

**CEBRI** COURSES  
BRAZILIAN CENTER  
FOR INTERNATIONAL  
RELATIONS



清华大学  
公共管理学院



清华大学中国科技政策研究中心

China Institute for Science and Technology Policy  
at Tsinghua University

# THE CHINESE ECONOMY TODAY

THE PERSPECTIVE OF  
RENOWNED CHINESE EXPERTS



# The Economic and Strategic Implications of RCEP for China

---

TU Xinquan

[tuxinquan@uibe.edu.cn](mailto:tuxinquan@uibe.edu.cn)

China Institute for WTO Studies

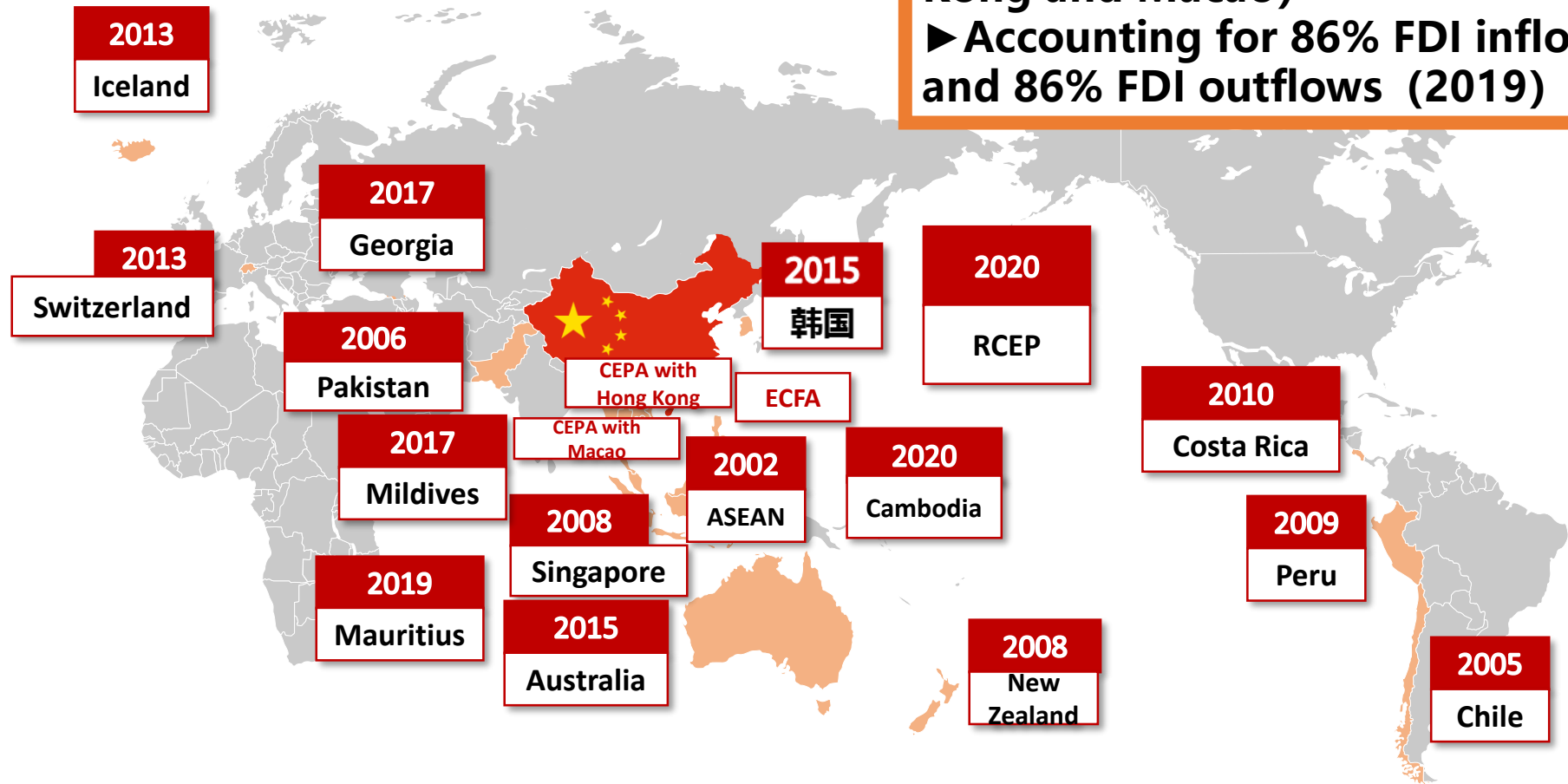
University of International Business and Economics

