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement negotiated as a single undertaking that would support an open and enabling trade and investment environment in the region,' and at the same time, RCEP should take into consideration the different levels of development of the participating countries, and include appropriate forms of flexibility including provision for special and differential treatment, plus additional flexibility to the least-developed ASEAN member states, consistent with the existing ASEAN+1 FTAs, as applicable (Xinhua, 2017). With strong support, the RCEP negotiations achieved fast progress, and all major issues were solved by the end of 2019 that paved the way to conclude it on time in 2020. Although India quit RCEP in 2019, RCEP will welcome India when it is ready.

3.2. China in the Negotiations

Although China supports a modern and high standard RCEP, it favours a gradual approach, i.e. starting with an inclusive and realistic agreement and moving forwards step by step. During the negotiation rounds, the Chinese team worked hard to negotiate its commitments with every member.⁸ The market access arrangements are mostly based on bilateral negotiations, with two key factors to be considered. One is the different existing FTAs, another is different RCEP members. In general, China's commitments of liberalisation are higher than the existing FTA agreements for trade in goods, services, and investment.

China takes RCEP as a pressure point and also a good opportunity to conduct the deepening reform and opening-up as it is a high quality mega agreement.

⁸ At the State Council executive meeting Premier Li Keqiang urged Chinese related departments to complete follow-up work of RCEP agreement in order to conclude the negotiation by the end of 2020 (State Council of the People's Republic of China, 2019).

Premier Li Keqiang held a special State Council meeting in February of 2021 on the domestic efforts for RCEP to take effect and get implemented and called for deepening reform and opening-up. He emphasised the need to speedily push forward the reform of related domestic management mechanisms, step up formulation of domestic management regulations on origin and implementation guidelines, refine work procedures and make targeted technical preparations to ensure that the agreement can be executed on the ground as soon as it takes effect (State Council of the People's Republic of China, 2021). China is the first country that ratified RCEP agreement, and the central and local government agencies have made serious preparations ranging from publishing an official introductory text book, making action plans, and organising training classes for local officials and the business community.⁹

4. Evaluation of China's Commitments¹⁰

4.1. Trade in Goods

According to RCEP agreement, 90% of trade in goods will be liberalised within about 20 years. Singapore committed zero tariff from start, but some other countries need more than 20 years to realise their commitments, for example, Indonesia and Viet Nam will need 23 and 25 years respectively, and China and the Republic of Korea will need 35 years to realise their commitments.¹¹ China's commitments are from 86%–91%. China's commitments to ASEAN, Australia, and New Zealand are higher than Japan and the Republic of Korea as China has FTAs with ASEAN, as well as Australia and New Zealand.¹² (Table 1 and Table 2).

⁹ All level government apartments from the provincial to the municipal are asked to make plans for implementing and utilising RCEP. For example, one can find the action plan for Shandong Province from the website, see <http://www.mofcom.gov.cn/article/i/jyjl/j/202104/20210403051666.shtml>

¹⁰ This section is based on the document of RCEP agreement (ASEAN Secretariat, n.d.) and the analysis of Yu et al. (2021).

¹¹ For most of the tariff items, China and the Republic of Korea will realise their commitments within 20 years. But due to the structural differences, the liberalisation ratios are relatively low, 86% tariff items are to be zero finally.

¹² China's commitments in RCEP with Australia, New Zealand, and Republic of Korea are lower than in their bilateral agreements that leave space for RCEP to be improved in the future.

Table 1: Final Commitments of Liberalisation
(trade in goods, 0% tariff items)

Member	ASEAN	China	Japan	Republic of Korea	Australia	New Zealand
China	90.5%		86%	86%	90.5%	90%
Japan	88%	88%		81%	88%	88%
Republic of Korea	90.7%	86%	83%		90.5%	90.6%
Australia	98.3%	98.3%	98.3%	98.3%		98.%
New Zealand	91.8%	91.8%	91.8%	91.8%	91.8%	

ASEAN = Association of Southeast Asian Nations.

Source: Yu et al. (2021).

