



CENTRE FOR
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STUDIES

Challenges and the Future of Regional Comprehensive Economic Partnership

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Challenges of RCEP (1): Low Utilization Rate


- Minimum tariff differential with other trade agreements
- Difficulties to claim regional cumulation of originating materials
- Multiple schedules of tariff commitments


Utilization of RCEP in Selected Countries 2023


	No. of COOs	Export Value in US\$ Million
China	218,000	7,210
Indonesia	10,320	441
Japan	137,199	NA
Lao	34	1,524
Malaysia	1,928	258
South Korea	51,403	4,030
Thailand	9,196	1,410
Vietnam	32,285	NA

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Countries with Separate Tariff Schedules for Each Partner


1. China 


2. Indonesia 

3. Japan 

4. Korea 

5. Philippine 

6. Thailand 

7. Viet Nam 

Challenges of RCEP (2): Issues in Other Areas

Services sector: Need to strengthen commitments for transition to negative-list approach and to improve the existing commitments for those already adopted negative-list approach

Movement of people: Need to facilitate the movement of workers, including skilled and professional workforce to allow workers from member countries to work in other countries more easily

Investment: Lack of commitments on investment liberalization due to the adoption of hybrid approach of negative and positive lists, as well as limited coverage of the commitments and extensive exception. Investment protection also seems to be shallow with the absence of proper settlement mechanism

Challenges of RCEP (3): General Issues

Lack of awareness of the benefits of RCEP; its usefulness compare to regional FTAs

Lack of regional supply chain except from few member countries, leading to lack of certainty and readiness

Lack of knowledge and confidence from member countries to improve their commitments on areas outside trade-in-goods

Declining enthusiasm from member countries, especially from ASEAN, that supposedly lead the process

Uncertainty over the place of RCEP among other regional arrangements, e.g. CP-TPP, IPEF, etc

Implications of geopolitic and geoeconomic dynamics in the region

Looking Ahead

Institutional Set-up	Need to accelerate institutional building by set clear and realistic timelines for all required elements, and define specific tasks and objectives
Geopolitical Issues	Acknowledge and address geopolitical tensions among member countries by fostering diplomatic efforts to build trust and cooperation. RCEP could become a platform of communication with ASEAN in the driver seat (ASEAN Centrality)
Remain Relevant	Develop strategies for RCEP to update to new challenges, e.g. environment and climate issues, and to promote open and inclusive regionalism for the expansion of this agreement

Looking Ahead: Economic Cooperation

- Economic cooperation is one of the main determinants of how important the agreement is in supporting economic growth and development in the region
- It has the potential to bring large gains over time beyond the negotiated market access and rules commitments of a free trade agreement
- Needs to be designed accordingly

Building Capacity

- Help members to prepare for implementation of commitments
- Help building domestic institutions required by current and future commitments

Economic Consultation among Members

- Provide platform for experience sharing on various trade-related issues, including in areas that are not suited to negotiation, such as behind-border issues

Engagement with Non-members

- RCEP may build cooperation with non-members on areas of mutual interest, such as sustainable trade and investments