

## **Chapter 6 New trends of RCEP, CPTPP and other RTAs**

Despite economic globalization encountering headwinds, regional trade agreements have still been advancing in recent years. At present, the development of regional economic and trade cooperation is faced with both new opportunities and new challenges, and promoting the realization of a comprehensive, open and high-level free trade area in the Asia-Pacific region which remains an important part of safeguarding and promoting an inclusive and open global trade order.

### **I. World Openness Being Led by Regional Economic and Trade Cooperation**

#### **1. Accelerated regional economic and trade cooperation against the backdrop of globalization encountering headwinds**

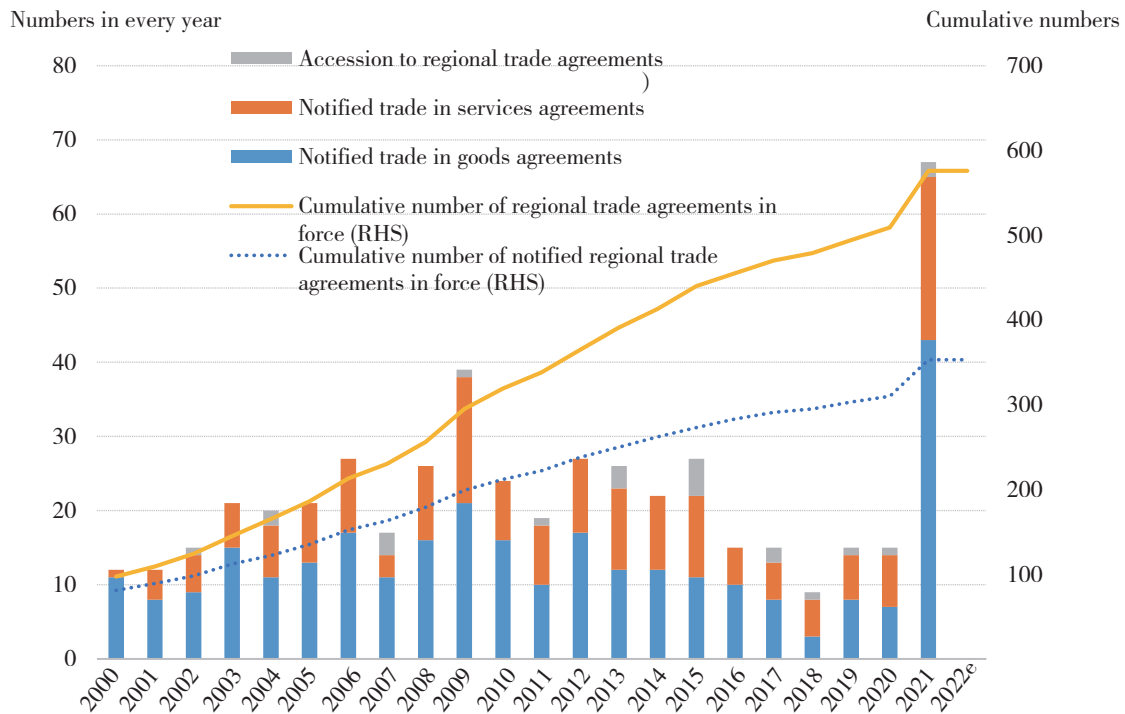
In recent years, economic and trade frictions between China and the United States, the COVID-19 pandemic and the Ukraine crisis have put economic globalization under a more severe test. The instability of global industrial and supply chains has increased, and the global supply chain has flown back to Europe, North America, East Asia, Southeast Asia and other regions, promoting the booming development of regional trade and investment cooperation. From 2018 to June 2022, the number of trade agreements in goods, trade agreements in services and newly established trade agreements notified to the WTO was 62, 41 and 5, respectively, and a total of 63 newly established regional trade agreements under implementation were notified to the WTO. North America, the European Union and Asia have all launched trade agreements with regional influence, such as the US-Mexico-

Canada Agreement (USMCA), the UK-EU Trade and Cooperation Agreement, the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

