

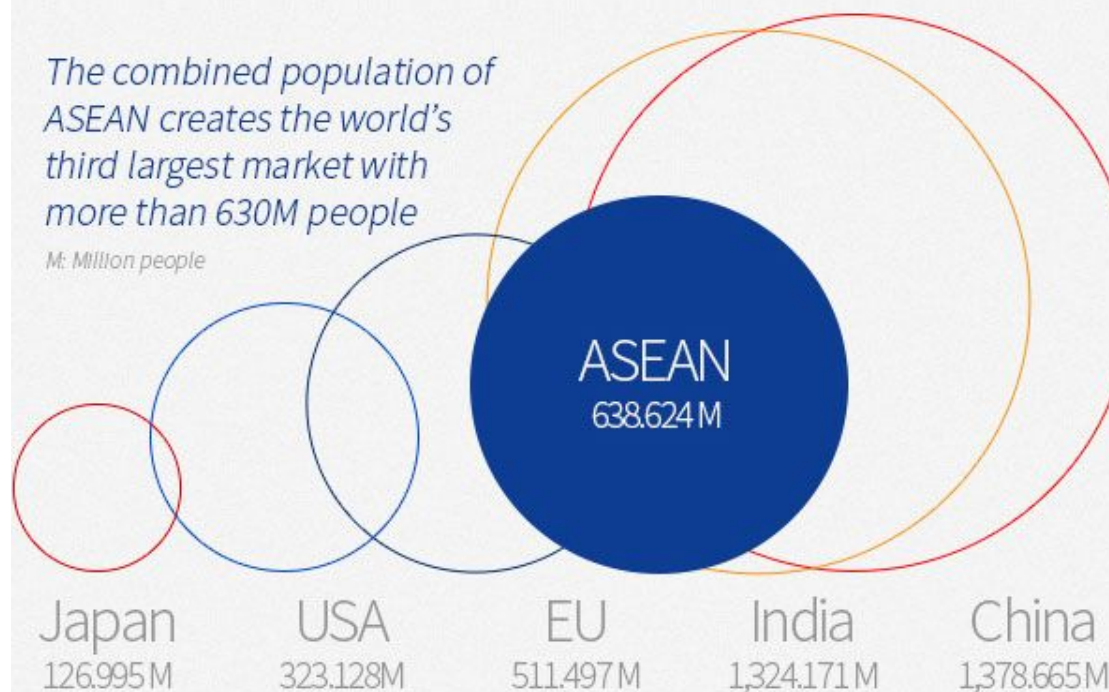
# RCEP and the Broader Economy



Trade School  
November 20<sup>th</sup>, 2020  
Mento LLC/TAPA  
Pete Mento



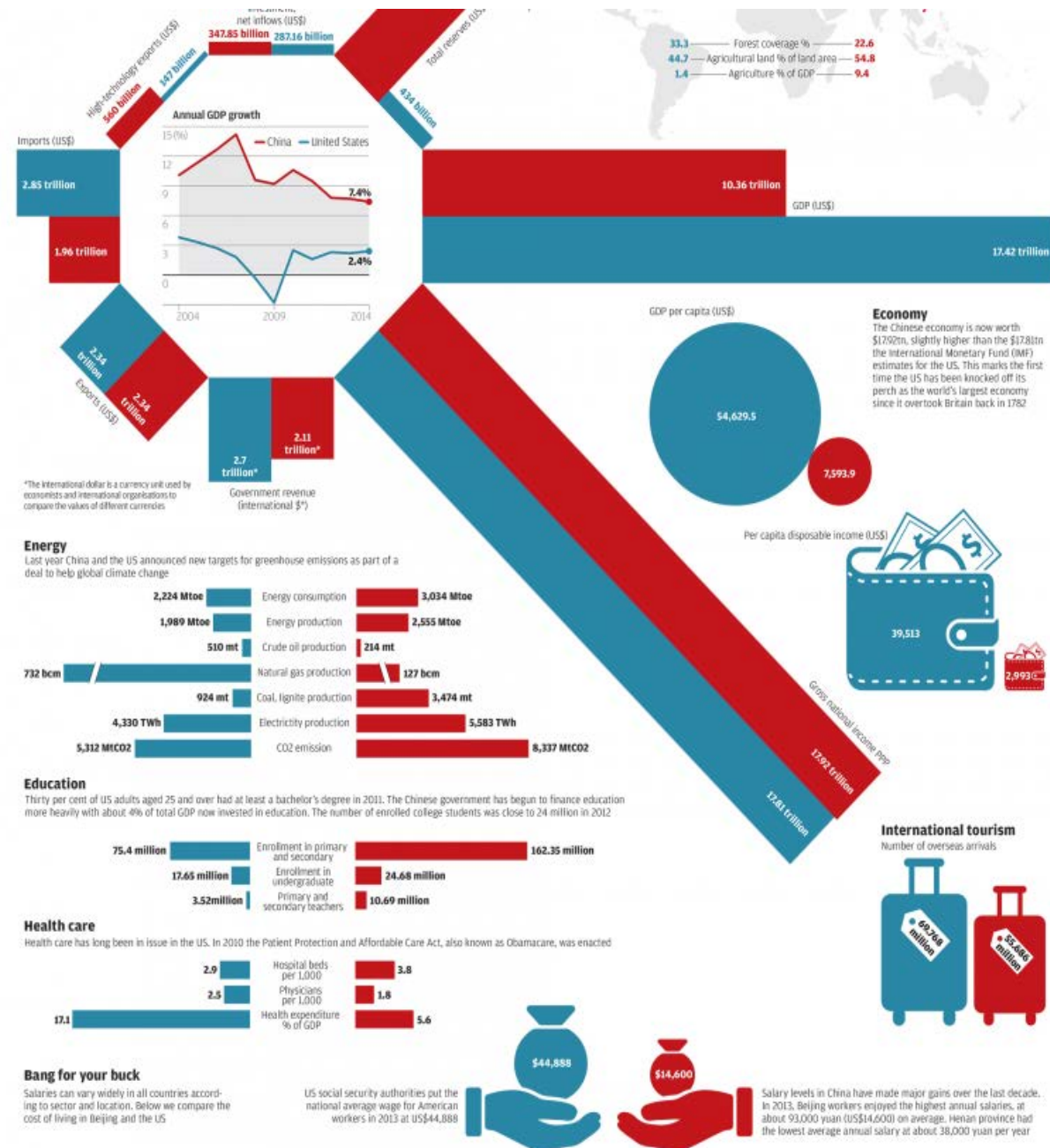
M: Million people



2016 data

Source:  
World Bank data 2016

ASEAN<sup>up</sup> Empowering business  
in Southeast Asia





# Revenue Statistics in Asian and Pacific Economies 2020

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



#RevStatsAP





# ASIA'S GROWING APPETITE

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.



