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Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

Study on Tariffs: Analysis of the RCEP Tariff Liberalization Schedules

APEC Policy Support Unit

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EXECUTIVE SUMMARY

This report is an extension to an earlier study on tariffs released by the APEC Policy Support Unit in 2019, as part of the Free Trade Area of the Asia-Pacific (FTAAP) Work Programme on Tariffs (Kuriyama et al., 2019). This earlier study, among other things, examined market access commitments within one of the possible FTAAP pathways, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The signing of the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020, another possible FTAAP pathway, motivated the realization of this study. As agreed by the APEC Committee on Trade and Investment, this study provides a similar assessment of market access commitments agreed in RCEP and compares the findings with those obtained in the earlier study.

Both the CPTPP and RCEP are important pathways for FTAAP because they strengthen economic links among their members (e.g., increased market access and greater economic integration across the region) and represent important instruments to build up trust among economies. RCEP, for instance, represents almost a decade of important trust building amid the absence of bilateral Free Trade Agreements (FTAs) between some economies when negotiations started (Rillo et al., 2022). This report focuses exclusively on analyzing one aspect of RCEP, i.e., tariff liberalization schedules. The findings show that, from the tariff liberalization perspective, RCEP is an important step forward to realize the creation of the much larger FTAAP.

The FTAAP envisions to integrate trade in APEC and, thus far, RCEP will strengthen links among 12 member economies, while the CPTPP is linking 11 member economies. Australia; Brunei Darussalam; Japan; Malaysia; New Zealand; Singapore; and Viet Nam would most likely benefit more compared to other APEC member economies since they are parties to both the CPTPP and RCEP. Meanwhile, Hong Kong, China; Papua New Guinea; Russia; Chinese Taipei; and the United States remain outside of both the CPTPP and RCEP.

MARKET ACCESS COMMITMENTS WITHIN THE RCEP

Signed on 15 November 2020, RCEP is the largest regional FTA in the world. RCEP's potential is huge as its 15 members account for about 2.2 billion people (30.0% of global population), a regional Gross Domestic Product (GDP) of about USD 38,813 billion (30.0% of global GDP), and nearly 28.8% of global trade (Thangavelu et al., 2021).

RCEP brings increased market access to a large and regionally significant market. In fact, it increases the number of duty-free tariff lines from 22.9% (at the beginning of the RCEP negotiation) to 63.4% after entering into force in full for all RCEP members. Moreover, it is worth noting that 89.7% of total tariff lines would become duty-free upon RCEP's Year-21 – a meaningful liberalization of goods in the region considering the difficulties that RCEP economies had to face, such as the different levels of ambition by RCEP parties and the problems to reach consensus among some of the parties, among others (Rillo et al., 2022). In addition, RCEP is groundbreaking for agreeing on preferential tariff treatment to important bilateral trade flows that had not been subject to market access benefits of any prior FTA in force. For example, trade flows between China; and Japan as well as Japan; and Korea.

In other words, RCEP contributes to improved market access through deepening tariff liberalization commitments from those in existing FTAs among RCEP parties, and starting a preferential tariff treatment among RCEP parties with no prior FTA. The effort to reduce or eliminate tariffs has been significant. Looking at the differences between the base and preferential tariffs in RCEP members provides a glimpse of the extent of the liberalization achieved through RCEP.

Considering that reaching any agreement tends to be more difficult as the number of parties involved is higher, it is not surprising that considerable challenges appeared during the RCEP negotiation process (Ho, 2020; Rillo et al., 2022). Furthermore, the differentiated development levels among these parties was another factor that added an extra level of complexity to the process.

The final agreement involved a deal including multiple tariff liberalization schedules for several parties, offering a differentiated preferential tariff rate depending on the RCEP party where the goods are originating, as well as a significant number of products under long liberalization periods (26.0% of total tariff lines) or partial liberalization (3.1% of total tariff lines). RCEP negotiations also led to very sensitive products excluded from the liberalization process (7.2% of total tariff lines). In this sense, RCEP's liberalization process is remarkable but relatively slower compared to other FTAs because 26.0% of its total tariff lines are scheduled for full liberalization only after 10 years or more, which is relatively more compared to, for instance, the CPTPP (5.7%).

At the sectoral level, raw materials or intermediate products, such as: ores, slag, and ash (HS 26); fertilizers (HS 31); cork and articles of cork (HS 45); pulp of wood and recovered paper or paperboard (HS 47); silk (HS 50); and nickel and other base metals and articles thereof (HS 75), would benefit the most since these product groups are among the most fully liberalized upon RCEP's entry into force.

However, the analysis of tariff liberalization schedules only provides part of the story regarding tariff liberalization. In practice, their effectiveness will also depend on other factors such as the product-specific rules of origin. While an analysis of rules of origin is out of the scope of this study, it is possible that more restrictive rules of origin in RCEP in comparison to other FTAs involving RCEP partners, could undermine preferential tariff rates agreed in RCEP, as it will be harder to meet the requirements to qualify for preferential treatment (Crivelli and Inama, 2022; Rillo et al., 2022).

Meanwhile, labor-intensive manufactures, agricultural products, and intermediate products are the topmost products to be liberalized over a period of 10 years or more. Across all RCEP members, the most frequently cited HS Chapters are: preparations of cereals, flour, starch, or milk (HS 19); preparations of vegetables, fruits, and nuts (HS 20); soap (HS 34); articles of leather (HS 42); cotton (HS 52); carpets (HS 57); special woven fabrics (HS 58); apparel and clothing, knitted or crocheted (HS 61); apparel and clothing, not knitted and crocheted (HS 62); footwear (HS 64); headgear and parts (HS 65); and feathers and articles thereof (HS 67).

Partial liberalization has been implemented by RCEP members following different approaches, such as: (1) reducing the ad valorem duty from base rate to a certain point and remains at that level; (2) reducing the ad valorem part of the duty while the non-ad valorem

component remains unchanged; and (3) reducing both the ad valorem and the non-ad valorem parts of the duty. Most of these goods are non-agricultural products. In fact, the ratio between non-agricultural and agricultural is quite high at 5.4:1. Examples of non-agricultural products with the highest average ratio of tariff lines subject to partial liberalization include: cotton (HS 52); man-made staple fibres (HS 55); ceramic products (HS 69); and vehicles other than railway or tramway rolling-stock (HS 87).

Products excluded from the RCEP liberalization process included agricultural products (e.g., dairy produce, eggs, and honey (HS 04); and beverages, spirits, and vinegar (HS 22)), labor-intensive manufactures (e.g., footwear (HS 64)), products in strategic sectors (e.g., vehicles other than railway or tramway rolling-stock (HS 87)), and products with negative externalities (e.g., tobacco and manufactured tobacco substitutes (HS 24)).

COMPARING THE EXTENT OF TARIFF LIBERALIZATION WITHIN THE CPTPP AND RCEP

Both the CPTPP and RCEP are important mega-FTAs showing progress in trade liberalization in the Asia-Pacific region, in comparison to a scenario with none of them being in force. While CPTPP was driven by individual economies seeking to achieve an FTA with high standards and comprehensive market access; the RCEP negotiations were institutionally-driven by ASEAN in order to facilitate the participation of larger partner economies (Petri and Dollar, 2020).

The differences in the nature of CPTPP and RCEP have influenced the depth of their tariff liberalization schedules. For instance, at the date of entry into force, RCEP parties agreed to fully liberalize 63.4% of total tariff lines, compared to the CPTPP parties that agreed the full liberalization of 86.1% of the tariff lines. In addition, the starting points for both negotiation processes were different. While 54.1% tariff lines in CPTPP already had a base tariff equal to 0%, only 22.9% of the tariff lines in RCEP had duty-free base tariffs.

Another key difference between the CPTPP and RCEP is that the latter has no explicit staging categories and it does not fully liberalize any single HS Chapter upon entry into force — unlike the CPTPP that immediately liberalized 10 HS Chapters across all of its members. Moreover, the maximum period granted to reduce preferential tariff rates to duty-free level is longer in RCEP than in the CPTPP.

In addition, RCEP members included a larger percentage of their tariff lines subject to liberalization periods of 10 years or more (26.0%), as compared with the CPTPP's 5.7%. In fact, 30 out of 39 RCEP liberalization schedules had more than 19.6% of its total tariff lines under longer liberalization periods. Incidentally, the CPTPP's highest percentage was from Mexico's schedule at 19.6%. RCEP also has considerably more goods under partial liberalization and exclusion compared to the CPTPP.

Finally, economies in the CPTPP and in RCEP differ on which product group they consider as more sensitive. This is closely related to the productive structures of their economies. In the CPTPP, most of the exclusions and products under partial liberalization concerned agricultural products, whereas RCEP concerned more non-agricultural products.

Despite these differences between CPTPP and RCEP, both agreements are remarkable as they will fully liberalize a significant percentage of tariff lines. In the long term, 98.9% of

the tariff lines will eventually be fully liberalized under CPTPP, while 89.7% of the RCEP tariff lines will enjoy full liberalization after 21 years.

1. MARKET ACCESS COMMITMENTS WITHIN RCEP

1.1 INTRODUCTION

This report is an extension to an earlier study on tariffs released by the APEC Policy Support Unit in 2019, as part of the Free Trade Area of the Asia-Pacific (FTAAP) Work Programme on Tariffs (Kuriyama et al., 2021). This earlier study provided a comprehensive literature review of the possible impact of reducing or eliminating tariffs through potential pathways to implement an FTAAP in the APEC region; and examined market access commitments within one of the possible FTAAP pathways, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was signed on 8 March 2018.

The signing of the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020 motivated the realization of this study, which aims to provide a similar assessment of market access commitments agreed in RCEP. In particular, this section provides an overview of RCEP's tariff liberalization schedules (i.e., information about tariff lines, base tariffs, and staging categories) and an examination of the extent of preferential tariff liberalization by all participating economies.