**Table 6.1 New FTAs involving China, the US, the EU and Japan that have taken into force in the past five years**

China	US	EU	Japan
<ul style="list-style-type: none"> <li>• RCEP(Jan. 2022)</li> <li>• China-Cambodia (Jan. 2022)</li> <li>• China-Mauritius (Jan. 2021)</li> <li>• China-Georgia(Jan. 2018)</li> </ul>	<ul style="list-style-type: none"> <li>• USMCA(Jan. 2020)</li> </ul>	<ul style="list-style-type: none"> <li>• EU-UK(Jan. 2021)</li> <li>• EU-Vietnam(Aug. 2020)</li> <li>• EU-Singapore (Nov. 2019)</li> <li>• EU-Japan(Feb. 2019)</li> <li>• EU-Canada(Sept. 2017)</li> </ul>	<ul style="list-style-type: none"> <li>• RCEP(Jan. 2022)</li> <li>• UK-Japan(Jan. 2021)</li> <li>• EU-Japan(Feb. 2019)</li> <li>• CPTPP(Dec. 2018)</li> </ul>

Source: WTO RTA Database.



**Fig. 6.1 Developments of regional trade agreements, 2000-2022**

Source: based on relevant WTO data

## **2. Ever-strengthening of RTAs in depth**

The new generation of regional trade agreements (RTAs) has been increasingly strengthened in depth. The Deep Trade Agreements (DTAs) cover not only trade but also other policy areas, such as investment and labor mobility, and the protection of intellectual property rights and the environment. These agreements are still called trade agreements, but their goal goes beyond traditional trade agreements and aims to promote freer movement of goods, services, capital and people across borders. DTAs are of crucial significance to economic development, in that trade and investment regimes determine the degree of economic integration, competition rules affect the efficiency of economic operations, intellectual property rules play an important role in promoting innovation, the environmental and labor rules help promote environmental and social development, and digital economic rules promote new technologies. In the process of deep integration, some rules involve the distribution of interests between economies, such as limiting the speed at which competitors can catch up by setting excessive intellectual property protection requirements. In the process of pursuing deep integration, regional trade agreements need to build an open, inclusive and balanced system of rules.

## **II. RCEP Promotes Economic Openness and Integration in Asia-Pacific**

The Regional Comprehensive Economic Partnership (RCEP) is a comprehensive, modern, high-quality and mutually beneficial free trade agreement reached by 15 countries in the Asia-Pacific region. The RCEP has established a new regional governance mechanism model for global openness and inclusiveness, and all RCEP members have been actively promoting its implementation, demonstrating the goodwill of all countries to deepen economic cooperation in the region in the context of a complex and volatile world economy. The implementation of the agreement will help all parties boost confidence in fighting the pandemic and recovering the economy, promote the steady development of industrial and supply chains in the Asia-Pacific region, and inject new impetus into the building of an open world economy.

### **1. RCEP helps promote economic and trade growth in Asia-Pacific and beyond**

At a time when the global economy is facing several destabilizing factors

such as the impact of the pandemic and power games among major countries, the implementation of the RCEP will help stabilize global economic cooperation, raise market expectations and lead the process of global recovery. The RCEP covers about one-third of the world's total economy, population and trade, making it the largest regional trade agreement in the world. According to the basic forecast data of the IMF, the RCEP, the USMCA, the EU and the CPTPP, the four major global regional economic cooperation mechanisms, accounted for 30.5%, 27.6%, 18% and 12.6% of global GDP in 2021, respectively. The RCEP will leverage the effects of scale, competition, value chain integration and institutional coordination brought about by deep regional integration.

