

RCEP and Its Implications for Hong Kong

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Regional Comprehensive Economic Partnership (RCEP)



- World's largest free trade agreement
- Goes beyond existing FTAs (JP-CN, JP-SK, JP-NZ)
- Effective in 60 days after ratification by a minimum 6/10 ASEAN members and 3/5 non-ASEAN partners
- Predicted by Brookings Institute to raise member annual income (\$209bn) and trade (\$500bn) by 2030



RCEP Highlights

Trade in Goods

- Tariff Commitments
- Rules of Origin
- Customs Clearance and Trade Facilitation

Trade in Services

Investment (ISDS < 2 years)

Others

- Intellectual Property (single application)
- E-Commerce (data localize, storage, sharing; trade documentation, signature, authentication)
- Competition (set up indep. authority, Laos, Brunei, Myanmar, Cambodia)
- Government Procurement (publish rules, exchange information)

Lower tariffs and trade facilitation measures

Tariff Commitments

- Tariff elimination of around **92%** of goods traded among RCEP members over the next 20 years.
 - Flexibility in schedule of tariff commitments
 - Major milestone for China, Japan and South Korea
 - Focuses on industrial goods while some agricultural goods remain excluded from tariff reductions

Trade Facilitation

- Transparency around import, export and licensing procedures
- Customs clearance and express consignment
- Issue of advance ruling
- Application of IT to support customs operations

Harmonising disparate rules of origin

- **Establishment of a single rule of origin**
 - ✓ Unique and standardised certificate of origin to ship the same product between members
 - ✓ Lower cost of trade within the bloc
- **Regional content value of 40%**
 - ✓ boost intra-regional trade
 - ✓ transform and diversify regional supply chain



Improved market access for service suppliers & investors

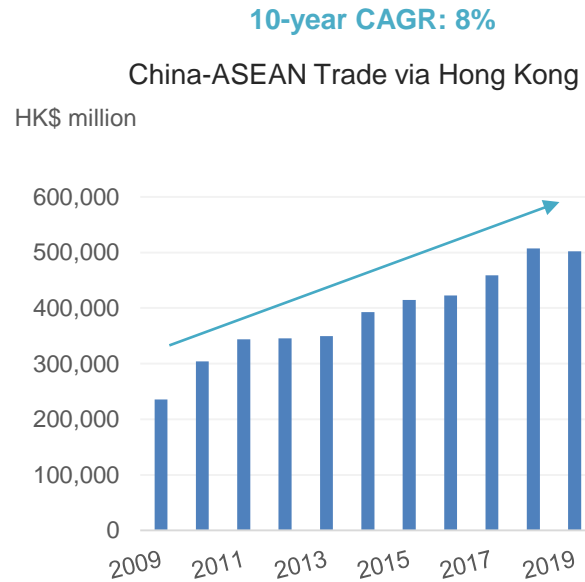
- Market access, national treatment, MFN
- Transition from a 'positive list' approach to a 'negative list' approach within 6 years
- New services commitments go beyond existing FTAs

Implication for Hong Kong: Re-export hub status

- Benefit from increase in intra-regional trade
- Hong Kong's role as a re-export hub (exemplify by ACFTA)
- Impact of the "Direct Consignment" clause under RCEP expected to be limited



Source: ASEANstats



Source: Census and Statistics Department

About **11%** of China-ASEAN trade was routed via Hong Kong in the past 5 years

Implication for Hong Kong: Re-export hub status

- RCEP member countries are important trading partners for Hong Kong

Hong Kong's Total Trade with RCEP Members in 2020

	Amount (HK\$ billion)	Share (%)
Mainland China	4,269	50.8
ASEAN	1,018	12.1
Japan	374	4.4
South Korea	278	3.3
Australia	50	0.6
New Zealand	9	0.1
Total of RCEP Members	5,945	71.3
Total Trade	8,404	100

Source: Hong Kong Census and Statistics Department

Implication for Hong Kong: Regional supply chain

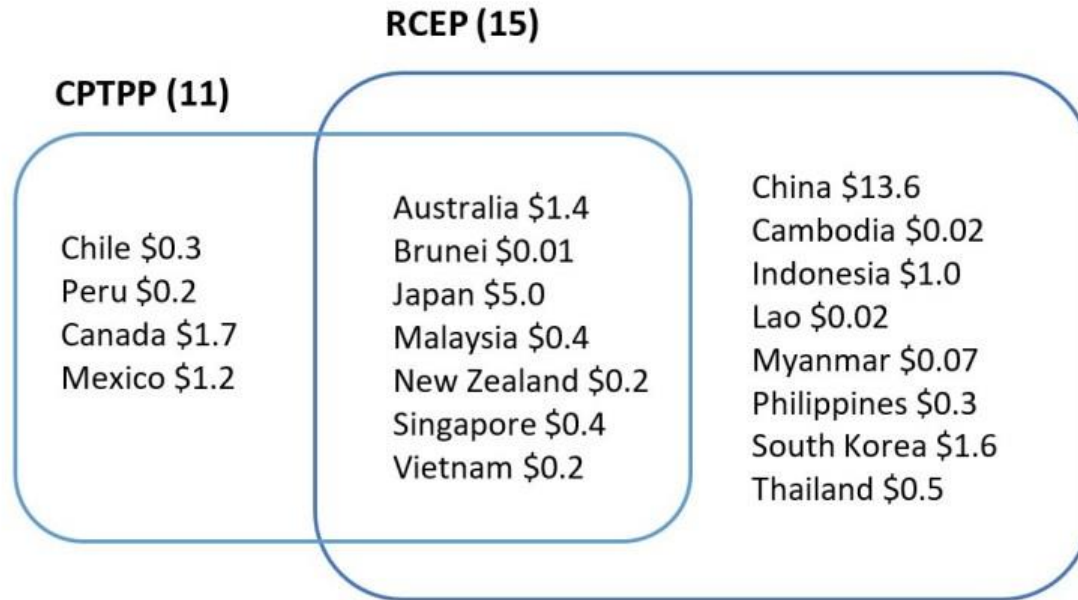
- Many Hong Kong companies have already (or are looking to) set up manufacturing base in ASEAN countries
 - benefit from lower tariffs/simplified rules/better market access
- Common rule of origin with RVC 40 allows more flexibility in operations and enhance supply chain integration

Implication for Hong Kong: As a service provider

- Existing high-standard FTAs with ASEAN, Australia and New Zealand
- Bypass Hong Kong when entering China? Most-favoured treatment under CEPA
- Eastward shift of economic activities – Hong Kong's role
 - Facilitating regional investment flow and internationalisation of RMB
 - Opportunities for professional services, logistics, legal and IP

RCEP vs CPTPP

Members, GDP (US\$ bn), Coverage



RCEP absent

- SOE
- Labor
- Environment
- Agriculture

Sources: Brookings Institute; Allen & Overy

Thank you!

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