RCEP, just like the CPTPP, is considered in APEC as an important pathway to achieving the FTAAP (APEC, 2010). RCEP negotiations officially started in November 2012 when ASEAN¹ members made a joint declaration announcing the creation of an FTA between ASEAN and its six FTA partners: Australia; China; India;² Japan; Korea; and New Zealand. RCEP was signed on 15 November 2020, and entered into force on 1 January 2022.³

1.2 RATIONALE

With its 15 members, RCEP is considered as the largest regional FTA in the world. As of 2021, RCEP economies account for about 2.2 billion people (30.0% of global population), a regional Gross Domestic Product (GDP) of about USD 38,813 billion (30.0% of global GDP), and nearly 28.8% of global trade (Thangavelu et al., 2021). In comparison, the CPTPP's 11 members account for about 500 million people, 13.0% of global GDP, and 15.0% of global trade (Matsuura, 2021). Examining RCEP's market access commitments is of particular interest to APEC not only because of RCEP's economic impact and recognition as one of the possible pathways to FTAAP but also because 80.0% of RCEP's members are also APEC economies.

¹ ASEAN is a regional community composed of 10 members, namely: Brunei Darussalam; Cambodia; Indonesia; Myanmar; Lao PDR; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

² India was an active party in RCEP negotiations until New Delhi withdrew on November 2019 although RCEP parties, such as Australia; and Japan, have consistently encouraged India to rejoin RCEP (Akimoto, 2021).

³ RCEP entered into force 60 days after at least six of the ASEAN signatories and three or more of the non-ASEAN signatories have successfully ratified the agreement. As of March 2022, this condition was already met and 12 signatories have successfully completed their domestic ratification process (Matsumoto et al., 2021; Yonhap News Agency, 2021; Jaafar, 2022). These economies include: Australia; Brunei Darussalam; Cambodia; China; Japan; Korea; Lao PDR; Malaysia; New Zealand; Singapore; Thailand; and Viet Nam.

1.3 MARKET ACCESS COMMITMENTS

1.3.1 OVERVIEW OF RCEP TARIFF LIBERALIZATION SCHEDULES

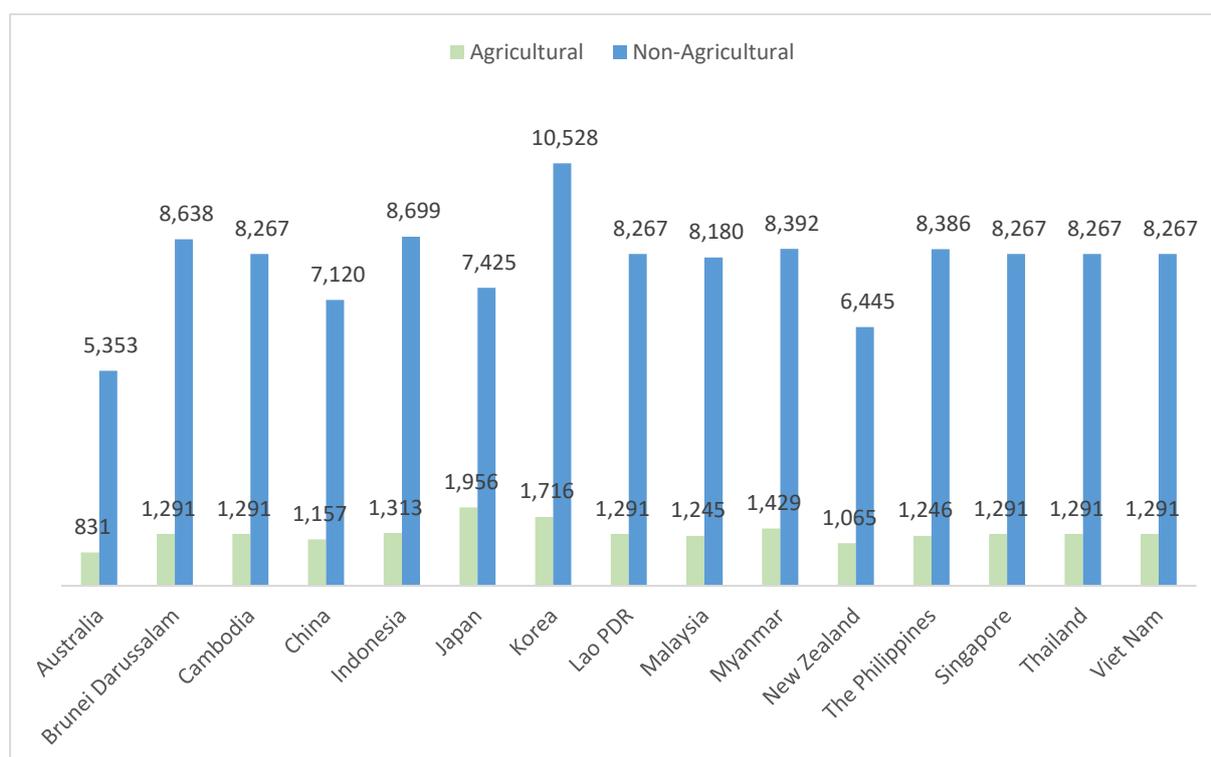
This section provides an overview of RCEP's tariff liberalization schedules, particularly examining tariff lines, base tariffs, and staging categories. It is important to note, however, that this analysis encountered two key issues. First is that tariff schedules in RCEP, just like any other FTA, was negotiated using an 8-digit or higher product code (i.e., each economy's tariff lines), which means that these tariffs' impact on trade cannot be directly assessed using the less disaggregated HS⁴ 6-digit product code (i.e., product sub-headings). Data is harmonized across economies only up to the HS 6-digit level. Given this issue, the total number of tariff lines (i.e., HS 8-digit codes) is different across RCEP members. Second is that trade figures at the tariff-line level are not provided in this report because, in some cases, data at the HS 8-digit level was not publicly made available.

Tariff Lines

RCEP economies negotiated a total of 140,205 tariff lines, of which 19,704 (14.1%) are agricultural products, whereas 120,501 (85.9%) are non-agricultural products. Figure 1.1 shows that the number of negotiated non-agricultural tariff lines far exceed the number of negotiated agricultural tariff lines for all RCEP economies at an average ratio of 6.1:1. Interestingly, Japan has a narrower gap of 3.8:1, which suggests that Japan applies a more equal weight between these two product groups compared to the rest of RCEP.

Among RCEP economies, Korea negotiated the highest number of non-agricultural tariff lines (10,528), whereas Japan negotiated the highest number of agricultural tariff lines (1,956). In comparison, Australia negotiated the lowest number of tariff lines both for non-agricultural products (5,353) and for agricultural products (831).

⁴ The Harmonized Commodity Description and Coding Systems (HS) is an international nomenclature for the classification of products that was developed by the World Customs Organization in 1988. The HS system contains 21 Sections that further categorizes products into Chapters (2-digit level), Headings (4-digit level), and Sub-headings (6-digit level). The HS is particularly useful for analyzing international trade because it provides a common nomenclature for all economies albeit limited to just the 6-digit level. For more on the HS, see: <https://unstats.un.org/unsd/tradekb/Knowledgebase/50018/Harmonized-Commodity-Description-and-Coding-Systems-HS> (accessed 15 September 2021).

Figure 1.1: Number of negotiated tariff lines for agricultural and non-agricultural products

Source: CPTPP legal text; RCEP legal text, Annex I; APEC Policy Support Unit (PSU) staff calculations.

Note: Singapore's negotiated tariff lines are based on Singapore's CPTPP tariff liberalization schedule since Singapore did not provide a tariff liberalization schedule for RCEP. Instead, Singapore's headnotes in the annex of market access commitments indicated that Singapore is fully liberalizing all goods upon RCEP's date of entry into force.

Base Tariffs

In RTA/FTAs, base tariffs usually represent the Most-Favored Nation (MFN)⁵ tariff rate prior to when the negotiations started. Thus, base tariffs indicate the starting point of tariff rates before any preferential tariff liberalization is in place.

Among RCEP economies, the average base tariff imposed on all products has ranged from a low of 0.0% in Singapore to a high of 13.5% in Korea (Figure 1.2), which is a combination of low and moderate average base tariffs when negotiations started.

