



#REFSAQ&A

RCEP: GAME-CHANGER OR NO BIG DEAL?

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WHAT IS RCEP?

In November 2020, the 10 ASEAN member states and five of its regional partners - Australia, China, Japan, New Zealand and South Korea - signed the Regional Comprehensive Economic Partnership (RCEP). The agreement came into effect on January 1, 2022.

The world's largest free trade agreement (FTA) by GDP, RCEP is intended to strengthen regional integration in Asia-Pacific across goods trade, trade facilitation, investment, and e-commerce amongst others.

In this Q&A session, we ask our researcher, **Jaideep Singh**, on his first impressions and findings on RCEP and to what extent it is impactful and beneficial to Malaysia.



Q1: WHAT ARE THE SUPPOSED BENEFITS OF RCEP FOR PARTICIPATING COUNTRIES?

On paper, RCEP seems big and impressive. It's been referred to as a **"game changer"** that could **rewrite the rules of trade** in a world battered by the pandemic and the US-China trade war.

The ASEAN Secretariat goes a step further, praising the agreement for having four specific characteristics: **modern, comprehensive, high-quality, and mutually beneficial.**

RCEP is also said to offer **depth and breadth** in its range of commitments to 'achieve' trade liberalisation, especially through deep tariff cuts and other measures beyond tariff reduction.



Q2: WHAT IS YOUR TAKE ON RCEP?

X Is it modern?

- RCEP stops short of tackling some emerging issues in global supply chains, with **no provisions on labour standards or environmental preservation** (unlike CPTPP).
- In e-commerce, RCEP generally **rehashes** what has already been addressed in the ASEAN-Australia-New Zealand FTA as well as existing WTO agreements.

X Is it comprehensive?

- Tariff reductions are **modest** at best, especially for ASEAN. According to UNCTAD, 91% of products imported into ASEAN from the RCEP countries already enjoy tariff-free access.
- As for non-tariff measures (NTMs), RCEP mainly **reaffirms** existing rules in the WTO and ASEAN FTAs.

Q2: WHAT IS YOUR TAKE ON RCEP?



Is it high-quality?

- RCEP's biggest achievement is establishment of a **common set of rules of origin** (ROO). Exporters across the board will now be able to use a standardised certificate of origin as part of the exporting process, which should simplify the paperwork for cross-border trade.
- First FTA that **brings China, Japan and South Korea together.**



Q2: WHAT IS YOUR TAKE ON RCEP?

? Is it mutually beneficial?

- The provisions on cooperation are **voluntary**, putting the onus on the more developed partner countries to provide help.
- For Malaysia, mutually beneficial investment and trade requires a concerted effort to **beef up the industrial policy framework, which needs to come from within.** We need a strategic, coordinated industrial and innovation framework to encourage joint ventures and collaboration between MNCs and local companies so as to fully reap the spillovers from FDI.



Q3: IN CONCLUSION, WHAT ARE THE REALITIES OF RCEP BASED ON YOUR RESEARCH FINDINGS?

The results are mixed. RCEP functions first and foremost as a consolidatory agreement that helps standardise trading rules in Asia-Pacific. It is a small step forward towards more regional cooperation and integration in the future, but it is not a game changer on its own.

For Malaysia in particular, many of the purported benefits would not accrue automatically after ratification but would instead require the country to upgrade its industrial and innovation policy at a domestic level to fully reap the benefits of the agreement.



READ REFSA'S FULL ANALYSIS AND REPORT OF RCEP



ONE SMALL STEP, NOT A GIANT LEAP, FOR TRADE AND GROWTH IN MALAYSIA

By Jaideep Singh, Researcher at REFSA

Read Jaideep's commentary in The Edge at
[https://refsa.org/rcep-falls-short-of-being-
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