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What Is the Regional Comprehensive Economic Partnership?

This In Focus provides answers to a number of frequently asked questions (FAQs) about the proposed Regional Comprehensive Economic Partnership, or RCEP, and its possible implications for U.S. foreign policy and trade relations with Asia. Questions about RCEP can be directed to the CRS analysts listed at the end of the report.

What is the Regional Comprehensive Economic Partnership, or RCEP?

RCEP is a proposed regional trade agreement (RTA) being negotiated by 16 Asian nations, including the 10 members of the Association of Southeast Asian Nations (ASEAN)—Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam—and Australia, China, India, Japan, New Zealand, and South Korea.

What is the status of RCEP negotiations?

Formal RCEP negotiations began in November 2012, with the stated goal of completing the terms of the proposed agreement by the end of 2015. Over the next three years, the 16 negotiating nations held 10 rounds of talks. In November 2015, on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Leaders Meeting, the 16 nations agreed to continue their negotiations "to conclude and achieve a mutually beneficial and high quality agreement in 2016."

Why isn't the United States participating in the RCEP negotiations?

The current RCEP parties include the six nations with which ASEAN has a trade agreement, and the United States does not have a trade agreement with ASEAN. In addition, the Obama Administration has indicated that it is focusing its trade efforts in the region on the proposed Trans-Pacific Partnership, or TPP.

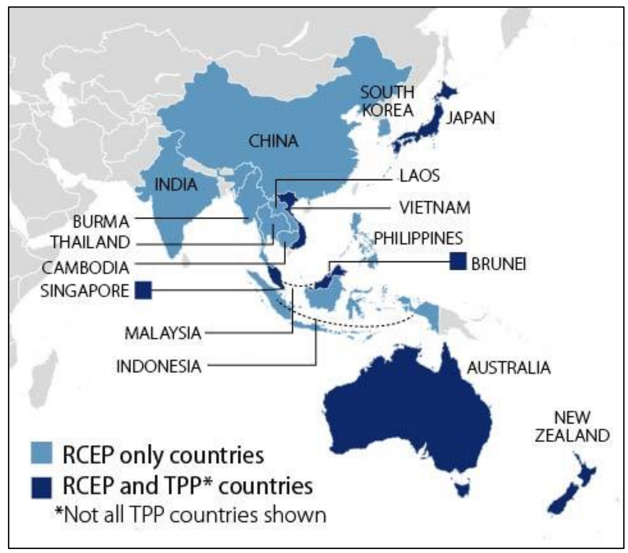
How is RCEP different from TPP?

RCEP and TPP are different geographically. RCEP includes 16 Asian nations; TPP includes 12 countries located around the periphery of the Pacific Ocean, including Central and South America. Seven nations – Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam – are potentially parties to both agreements. Other RCEP nations, such as Indonesia, South Korea, and Thailand, have expressed interest in joining the TPP.

RCEP and TPP are both large in terms of merchandise trade. According to the International Monetary Fund, the 16 potential RCEP members exported $5.5 trillion in goods in 2014, while the 12 possible TPP members in 2014 exported $4.3 trillion, representing 30.4% and 24.1% of global merchandise exports, respectively. Merchandise import volumes for both proposed agreements are about the same; $5.3 trillion for RCEP and $5.2 trillion for TPP.

Proponents of both RCEP and TPP state that the agreements will be comprehensive, dealing with wide ranging trade issues that extend beyond tariff liberalization. Both are to include provisions on intellectual property rights (IPR), e-commerce, and other issues. At present, RCEP reportedly does not include labor and environmental chapters as does TPP, but some members are reportedly pushing for their inclusion in the agreement. Both agreements are open to new members and to the addition of new chapters and provisions in the future.

Figure 1. Map of Asian Nations Involved in RCEP and TPP Negotiations



Source: Graphic created by CRS. Map boundaries and information generated by Hannah Fischer using data from the Department of State (2015) and Esri (2014).

TPP may be closer to completion than RCEP. RCEP is still being negotiated, so its scope and provisions are uncertain. According to RCEP's Guiding Principles and Objectives, adopted in August 2012, the agreement "will have broader and deeper engagement with significant improvements over the existing ASEAN+1" trade agreements. RCEP will also "aim at progressively eliminating tariff and non-tariff barriers on substantially all trade in goods," and "substantially eliminate restrictions and/or discriminatory measures with respect to trade in services."

TPP's members agreed on a text in October 2015, which awaits approval by each member nation. The terms of the proposed TPP are largely consistent with existing U.S. trade agreements, but include topics not previously covered, such as state-owned enterprises and regulatory coherence. (See CRS Report R44278, *The Trans-Pacific Partnership (TPP): In Brief*, by Ian F. Fergusson, Mark A. McMinimy, and Brock R. Williams.)

Is RCEP complementary or competitive with TPP?