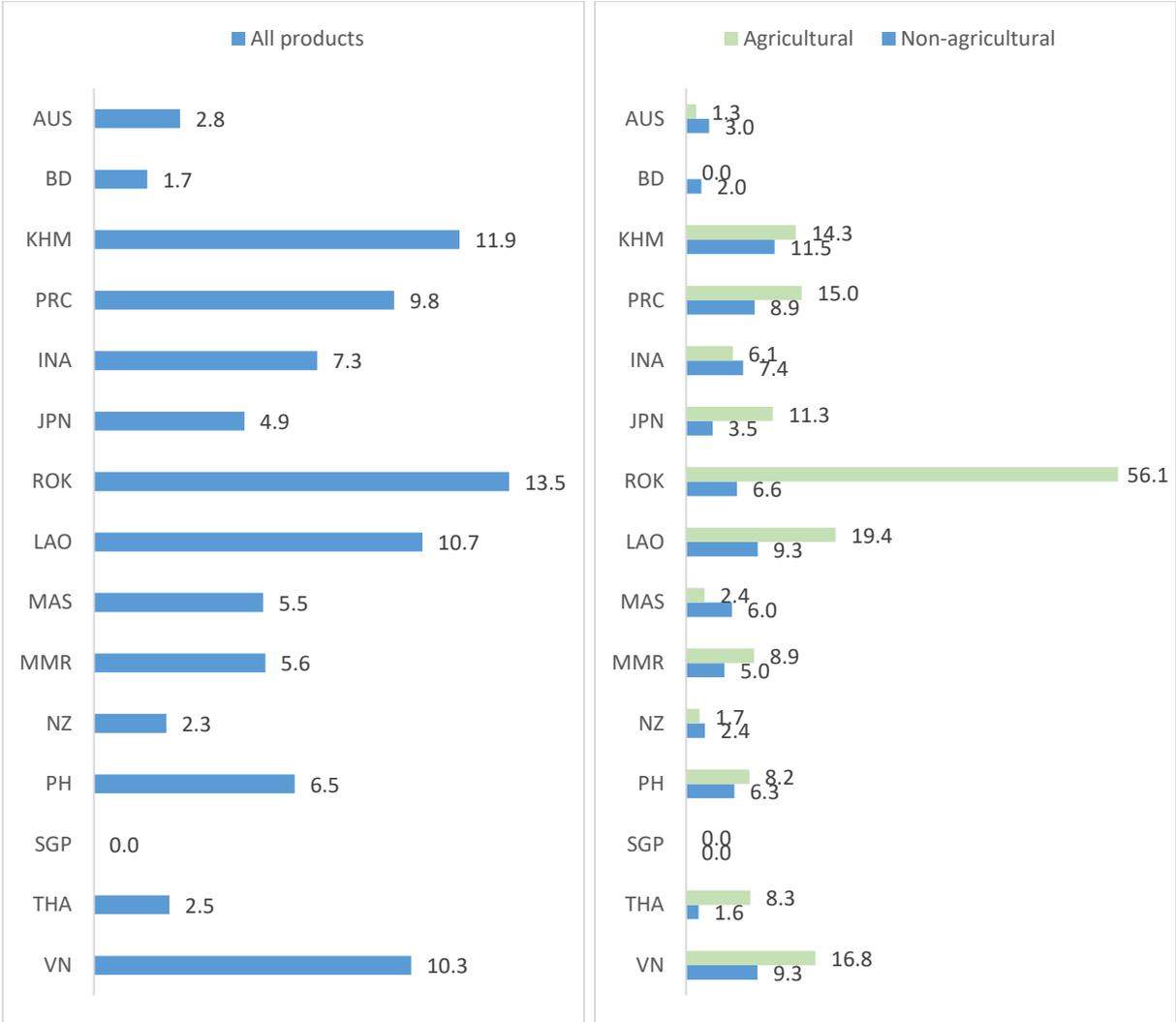
This wide range of base tariffs is a result of multiple factors, including an economy's level of development, production structure, or strategic interest. For instance, 40.0% of RCEP's members are high-income economies,⁶ namely: Australia; Brunei Darussalam; Japan; Korea; New Zealand; and Singapore. Except for Korea, the average base tariff imposed by these high-income economies are less than 5.0%. In comparison, the average base tariff imposed by non-

⁵ The MFN tariff rate is an economy's highest tariff rate imposed on WTO members for any given product. Some economies, however, can charge a higher tariff rate on non-WTO members.

⁶ The World Bank's income classification system categorizes economies into four groups based on their Gross National Income (GNI) per capita. Low-income economies have a GNI per capita of USD 1,045 or less; lower-middle income economies have USD 1,046 to USD 4,095; upper-middle income economies have USD 4,096 to USD 12,695; and high-income economies have USD 12,696 or more. For the list of economies, see: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups> (accessed 15 September 2021).

high-income economies are above 5.0% (except for Thailand that imposed a considerably low average base tariff of 2.5%).

Figure 1.2: Average base tariffs for RCEP economies, %



Source: RCEP legal text, Annex I; ITC Market Access Map. APEC PSU staff calculations.
 Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

Meanwhile, Korea’s high average base tariff, largely driven by its 56.1% average base tariff imposed on agricultural products, is an example of how strategic interests can affect tariffs; whereas Brunei Darussalam’s exceptionally low average base tariff on agricultural products (0.02%) is an example of its condition as a net food importer.

Except for Singapore, all RCEP economies imposed different average base tariffs on agricultural and on non-agricultural products. Nine RCEP economies imposed higher average base tariffs on agricultural products, and interestingly, the ratios between average agricultural and non-agricultural base tariffs were particularly high for some of them such as: Lao PDR (2.1:1); Japan (3.3:1); Thailand (5.1:1); and Korea (8.5:1). This would suggest that, compared to the rest of RCEP economies, these economies actually imposed greater protection on their agricultural sector relative to the protection that they provided to their non-agricultural sector.

Conversely, five RCEP economies appeared to have more sensitivities in non-agricultural products as they imposed higher average base tariffs on these types of products. This is more evident in the cases of: Indonesia (1.2:1); New Zealand (1.4:1); Australia (2.4:1); Malaysia (2.5:1); and Brunei Darussalam (83.9:1), which all had high ratios between average non-agricultural base tariffs and agricultural base tariffs.

The list of products that are imposed with the highest base tariffs are different across RCEP economies, while some common products across RCEP economies include: beverages, spirits, and vinegar (HS 22); plastics (HS 39); and vehicles other than railway or tramway rolling-stock (HS 87).

Staging Categories

In any trade negotiation, the staging categories refer to the timeframe by which FTA members have agreed to phase out their respective tariff reductions. Each FTA member can then negotiate their own timeframes based on their circumstances or considerations. These differentiated liberalization schedules can, however, be harder and costlier to manage administratively.

As opposed to the CPTPP, RCEP does not classify tariff lines in any tariff liberalization schedule with explicit staging categories. The tariff liberalization process agreed in RCEP has been more complex. In the CPTPP, each party offered only one tariff liberalization schedule to the rest of the partners, whereas RCEP has 39 different liberalization schedules for 15 parties. Specifically, nine RCEP members have one liberalization schedule offered to all RCEP members, whereas six RCEP members have differentiated tariff liberalization schedules that range from three to six, depending on the origin of the product.

In RCEP, the period for tariff lines to be fully liberalized ranges from immediate liberalization (Year-1) to 21 years. With the exception of Singapore, which liberalizes all goods upon RCEP's date of entry into force, all other RCEP members fully liberalize most of their goods at least throughout three different periods (Table 1.1).

Table 1.1: Time periods for full liberalization in RCEP by members

RCEP Member	Time (years)	RCEP Member	Time (years)
Australia	Immediate, 3, 7, 10, 15, 20	Lao PDR	Immediate, 13, 15, 20
Brunei Darussalam	Immediate, 10, 15, 20	Malaysia	Immediate, 10, 15, 20
Cambodia	Immediate, 13, 15, 20	Myanmar	Immediate, 13, 15, 20
China	Immediate, 10, 11, 15, 16, 20, 21	New Zealand	Immediate, 10, 15
Indonesia	Immediate, 5, 10, 15, 20	The Philippines	Immediate, 15, 20
Japan	Immediate, 11, 16, 21	Thailand	Immediate, 10, 15, 20
Korea	Immediate, 10, 15, 20	Viet Nam	Immediate, 10, 11, 15, 16, 20

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: For some RCEP members offering more than one tariff liberalization schedule, the time periods for full liberalization could differ. For example, China fully liberalizes goods from Japan in four different time periods: at RCEP's date of entry into force, 11, 16, and 21 years; while liberalizes goods from Australia; and New Zealand in three different time periods: at RCEP's date of entry into force, 10, and 20 years.

Other signals of the complex negotiation process experienced by RCEP are: (1) RCEP has products under partial liberalization, of which some tariff lines received gradual tariff reductions for a very long period of up to 35 years; and (2) all RCEP parties, except for Singapore, excluded some products from the preferential tariff liberalization process.

1.3.2 EXTENT OF TARIFF LIBERALIZATION

The following analysis of the market access commitments agreed in RCEP will focus on four groups, namely: (1) immediate duty-free tariff liberalization; (2) products subject to a 10-year-or-longer phase out full liberalization period; (3) partial liberalization; and (4) exclusions.

It is important to point out that the analysis of tariff liberalization schedules only provides part of the story regarding tariff liberalization. In practice, their effectiveness will also depend on other factors such as the product-specific rules of origin. While an analysis of rules of origin is out of the scope of this study, it is possible that more restrictive rules of origin in RCEP in comparison to other FTAs, involving RCEP partners, could undermine preferential tariff rates agreed in RCEP, as it will be harder to meet the requirements to qualify for preferential treatment (Crivelli and Inama 2022; Rillo et al., 2022).

Immediate Duty-Free Tariff Liberalization

Figure 1.3 shows that, upon RCEP's entry into force, the share of duty-free tariff lines will vary between 25.0% (i.e., China's offer to Japan) and 100.0% (i.e., Singapore's offer). RCEP economies that offered immediate duty-free tariff liberalization for at least 75.0% of tariff lines are: Australia (75.3%); Brunei Darussalam (76.5%); the Philippines (between 81.9% to 83.0%); and Singapore (100.0%). In comparison, Cambodia (29.9%); Lao PDR (29.9%); and Myanmar (30.0%) offered a noticeably smaller percentage of tariff lines under full immediate liberalization.

