



The Regional Comprehensive Economic Partnership: Status and Recent Developments

Cathleen D. Cimino-Isaacs

Analyst in International Trade and Finance

Michael D. Sutherland

Analyst in International Trade and Finance

November 19, 2019

The Regional Comprehensive Economic Partnership (RCEP) is a prospective trade agreement between the ten members of the Association of Southeast Asian Nations (ASEAN) and five of their major FTA partners—Australia, China, Japan, New Zealand, and South Korea. On November 4, 2019, a Joint Leaders Statement was issued following the conclusion of the 3rd RCEP Summit, held on the sidelines of the ASEAN Summit in Thailand. According to the [statement](#), 15 of the original 16 Asian countries participating in RCEP have concluded “text-based negotiations for all 20 chapters” and “essentially all” market access issues. India, the primary holdout in recent negotiations, [announced](#) its withdrawal from the pact, though indicated it may consider rejoining. Despite India’s announcement, the other RCEP members indicated that they aim to sign the deal in 2020. The text or exact details of the agreement are not yet public, limiting analysis of its implications, though some members have released general [summaries](#).

RCEP moves forward following entry into force of recent “mega-regional” and bilateral trade deals, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11) and the EU-Japan free trade agreement (FTA), whose membership covers significant shares of the global economy and trade. Seven members of RCEP are also members of TPP-11 (**Figure 1**). Although RCEP is not considered likely to be as comprehensive as other agreements in terms of the scope and depth of prospective commitments, its current members constitute about 30% of global trade and GDP, giving it the potential to restructure some trade patterns in Asia. As these initiatives advance without U.S. participation, Congress may consider how U.S. commercial interests in the region, as well as the U.S. role in shaping trade rules and economic integration efforts in the Indo-Pacific and globally, could be affected.

Congressional Research Service

7-....

www.crs.gov

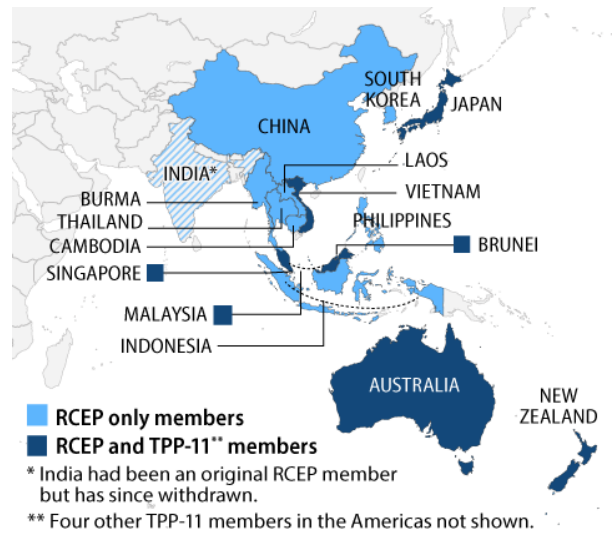
IN11200

History and Scope of RCEP Talks

RCEP negotiations [formally began in 2012](#) to harmonize and build on existing “ASEAN plus one” FTAs. It was also to mark the first trade agreement among some of the major participating economies with China and India. RCEP members [aim to achieve](#) a “modern, comprehensive, high-quality and mutually beneficial” agreement, which is comprised of [20 chapters](#) on trade in goods, services, investment, standards and technical regulations, intellectual property rights (IPR), and e-commerce, among other issues.