Opinions vary on the extent to which the two proposed RTAs are complements or competitors. According to some analysts, RCEP and TPP offer alternative visions for the rules and norms by which trade and investment relations will be conducted in Asia and the Asia-Pacific region. Some observers maintain that the Chinese government seeks to foster regional economic integration in Asia that is beneficial to China and Chinese companies via RCEP and other initiatives such as the Asian Infrastructure Investment Bank (AIIB), and the "One Belt, One Road" initiative. (For more about AIIB, see CRS In Focus IF10154, *Asian Infrastructure Investment Bank*, by Martin A. Weiss. For more about "One Belt, One Road," see CRS In Focus IF10273, *China's "One Belt, One Road"*, by Susan V. Lawrence and Gabriel M. Nelson). Other observers assert that the Obama Administration is similarly using the TPP to establish a regional trade and investment environment that is beneficial to U.S. companies and reinforces a leading role for the United States in regional affairs.

Some scholars see RCEP and TPP as complementing each other by creating a form of "competitive liberalization" in which the negotiating nations attempt to maximize the attractiveness of the respective agreements to new members by greater trade and investment liberalization. Other analysts, however, see the two as parts of what some analysts call the "noodle bowl" of trade agreements in the region. According to this view, RCEP and TPP would add more complexity for companies seeking to trade or invest in the Asia-Pacific region, as they try to determine how best to conduct business given the interrelated and sometimes overlapping trade agreements.

What impact would RCEP have on international trade and investment?

Broadly, RCEP's impact on trade and investment flows will depend on its geographic scope and the ultimate terms of the agreement, if one is reached. It is difficult to estimate the potential economic impact of any proposed trade agreement until the specific terms are known. In addition, economic models that estimate the potential trade and investment effects of a trade agreement are highly dependent on the assumptions used in constructing the models, so any estimates should be viewed as more indicative of the general direction of change than predictive in value. Finally, according to a 2011 Asian Development Bank Institute (ADBI) study, companies often do not utilize the trade preferences created by RTAs, which reduces the actual trade effects of such agreements.

It is assumed that most of the economic and trade benefits from RCEP would accumulate to the 16 member nations, and less to non-member countries, including the United States. The presence of large economies, such as China and India, means it could have implications for intra-Asian trade flows that the TPP would not, while the presence of the United States, Canada, Mexico, and other Western hemisphere nations in TPP means it could have implications for trade flows spanning the Pacific that RCEP would not.

How might RCEP affect U.S. trade and investment in Asia?

It is not possible to fully answer this question without knowing the provisions of the ultimate agreement. Economic models of RCEP's economic and trade effects have generally shown that the United States would experience a small decrease in trade and economic growth if RCEP is completed. However, some sectors of the U.S. economy may experience an increase in trade and production. Additionally, U.S. companies with manufacturing or supply-chain operations within RCEP's member nations could benefit from lower tariff rates and other provisions within the proposed agreement.

How does RCEP relate to other efforts to integrate Asia's economies, such as FTAAP?

Since the 1990s, policymakers have explored the question of how to create a broad Asia-Pacific trade bloc that integrates the region's diverse economies. In 2004, leaders of the Asia Pacific Economic Cooperation (APEC) forum discussed possible visions for the creation of a Free Trade Area of the Asia-Pacific (FTAAP) along these lines. Proponents of both RCEP and TPP argue that the two proposed agreements could become pathways or "building blocks" for an ultimate FTAAP.

What impact would RCEP have on U.S. foreign policy in Asia?

This would depend in part on the context in which RCEP was established. Because the TPP is widely seen as the signature U.S. economic initiative in Asia, RCEP's impact on overall U.S. foreign policy in the region would depend on the TPP's status.

For example, if RCEP was created and the TPP were not finalized, some analysts maintain that the United States could experience a general decline in its influence in Asia, and that China would be a major beneficiary. Failure to finalize TPP, the argument holds, would be interpreted by many in Asia—correctly or not—as a failure by the United States to follow up on its own initiatives. This could create pressure on the U.S. government to seek new vehicles to reassert its role in the region, focusing on other economic and trade initiatives, or deepening other regional diplomatic or security relations.

Alternatively, if RCEP were established after the finalization of TPP, some scholars see the U.S. government facing less pressure to demonstrate U.S. importance to the region. Instead, many argue that the next challenge for U.S. policymakers would be to broaden TPP's geographic scope by convincing non-members—including those nations that are part of RCEP—that joining TPP is also in their interest.

Michael F. Martin, Specialist in Asian Affairs
Ben Dolven, Specialist in Asian Affairs
Ian F. Fergusson, Specialist in International Trade and Finance
Wayne M. Morrison, Specialist in Asian Trade and Finance
Bruce Vaughn, Specialist in Asian Affairs
Brock R. Williams, Analyst in International Trade and Finance

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