September 29, 2021

# China's progressive and ambitious FTA strategy

**19** FTAs **26** Countries and regions

▶ Covering 35% foreign trade (45% if including Chinese Taiwan, Hong Kong and Macao)  
▶ Accounting for 86% FDI inflows and 86% FDI outflows (2019)



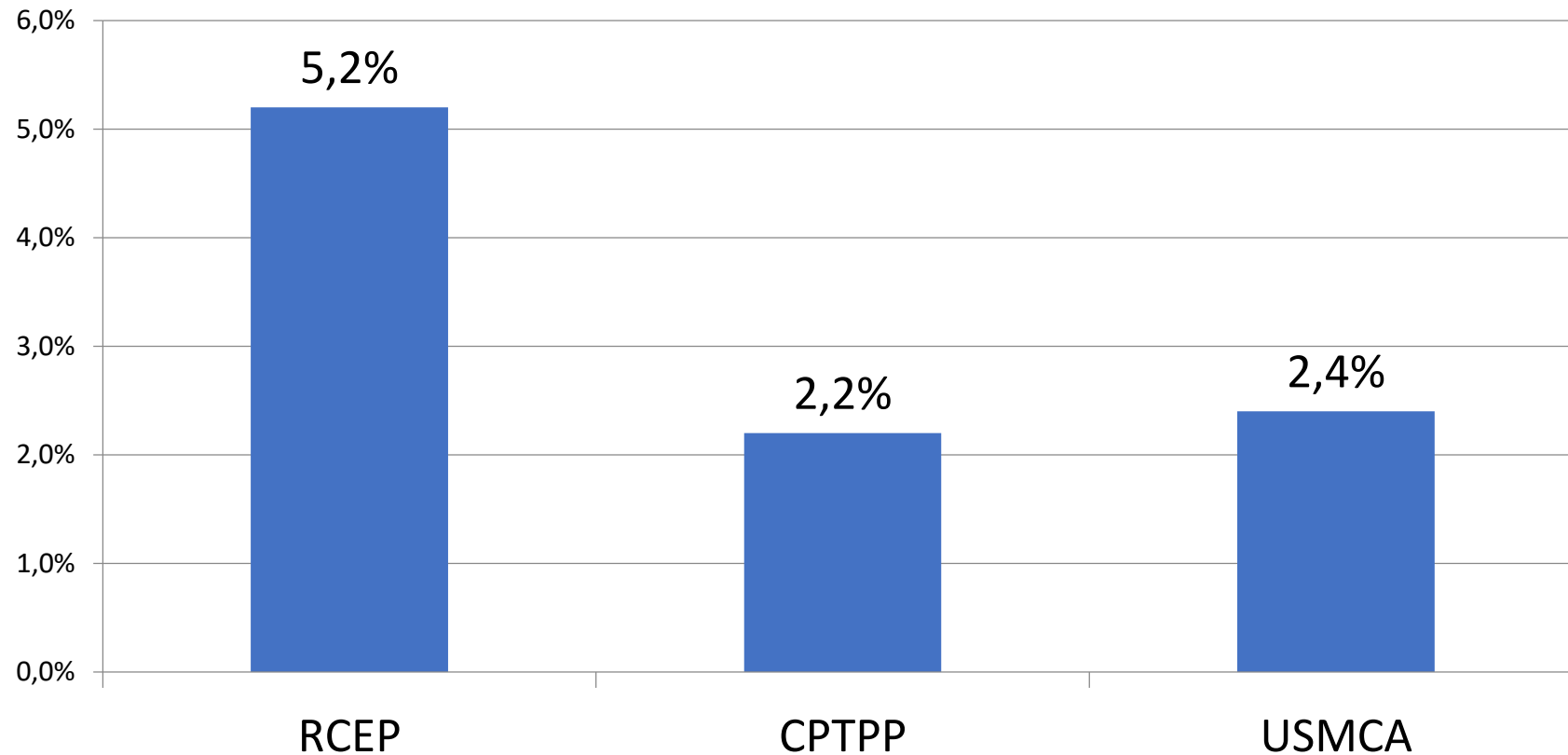
# RCEP is the largest FTA in the world

---

- In 2019, 15 members of RCEP have the population of 2.27 billion, GDP of 26 trillion US dollars and 5.2 trillion of exports, all accounting for roughly 1/3 of the world aggregate
- RCEP is the ever largest RTA in the world
- RCEP is highly inclusive, diverse and multi-layered in terms of development stage, cultural, economic and political systems
- Members of RCEP have great potential of economic growth and high complementarity between them