It is worth noting that RCEP is the first FTA that involves China; Japan; and Korea (Petri and Dollar, 2020; Whiting, 2021). As a first-of-its-kind trade deal, RCEP economies in Northeast Asia offered each other relatively smaller percentages of tariff lines for full immediate liberalization compared to what each of them gave to the other RCEP members. For instance, China offered Japan; and Korea 25.0% and 38.6%, respectively, but offered 67.9% of their tariff lines as duty-free from the start to ASEAN members. Korea similarly offered duty-free access from Year-1 to Japan; and China in 41.4% and 50.4% of their tariff lines, respectively, but a similar offer to ASEAN reached 64.1% of its tariff lines. Meanwhile, Japan gave immediate concessions to 55.2% of the tariff lines to China and 63.9% to Korea, smaller numbers in comparison to the 73.4% offered to ASEAN. These smaller offers in fact came as no surprise due to the absence of existing preferential trade agreements encompassing all three Northeast Asian economies before RCEP. The offers also suggest the presence of strong competition among these three economies as geographic neighbours as well as the abortive attempt for a trilateral FTA among them before the RCEP negotiations.⁷

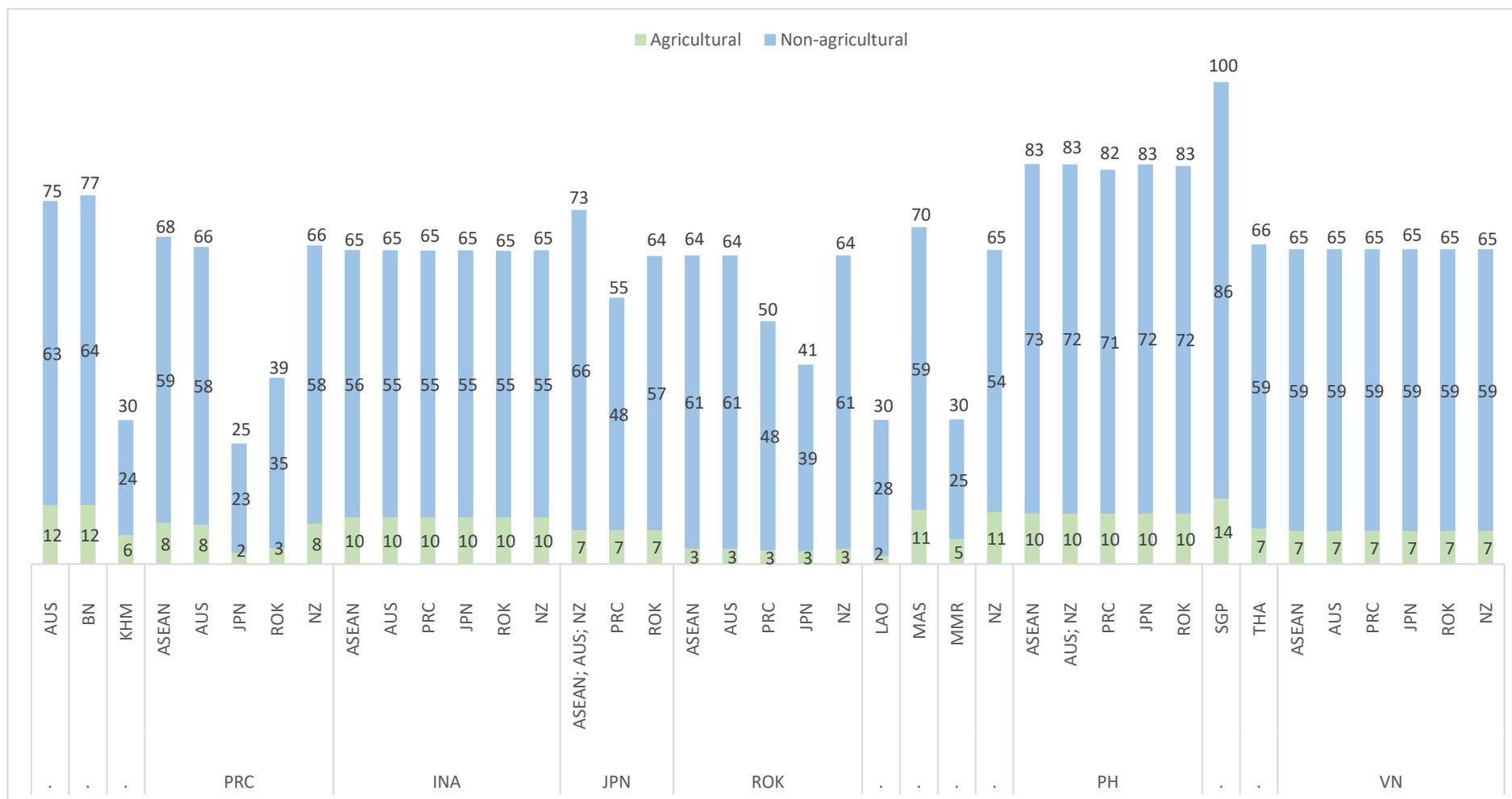
A considerable proportion of total tariff lines with immediate duty-free tariffs are found in non-agricultural products. Across RCEP, this ranges from about 22.8% by China (offered to Japan) to 86.5% by Singapore. Meanwhile, the percentages for agricultural products range from a low of 1.6% by Lao PDR to a high of 13.5% by Singapore.

A sectoral analysis shows that no HS Chapter is fully liberalized immediately at all tariff lines across RCEP members. This reflects how complex the negotiation had been as it included a large number of participating parties with very different development levels. Notwithstanding, the liberalization agreed at the RCEP negotiations have been remarkable. Table 1.2 shows the

⁷ On 26 March 2013, negotiations were launched for a trilateral FTA involving China; Japan; and Korea. However, this trilateral FTA has not progressed following both political and industrial complications. (Lo, 2020).

top 10 HS Chapters that are the most fully liberalized upon RCEP's entry into force, of which HS Chapter 47 (pulp of wood and recovered paper or paperboard) is the most fully liberalized at 92.3% of RCEP's tariff liberalization schedules. Most of the HS Chapters with the deepest full liberalization commitments upon RCEP's date of entry into force are raw materials or intermediate products, such as: ores, slag, and ash (HS 26); fertilizers (HS 31); cork and articles of cork (HS 45); pulp of wood and recovered paper or paperwork (HS 47); silk (HS 50); and nickel and other base metals and articles thereof (HS 75).

Figure 1.3: Share of duty-free tariff lines at RCEP's date of entry into force, %



Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

Table 1.2: HS Chapters most fully liberalized upon RCEP's entry into force

HS Chapter	Description	Schedules	
		#	%
	Total	39	100.0
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	36	92.3
97	Works of art, collectors' pieces and antiques	34	87.2
26	Ores, slag and ash	30	76.9
88	Aircraft, spacecraft, and parts thereof	29	74.4
45	Cork and articles of cork	27	69.2
75	Nickel and articles thereof	23	59.0
81	Other base metals; cermets; articles thereof	23	59.0
14	Vegetable plaiting materials; vegetable products, not elsewhere specified or included	22	56.4
31	Fertilizers	22	56.4
50	Silk	20	51.3

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Table 1.3 shows the number and percentage of HS Chapters that are fully liberalized upon RCEP's date of entry into force. Economies that agreed to liberalize at least a third of their HS Chapters include: Brunei Darussalam (66.0%); Japan (35.4% to ASEAN; Australia; and New Zealand); the Philippines (at least 39.6%, which was offered to Korea); and Singapore (100.0%). An expanded version of Table 1.3 can be found in Appendix Table 1.

Table 1.3: Number and percentage of HS Chapters fully liberalized on RCEP's date of entry into force

Economy	RCEP		
	#	%	
Australia	30	31.3	
Brunei Darussalam ^a	64	66.0	
Cambodia	5	5.2	
China	Max (ASEAN)	12	12.5
	Min (Japan)	1	1.0
Indonesia	21	21.9	
Japan	Max (ASEAN; Australia; New Zealand)	34	35.4
	Min (China)	17	17.7
Korea	Max (ASEAN; Australia; New Zealand)	15	15.6
	Min (China; Japan)	4	4.2
Lao PDR	0	0.0	
Malaysia ^a	24	24.7	
Myanmar	2	2.1	
New Zealand	20	20.8	
The Philippines	Max (ASEAN; Australia; China; New Zealand)	41	42.7
	Min (Korea)	38	39.6
Singapore	96	100.0	
Thailand	27	28.1	
Viet Nam	21	21.9	

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

^a Brunei Darussalam; and Malaysia has 97 HS Chapters instead of the 96 that the rest of RCEP observes.

Table 1.4 presents the share of total tariff lines that are duty-free before RCEP enters into force (i.e., base tariff) vis-à-vis the percentage share upon RCEP's entry into force. RCEP's aggregate share of total tariff lines that are duty-free at base tariff (22.9%) considerably increased to 63.4% on RCEP's Day-1, which indicates that RCEP members are willing to give significant

tariff concessions from the start — a considerable effort and progress in terms of trade liberalization.

Nevertheless, there is significant contrast in the share of duty-free tariff lines on RCEP's Day-1 among its members. On the one hand, this share remained relatively low for some cases (e.g., China's offer to Japan at only 25.0%; Lao PDR's 29.9%; and Myanmar's 30.0%). On the other hand, some RCEP members offered a substantial share of duty-free tariff lines from start. For instance, Singapore (100%); the Philippines (between 81.9% and 83.0%); Brunei Darussalam (76.5%); Australia (75.3%); and Japan to ASEAN; Australia; and New Zealand (73.4%) An expanded version of Table 1.4 and of Table 1.5 can be found in Appendix Table 2.

Table 1.4: Base tariff vis-à-vis duty-free on RCEP's entry into force, % share of total tariff lines

Economy		All Products	
		Base Tariff = 0.0%	Duty-free on Day-1
Australia		47.6	75.3
Brunei Darussalam ^a		76.9	76.5
Cambodia		13.5	29.9
China	Max (ASEAN)	8.4	67.9
	Min (Japan)	8.4	25.0
Indonesia	Max (ASEAN)	12.5	65.1
	Min (Korea)	12.5	65.0
Japan ^b	Max (ASEAN; Australia; New Zealand)	40.5	73.4
	Min (China)	40.5	55.2
Korea	Max (ASEAN)	16.0	64.1
	Min (Japan)	16.0	41.4
Lao PDR		0.0	29.9
Malaysia		64.6	69.9
Myanmar		4.2	30.0
New Zealand		58.3	65.2
The Philippines	Max (ASEAN)	5.0	83.0
	Min (China)	5.0	81.9
Singapore		100.0	100.0
Thailand		17.7	66.3
Viet Nam		31.4	65.3
RCEP Aggregate		22.9	63.4

^a Brunei Darussalam did not commit to liberalize any vegetable saps and extracts of opium, most alcoholic beverages and firearms and ammunition. The MFN import tariffs for these goods are equal to 0.0%, but their imports are actually prohibited or restricted.

^b Whilst Japan's base tariff do not appear in its Schedule of Tariff Commitments, Japan's MFN applied tariff rates from 1 January 2014 have been used as base tariffs in this report. Please see the General Note #3 in Annex I of the RCEP Schedule of Tariff Commitments.

Source: RCEP legal text, Annex I; ITC Market Access Map. APEC PSU staff calculations.

