RCEP and the Broader Economy
The combined population of ASEAN creates the world's third largest market with more than 630M people. 


Empowering business in Southeast Asia
Revenue Statistics in Asian and Pacific Economies 2020

Tax-to-GDP ratios in Asian and Pacific economies, in % (2018)
In the last five years since the global financial crisis, Asia’s consumption continued to increase and grew at a phenomenal rate as it ploughed forward through the biggest global downturn in 100 years - without the help of the US, Europe or Japan.

**Over 5 years**

![Chart showing consumption growth in Asia compared to the US and EU.]

**Consumption in Asia grew by US$477 billion**

- **Asia**: 38%
- **US**: 7.5%
- **EU**: 3.5%

That is 2.3x more than the US.

Asia’s consumers now drive global growth.

**Key Growth Categories**

- **Health**
  - In 2010 average Asian life expectancy was 72.2 years compared to 56.9 years in 1970.

- **Luxury Items**
  - In 2013 China overtook Italy and France to become the world’s 3rd largest luxury market.

- **F&B**
  - In 2020 grocery shopping will grow to US$180 billion, an increase of 200% from 2010.
EMERGING MARKET ECONOMIES IN 2019

FocusEconomics Consensus Forecast August 2018
Developed Economies in Asia Expect Smaller COVID-19 Losses

Expected GDP growth for developed economies in 2020 (in percent)

-9.1  Italy
-8.0  Spain
-7.2  France
-7.0  Germany
-5.9  U.S.
-5.2  Japan
-3.5  Singapore
-1.2  South Korea

Source: IMF World Economic Outlook April 2020 (published 04/14)

Article & Sources:
https://howmuch.net/articles/the-world-economy-2018
https://databank.worldbank.org
Revenue Statistics in Asian and Pacific Economies 2020

Tax-to-GDP ratios in Asian and Pacific economies, in % (2018)

Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax-to-GDP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>11.9</td>
</tr>
<tr>
<td>Bhutan</td>
<td>12.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>12.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>13.2</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>16.8</td>
</tr>
<tr>
<td>China (People’s rep.)</td>
<td>17.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>17.5</td>
</tr>
<tr>
<td>Philippines</td>
<td>18.2</td>
</tr>
<tr>
<td>Mongolia</td>
<td>24.0</td>
</tr>
<tr>
<td>Korea</td>
<td>28.4</td>
</tr>
<tr>
<td>Japan</td>
<td>31.4</td>
</tr>
</tbody>
</table>

Pacific

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax-to-GDP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papua New Guinea</td>
<td>12.1</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>18.0</td>
</tr>
<tr>
<td>Tokelau</td>
<td>18.1</td>
</tr>
<tr>
<td>Fiji</td>
<td>23.7</td>
</tr>
<tr>
<td>Samoa</td>
<td>25.8</td>
</tr>
<tr>
<td>Australia</td>
<td>26.5</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>29.8</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>30.4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>32.7</td>
</tr>
<tr>
<td>Nauru</td>
<td>35.4</td>
</tr>
</tbody>
</table>
Countries participating in the RCEP

* India has not yet agreed to join the RCEP
The World’s Largest Trade Agreement Doesn’t Include the United States

• On Sunday, 15 countries in the Asia-Pacific region signed the world’s largest trade agreement, which is expected to accelerate a shift in global trade toward East Asia and away from the West.

• Negotiations for the Regional Comprehensive Economic Partnership (RCEP), spearheaded by China, began with a slow start in 2012 but gained new urgency as the Trump administration pursued a protectionist trade policy.

• The United States is not party to the new deal.
How Big is “Big”

• The RCEP will reduce tariffs over a 20-year period, streamline customs procedures, and replace a number of bilateral trade agreements in the region with one set of rules.

• The pact establishes the Asia-Pacific as the world’s largest trading bloc, bigger than the European Union or North America, accounting for $26.2 percent of global output—some 30 percent of the global economy.
Significant Impact

- The Peterson Institute for International Economics estimates that by 2030 the deal could increase global GDP by $186 billion, although China, South Korea, and Japan are expected to benefit more than other signatories.

- Other parties to the deal include Australia and New Zealand, as well as the 10 members of the Association of Southeast Asian Nations: Vietnam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Brunei.
“The diplomatic messaging of RCEP may be just as important as the economics—a coup for China,”

Citi Research
Sad Trombone

• The Trump administration has spent the past four years backtracking on decades of U.S. trade policy, ripping up international agreements and imposing tariffs.

• In 2017, President Donald Trump withdrew the United States from the Trans-Pacific Partnership (TPP), set to become the world’s largest free trade deal and part of the Obama administration’s pivot to Asia.

