

The Regional Comprehensive Economic Partnership: Text Overview and Outlook for Entry into Force



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At the Regional Comprehensive Economic Partnership (RCEP) Summit held on November 15, 2020, Korea, China, Japan, Australia, New Zealand and 10 ASEAN countries concluded and formally signed the agreement. The RCEP is called a “mega-FTA” because of its large scale involving 15 countries in Asia and the Oceania region, with the economies of RCEP-participating countries accounting for about 30% of the world's production, trade and population. Comparing its size with other mega-FTAs, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which came into effect between 11 countries in 2018, encompasses the economies of member countries accounting for about 13% of global production and 15% of trade. RCEP can be said to be the world's largest FTA.

The RCEP negotiations began in the early 2010s, and took about eight years from the start of negotiations in 2012 to signing. RCEP-participating countries have long shared the need to promote cooperation among Asian countries, which has led to discussions on economic integration in East Asia in various forms such as the ASEAN+3 and ASEAN+6 groups. The

form of participating countries follows the ASEAN+6 system proposed by ASEAN in 2011. India participated in negotiations since the launch of the RCEP, but due to concerns about a deepening trade deficit in goods, India declared it would not participate in the 2019 summit.

The RCEP agreement consists of a total of 20 chapters. The contents of the agreement include not only trade in goods and services, but also the latest trade rules on areas such as investment, SPS, TBT, e-commerce, and intellectual property rights, as well as chapters on SMEs and cooperation, covering the entire economic relationship.

Especially, the RCEP rules of origin integrate the various origin standards signed in bilateral FTAs into a unified system and they allow regional cumulation¹ as well. In addition, a self-certification of origin by exporters or producers is introduced. Improvement of these origin rules is expected to increase the utilization of RCEP by companies and promote the formation of regional value chains. The e-commerce chapter can be evaluated to reflect most recent trade rules, including provisions for promoting cross-border e-commerce, such as paperless trade, electronic authentication, and trade facilitation using electronic signatures, as well as provisions related to the location of computer facilities and cross-border transfer of data. In addition, the intellectual property chapter includes provisions on the protection of IP rights covering copyrights, trademarks, industrial designs, and patents.

Tariff reduction between regional countries was achieved at about 92%, and the ASEAN-Korea FTA was improved by opening the market to 91.9% – 94.5% with ASEAN, and with China, Australia and New Zealand, with which Korea had concluded agreements relatively recently. Through these RCEP negotiations, Korea opened a new market with Japan, with the tariff elimination rate at 83%, while reflecting the concerns of the industry by excluding sensitive items related to automobiles and machinery from concessions. For agricultural products, the market was opened at the level of 46% in Korea and 49% in Japan, and at the level of 91.7% in Korea and 94.1% in Japan for industrial products.

In service trade, while maintaining the level of the existing FTA, ASEAN additionally opened cultural contents, distribution, and logistics services, and Japan opened wholesale and retail services for online games, rice, tobacco, and salt, and brokerage services. Regarding service and investment chapter, countries that have adopted a positive list have to initiate the procedure for converting to a negative list method within three years of entry into force (within 12 years for Cambodia, Laos and Myanmar). Reservation lists of the investment are submitted by

¹ Originating goods and materials, which are used in another Party as materials in the production of another good or material, shall be considered as originating in the Party where working or processing of the finished good or material has taken place.

nine ASEAN countries updating the ASEAN-Korea FTA. In the chapter on government procurement, each ASEAN member country first introduced the rules on government procurement, which is expected to improve by disclosing information on government procurement through the Internet.

The biggest significance of the RCEP agreement is that the world's largest mega-FTA was concluded amid the spread of new protectionism, and in the midst of the global economic slump due to COVID-19, thus providing an opportunity for economic recovery through regional free trade and expansion of investment. Korea is expected to be able to expand new markets and strengthen economic cooperation in the ASEAN region through the RCEP. In addition, Korea and Japan, Japan and China opened new markets through the RCEP, which has the effect of forming an economic cooperation channels among Korea, China and Japan.

As for the entry into force of the RCEP, if at least six of the ASEAN signatories and three or more of the non-ASEAN signatories complete the domestic ratification procedure, the ratification agreement between the countries will enter into force 60 days later. So far, Singapore, China, Thailand and Japan have completed ratification. After completing the impact assessment by summer, Korea is expected to be able to ratify it by the end of 2021 or early 2022. **KIEP**