

The Regional Comprehensive Economic Partnership: Status and Recent Developments

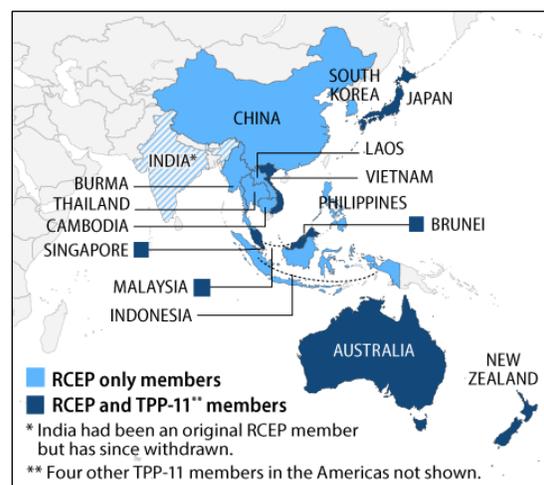
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The Regional Comprehensive Economic Partnership (RCEP) is a regional trade agreement between the ten members of the Association of Southeast Asian Nations (ASEAN) and five of their individual FTA partners—Australia, China, Japan, New Zealand, and South Korea. After eight years of challenging talks, the agreement was signed on November 15, 2020, at the 4th RCEP Summit, [hosted by Vietnam](#). Many [viewed](#) RCEP’s signing as an achievement for the multilateral trading system, which faces myriad challenges, including a global economic slowdown and rising protectionism and trade disputes. It also follows the recent entry into force of “mega-regional” trade deals, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11), which includes seven RCEP members (**Figure 1**). Although RCEP is generally less comprehensive than other agreements, including TPP-11, its members constitute approximately 30% of global trade and GDP, giving it the potential to restructure some trade patterns and supply chains in Asia through lower trade costs and streamlined rules. As RCEP enters into force, Congress might consider how U.S. commercial interests could be affected by an agreement that allows firms from other developed economies to make supply chains more efficient, as well as the impact of the perceived diminishing U.S. role in shaping trade rules and economic integration in the region and globally.

History and Scope

RCEP negotiations [began in 2012](#) to harmonize and build on existing “ASEAN+1” FTAs with regional partners. It is the world’s largest regional trade agreement, covering about 30% of the world’s population, trade, and GDP (**Figure 2**). The agreement’s economic footprint was even larger with the participation of India, an original RCEP member before [withdrawing in late 2019](#), amid concerns about increased competition with Chinese imports. It also marks the first trade agreement among some of the major participating

Figure 1. Asian Members of Regional Trade Initiatives



Source: CRS.

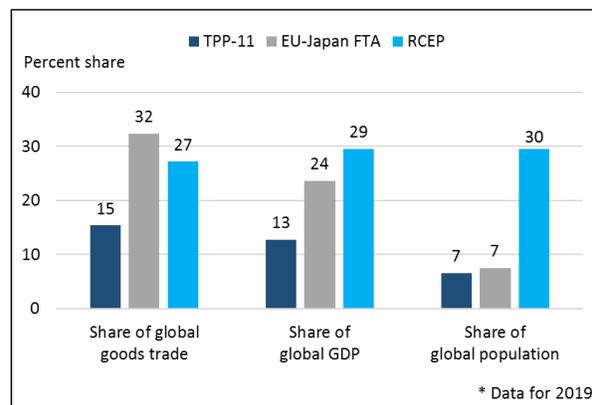
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economies with China—notably, the first for Japan with both China and South Korea.

RCEP is comprised of [20 chapters](#) covering trade in goods, services, investment, government procurement, standards and technical regulations, intellectual property rights (IPR), and e-commerce, among others. Several chapters are new to existing ASEAN FTAs.

RCEP has a complex [tariff schedule](#) and summary details have not yet been released. [Estimates](#) suggest overall elimination of 90% of tariffs over 20 years, with broad carve outs for agriculture in particular (e.g., [Japan](#)). For **services** commitments, several members use a “positive list” approach, with only listed sectors opened to competition—but may transition to a negative list. Some provisions go [beyond existing ASEAN FTAs](#), such as **investment protections** that prohibit more extensive performance requirements (e.g., technology transfer as a condition of market access). Investor-state dispute settlement (ISDS) provisions are not included, but are to be reviewed within five years. In **e-commerce**, members commit not to impose customs duties on electronic transmissions. There are broad exceptions to provisions to prevent data localization requirements or cross-border data transfers, and this chapter, like [some others](#), is not subject to enforceable dispute settlement. RCEP also includes flexibilities for less-developed member countries, such as transitional periods for commitments on trade facilitation, IPR, and e-commerce.

Figure 2. Economic Indicators of Major Trade Deals in Asia



Source: CRS based on World Bank, World Development Indicators.

Notes: Seven overlapping members in TPP-11/RCEP.

RCEP in Context

After the United States withdrew from TPP in 2017, RCEP attracted renewed interest as [some experts and officials](#) in participating countries characterized the agreement as a potential regional alternative to TPP. The subsequent conclusion of TPP-11, as well as escalating U.S.-China trade disputes, motivated RCEP members to accelerate negotiations, in part as a statement [in support of the rules-based trading system](#). Negotiations progressed relatively slowly, largely owing to the disparate levels of economic development and [priorities](#) among members.

Some initial assessments of the final agreement [characterize](#) the scope of commitments and rules, such as in services, investment, and IPR as relatively shallow and [lacking rules](#) on state-owned enterprises, labor and environment, and other nontariff issues. Others [emphasize](#) significant progress compared to previous ASEAN deals, and important [impacts beyond trade](#) concessions. Many [experts view](#) RCEP as a complementary initiative that [deepens](#) regional integration and serves as a “stepping-stone” for members to join higher-standard agreements in the future.

[Analysts note](#) that RCEP’s most significant component may be its establishment of common rules of origin, i.e., one set of criteria among all 15 members that govern how much of a product must be produced within the region to qualify for tariff benefits. A common regime, many say, will facilitate the movement of intermediate goods between members and make it easier for firms to establish regional supply chains. One [study estimates](#) that RCEP could add up to \$500 billion in world trade by 2030—with significant economic benefits for China, Japan, and South Korea in particular.

Implications for U.S. Trade Policy

Some Members of Congress and analysts saw TPP as an opportunity for the United States to shape regional and global trade rules, and potentially influence China's economic practices. In this view, RCEP, like the U.S. withdrawal from TPP, may limit U.S. economic influence in the region by providing an alternate trade agreement vehicle through which China could benefit economically without having to reform its industrial policies or adopt 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 accelerate under RCEP. At the same time, [some countries](#) aim to use RCEP to help [diversify supply chains](#) from China. Although RCEP was conceived by ASEAN members who have long sought to create a common trading and manufacturing base, [some analysts note](#) that RCEP is symbolically important for Beijing—Chinese officials [framed](#) the signed agreement as a “victory of multilateralism and free trade.”

RCEP also could shift regional trade in ways that impact U.S. commercial activity and broader strategic interests. Early analyses generally conclude that RCEP could reduce U.S. commercial activity in the region if (1) members shift trade to U.S. competitors, and (2) supply chains reorient to capitalize on RCEP's tariff reductions and rules of origin. 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. When asked about RCEP's conclusion, presumptive President-elect Biden [emphasized](#) the U.S. needs to “set the rules of the road instead of having China and others dictate outcomes.” Some experts view these developments as [reducing U.S. geopolitical influence](#) and [reinforcing a need](#) to re-envision U.S. engagement in the region, potentially through negotiating its re-entry into the revised TPP-11.

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