Table 1.5 provides a disaggregation of Table 1.4, particularly examining the extent of liberalization for agricultural and for non-agricultural products. On the aggregate, a considerably larger percentage of non-agricultural products compared to agricultural products would be fully liberalized by Day-1 (i.e., 65.1% compared to 52.9% for agricultural products). On the one hand, for agricultural products, economies that liberalized less than 30.0% of tariff lines by Day-1 included: Lao PDR (12.1%); China's offer to Japan (16.0%) and to Korea (23.3%); and Korea (at most 22.4%, offered to ASEAN). On the other hand, for non-agricultural products, economies that liberalized less than 30.0% of tariff lines by Day-1 were: China's offer to Japan (26.5%); Cambodia (27.7%); and Myanmar (29.2%).

Table 1.5: Comparison of agricultural and non-agricultural base tariffs vis-à-vis duty-free on RCEP's entry into force, % share of product group's total tariff lines

Economy		Agricultural		Non-Agricultural	
		Base Tariff = 0.0%	Duty-free on Day-1	Base Tariff = 0.0%	Duty-free on Day-1
Australia		73.4	90.3	43.6	73.0
Brunei Darussalam ^a		97.8	94.3	73.8	73.8
Cambodia		12.3	43.9	13.7	27.7
China	Max (ASEAN)	7.9	60.2	8.5	69.2
	Min (Japan)	7.9	16.0	8.5	26.5
Indonesia	Max (ASEAN; Japan)	9.2	73.5	13.0	63.9
	Min (Korea)	9.2	73.5	13.0	63.7
Japan ^b	Max (ASEAN; Australia; New Zealand)	25.8	33.7	44.1	83.9
	Min (China)	25.8	33.7	44.1	60.9
Korea	Max (ASEAN)	5.5	22.4	17.7	70.8
	Min (Japan)	5.5	18.9	17.7	45.1
Lao PDR		0.0	12.1	0.0	32.7
Malaysia		71.3	85.1	63.6	67.6
Myanmar		10.8	35.1	3.1	29.2
New Zealand		64.9	75.8	57.3	63.4
The Philippines	Max (ASEAN)	0.2	80.7	5.7	83.3
	Min (China)	0.2	80.7	5.7	82.1
Singapore		100.0	100.0	100.0	100.0
Thailand		4.2	54.1	19.8	68.2
Viet Nam		13.2	50.3	34.2	67.6
RCEP Aggregate		17.3	52.9	23.8	65.1

^a Among agricultural goods, Brunei Darussalam did not commit to liberalize any vegetable saps and extracts of opium and most alcoholic beverages. The MFN import tariffs for these goods are equal to 0.0%, but their imports are actually prohibited or restricted.

^b Whilst Japan's base tariff do not appear in its Schedule of Tariff Commitments, Japan's MFN applied tariff rates from 1 January 2014 have been used as base tariffs in this report. Please see the General Note #3 in Annex I of the RCEP Schedule of Tariff Commitments.

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Table 1.6 presents the top five HS Chapters with the largest number of tariff lines fully liberalized from the start by each RCEP member, which includes a total of 12 HS Chapters. Most of these HS Chapters correspond to intermediate and capital goods. HS Chapters that were more frequently cited include: organic chemicals (HS 29); nuclear reactors, boilers, machinery and mechanical appliances (HS 84); and electrical machinery and equipment and parts thereof (HS 85). The concentration of duty-free tariff lines in Year-1 across few sectors is evident in Malaysia; and in the Philippines, as 30.7% and 29.0% of these economies' respective tariff lines belong to only five HS Chapters. On the opposite, Cambodia's top five HS Chapters with the largest numbers of tariff lines only account for 8.5% of the total number of tariff lines fully liberalized at the RCEP date of entry into force.

It is also worth noting that seven of RCEP's liberalization schedules had five or less than five HS Chapters that were fully liberalized upon RCEP's entry into force (Table 1.7), which may suggest that these economies had more sensitivities relative to other RCEP members (whether with RCEP as a whole or with just a particular RCEP member). HS Chapters that were most frequently cited are: ores, slag, and ash (HS 26); pulp of wood or other fibrous cellulosic material (HS 47); and works of art, collectors' pieces, and antiques (HS 97).

Table 1.6: Top 5 HS Chapters with the largest number of tariff lines fully liberalized on RCEP's Year-1, % of total tariff lines

Top	AUS	%	BD	%	KHM	%	PRC^a	%	INA^a	%	JPN^a	%	ROK^a	%
1	84 Machinery and mechanical appliances	8.3	87 Vehicles other than railway	7.1	29 Organic chemicals	2.4	84 Machinery and mechanical appliances	6.1	84 Machinery and mechanical appliances	9.5	84 Machinery and mechanical appliances	6.3	84 Machinery and mechanical appliances	6.3
2	29 Organic chemicals	5.3	84 Machinery and mechanical appliances	6.6	03 Fish and crustaceans	2.2	29 Organic chemicals	4.4	85 Electrical machinery	5.2	29 Organic chemicals	4.0	29 Organic chemicals	4.8
3	85 Electrical machinery	4.7	29 Organic chemicals	4.1	39 Plastics	1.5	85 Electrical machinery	3.5	29 Organic chemicals	2.6	85 Electrical machinery	3.5	85 Electrical machinery	4.7
4	03 Fish and crustaceans	3.1	03 Fish and crustaceans	3.1	72 Iron and steel	1.2	28 Inorganic chemicals	3.3	03 Fish and crustaceans	2.3	72 Iron and steel	3.3	90 Optical instruments	2.7
5	28 Inorganic chemicals	2.7	72 Iron and steel	3.1	52 Cotton	1.1	03 Fish and crustaceans	1.7	90 Optical instruments	2.1	52 Cotton	3.0	28 Inorganic chemicals	2.6
Top 5		24.1		24.0		8.5		19.0		21.7		20.0		21.1
Top	LAO	%	MAS	%	MMR	%	NZ	%	PH^a	%	THA	%	VN^a	%
1	84 Machinery and mechanical appliances	4.6	44 Wood and articles thereof	14.9	84 Machinery and mechanical appliances	6.1	84 Machinery and mechanical appliances	5.1	84 Machinery and mechanical appliances	11.8	84 Machinery and mechanical appliances	10.7	84 Machinery and mechanical appliances	10.3
2	29 Organic chemicals	3.4	84 Machinery and mechanical appliances	5.6	29 Organic chemicals	3.7	29 Organic chemicals	4.5	85 Electrical machinery	7.3	85 Electrical machinery	5.3	85 Electrical machinery	4.9
3	85 Electrical machinery	2.9	29 Organic chemicals	4.1	85 Electrical machinery	2.4	85 Electrical machinery	3.0	29 Organic chemicals	4.2	29 Organic chemicals	4.3	29 Organic chemicals	4.2
4	72 Iron and steel	1.4	85 Electrical machinery	3.4	72 Iron and steel	2.2	03 Fish and crustaceans	2.8	03 Fish and crustaceans	3.1	90 Optical instruments	2.5	90 Optical instruments	2.6
5	90 Optical instruments	1.3	03 Fish and crustaceans	2.8	28 Inorganic chemicals	1.9	48 Paper and paperboard	2.3	90 Optical instruments	2.6	28 Inorganic chemicals	2.1	28 Inorganic chemicals	2.1
Top 5		13.6		30.7		16.4		17.6		29.0		24.9		24.1

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

^a Percentages for China; Indonesia; Japan; Korea; the Philippines; and Viet Nam are averages of their differentiated tariff liberalization schedules.

Table 1.7: RCEP schedules with the fewest numbers of HS chapters fully liberalized on year-1: Top 5 HS Chapters with the highest ratios of duty-free tariff lines fully liberalized on Year-1, % of HS Chapter's total tariff lines

Top	KHM	%	PRC offer to JPN	%	PRC offer to ROK	%	ROK offer to PRC	%
1	23 Residues and waste from the food industries	100.0	47 Pulp of wood or other fibrous cellulosic material	100.0	47 Pulp of wood or other fibrous cellulosic material	100.0	47 Pulp of wood or other fibrous cellulosic material	100.0
2	26 Ores, slag, and ash	100.0	26 Ores, slag, and ash	97.7	53 Other vegetable textile fibres	100.0	48 Paper and paperboard	100.0
3	30 Pharmaceutical products	100.0	88 Aircraft, spacecraft, and parts thereof	94.4	25 Salt	98.9	49 Printed books, newspapers, pictures, and other products of the printing industry	100.0
4	31 Fertilisers	100.0	25 Salt	90.0	26 Ores, slag, and ash	97.7	97 Works of art, collectors' pieces, and antiques	100.0
5	97 Works of art, collectors' pieces, and antiques	100.0	78 Lead and articles thereof	77.8	50 Silk	96.4	72 Iron and steel	99.0
Top	ROK offer to JPN	%	LAO	%	MMR	%		
1	47 Pulp of wood or other fibrous cellulosic material	100.0	45 Cork and articles of cork	85.7	01 Live animals	100.0		
2	48 Paper and paperboard	100.0	86 Railway or tramway locomotives, rolling-stock and parts thereof	83.3	31 Fertilisers	100.0		
3	49 Printed books, newspapers, pictures and other products of the printing industry	100.0	71 Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof	81.5	02 Meat and edible meat offal	97.5		
4	97 Works of art, collectors' pieces, and antiques	100.0	29 Organic chemicals	79.9	26 Ores, slag, and ash	90.0		
5	72 Iron and steel	96.2	63 Other made-up textile articles	67.9	29 Organic chemicals	88.3		

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: KHM (Cambodia); PRC (China); JPN (Japan); ROK (Korea); LAO (Lao PDR); MMR (Myanmar).

Products Subject to a 10-Year-or-Longer Phase Out Full Liberalization Period

Certainly, the complexity of RCEP negotiations in terms of the number of parties, their different development levels and outcome ambitions during the process motivated RCEP parties to find creative ways to address their concerns and reach consensus. Besides having some RCEP members offering differentiated preferential tariff rates based on product origin, another option was to offer long tariff liberalization periods for most of those sensitive products.