Since the implementation of the RCEP on Jan 1, 2022, policy dividends have become increasingly evident. According to the data of the China Council for the Promotion of International Trade (CCPIT), in the first seven months of 2022, the value of certificates of origin within the CCPIT system totalled \$233.31 billion, up 23.7% year-on-year, among which the issuance of the RCEP certificates of origin has become a new growth point. In the first seven months, 70,200 RCEP certificates of origin were issued, with the value of visas amounting to \$3.432 billion and the number of certified enterprises exceeding 15,000, and it is estimated that China's export products have been exempted from customs duties in RCEP member countries by about \$52 million. From January to June 2022, China's import and export with RCEP members totalled 6.04 trillion yuan, up 5.6% year-on-year, accounting for 30.5% of China's total import and export value. From January to July 2022, China's trade with ASEAN countries reached \$544.9 billion, up 13.1% year-on-year, accounting for 15% of China's total foreign trade. Of the total value, China's exports to ASEAN countries reached \$316.4 billion, up 19.1% year-on-year, and the imports reached \$228.5 billion, up 6% year-on-year, with a trade surplus accounting for \$87.9 billion on China's part, an increase of 76.4%. The top three ASEAN countries in terms of total trade with China are Vietnam, Malaysia and Indonesia. From January to July 2022, South Korea was China's fourth largest trading partner, with a total trade volume reaching \$214.5 billion, up 8.9% year-on-year, while China's trade with New Zealand reached \$15.2 billion, up 7.7% year-on-year.

The implementation of the RCEP has benefited all member states. Thailand's trade with RCEP partners totalled more than \$169.04 billion in January-June 2022, up 13%

from the same period last year. Of the total value, Thailand's exports reached \$78.17 billion, up by 9% year-on-year, with the main export markets being the ASEAN, China, Japan and South Korea, and Thailand's imports rose 14% year-on-year. In the first quarter of 2022, Vietnam's trade with China, Japan, South Korea and other ASEAN countries grew by more than 10%, while Japan's trade with RCEP partners totalled nearly \$200 billion, accounting for 47.6% of Japan's total foreign trade, up 11.5%. Since the RCEP became effective on Feb 1, 2022, South Korea's exports rose 18.2% year-on-year to \$63.48 billion in March, the biggest increase since the country began collecting trade statistics in 1956.

## **2. RCEP helps promote industrial integration and upgrading in the Asia-Pacific**

The RCEP will promote industrial integration and upgrading in the Asia-Pacific region and enhance the stability and security of the region's industrial chain. The economic structures of RCEP member countries are highly complementary, and the region has complete production factors including labor, capital, land, knowledge, technology, management and data. The RCEP's more facilitated trade and investment arrangements will help promote the flow of all kinds of factors of production and people within the region, improve the efficiency of enterprise production, promote deep industrial chain integration between member countries, form a network of production, consumption and supply chains with complementary advantages and inclusive development with Asia at the core, and promote the coordinated development of regional economies.

### **Box 6-1 Rules of Origin: Cumulation**

The RCEP adopts the cumulation provision in rules of origin, under which all the materials of other member countries used by enterprises of RCEP member countries in the production process can be regarded as the materials of origin. This rule can increase the proportion of the components of origin value cumulatively, and make it easier for export commodities of member countries to obtain the RCEP's qualification of origin and reach the threshold of enjoying tariff preferences. The products that eventually enjoy zero tariffs in overall goods trade will exceed 90%.

From January to June 2022, many enterprises in major foreign trade provinces have fully benefited from the RCEP's entry into force, including the regional rules of origin accumulation. In Zhejiang, 5,190 preferential certificates of origin were issued in the first month after the RCEP came into effect on January 1, 2022, with a value of more than \$240 million and a tariff reduction of more than RMB 13 million yuan for related enterprises. From January to April, the RCEP brought an import and export tax preference of more than RMB 40 million yuan for Zhejiang's enterprises, and Zhejiang's import and export to other RCEP member countries increased by 10.5% year-on-year.

### **3. RCEP helps promote the coordination of economic and trade rules and institutions in the Asia-Pacific**

By setting clear and transparent rules and procedures, the RCEP provides an institutional system for economic and trade cooperation among members to improve supply chain efficiency. It has promoted greater openness in such areas as tariff cuts and service liberalization and introduced a negative list model in the investment sector. The RCEP has expanded many areas of the existing 10+1 FTA rules, and, about high-standard international trade and economic rules, formulated provisions that are in line with regional characteristics on such issues as intellectual property rights, e-commerce, trade remedies, competition and government procurement. These rules apply to all member countries in a unified manner, which will help increase confidence and policy certainty in conducting business activities in the region, enhance the region's overall competitiveness, make the region a more attractive destination for international trade and investment, and provide long-term institutional guarantees for the economic development of all member countries.

