

RCEP Trade Pact Signed

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In brief

- » Fifteen Asia-Pacific nations have signed the Regional Comprehensive Economic Partnership Agreement (RCEP) on 15 November 2020, the biggest free trade bloc in the world.
- » RCEP will enhance economic integration in the covered area and promote supply chain optimization.

Feedback

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In Detail

On 15 November 2020, fifteen countries have concluded RCEP, including the ten nations of Association of South East Asian Nations (ASEAN), China, Japan, South Korea, Australia and New Zealand. India was entitled an observer status.

RCEP is a comprehensive free trade agreement which offers lower tariffs, contains the guarantee of a higher level of opening-up in service trade and investment and includes considerations for modern business. The pact, initiated in 2012, is an outcome after thirty-one rounds of negotiation.

RCEP, the biggest free trade bloc in the world, accounting for 29.7% of the global population and 28.9% of the global GDP. It will enter into force after at least six ASEAN countries and three non-ASEAN countries fulfil their domestic procedures.

1. Trade in goods

Fifteen nations have agreed to reduce or eliminate its custom duties. With the implementation of the tax reduction scheme of various parties, 90% of the trade in the region will eventually be duty free. Besides, agreement on non-tariff issues such as rules of origin, customs procedures, sanitary and phytosanitary measures and standards, technical regulations, and conformity assessment procedures will create a more facilitated trade environment.

2. Trade in service

China and other seven parties (New Zealand, Myanmar, Vietnam, Laos, Cambodia, the Philippines and Thailand) will adopt a positive list management for market admittance first and change to a negative list management in six year while the other eight parties will directly adopt the negative list management. The guarantee level of market access will be higher than the existing free trade agreements. There will be special considerations on financial services, telecommunication services and professional services.

3. Investment

Fifteen parties will adopt a negative list management with a guarantee of opening-up in manufacturing, agriculture, forestry, fishery and mining industry. Clarification on market access, investment treatment and capital transfer policy will increase transparency in each party's investment policy.

4. Intellectual property

RCEP will promote a higher level of protection on intellectual property (IP) compared to WTO's *Agreement on Trade-Related Aspects of Intellectual Property Rights*. The chapter of IP covers copyright and related rights, trademarks, geographical indications, patents industrial designs, genetic resources, traditional knowledge and folklore. Considering the development level difference, there are special considerations on transitional period arrangement and technical assistance.

5. E-commerce

RCEP will encourage e-commerce and cooperation by setting a series of common regulations. The e-commerce chapter of covers paperless trade, electronic authentication and e-signature, online customer protection, online information protection and cyber security.

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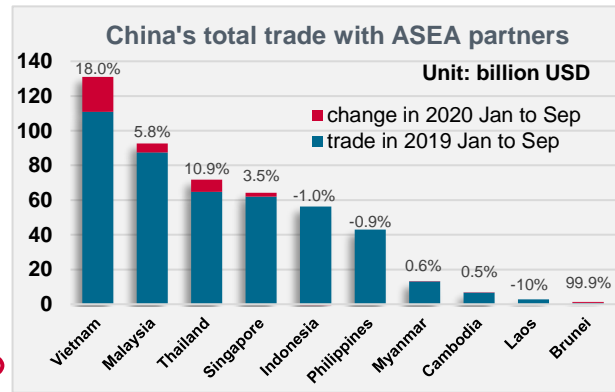
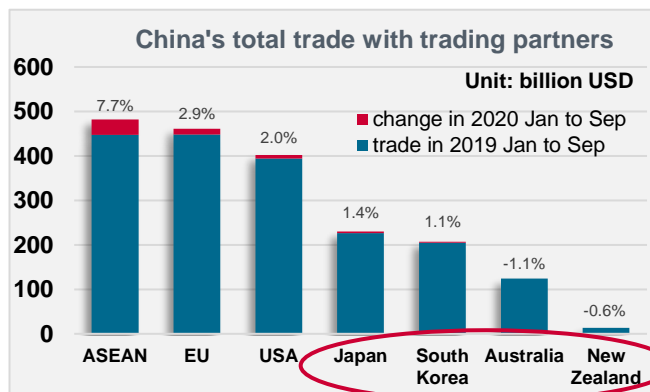
6. Small and medium enterprises

RCEP also includes a chapter on small and medium enterprises. The parties will promote the sharing of information related to the agreement and provide small and medium enterprises with a platform to engage in the area value chain and supply chain.

WTS observation

RCEP will undoubtedly stimulate trade through the reduction of tariffs, lifting up the trade volume, opening-up the markets, and encouraging the market vigour and competition.

In the first three quarters of this year, ASEAN has become China's top 1 trading partner with a total trade volume at USD 481.8 billion. Within ASEAN, Vietnam, Malaysia, Thailand have been the top 3 in total trade volume. The total trade volume between China and other RCEP members has reached USD 1,054.6 billion, accounting for about one third of China's total international trade.



RCEP members other than ASEAN countries

Further, RCEP will lead to a reform in supply chain and value chain not only in East Asia area but also for global ones, especially in the backdrop of the COVID-19 pandemic.

RCEP also helps in the integration of East Asia, or West Pacific Area. China and Japan have achieved a historic breakthrough by reaching a bilateral tariff reduction arrangement for the first time in RCEP while RCEP also promotes closer connection among China, Japan and South Korea.

Market entities should grab the opportunities and consider how to reinforce their presence in the Chinese market with an optimal supply chain model.

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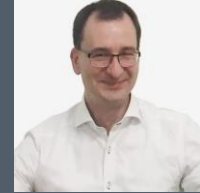
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