## 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**

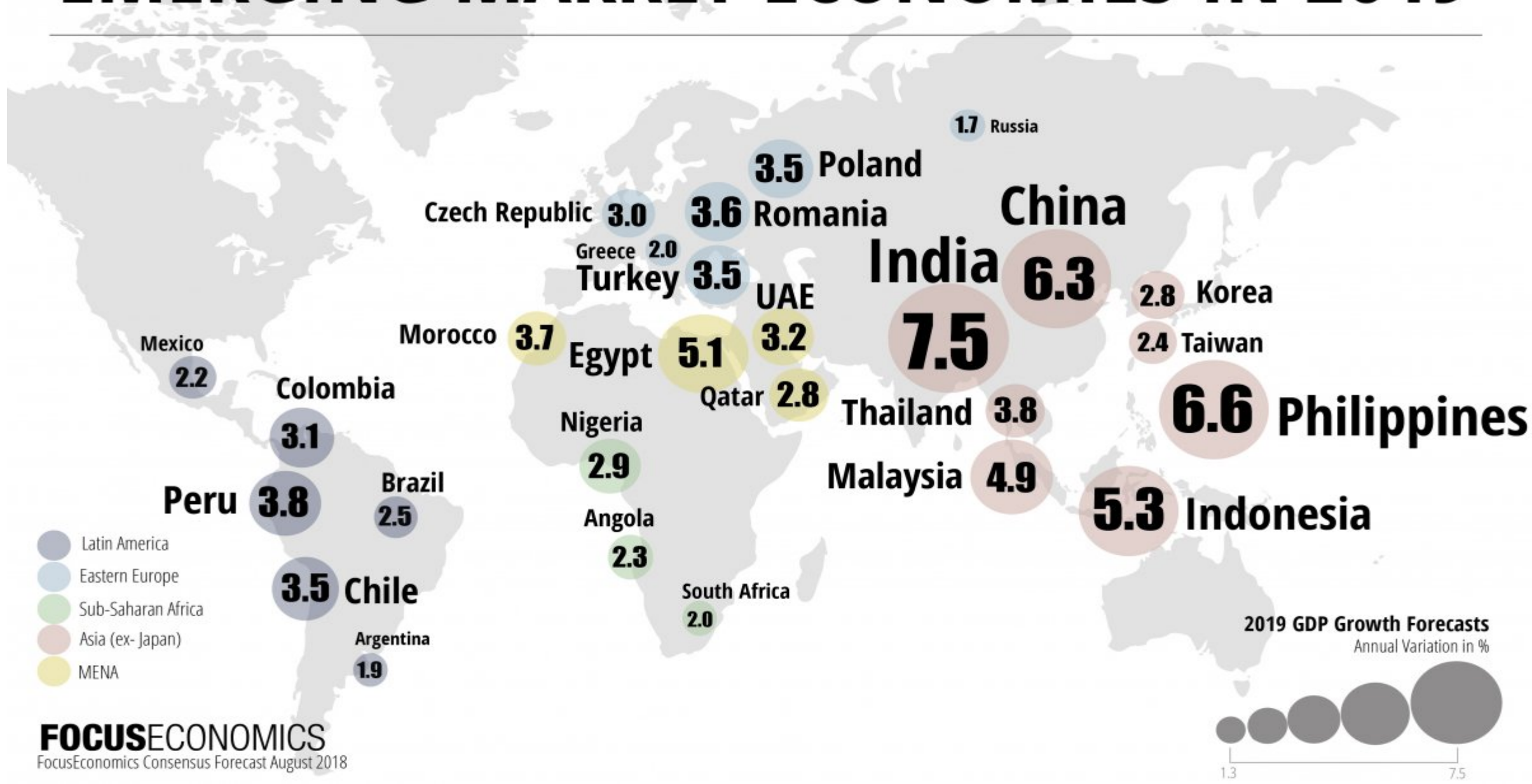
Grocery shopping will grow to

**US\$180 billion**,

an increase of **200%** from 2010

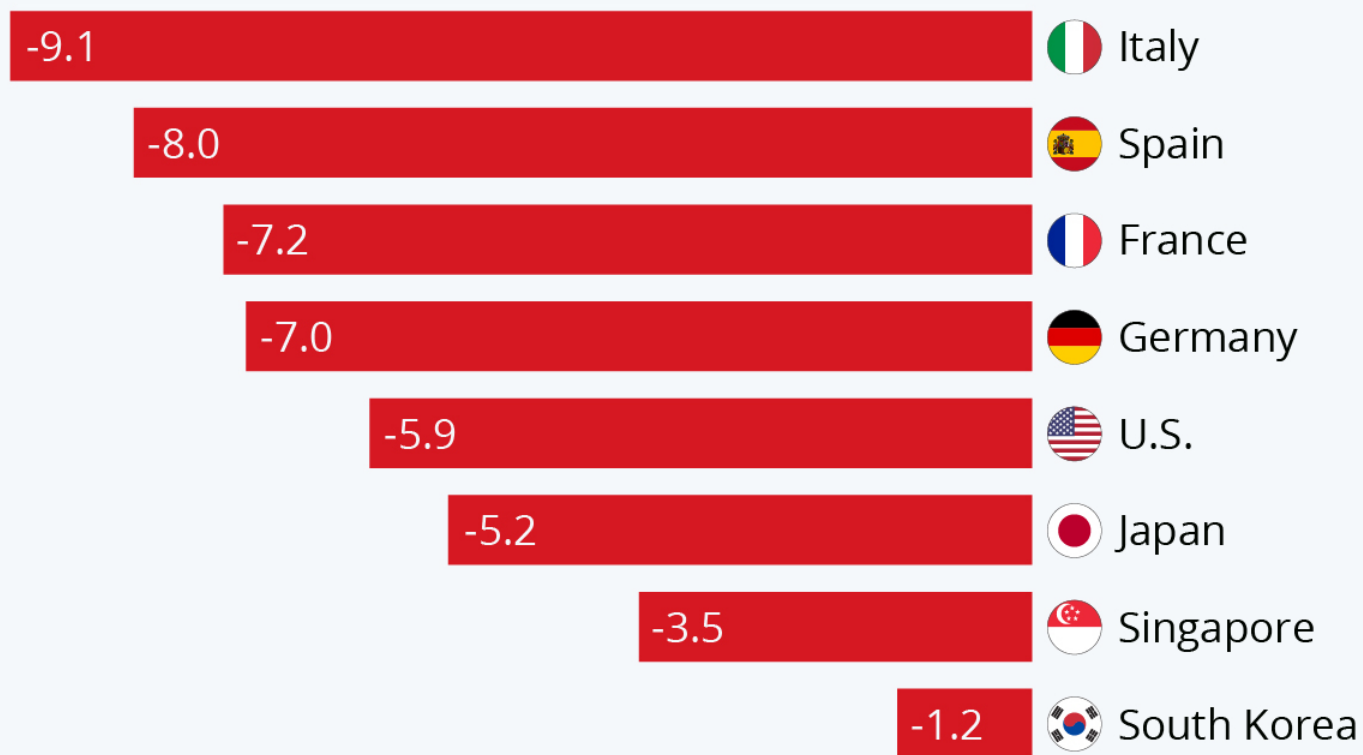


# EMERGING MARKET ECONOMIES IN 2019

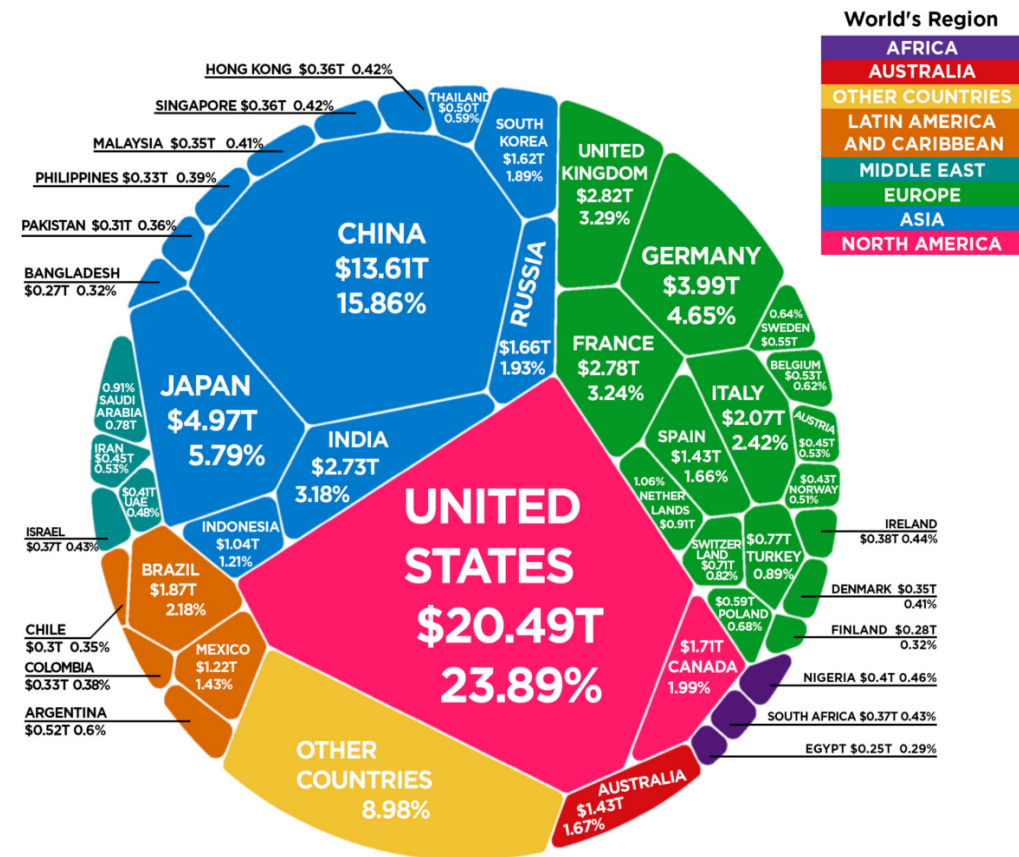


# Developed Economies in Asia Expect Smaller COVID-19 Losses

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



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





# CHINA'S ECONOMIC GOVERNANCE

## KEY PEOPLE AND INITIATIVES

NOVEMBER 2018

INFOGRAPHIC BY YUANZHUO WANG AND JAMES EVANS

### KEY:

- "The Core" of the Leadership
- Members of the CCP-CC Politburo Standing Committee (PSC) and other national-rank leaders not in retirement
- Members of the CCP-CC Politburo (PB) (vice-national rank) and key projects overseen by State Council Vice Premiers
- Key economic officials minister-rank and above assigned to each vice premier; many ministers work in supporting roles on multiple initiatives including on those under other VPs; names in red indicate vice-national rank