• The remaining countries involved in the TPP forged ahead and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) deal, which China is not party to, in 2018.
Frameworks of major Asia-Pacific trade deals

CPTPP
- Chile
- Canada
- Peru
- Mexico

New supply chain pact
- New Zealand
- Australia
- Japan

Withdrawn
- India

RCEP
- Vietnam
- Malaysia
- Singapore
- Brunei
- Indonesia
- Philippines
- Thailand
- Laos
- South Korea
- China

ASEAN
- Myanmar
- Cambodia

Withdrew
- U.S.
- U.K.

To join?

Source: Compiled by Nikkei Asia
RCEP to Cement China’s Position

Launched in 2012, RCEP is a trade pact between the 10-member ASEAN bloc, along with China, Japan, South Korea, Australia and New Zealand.

The deal includes 2.1 billion people, with RCEP’s members accounting for around 30% of global GDP.

Specifically, RCEP is expected to help reduce costs and time for companies by allowing them to export a product anywhere within the bloc.

India had been due to sign but pulled out last year.

Its aim is to lower tariffs, open up trade in services and promote investment to help emerging economies catch up with the rest of the world.

It also touches on intellectual property, but will not cover environmental protections and labour rights.
Often referred to as a "trade" pact, the Regional Comprehensive Economic Partnership (RCEP) deals with more than just trade—a large portion of the agreement will give rich countries and their corporations power to delve into non-trade issues that have far-reaching implications across sectors and communities.

29% OF WORLD TRADE

38% OF THE WORLD ECONOMY

UNDER RCEP...
- Farmers access to seeds will be further restricted
- Race to the bottom for labor rights standards
- The poor will be deprived of access to cheap medicine
- Corporations will have the power to sue governments for social protection measures that "hurt" profit-making
- And many more...

2013 - Official start of negotiations comprised of 10 ASEAN member states + 6 of its major trading partners

2016 - Target year of completion
EXPORTS

BANGLADESH VS VIETNAM

$40.53 BILLION  EXPORT TO WORLD, 2019  $264.61 BILLION
$3.50 BILLION  EXPORT TO RCEP COUNTRIES, 2019  $110.54 BILLION
$600 MILLION  EXPORT TO CHINA, 2019  $64.08 BILLION

03  FREE TRADE AGREEMENTS IN EFFECT  13
<table>
<thead>
<tr>
<th>RCEP Member</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>-21.85</td>
<td>-23.82</td>
</tr>
<tr>
<td>China</td>
<td>-53.58</td>
<td>-48.65</td>
</tr>
<tr>
<td>South Korea</td>
<td>-12.05</td>
<td>-10.81</td>
</tr>
<tr>
<td>Japan</td>
<td>-7.91</td>
<td>-7.91</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-0.25</td>
<td>-0.14</td>
</tr>
<tr>
<td>Australia</td>
<td>-9.61</td>
<td>-6.93</td>
</tr>
</tbody>
</table>

All figures in $ billion

Source: Ministry of Commerce and Industry
<table>
<thead>
<tr>
<th>FTAs Among RCEP Participating Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASEAN</strong></td>
</tr>
<tr>
<td>ASEAN*</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Korea</td>
</tr>
<tr>
<td>New Zealand</td>
</tr>
</tbody>
</table>

**Key**
- ✔️ FTA concluded, signed and in force
- ‡ Negotiations paused

*Source: Australian Government, Department of Foreign Affairs and Trade*
WHAT WILL HAPPEN ONCE THE RCEP IS IN PLACE?

1. Trade in goods:
   each of the member countries will reduce import duty on 90-92% of the goods.
   a. Thai manufacturers/exporters will have access to sell their goods in a larger market with low duty rates;
   b. There will be more selection to import raw materials from member countries with lower duty rates.

2. Trade in services:
   there are more service activities (compare to ASEAN) that the member countries agree to liberalize such as
   a. repair and maintenance of aircraft;
   b. repair and maintenance of rail;
   c. research and development;
   d. tax advisory;
   e. advisory relating to real estate.
   However, for Thailand, the liberalization is not more than the current law allows.

3. Investment:
   liberalization of investment in non-service sectors such as allowing 51% of foreign investment in deep sea tuna farming and lobster farming. The RCEP will also liberalize 23 manufacturing activities by allowing 100% foreign shareholding such as the manufacturing of automobiles, plastic products, electronic products, etc.

4. Electronic Commerce:
   promoting electronic commerce by
   a. moving toward paperless trade;
   b. the use of e-authentication & e-signature;
   c. providing online data protection.

5. Intellectual property:
Pete Mento
978-317-3250
Pete.Mento@MentoLLC.com

Find me on Linkedin, Subscribe to the podcast and reach out if you need me!