#### **Box 6-2 The Chinese Government promotes the high-quality implementation of RCEP rules**

In January 2022, the Ministry of Commerce and five other government departments jointly issued the Guidelines on High-quality Implementation of the RCEP, aiming to promote deeper reform through high-quality implementation of the RCEP and a higher level of opening-up.

Under the Guidelines, China will closely align RCEP development opportunities with local development strategies to promote high-quality economic development; guide and encourage enterprises to take the RCEP's implementation as an opportunity to further upgrade trade and investment, expand international cooperation, raise quality standards, promote industrial upgrading, and enhance their competitiveness in the international market. As a highland of institutional opening-up, various pilot free trade zones in China can play a leading role in the high-quality implementation of the RCEP.

#### **4. RCEP helps shape a new mechanism for open and inclusive regional governance**

The RCEP has been built as a platform for regional economic and trade cooperation that reflects the aspiration and development level of Asia-Pacific economies. RCEP members have relatively large differences in economic development stages, which include both high-income countries, middle-income countries and low- and middle-income countries. To serve the interests of member states to the greatest extent, the RCEP fully takes into account the development stage and level of domestic reform of each economy and emphasizes the “development” orientation in the design of rules, which has provided a template for building an international economic and trade cooperation mechanism reflecting development diversity and will help promote the innovative development of the multilateral trading system, enhance the effectiveness of multilateral cooperation and advance open and inclusive multilateralism. The RCEP also has two special chapters on small and medium-sized enterprises (Chapter 14) and economic and technical cooperation (Chapter 15), respectively, proposing to promote information sharing and cooperation and enhance the ability of SMEs to take advantage of and benefit from the RCEP and share its fruits.

### **III. CPTPP Promotes A New Round of Trade Liberalization**

The Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP), a high-standard free trade agreements reached by 11 countries in Asia-Pacific, is currently in force for eight members: Australia, Canada, Japan, Mexico, New Zealand, Singapore, Vietnam and Peru. The full implementation of the CPTPP will significantly improve the well-being of all CPTPP members, promote regional

economic integration in the Asia-Pacific region, and facilitate a higher level of trade and investment liberalization on a global scale.

### 1. Pursuing high standards of economic and trade rules

Based on the text of the Trans-Pacific Partnership (TPP), the CPTPP retains most of TPP's provisions. The final agreement, which includes 30 Chapters, not only covers traditional requirements such as tariff reduction and trade facilitation measures but also sets higher standards on government procurement, state-owned enterprises and designated monopolies, intellectual property rights, labor and the environment. Its core Chapters can be divided into four categories: management of trade in goods, the openness of services and investment, horizontal issues, and capacity building.

**Table 6.2 CPTPP text terms: Classification and main features**

Categories	Chapters	New features
Trade in goods liberalization and facilitation measures	National treatment and market access for goods Rules of origin and origin procedure Textile and apparel goods Customs Procedures and Facilitation of Trade Trade remedies Sanitary and phytosanitary measures Technical barriers to trade	Rapid and substantial reduction of tariff barriers, immediate elimination of most tariffs among existing members, and eventual elimination of tariffs on about 99% of tariff items. Improving trade facilitation and reducing export costs; promoting the integration of value chains and supply chains within the region.
Market access for investment and services	Investment Cross-border trade in services Financial services Temporary entry for business persons Telecommunications Electronic commerce Government procurement	The negative list model, the inclusion of new provisions for investor-host dispute settlement (ISDS), new rules on the cross-border flow of telecommunications, finance, source code, and business information. In the area of digital trade, the CPTPP has not shelved any digital trade commitments.
Horizontal issues (Behind-the-Border Measures)	Competition policy State-owned enterprises and designated monopolies Intellectual property Labor Environment	Creating a transparent and level playing field; strengthening intellectual property protection in areas such as Internet services and pharmaceuticals; strict labor protection standards and enforceable environmental protection commitment mechanisms.
Capacity building and development	Cooperation and capacity building Competitiveness and business facilitation Development Small and medium-sized enterprises Regulatory coherence Transparency and anti-corruption	Promoting educational, cultural, and gender equity, encouraging members to adopt good regulatory practices and improve policy consistency and transparency among members; establishing anti-corruption and anti-bribery standards.