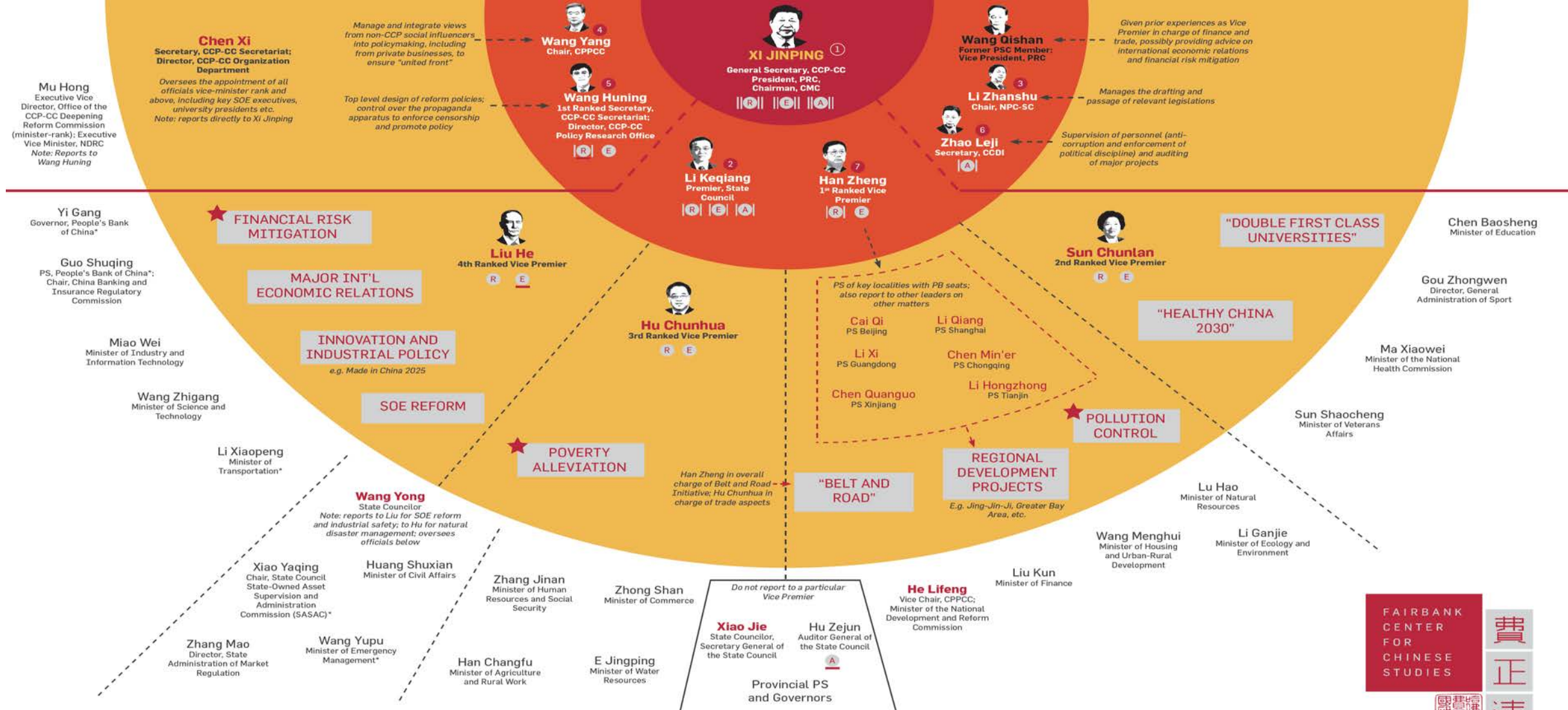
### Name Position

- Chair
- Vice Chair
- Office Director
- Member

- 1 Official order of PSC members
- ★ "Three Tough Battles" declared by Xi
- \* PS of the organ is different from the minister
- PRC People's Republic of China
- CCP-CC Central Committee of the Chinese Communist Party
- CMC Central Military Commission
- NPC-SC National People's Congress Standing Committee