Table 2: ASEAN Final Commitments of Liberalisation
(trade in goods, 0% tariff)

Member	China	Japan	Republic of Korea	Australia	New Zealand	Average
Singapore	100%	100%	100%	100%	100%	100%
Brunei	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%
Philippines	89%	91.1%	90%	91.3%	90.5%	90.6%
Malaysia	90.2%	90.2%	90.2%	90.2%	90.2%	90.2%
Indonesia	89.5%	89.5%	89.5%	90.8%	91.5%	90.2%
Thailand	86.3%	89.8%	90.3%	91.3%	91.3%	91.3%
Viet Nam	85.6%	86.7%	86.7%	89.6%	89.6%	87.6%
Cambodia	86%	86%	86%	86%	86%	86%
Myanmar	86%	86%	86%	86%	86%	86%
Lao PDR	86%	86%	86%	86%	86%	86%

ASEAN = Association of Southeast Asian Nations.

Source: Yu et al. (2021).

China and Japan are the largest two economies in RCEP, and they have not established a bilateral FTA. RCEP provides a mega FTA framework for them to make the commitments. The China's ratio of zero tariff to Japan will be raised from the current 7.6% (tariff items, most favoured nation) to 86%, whilst Japan's to China from 4.3% to 88% (Table 3).¹³

Table 3: Tariff Reduction Commitments Between China and Japan in RCEP

Tariff level	China to Japan		Japan to China	
	Items	Import share	Items	Import share
0% now	25%	35%	57%	65%
0% by 11 years	72%	49%	75%	72%
0% by 16 years	83%	70%	87%	90%
0% by 21 years	86%	79%	88%	93%
Exception	13.6%	15%	12%	7%

Source: Yu et al. (2021).

It is expected that the liberalisation level will be higher than the commitments under RCEP if they could establish either a bilateral FTA or a trilateral FTA of China, Japan and the Republic of Korea.¹⁴

4.2. Service Liberalisation

In general, RCEP commitments on service liberalisation are higher than those in the WTO's General Agreement on Trade in Services and also higher than those in the ASEAN+1 FTAs. There are two approaches: the positive list and the negative

¹³ Agriculture products are the sensitive ones. Japan's liberalisation commitments for agriculture products to China will be raised from the current 35.8% (most favoured nation) to 56.4%, whilst China's commitments from 7.2% to 86.2% by 2043. All results are based on the analysis of Regional Comprehensive Economic Partnership Agreement.

¹⁴ See also Table 2-1-7 in Yu et al. (2021). RCEP provides a legal framework for China and Japan to open their market as they have no bilateral trade agreement. See Watanabe (2022).

list. Whilst eight countries (China, New Zealand, the Philippines, Thailand, Viet Nam, Lao PDR, Cambodia, and Myanmar) adopted the positive list, the other seven members adopted the negative list.¹⁵

China's commitments on service liberalisation are substantial, covering 128 items based on the United Nations Central Product Classification focusing more on services for commerce, telecommunication, finance, and transportation. China committed to liberalise a further 22 service sectors based on those for its WTO accession, including research and development, management service, air service and manufacturing service, and China raised the liberalisation levels of 37 sectors for the WTO accession. However, China's commitments for service and investment liberalisation in RCEP are lower than its commitment in its domestic experimental free trade zone that means there are still large space for further liberalisation.

4.3. Investment Liberalisation

In general, the commitments of the investment liberalisation are higher than the existing ASEAN+1 FTAs. The negative list approach was adopted by all members, but seven countries (Japan, Australia, the Republic of Korea, Brunei, Singapore, Malaysia, and Indonesia) adopted the negative list approach for all sectors, whilst eight countries (China, New Zealand, the Philippines, Thailand, Viet Nam, Lao PDR, Cambodia, and Myanmar) for five sectors including manufacture, agriculture, forestry, fishery, and mining. Due to the sensitivity and complexity of the investments, the commitments for every member are various.

China's commitments for investment liberalisation are similar to those for service liberalisation. It is the first time China has adopted the negative list approach and pre-establishment national treatment in RCEP for making an FTA.¹⁶ For some sectors, like seed, fishery, telecommunication equipment, the commitments for liberalisation are similar to those for the domestic free trade zones.¹⁷ Some of them,

¹⁵ China, New Zealand, the Philippines, Thailand, and Viet Nam committed to adopt the negative list approach within 6 years, but Lao PDR, Cambodia, and Myanmar within 15 years.

¹⁶ China also adopted these in the China–European Union Bilateral Investment Treaty, but it was suspended by the European Union .