While around 63.4% of total tariff lines would be fully liberalized upon RCEP's Year-1 (Table 1.4), 26.0% remains to be fully liberalized across longer periods, particularly in 10 years or more. Figure 1.4 shows that, Singapore aside, between 9.2% to 61.0% of tariff lines are subject to long liberalization periods. These findings show that a significant number of products were sensitive for most RCEP parties during the negotiation process. Only five tariff liberalization schedules — all of the Philippines' offers (except its offer to China) and Singapore's — had less than 10.0% of their tariff lines fully liberalized in 10 years or longer.

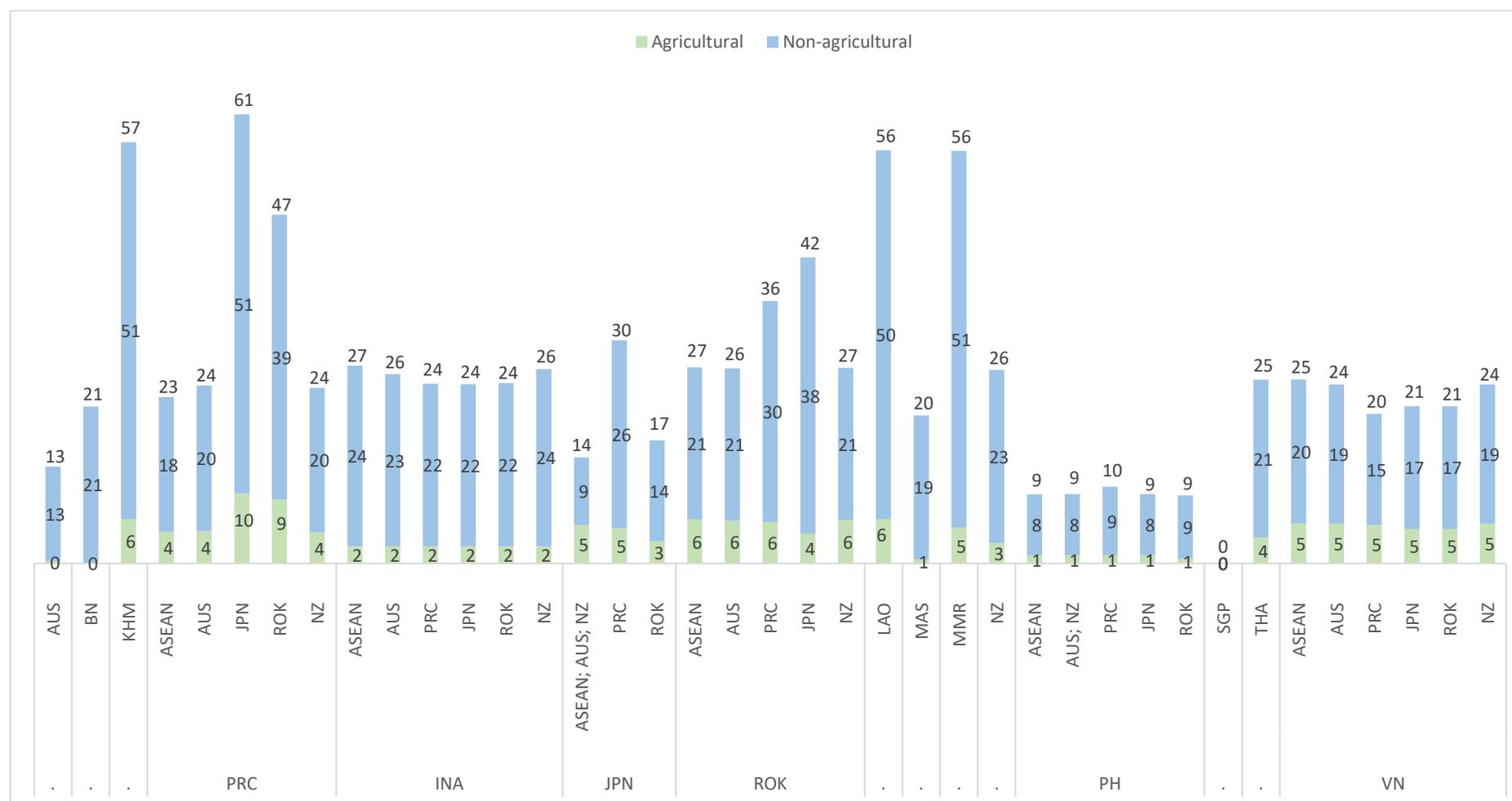
As an inclusive agreement, RCEP actually provides special terms for least developed economies, specifically: Cambodia; Lao PDR; and Myanmar, who have at least 50.0% of tariff lines subject to longer liberalization periods. These parties benefit from extended timeframes (e.g., 15 years for Cambodia compared to 10 for other members) and are required to eliminate tariffs on only 30.0% of trade, which is considerably lower than the up to 65.0% of trade expected of other RCEP members (Suy, 2021).

Strategic competitiveness issues have also motivated the inclusion of several tariff lines under long liberalization periods. Due to competition in several industries, it had not been possible for China; Japan; and Korea to agree on any trilateral trade agreement before RCEP⁸. RCEP, for the first time, brings in China; Japan; and Korea into a regional FTA. This came with significantly large percentages of tariff lines to be liberalized in 10 years or longer offered by each of these parties to the other two, in comparison to the liberalization schedules offered to other RCEP members, such as: ASEAN economies; Australia; and New Zealand. For example, China's offer to Japan; and to Korea would fully liberalize 61.0% and 47.4% of their tariff lines, respectively, in 10 years or longer, whereas offers to other RCEP members included less than 25.0% of the tariff lines under a similar treatment.

Likewise, Korea's offer to Japan; and to China would fully liberalize 41.6% and 35.6% of their tariff lines, respectively, in 10 years or more, but Korea's offers to other RCEP members included less than 27.0% of tariff lines under these long liberalization periods. In the same way, Japan offered 30.3% and 16.7% of its tariff lines under a similar period to China; and to Korea, respectively, while offering the same treatment to only 14.4% of tariff lines for the rest of RCEP partners.

⁸ Pursuing a trilateral FTA among these three economies has been in their agenda for many years. Between 2003 to 2009, a Trilateral Joint Research Project on an FTA among China; Japan; and Korea (CJK FTA) was conducted, followed by a Joint Study Report, which was released on 11 December 2011. The first round of negotiations for an FTA started in March 2013 and 16 rounds of negotiations have taken place since, the latest being in November 2019. For more information, see: https://www.mofa.go.jp/ecm/ep/page23e_000337.html (accessed 17 October 2021).

Figure 1.4: Share of total tariff lines that will be fully liberalized only after 10 years or longer, %



Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

Looking at the type of products subject to long periods to achieve full liberalization, it is unsurprising that a large proportion of these tariff lines is non-agricultural products (22.2% of total tariff lines), as they constitute most of the HS tariff lines. In comparison, only 3.8% of total tariff lines subject to longer liberalization periods are agricultural products.

The data also reveals which RCEP members might face more sensitivities regarding agricultural products. For instance, Cambodia; China; Japan; Korea; Lao PDR; and Viet Nam are those RCEP members with a significant number of agricultural products being liberalized over longer periods. On the opposite, Australia; Brunei Darussalam; Malaysia; and Singapore appeared to have fewer sensitive issues on agricultural products since they agreed to liberalize most or all agricultural products immediately after RCEP is entered into force.

Table 1.8 shows that labor-intensive manufactures and agricultural products and intermediate products are the topmost products with liberalization periods of 10 years or more. Across all RCEP members, the most frequently cited HS chapters with the largest proportion of tariff lines subjected to longer liberalization periods are: preparations of cereals, flour, starch or milk (HS 19); preparations of vegetables, fruits, and nuts (HS 20); soap (HS 34); articles of leather (HS 42); cotton (HS 52); carpets (HS 57); special woven fabrics (HS 58); apparel and clothing, knitted or crocheted (HS 61); apparel and clothing, not knitted and crocheted (HS 62); footwear (HS 64); headgear and parts (HS 65); and feathers and articles thereof (HS 67).

Table 1.8: Top 5 most fully liberalized HS Chapters subject to longer liberalization periods, % of total tariff lines in each HS Chapter

Top	AUS	%	BD	%	KHM	%	PRC^a	%	INA^a	%	JPN^a	%	ROK^a	%
1	62 Apparel and clothing, not knitted and crocheted	61.8	57 Carpets	100.0	67 Feathers and articles thereof	100.0	67 Feathers and articles thereof	80.0	66 Umbrellas, walking sticks, parts thereof	100.0	62 Apparel and clothing, not knitted and crocheted	76.4	45 Cork and articles of cork	100.0
2	57 Carpets	56.8	91 Clocks and watches and parts	96.4	81 Other base metals	100.0	04 Dairy produce, eggs and honey	77.4	69 Ceramic products	72.4	61 Apparel and clothing, knitted or crocheted	73.2	40 Rubber and articles thereof	88.8
3	61 Apparel and clothing, knitted or crocheted	56.7	65 Headgear and parts	87.5	92 Musical instruments	100.0	02 Meat and edible meat offal	76.2	89 Ships	67.9	39 Plastics and articles thereof	66.1	31 Fertilizers	87.9
4	87 Vehicles other than railway	44.0	85 Electrical machinery	83.5	91 Clocks and watches and parts	98.2	19 Preparations of cereals, flour, starch or milk	74.8	92 Musical instruments	65.0	20 Preparations of vegetables, fruits, and nuts	65.7	76 Aluminium and articles thereof	87.0
5	52 Cotton	43.2	44 Wood and articles thereof	76.9	89 Ships	98.1	42 Articles of leather	73.8	65 Headgear and parts	60.0	42 Articles of leather	54.2	83 Articles of base metal	86.8
Top	LAO	%	MAS	%	MMR^b	%	NZ	%	PH^a	%	THA	%	VN^a	%
1	14 Vegetable plaiting materials	100.0	46 Manufactures of straw and other plaiting materials	100.0	35 Albuminoidal substances	100.0	94 Furniture, not elsewhere specified	68.8	93 Arms and ammunition	100.0	57 Carpets	100.0	19 Preparations of cereals, flour, starch or milk	92.3
2	57 Carpets	100.0	52 Cotton	96.9	43 Furskins and artificial fur	100.0	19 Preparations of cereals, flour, starch or milk	65.5	63 Other textiles	54.3	64 Footwear	92.9	20 Preparations of vegetables, fruits, and nuts	87.3
3	60 Knitted or crocheted fabrics	100.0	60 Knitted or crocheted fabrics	83.7	45 Cork and articles of cork	100.0	67 Feathers and articles thereof	62.5	72 Iron and steel	41.7	50 Silk	91.7	21 Miscellaneous edible preparations	80.5
4	59 Textile articles of a kind suitable for industrial use	97.6	58 Special woven fabrics	80.6	46 Manufactures of straw and other plaiting materials	100.0	34 Soap	59.3	64 Footwear	41.0	42 Articles of leather	90.2	34 Soap	72.3
5	58 Special woven fabrics	97.4	55 Man-made staple fibres	79.3	50 Silk	100.0	61 Apparel and clothing, knitted or crocheted	58.4	73 Articles of iron and steel	34.0	22 Beverages, spirits, and vinegar	83.6	42 Articles of leather	70.7