- CPPCC Chinese People's Political Consultative Conference
- CCDI CCP Central Commission for Discipline Inspection
- PS CCP Party Secretary
- PSC Politburo Standing Committee

Source: Chinese government announcements on coordinating group leadership, meeting attendance, and inspection visits





# Revenue Statistics in Asian and Pacific Economies 2020

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

### Asia



### Pacific



#RevStatsAP







\* 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



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



**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

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**



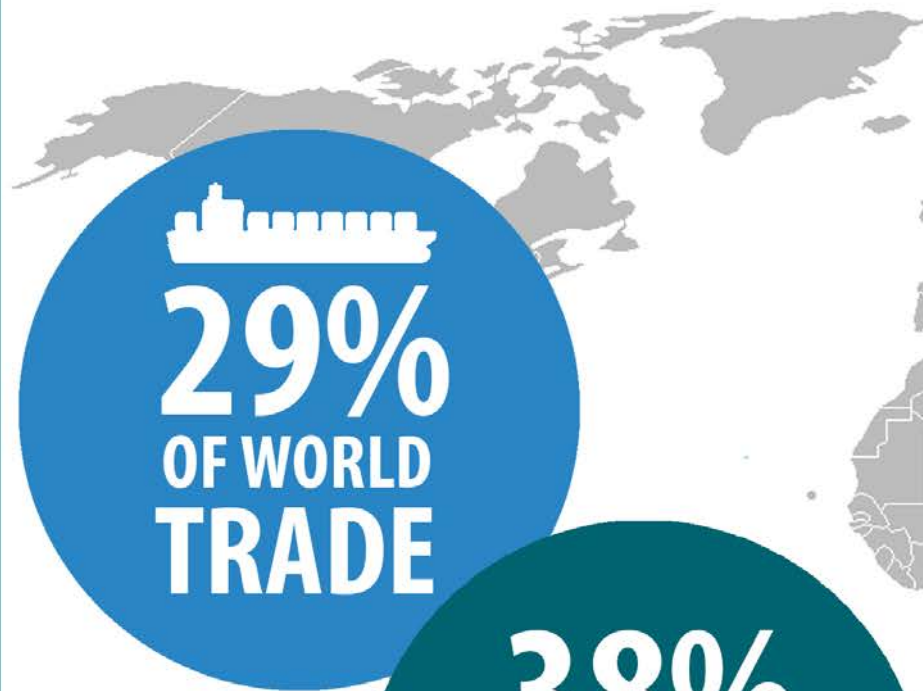
**It also touches on Intellectual property, but will not cover environmental protections and labour rights**





# RCEP COUNTRIES REPRESENT

Brunei  
Cambodia  
Indonesia  
Laos  
Malaysia  
Philippines  
Singapore  
Thailand  
Vietnam  
Australia  
China  
India  
Japan  
South Korea  
New Zealand



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



2016 - Target year of completion

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.

## 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...



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# 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**





## INDIA'S TRADE BALANCE WITH RCEP MEMBERS

RCEP Member	2018-19	2019-20
ASEAN	-21.85	-23.82
China	-53.58	-48.65
South Korea	-12.05	-10.81
Japan	-7.91	-7.91
New Zealand	-0.25	-0.14
Australia	-9.61	-6.93

*All figures in \$ billion*

*Source: Ministry of Commerce and Industry*

FTAs Among RCEP Participating Countries						
	ASEAN	Australia	China	Japan	Korea	New Zealand
ASEAN*		✓	✓	✓	✓	✓
Australia	✓		✓	✓	✓	✓
China	✓	✓			✓	✓
Japan	✓	✓				
Korea	✓	✓	✓			✓
New Zealand	✓	✓	✓		✓	

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.



### 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.



### 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.



### 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:

RCEP members shall **become members** of the Paris Convention, Berne Convention, Patent Cooperation Treaty, Madrid Protocol, WIPO Copyright Treaty, WIPO Performances and Phonograms Treaty, Marrakesh Treaty, and Budapest Treaty.



# Trade Geek Podcast

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