¹⁷ China set up several domestic free trade zones for higher liberalisation experiment.

like cars (except new energy cars), medicine (mainly for Chinese traditional medicine), tobacco, are not different from the domestic regulations.

4.4. New Areas

RCEP’s intellectual property rights (IPR) chapter covers comprehensive items and provides higher-level IPR protection than the Trade-Related Aspects of Intellectual Property Rights, and it takes in the CPTPP’s IPR chapter and also part of the Anti-Counterfeiting Trade Agreement. For China, it is the most comprehensive coverage in its existing FTAs. However, in digital areas, China needs to do more work on IPR protection (Table 4).

Table 4: Intellectual Property Rights Agreements in China’s Free Trade Agreement

Free Trade Agreement	Intellectual Property Rights Coverage
China–ASEAN	No
China–Singapore	No
China–New Zealand	TRIPS and other agreement both sides signed
China–Australia	TRIPS and other agreement both sides signed
China–Republic of Korea	TRIPS and other agreement both sides signed
RCEP	7 agreements listed

ASEAN = Association of Southeast Asian Nations, TRIPS = Trade-Related Aspects of Intellectual Property Rights.

Note: See RCEP chapter on IPR. Except for the Marrakesh Treaty, China signed the other six agreements required by RCEP. There should be no problem for China to sign the treaty.

Source: Yu et al. (2021).

RCEP has established high-level rules for electronic commerce (e-commerce) that will play an important role in facilitating e-commerce in East Asia. The rules include mainly non-paper trade, e-recognition and e-signature, online consumer

rights, private information, online trade supervision cooperation, tax free electronic transformation, etc. China will for the first time commit the rules for electronic transformation and computer installation, although its domestic regulations need to be further improved in order to accord with RCEP rules.

RCEP has established comprehensive and high-level rules for competition policy covering legislation, law enforcement cooperation, consumer right protection, etc. China has accomplished its domestic regulations and laws that accord with RCEP rules. As for law enforcement cooperation, China has no problem in this area as it has signed cooperation agreements with many countries including some RCEP members like Japan.

China has agreed for the first time on government procurement rules in its FTAs including principles, transparency, cooperation, inspection, etc. In the existing bilateral FTA agreements, government procurement is only listed as bilateral cooperation, not as rules to be implemented. However, China's government procurement policy is still in process. China joined the Agreement on Government Procurement (GPA) under the WTO as an observer in 2002 and joined the negotiations from 2007 with increasing commitments covering local government procurement, but it is still not yet a full member of the GPA. RCEP's commitments on government procurement are lower than the GPA 2012 rules. As China has not joined GPA 2012, it gives room for future negotiations.

Dispute settlement rules are very important for FTAs. RCEP has a chapter for dispute settlement that accords with the existing bilateral FTAs. China's domestic regulations in general accord with RCEP rules.¹⁸

China will use RCEP as an opportunity to facilitate domestic reform. China has set up several domestic free trade zones as an experiment. Many commitments in RCEP actually accord with those adopted in these free trade zones, which means

¹⁸ As for transparency, in some points, Chinese domestic regulations are different from RCEP requirement that may be room for further negotiation and be settled by the improvement of China's domestic regulations.

that the regulations for domestic free trade zones will be extended to all of the country. China will continue reforms in areas relating to the market system and opening-up policies. On 23 December 2021 just before RCEP came into force, Premier Li Keqiang emphasised that Chinese companies should use RCEP as an opportunity to enhance the ability for competition in an open market environment and adopt the high-level rules and standards.¹⁹ As stated by the State Council, the deal will boost China's efforts to stabilise foreign trade and investment, promote industrial upgrading, and help the country set up economic and trade rules that are compatible with high-quality international standards (State Council of the People's Republic of China, 2022).

5. Political Dimension of RCEP

RCEP shows the confidence and will of East Asia in facing the challenges from the COVID-19 pandemic and emerging protectionism and political discrimination. There are several serious challenges to the world and regional economic development. The pandemic has caused the most serious threat to the world with millions of people dying. The broken supply chains due to the measures taken for dealing with the pandemic, as well as emerging protectionism by the anti-globalisation movement, political conservatism, etc. have changed the economic environment from positive to negative. RCEP shows the political will of East Asian countries to insist on openness and cooperation that is crucial for the post-pandemic economic recovery and the longer future dynamics of East Asia.