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

^a Percentages for China; Indonesia; Japan; Korea; the Philippines; and Viet Nam are averages of their differentiated tariff liberalization schedules.

^b Myanmar had eight HS Chapters completely subject to longer liberalization periods. The other three not listed in the table includes: carpets (HS 57); feathers and articles thereof (HS 67); and clocks and watches and parts (HS 91).

Partial Liberalization

Not all sensitive market access issues in RCEP were resolved by including long liberalization periods. It was necessary to add a category of products under partial liberalization, which included particular tariff lines that an economy has decided not to fully liberalize based on strategic interests or other circumstances. Table 1.9 shows that: (1) the number of tariff lines under partial liberalization was small for most cases⁹; and (2) some RCEP tariff liberalization schedules did not include any goods under partial liberalization (i.e., Cambodia; Japan's offer to China; Korea's offer to Japan; Lao PDR; Myanmar; and Singapore). Overall, around 3.1% of total tariff lines negotiated in RCEP are partially liberalized. An expanded version of Table 1.9 and of Table 1.10 can be found in Appendix Table 3.

Table 1.9: Number of tariff lines subject to partial liberalization, % of total tariff lines

Economy		All Products	
		#	%
Australia		2	0.0
Brunei Darussalam		80	0.8
Cambodia		0	0.0
China	Max (New Zealand)	468	5.7
	Min (Japan)	30	0.4
Indonesia	Max (ASEAN)	390	3.9
	Min (China)	283	2.8
Japan	Max (ASEAN; Australia; New Zealand)	56	0.6
	Min (China)	0	0.0
Korea	Max (ASEAN)	511	4.2
	Min (Japan)	0	0.0
Lao PDR		0	0.0
Malaysia		253	2.7
Myanmar		0	0.0
New Zealand		436	5.8
The Philippines	Max (ASEAN; Australia; New Zealand; Japan; Korea)	649	6.7
	Min (China)	642	6.7
Singapore		0	0.0
Thailand		115	1.2
Viet Nam	Max (Japan; Korea)	540	5.6
	Min (ASEAN)	267	2.8
RCEP Aggregate		11,768	3.1

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

The sensitive nature of the RCEP negotiation process also reflects in the long timeframes to undertake partial liberalization. For some goods, market access conditions gradually improve during a 35-year period without achieving full liberalization. For example, Korea has agreed to reduce tariffs for some products from China only gradually from Year 15 to Year 35 without achieving full liberalization. The duration of the tariff reduction and the starting year of reduction could also vary depending on the origin of the goods. In fact, some of those products in the previous example, originating from Australia, are gradually liberalized by Korea from Year 1 to Year 20 without reaching duty-free status. Such variation in the treatment given to

⁹ The Philippines is the RCEP member with the largest proportion of tariff lines under partial liberalization (6.7% of its tariff lines offered to all parties).

the same good, but from different origin within RCEP, may make it harder for traders to comprehend the tariff commitments of different RCEP members.

Table 1.10 shows that most of these affected tariff lines are actually non-agricultural products. In fact, the ratio between non-agricultural and agricultural is quite high at 5.4:1. Examples of non-agricultural products with the highest average ratio of tariff lines subject to partial liberalization include: cotton (HS 52); man-made staple fibres (HS 55); ceramic products (HS 69); and vehicles other than railway or tramway rolling-stock (HS 87).

Partial liberalization has been implemented by RCEP members following different approaches, such as: (1) reducing the ad valorem duty from base rate to a certain point and remains at that level; (2) reducing the ad valorem part of the duty while the non-ad valorem component remains unchanged; and (3) reducing both the ad valorem and the non-ad valorem parts of the duty.

Table 1.10: Comparison of the number of agricultural and non-agricultural tariff lines subject to partial liberalization, % of product group's total tariff lines

Economy		Agricultural		Non-Agricultural	
		#	%	#	%
Australia		0	0.0	2	0.0
Brunei Darussalam		16	1.2	64	0.7
Cambodia		0	0.0	0	0.0
China	Max (New Zealand)	26	2.2	442	6.2
	Min (Japan)	0	0.0	30	0.4
Indonesia	Max (ASEAN)	25	1.9	365	4.2
	Min (China)	25	1.9	258	3.0
Japan	Max (ASEAN; Australia; New Zealand)	23	1.2	33	0.4
	Min (China)	0	0.0	0	0.0
Korea	Max (ASEAN)	159	9.3	352	3.3
	Min (Japan)	0	0.0	0	0.0
Lao PDR		0	0.0	0	0.0
Malaysia		11	0.9	242	3.0
Myanmar		0	0.0	0	0.0
New Zealand		18	1.7	418	6.5
The Philippines	Max (ASEAN; Australia; Korea; New Zealand; Japan; Korea)	133	10.7	516	6.2
	Min (China)	126	10.1	516	6.2
Singapore		0	0.0	0	0.0
Thailand		16	1.2	99	1.2
Viet Nam	Max (Japan; Korea)	100	7.7	440	5.3
	Min (ASEAN)	56	4.3	211	2.6
RCEP Aggregate		1,838	3.5	9,930	3.1

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Exclusions

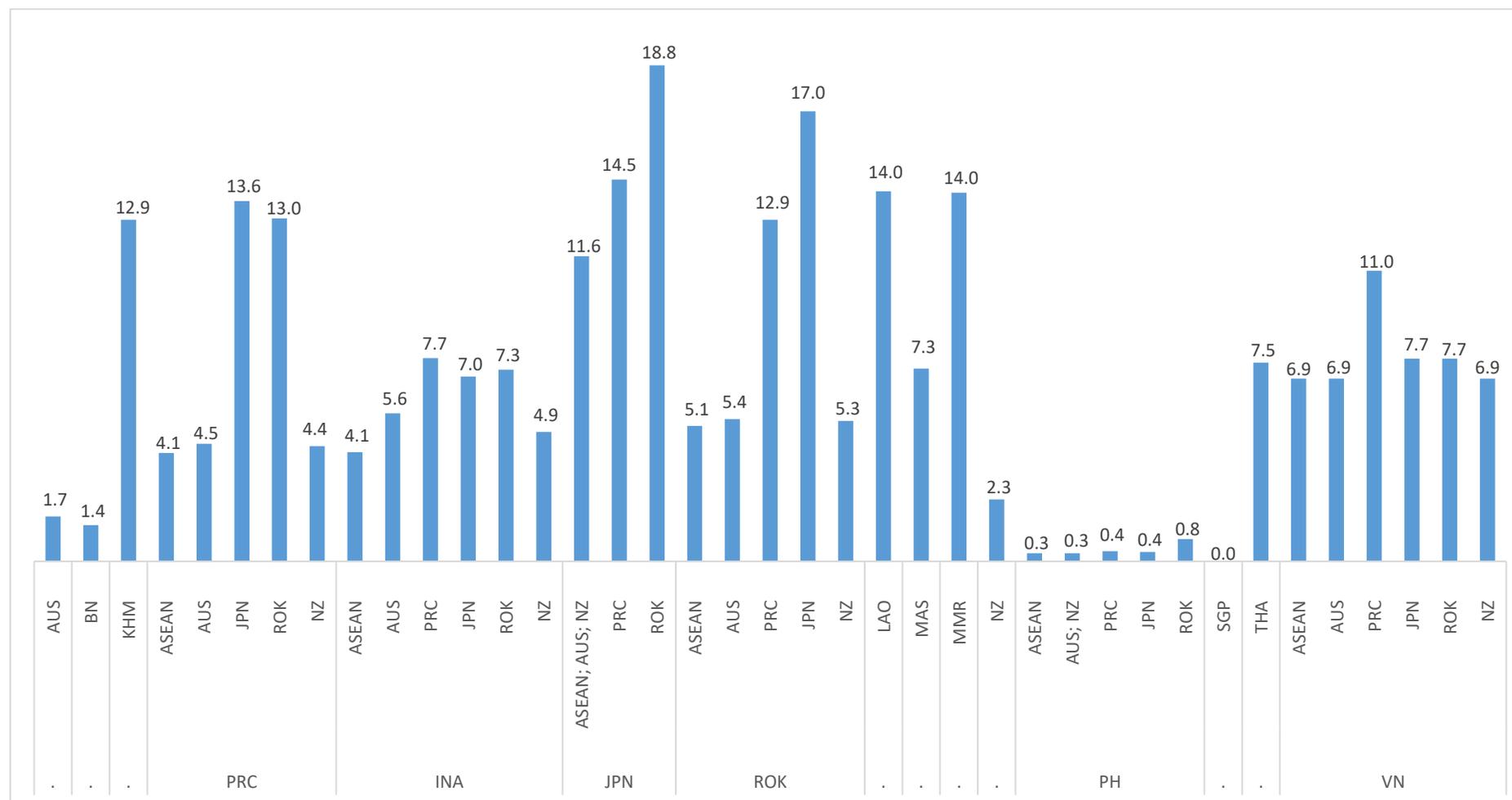
In some cases, sensitive issues could not be resolved during the negotiation process, thereby resulting in the exclusion of some tariff lines from the RCEP tariff liberalization schedules. In RCEP, around 7.2% of total tariff lines have been excluded.

