

Report on Supply Chain Compliance Volume 2, Number 21. November 07, 2019 Asian nations prepare to finalize world's largest free trade agreement

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Trade ministers of 16 countries met in Bangkok Nov. 2-4 to finalize negotiations^[1] on the Regional Comprehensive Economic Partnership (RCEP),^[2] the world's largest free trade agreement (FTA) in terms of economic scope and population size, covering 3.6 billion people and a GDP of USD 25 trillion. Mutual trade among current members of the RCEP accounts for 28% of world trade.

Members currently include the 10 member states of the Association of Southeast Asian Nations (ASEAN) (i.e., Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and six FTA partners: China, Japan, India, South Korea, Australia and New Zealand. India, however, recently pulled out of the deal,^[3] despite repeated efforts by other members to convince India's government of the deal's benefits.

This mega-FTA seeks to achieve a "lowest common denominator" approach to tariffs and duties, reducing them, at most, by 80% and allowing for flexibility and accommodation between members. The RCEP guiding principles^[4] state that all existing bilateral FTAs between member nations will remain in effect, and that the deal will include "appropriate forms of flexibility including provision for special and differential treatment, plus additional flexibility to the least-developed ASEAN Member States." In comparison with other trade deals, the RCEP does little to address intellectual property rights, labor standards, environmental protections and policies regarding investment and financial services, most notably the Asia-centric Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)^[5] or the EU-Japan Economic Partnership Agreement.^[6]

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