# RCEP has faster economic growth

Average GDP growth rate from 2015 to 2020





# Launch and process of RCEP negotiations

---

- RCEP was initiated by ASEAN with the intention of integrating the existing five 10+1 FTAs with China, Japan, Korea, India, Australia and New Zealand
- One major purpose is to encounter the negative impacts of US action to push forward TPP
- The negotiations were slow in early years because many RCEP members imposed more emphasis on TPP
- Trump decided to withdraw from TPP in 2017 which was concluded in 2015
- The RCEP negotiations were accelerated since 2017 and almost concluded in the end of 2019 but the exit of India caused some delay
- RCEP was signed in the end of 2020 without India

	ASEAN-China	ASEAN-Korea	ASEAN-Japan	ASEAN-India	ASEAN-AN	RCEP
Tariff Reduction	○	○	○	○	○	○
Rules of origin	○	○	○	○	○	○
Technical barriers	○	○	○	○	○	○
Customs measures	*	*	○		○	○
SPS	○	○	○	○	○	○
Trade remedies	○	○	○	○	○	○
Investment	○	○	○	○	○	○
Trade in services	○	○	○		○	○
IPRs	*	*	○		○	○
Government procurement			○			○
Competition			○		○	○
E-commerce	*	*	○		○	○
Labor						
Environment	*	*	○			
Technical cooperation	○	○	○		○	○

# Trade in goods: main progress

---

- **The final result of tariff reductions will be zero tariff on over 90% lines**
- **The most important increments are FTA partnership between Japan and its two neighbors, China and Korea**
- **The ratio of zero tariff between Japan and China reaches 86%, 82% for Japan and Korea**





# The application of cumulation in Rules of origin

---

- Value added in any party will be considered originating in the region and applicable to preferential tariff rates
- A product which could not enjoy preferential rates under bilateral FTAs can apply for RCEP rates with value-added from other RCEP parties
- The rules of origin with cumulation will significantly increase the desirability of sourcing from and investing in the region
- The regional integration will be greatly enhanced thanks to the new rules of origin
- As a major exporter of finished products, China will benefit from the rules of origin with cumulation by importing certain intermediate goods from other RCEP partners. Meanwhile, as a major exporter of intermediate products, China can export more because importers can enjoy preferential RCEP rates even with Chinese inputs

# Significant progress in services opening up

---

- **Seven members will apply negative listing in their services commitments while five others will do in 6 years and three LDCs in 15 years**
- **China will open additional 22 sectors and raise the openness in 37 sectors than its WTO accession, including financial services, consultations, R&D**
- **An important expansion under RCEP is the higher openness to the temporary movement of natural persons, covering contractual services suppliers and investors as well as their spouses or dependents**

Services	China's commitments
Manufacturing related services	Allow wholly-foreign owned enterprises
Pension services	Allow wholly-foreign owned enterprises
Hospitals and clinics	Allow majority foreign owned
Banking	No caps on foreign shareholding
Insurance	No caps on foreign shareholding
Securities	No caps on foreign shareholding
International maritime transportation	No requirements on joint venture
Architecture	Allow wholly-foreign owned enterprises
Environmental	Allow wholly-foreign owned enterprises

# Reach a consolidated regional investment agreement

---

- RCEP investment chapter covers a wide range of investment forms in manufacturing, agriculture, forestry, mining and fishery
- China makes its first negative listing of investment liberalization under an international agreement
- RCEP covers investment facilitation, promotion and protection
- The investment chapter will significantly promote investments between RCEP members along with the rules of origin with cumulation and ambitious trade liberalization in both goods and services

# Other regulatory issues

---

- RCEP has a long chapter on IP protection with more types of IPs such as genetic resources, traditional knowledge, and folklore
- The chapter has some higher level of protection than TRIPS
- RCEP has a chapter on competition although without application of dispute settlement
- The electronic commerce chapter is mainly aimed to facilitate cross-border electronic commerce and give discretion to parties regarding the regulation of data flow
- RCEP has some voluntary provisions on SMEs, technical cooperation, government procurement
- Soft laws are more applicable among RCEP members since most of them share the common culture of non-litigation

# Economic impact of RCEP on China

---

- The diversity and complementarity of RCEP members ensures the great trade creation effect resulted from the freer trade in the region with the rules of origin with cumulation
- China will enjoy trade expansion of further and consolidated regional economic integration as a fast developing industrial economy with almost full industrial chains covering intermediate goods, machineries, and finished products
- RCEP will help China strengthen its position as the core in the regional supply and value chains
- China will raise its role as both an investor and an investment recipient in the region



# Strategic implications of RCEP for China

---

- RCEP will facilitate the dual circulation strategy of China by creating a more stable and liberal trade bloc around China and reduce the risks of over-dependance on the United States
- RCEP could improve China's political relationship with its neighbors through higher economic interdependence
- RCEP sets a foundation for China to pursue even deeper regional integration like CPTPP