

The Regional Comprehensive Economic Partnership: What is it and why is Australia a part of it?

What is the Regional Comprehensive Economic Partnership?

The Regional Comprehensive Economic Partnership (RCEP) is a regional free trade agreement that seeks to build on Australia's existing relationships with 15 Indo-Pacific countries. Once signed and entered into force, RCEP will deliver substantial new trade and investment opportunities for Australia in the Indo-Pacific region.

RCEP negotiations were launched in November 2012 by Leaders from the Association of Southeast Asian Nations (ASEAN includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (they are: Australia, China, India, Japan, New Zealand and Republic of Korea). Prime Minister Morrison and Leaders from 14 other RCEP countries announced on 4 November 2019 at a summit in Bangkok that RCEP's text negotiations had concluded.

RCEP is a modern, comprehensive, high-quality and mutually beneficial free trade agreement covering trade in goods, trade in services, investment, economic and technical cooperation, and new rules for small and medium sized enterprises, government procurement, intellectual property, competition, and electronic commerce.

Why is Australia a part of RCEP?

RCEP will help boost economic growth and job creation in Australia, and deliver new opportunities to large and small Australian businesses through greater trade and investment with important regional trading partners. Australian consumers and businesses will also benefit from improved access to a wider range of competitively priced imported goods and services.

Australia already has important trade and investment relationships with several RCEP countries, and existing bilateral free trade agreements with China, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore and Thailand, as well as a regional trade agreement known as the ASEAN-Australia-New Zealand Free Trade Area. In 2018, Australia's:

- Goods exports to other RCEP countries were valued at \$264 billion, which was 76 per cent of Australia's total goods exports.
- Services exports to other RCEP countries were valued at \$47 billion, which was 51 per cent of Australia's total services exports.
- Two way trade in goods and services with other RCEP countries was valued at \$522 billion, which was 61 per cent of Australia's total two-way trade in goods in services.
- Foreign investment in other RCEP countries was valued at \$429 billion, which was 17 per cent of Australia's total foreign investment. In 2018, other RCEP countries' foreign investment in Australia was valued at \$501 billion, which was 14 per cent of all foreign investment in Australia.

The parties that have negotiated RCEP include ten out of Australia's top fifteen trading partners in 2018: China, Japan, Korea, Singapore, India, New Zealand, Thailand, Malaysia, Indonesia and Vietnam. RCEP parties account for about 30 per cent of global trade. As RCEP parties' economies develop and their middle classes grow, opportunities for our investors and demand for our exports will rise.

RCEP will remove tariff and non-tariff barriers in a way that creates significant new trade and investment opportunities for Australia in the region, and will establish rules that provide greater certainty for businesses seeking to trade and invest in other Indo-Pacific countries.

RCEP will increase opportunities for Australian businesses and consumers to benefit from regional production chains. In addition to freeing up trade in the region, RCEP will establish a common set of trade and investment rules between the parties. This includes one set of rules of origin and one standard set of documentation required to claim lower tariffs on goods exported from Australia. Common rules under RCEP will make it easier for Australian companies to participate in regional production chains by reducing the number of different regulatory settings businesses must navigate when they trade internationally.

Longer term benefits for Australian participation in RCEP

As RCEP is an agreement that will bring together economies across the region, it will play an important role in delivering against the 2017 Foreign Policy White Paper objective of contributing to a stable and prosperous Indo-Pacific.

Australia's broader strategic interests will be well served by a regional free trade agreement centred on ASEAN, which includes China and potentially India, and helps to mitigate against potential strategic rivalry. RCEP will reduce the risk of discriminatory trade blocs emerging that would potentially damage Australia's economic and security interests. RCEP will also have an open accession provision that allows for other economies to join the agreement in the future.

RCEP sends an important signal of support for trade liberalisation and rules-based trading arrangements at a time of significant global trade tensions, and when the World Trade Organization is facing deep challenges. Agreements like RCEP play a critical role in resisting protectionism, and bolstering support for an open global economy supported by enforceable rules.

More information on Australia's trade and investment relationship with other RCEP countries

The tables below provide more information on Australia's two-way trade and investment relationship with other RCEP participating countries.

Table 1: Australia's two-way trade in goods and services with other Regional Comprehensive Economic Partnership countries in 2018

	Exports		Imports		Total two-way trade	
	\$bn	Percentage share of total	\$bn	Percentage share of total	\$bn	Percentage share of total
China	136.6	31.2	78.3	18.9	214.9	25.2
India	22.4	5.1	8.1	1.9	30.5	3.6
Indonesia	8.5	1.9	9.1	2.2	17.6	2.1
Japan	58.8	13.4	27.0	6.5	85.8	10.1
Malaysia	10.1	2.3	14.0	3.4	24.1	2.8
New Zealand	15.0	3.4	14.2	3.4	29.3	3.4
Republic of Korea	26.6	6.1	14.3	3.4	40.9	4.8
Singapore	15.0	3.4	17.3	4.2	32.2	3.8
Thailand	7.8	1.8	17.9	4.3	25.7	3.0
Vietnam	6.7	1.5	7.8	1.9	14.6	1.7
Other ASEAN countries*	3.8	0.9	3.0	0.7	6.8	0.8
Total for the world**	438.3	100.0	415.1	100.0	853.3	100.0

*Other ASEAN countries: Brunei, Cambodia, Laos, Myanmar, and Philippines.

** Balance of payments basis.

Source: Based on ABS trade data on DFAT STARS database (July 2019 data), ABS catalogue 5368.0.55.004 and unpublished ABS data.

Table 2: Total investment between Australia's and other Regional Comprehensive Economic Partnership countries in 2018

	Total foreign investment in Australia		Total Australian investment		Total two-way investment	
	\$bn	Percentage share of total	\$bn	Percentage share of total	\$bn	Percentage share of total
China	63.6	1.8	75.3	3.0	138.9	2.3
India	15.1	0.4	15.6	0.6	30.7	0.5
Indonesia	1.1	0.0	5.6	0.2	6.7	0.1
Japan	229.3	6.5	113.0	4.5	342.3	5.7
Malaysia	22.2	0.6	10.3	0.4	32.4	0.5
New Zealand	47.1	1.3	96.7	3.8	143.8	2.4
Republic of Korea	27.4	0.8	21.6	0.9	49.0	0.8
Singapore	85.4	2.4	72.7	2.9	158.1	2.6

Thailand	6.9	0.2	3.9	0.2	10.8	0.2
Vietnam	0.8	0.0	2.4	0.1	3.2	0.1