East Asia as an integrated economic region started in the 1970s with the flying geese model led by Japan followed by the four dragons, and then some other Southeast Asian countries like Malaysia, Thailand, the Philippines, and Indonesia. China's rise changed the regional production structure from a linear supply chain

¹⁹ Li Keqiang chaired the State Council meeting.
<https://baijiahao.baidu.com/s?id=1719975157045328998&wfr=spider&for=pc>

into a network that expands the regional economic space. ASEAN led 10+1 FTAs help to reduce the barriers of inter-regional trade and investment, but they also create so-called ‘spaghetti bowl’ effects, i.e. different rules interacting together. RCEP as a mega-regional agreement created an integrated rules-based open market space that helps to establish an integrated regional production and supply chain network. Based on this network, East Asia will be an open and rules-based economic space with great potential of technological innovations, financial assets, and inter-regional demand.

Politically, RCEP plays a special role in bringing East Asian countries together with diversified ethnicity, cultures, religions, as well as political systems. ASEAN is the pioneer in building such a new regional identity that makes the Southeast Asian region united and prosperous. The value of ASEAN as a regional organisation is to build an inclusive regional platform for all members to participate in and benefit from. By working together and sharing interests under RCEP framework, East Asia as a region will be more integrated and supported by the multi-layered cooperation institutions like ASEAN 10+1, ASEAN 10+3, the EAS, as well as the Chiang Mai Initiative, the ASEAN+3 Macroeconomic Research Office, etc., which will be helpful to improve overall relations. The relations amongst East Asian countries are complicated, ranging from the historical legacy, current disputes, as well as big power competition, etc. The integrated economic interests based on the regional institutions and cooperative agendas provide the foundation and consolidated efforts to make the region stable and peaceful through sound bilateral relations and regional trade arrangements.²⁰

China does not end its efforts with RCEP. It is keeping its openness by applying to join the CPTPP and the Digital Economy Partnership Agreement established by New Zealand, Singapore, and Chile. China has lots of work to do to implement RCEP agreement by deepening its structural and institutional reforms.

²⁰ It is considered RCEP can bring huge strategic benefits to China (Su, 2022).

China is taking concrete measures to make its domestic laws, regulations, and policies accord with RCEP and to take advantage of the opportunity to promote its economic engagement in East Asia.²¹ Additionally China, as the largest economy in East Asia, will play a central role in keeping the region dynamic. China will enhance its role by strengthening the efforts in developing its agendas like the Belt and Road Initiative and the Asia Infrastructure Investment Bank. Infrastructure building is essential for East Asia to improve the development environment and the efficiency of supply chains.²²

However, the challenges for China and East Asian partners are: (i) how to rebuild the supply chains that are either weakened or broken by the pandemic; (ii) how to overcome the new barriers created by government policies in the name of national security both in trade and investment areas; and (iii) how to overcome the new divisions created by the US policy under its comprehensive strategic competition with China that has led to the exclusive arrangements in East Asia.

²¹ It is considered that RCEP is helpful for China to relief the pressure from the United States which has found ways to exclude China. See Xu (2021).

²² However, some are worried that China will use RCEP to strengthen its influence in the region. For example, as argued by Robert Ward, RCEP is a significant geopolitical win for China. The deal reinforces the economic interdependence of Asia. Tighter integration will thus bring the region closer into China's economic orbit. Beijing will use its economic heft as by far the region's largest economy to exert influence on regulations and standards setting within the bloc, as it is already explicitly trying to do in the countries included in its Belt and Road Initiative. See Ward (2020).

6. Conclusion

RCEP is essential to East Asia in facing the new challenges. China is the largest economy in East Asia and plays a key role in networking the regional production and supply chains. The foundation of RCEP is rules-based economic networking and sustainable dynamism. China supports the global-based multilateral system and regional integration and cooperation. RCEP is a unique opportunity for China to deepen its reform and opening-up and enhance close relations with East Asian countries.

In facing the changing situation, it is crucial for East Asia to insist on the principles of openness and inclusiveness. Whilst only openness makes East Asia attractive and dynamic, only inclusiveness can make East Asia an integrated region. RCEP plays the role of sharing the spirit of openness and inclusiveness in East Asia.

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