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THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP



RCEP will benefit Australia by helping to strengthen regional value chains, encourage trade diversification, build stronger relationships with trading partners and provide a baseline to improve trading conditions across the region.

Australia already has FTAs with all RCEP members that have reduced many tariff barriers on goods. However, there is still more to be done to reduce non-tariff measures and barriers to services and investment.

RCEP commits Australia's trading partners in ASEAN and North Asia to improvements in these areas and promises to play a broader role in supporting growth through trade. This is particularly important in the current trade environment.

1. THE RCEP IS A SIGNIFICANT FREE TRADE AGREEMENT FOR AUSTRALIA, AND FOR THE ASIAN PACIFIC

A head turner. The 'head-turning' effect of RCEP cannot be understated. The sheer numbers – covering 40 per cent of global trade – give the region a new impetus. Although the agreement has been dismissed by some observers as being of 'low ambition,' lacking the scope and depth of the economic activity covered by the Comprehensive Progressive Trans-Pacific Partnership (CPTPP), it carries significant political weight in the region and across the globe. ASEAN-led and including China, Japan and South Korea – it cements the region as the post-pandemic trade powerhouse and signifies the continued importance of supporting growth through trade. RCEP may also put pressure on other major traders – notably the EU and the US – to step up their trade and investment activity in the Asia-Pacific, particularly in ASEAN countries.

A mini triumvirate. RCEP establishes a comprehensive trade agreement between South Korea, Japan and China, which the three countries have been circling around for years. This is significant because of the value chains – particularly in electronics – that have been established between those three countries, plus ASEAN, and the volume of manufacturing trade involved.

2. RCEP WILL BENEFIT AUSTRALIA'S TRADE WITH THE REGION

More consistent rules for traders. The importance of the agreement to supporting regional value chains should not be overlooked. One of the big aims early on in the negotiations was to consolidate the agreements between all parties, with the existing ASEAN regional agreements at the core. RCEP's single set of rules of origin that now apply among all the parties - rather than multiple and divergent rules among various FTAs - is positive for business that operates across multiple jurisdictions. Similarly, there are rules for simplified and streamlined customs procedures for 'authorised operators' trading across RCEP members.

Mechanisms to address technical barriers. Australia's existing bilateral agreements with RCEP parties have already generally reduced tariff barriers to trade, with some exceptions. Technical and non-tariff barriers are becoming increasingly important for securing competitive advantages in foreign markets. RCEP establishes institutional mechanisms that may help to address such barriers when they arise. For example, it provides for technical consultations/discussions among the parties on non-tariff and technical measures that are 'adversely affecting trade', as well as creating a consultation mechanism on 'significant customs matters.'

More open services and investment. Trade in services and investment across the region is still hampered by high barriers relative to goods trade, particularly in some industries in China and some ASEAN economies. RCEP's inclusion of binding commitments to liberalisation for both services and investment help to address this by 'locking in' incremental improvements on WTO and existing regional agreements.

Raising the bar. RCEP not only consolidates a web of existing FTA arrangements but also serves as a baseline for improving others. The upgrade of the 2010 AANZFTA agreement - between ASEAN, Australia and NZ - can build on Australia's RCEP trade commitments and disciplines with important ASEAN markets. Other countries are expected to do the same; South Korea for example is opening negotiations with ASEAN parties for new or revised agreements using RCEP as a base. Incremental progress toward greater consistency of rules across agreements may eventuate over time as more countries take similar steps.

Open to becoming bigger and better. Despite India's withdrawal from the negotiations, the RCEP has been designed to accommodate its return at some point, support a wider membership and over time, and allow for new and improved rules and commitments. Further liberalisation of services and investment are important areas for trade where further progress can be made. There is an express provision for review of the agreement five years after entry into force, and every five years thereafter.

3. MORE THAN TRADE LIBERALISATION

A platform for trade diversification. In the current trade environment, the agreement can and should provide a new platform for what many regional economies - including Australia - are seeking to support the trade recovery: diversification of export dependence. Although China will remain a major trading partner of most economies for some time yet, agreements such as RCEP give greater impetus to build more diverse trade and investment relationships across the region.

Strengthened trade cooperation. RCEP's built in economic cooperation program can play a role in supporting stronger and more reliable relationships with Australia's ASEAN and North Asian trade partners. This includes encouraging arrangements to improve trade in particular areas that sit alongside the agreement, including country or sector specific initiatives for mutual recognition of standards and trade facilitation.

Improved perceptions. Alongside this, RCEP can also improve Australian perceptions of the ASEAN region. The view that permeates many of the discussions around Australia's trade ties with Southeast Asia is simply the idea of 'selling stuff' to the region. This mindset is in need of an overhaul; economies such as Viet Nam are growing not only because there is domestic demand for goods, but because its trade and investment settings make it an ideal place to tap into global value chains. By helping to strengthen linkages with the ASEAN region, RCEP can also contribute to diversify how Australian businesses and policymakers think about trade.

3. AUSTRALIA AND OTHER MEMBERS SHOULD BE ENCOURAGED TO RATIFY RCEP

Australia should proceed to ratify the agreement and encourage other members to do so such that it can enter into force in 2022.

Article Three builds on the activities of trade policy consultancy ITS Global www.itsglobal.net