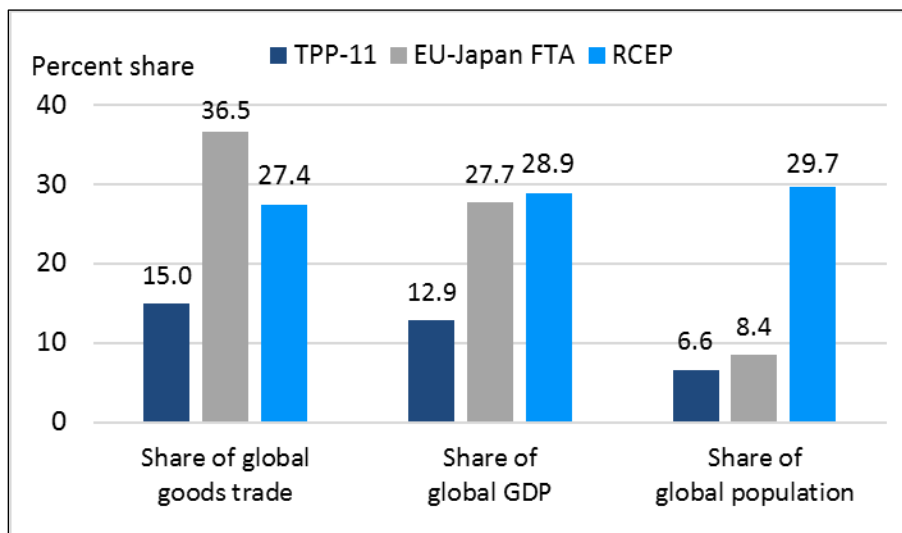
RCEP, if concluded, would be the world’s largest regional trade agreement, that, not including India covers about 30% of the world’s population, global trade, and GDP ([Figure 2](#)). Some observers have [characterized](#) RCEP potential commitments as “shallow” and less comprehensive compared to the scope of other agreements, such as TPP-11, which includes rules on state-owned enterprises (SOEs), labor and environment, and other nontariff issues. Additionally, RCEP’s diverse membership has given rise to provisions for “special and differential treatment” that offer potential flexibility in the commitments for less-developed member countries. Other [trade experts view](#) RCEP as a complementary initiative that could deepen regional integration and serve as a “stepping-stone for members to subsequently join higher-standards agreements when they are economically and politically ready.” At the same time, despite a relatively less comprehensive agenda, some [analysts view](#) RCEP as potentially among the most wide-ranging agreements negotiated by ASEAN countries. By [some estimates](#), RCEP could yield sizable economic benefits driven by the expected new market access commitments. The agreement’s impact will ultimately depend on the final terms.

Figure 1. Asian Members of Regional Trade Initiatives



Source: Created by CRS.

Figure 2. Comparative Economic Indicators of Major Trade Deals in Asia



Source: CRS calculations based on IMF, Direction of Trade Statistics and World Bank, World Development Indicators.

Notes: TPP-11 and RCEP include seven overlapping members. India is not included in the RCEP figures.

Recent Developments

After the United States withdrew from TPP in early 2017, RCEP attracted renewed interest as [some experts and officials](#) in participating countries characterized the agreement as a potential alternative to TPP. The subsequent conclusion of TPP-11 following U.S. withdrawal, as well as the escalation in the U.S.-China trade dispute, motivated RCEP members to advance their efforts, in part as a statement [in support of the rules-based trading system](#). Talks have progressed slowly, however, largely owing to the disparate levels of economic development among members. While China and some developing country members reportedly have sought to keep negotiations focused on market access and tariff reduction, Japan, among the pact's most economically developed members, and some other TPP-11 members, have [sought a more comprehensive deal](#) covering advanced services, investment, and IPR.

India's announced withdrawal from RCEP, although seen as a setback for the agreement, was not unexpected. Some observers have perceived Indian negotiators as ["dragging their feet"](#) on matching the tariff concessions of others. Within India, backlash grew against RCEP amid concerns of imports flooding India's domestic market and a potential increase in India's trade deficit with China, a country some officials [regard as a strategic competitor](#). Whether India's exit from RCEP is permanent remains ambiguous: after announcing withdrawal, Indian officials [stated](#) that India would consider rejoining if "all Indian demands are met," in particular related to services.

Implications for U.S. Trade Policy

Some view U.S. withdrawal from regional initiatives like TPP-11 as affecting the United States' ability to shape regional and global trade rules, in part to influence the economic practices of China. RCEP, if formed, could provide an alternate trade agreement vehicle through which China could benefit economically without having to conform to certain provisions. For example, such provisions include requiring reforms to its industrial policies or more robust IP protections. Chinese firms facing pressure from U.S. tariffs have [reportedly](#) begun shifting manufacturing to ASEAN countries, while maintaining sourcing networks in China, a trend that could continue or accelerate under RCEP. [Some analysts note](#) that China's increased involvement in RCEP may also be symbolically important for Beijing, which is [attempting to cast itself](#) as a regional leader in trade liberalization. Although RCEP has largely been an ASEAN-led initiative, some officials involved in the negotiations have [expressed concerns](#) that without India to serve as a counterweight, further RCEP negotiations may be dominated by China.

RCEP also could shift regional trade in ways that could impact U.S. commercial activity and strategic interests more broadly. Early analyses have generally concluded that RCEP could lead to some reduced U.S. commercial activity in the region if (i) members shift trade to U.S. competitors, and (ii) supply chains reorient to capitalize on RCEP's tariff reductions and single set of rules of origin across members. One [study](#) by the Obama Administration identified several U.S. industries in the Japanese market "at risk of increased competitive pressure" from China due to tariff liberalization under RCEP. Further, formation of trade rules in Asia that may not reflect U.S. negotiating priorities, such as approaches to e-commerce or IPR, could disadvantage U.S. competitiveness abroad. [Some analysts](#) also view the potential for further intra-Asian integration under RCEP, along with TPP-11, as leading to reduced U.S. geopolitical influence in the region.

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.