Source: based on CPTPP text terms.



## **2. Promoting high-quality economic growth**

According to the theory of regional economic integration, the implementation of regional trade agreements can bring static and dynamic benefits to members, such as trade creation, increasing returns to scale, strengthening market competition, stimulating investment, and driving economic growth. The 11 CPTPP member countries have pledged to implement zero tariffs on more than 80% of their products on average. Among them, Canada, Australia, New Zealand, Singapore, Brunei, and Chile have committed to zero tariffs on more than 90% of their products. The full implementation of the CPTPP will greatly improve the well-being of all CPTPP members, promote high-quality economic development in Asia-Pacific, and further consolidate the region's position as the engine of global economic growth.

## **3. Leading high-level openness and development**

The high-standard rules represented by the CPTPP will help further enhance trade and investment liberalization and facilitation in Asia-Pacific and beyond, vigorously promote high-level market openness in the region and even the world as a whole, and promote structural reform and sustainable and inclusive development. For example, in the field of intellectual property, the CPTPP provides “comprehensive and ultra-high standard” intellectual property rules, and strengthens the protection and law enforcement of drugs, computers, patents, and copyrights, which is conducive to further protecting innovation subjects, stimulating innovation vitality and promoting innovation development. In the field of the digital economy, the CPTPP sets high standards in open networks, network access and use, source code, personal information protection, and localization of computing facilities, which will play a guiding and promoting role in the development of global digital trade, digital technology, and the digital economy.

## **IV. Regional Economic and Trade Cooperation should Be Inclusive and Open**

The development of regional economic and trade cooperation faces both new opportunities and new challenges. As an important carrier of international economic

cooperation besides multilateral agreements, regional trade agreements are conducive to promoting regional economic integration and maintaining an inclusive and open global economic and trade order.

### **1. Regional economic cooperation should be free from the interference of non-economic factors**

The nature, principles, and content of regional economic and trade cooperation are being systematically adjusted. With the in-depth development of global value chains, cooperation among economies has entered the stage of intra-product cooperation, and policy coordination has change from border policies, such as tariff and non-tariff barriers, to domestic policy coordination among economies. With the intensification of competition among major powers, “maintain national security” has been used by some countries as a strategic tool for their foreign economic policies and their reconstruction of international economic order. Some economies also emphasize the so-called differences in values in an attempt to build a geopolitical and economic alliance based on values.

Regional trade agreements are an important part of international trade rules. According to Article 24 of the General Agreement on Tariffs and Trade (GATT) and relevant provisions of the WTO, WTO members need to reach regional trade agreements under certain conditions. At present, it is necessary to strengthen the role of regional trade agreements in promoting the multilateral trading system, building an open and inclusive trading system, and avoiding excessive interference of political factors in the world economy.

### **2. Regional economic cooperation should be more open and inclusive**

Regional trade agreements include two dimensions: member countries and rule systems. From the perspective of member countries, the overlapping of different FTAs in the same region, as well as artificial exclusionary design, will increase the complexity of the regional economy. From the perspective of the rule system, the “spaghetti bowl” phenomenon of multiple free trade agreements in a region causes the overlapping of economic and trade rules, which makes it difficult to promote their integration and coordination.

Regional cooperation needs to be more inclusive and accommodate the interests of

all parties. All parties need to enhance consensus and mutual trust in regional economic cooperation. Facing such new issues as digital economy and trade, supply chain flexibility, export controls, labor standards, decarbonization and clean energy, taxation and anti-corruption, and infrastructure, all countries should strengthen communication and coordination, promote the formation of accommodative market operation rules, improve economic efficiency, and at the same time balance the interests of all parties and reduce exclusionary mechanisms or rule systems.

### **3. Regional trade agreements should be an important vehicle for promoting global openness and cooperation**

Against the backdrop of rising anti-globalization and trade protectionism, promoting the construction of regional trade agreements is an important way to reform the international trading system. As a major platform for regional opening-up, regional trade agreements have been highly valued by major economies as important carriers of international economic cooperation. All parties should make active use of free trade agreements and other platform mechanisms to promote diversified development of the international economic and trade governance system and uphold and advance an inclusive and open global economic and trade order.