Figure 1.5 also shows that the percentage of excluded tariff lines varies across RCEP economies. Among those that excluded more than 10.0% of total tariff lines are: Cambodia

(12.9%); China (13.0% and 13.6% offered to Korea; and to Japan, respectively); Japan (at least 11.6%); Korea (12.9% and 17.0% offered to China; and to Japan, respectively); Lao PDR (14.0%); Myanmar (14.0%); and Viet Nam (11.0% offered to China). In contrast, Singapore did not exclude any goods, and the percentage of tariff lines with no trade concessions was significantly low for the Philippines (less than 1.0%); Brunei Darussalam (1.4%); Australia (1.7%); and New Zealand (2.3%). Appendix Table 4 provides expanded data on Figure 1.5.

Among the types of products mostly excluded from the RCEP liberalization process, the HS Chapters with the highest shares of exclusion include agricultural products (e.g., dairy produce, eggs and honey (HS 04); and beverages, spirits, and vinegar (HS 22)), labor-intensive manufactures (e.g., footwear (HS 64)), products in strategic sectors (e.g., vehicles other than railway or tramway rolling-stock (HS 87)), and products with negative externalities (e.g., tobacco and manufactured tobacco substitutes (HS 24)). Table 1.11 provides the list of top five most excluded HS Chapters per economy. In some RCEP members, the percentage of excluded tariff lines in certain HS Chapters is very high.

Figure 1.5: Percentage of total tariff lines excluded from any form of tariff liberalization, %



Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

Table 1.11: Top 5 most excluded HS Chapters, % of total tariff lines in each HS Chapter

Top	AUS	%	BD	%	KHM	%	PRC^a	%	INA^a	%	JPN^a	%	ROK^a	%
1	87 Vehicles other than railway	11.9	93 Arms and ammunition	100.0	33 Essential oils and resinoids	45.2	24 Tobacco	100.0	22 Beverage, spirits, and vinegar	78.9	19 Preparations of cereals, flour, starch, or milk	96.7	04 Dairy produce, eggs and honey	82.3
2	76 Aluminium and articles thereof	11.4	22 Beverage, spirits, and vinegar	76.4	19 Preparations of cereals, flour, starch or milk	42.9	48 Paper and paperboard	92.2	24 Tobacco	58.1	04 Dairy produce, eggs, and honey	96.4	11 Products of milling industry	80.9
3	83 Articles of base metal	11.1	64 Footwear	50.0	66 Umbrellas, walking sticks, parts thereof	42.9	17 Sugars	51.6	72 Iron and steel	42.7	17 Sugars	79.7	07 Edible vegetables	56.6
4	39 Plastics and articles thereof	10.0	21 Miscellaneous edible preparation	13.2	94 Furniture	42.7	15 Animal or vegetable fats and oils	51.4	73 Articles of iron or steel	36.8	11 Products of the milling industry	79.4	08 Edible fruit and nuts	56.0
5	73 Articles of iron or steel	6.3	94 Furniture	12.4	21 Miscellaneous edible preparation	39.6	10 Cereals	44.4	33 Essential oils and resinoids	22.7	18 Cocoa and cocoa preparations	75.6	02 Meat and edible meat offal	54.9
Top	LAO	%	MAS	%	MMR	%	NZ	%	PH^a	%	THA	%	VN^a	%
1	02 Meat and edible meat offal	100.0	24 Tobacco	100.0	16 Preparations of meat, fish, or crustaceans	100.0	89 Ships	22.9	15 Animal or vegetable fats and oils	6.0	24 Tobacco	100.0	24 Tobacco	100.0
2	20 Preparations of vegetables, fruit, nuts or other parts of plants	100.0	93 Arms and ammunition	90.9	18 Cocoa and cocoa preparations	100.0	42 Articles of leather	15.6	87 Vehicles other than railway	5.4	04 Dairy produce, eggs and honey	79.6	93 Arms and ammunition	100.0
3	93 Arms and ammunition	100.0	22 Beverage, spirits and vinegar	83.3	20 Preparation of vegetables, fruit, nuts, or other parts of plants	100.0	21 Miscellaneous edible preparation	15.4	07 Edible vegetables and certain roots and tubers	1.5	87 Vehicles other than railway	70.4	87 Vehicles other than railway	64.1
4	22 Beverage, spirits, and vinegar	90.9	76 Aluminium and articles thereof	72.1	24 Tobacco	100.0	63 Other textiles	13.6	35 Albuminoidal substances	1.0	02 Meat and edible meat offal	53.8	27 Mineral oils and fuels	49.4
5	88 Aircraft	90.9	72 Iron and steel	44.5	36 Explosives	100.0	66 Umbrellas, walking sticks, parts thereof	12.5	39 Plastics and articles thereof	0.4	09 Coffee, tea, mate and spices	38.7	22 Beverage, spirits, and vinegar	43.6
					93 Arm and ammunition	100.0								

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BD (Brunei Darussalam); KHM (Cambodia); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MMR (Myanmar); NZ (New Zealand); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam).

^a Percentages for China; Indonesia; Japan; Korea; the Philippines; and Viet Nam are averages of their differentiated tariff liberalization schedules.

2. COMPARING THE EXTENT OF TARIFF LIBERALIZATION WITHIN THE CPTPP AND RCEP

2.1 INTRODUCTION

Both the CPTPP and RCEP are important mega-FTAs showing progress in trade liberalization in the Asia-Pacific region, in comparison to a scenario with none of them being in force. While CPTPP was driven by individual economies seeking to achieve an FTA with high standards and comprehensive market access, the RCEP negotiations were institutionally-driven by ASEAN in order to facilitate the participation of larger partner economies (Petri and Dollar, 2020). The differences in the nature of CPTPP and RCEP have influenced the depth of their tariff liberalization schedules.

Table 2.1 provides an overview between the CPTPP and RCEP. Compared to the CPTPP, RCEP is a more complex agreement not just because of a larger number of members but also because of the multiple liberalization schedules. In the CPTPP, there is only one tariff liberalization schedule per member offered to the rest of CPTPP parties, whereas six RCEP members have more than one tariff liberalization schedule.

Table 2.1: Overview between the CPTPP and RCEP

Indicator	CPTPP	RCEP
Date signed	08 March 2018	15 November 2020
Date of entry into force (earliest)	30 December 2018	01 January 2022
Number of parties at date of signing	11	15
Number of tariff liberalization schedules	11	39
Average base tariff (%), all products	Min: 0.0 (SGP) Max: 11.4 (VN)	Min: 0.0 (SGP) Max: 13.5 (ROK)
Agricultural products	Min: 0.0 (SGP) Max: 22.4 (MEX)	Min: 0.0 (SGP) Max: 56.1 (ROK)
Non-agricultural products	Min: 0.0 (SGP) Max: 10.3 (VN)	Min: 0.0 (SGP) Max: 11.5 (KHM)
Number of staging categories, all products	Total: 194 Min: 1 (SGP) Max: 63 (JPN)	Tariff lines not associated to explicit staging categories
Agricultural products	Min: 1 (SGP) Max: 60 (JPN)	Tariff lines not associated to explicit staging categories
Non-agricultural products	Min: 1 (SGP) Max: 27 (VN)	Tariff lines not associated to explicit staging categories
Number of HS chapters offered duty-free across all members upon entry into force	10	0

Source: Kuriyama et al. (2019); RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BN (Brunei Darussalam); KHM (Cambodia); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MEX (Mexico); MMR (Myanmar); NZ (New Zealand); SGP (Singapore); THA (Thailand); VN (Viet Nam).

The range of average base tariffs for all products in both RCEP and the CPTPP is relatively close, but there is a considerable difference in the ranges observed for their agricultural products. In particular, RCEP reported a high of 56.1% from Korea, which is more than double the CPTPP's high of 22.4% from Mexico. Another key difference between the CPTPP and RCEP is that the latter has no explicit staging categories and it does not fully liberalize any

single HS Chapter upon entry into force — unlike the CPTPP that immediately liberalized 10 HS Chapters.

2.2 COMPARING THE CPTPP AND RCEP

The time length of the tariff liberalization schedules is different between RCEP and the CPTPP. Generally, the maximum period granted to reduce preferential tariff rates to duty-free level is longer in RCEP than in the CPTPP (Table 2.2). While in the CPTPP, the range is between 4 and 21 years, RCEP members' longest liberalization periods range between 15 and 21 years.¹⁰ Among the APEC member economies which are signatories to both trade agreements, Australia; Brunei Darussalam; Malaysia; and New Zealand offer liberalization periods substantially shorter in the CPTPP. For Viet Nam, the longest liberalization period is slightly longer in the CPTPP.

Table 2.2: Longest full liberalization periods by APEC members in the CPTPP and RCEP

Economy	CPTPP (Years)	RCEP (Years)
Australia	4	20
Brunei Darussalam	11	20
Canada	12	Not applicable
Chile	8	Not applicable
China	Not applicable	21
Indonesia	Not applicable	20
Japan	21	21
Korea	Not applicable	20
Malaysia	16	20
Mexico	16	Not applicable
New Zealand	7	15
Peru	16	Not applicable
The Philippines	Not applicable	20
Singapore	0	0
Thailand	Not applicable	20
Viet Nam	21	20

Source: CPTPP and RCEP legal texts, APEC PSU staff calculations.

Table 2.3 would show that a larger proportion of tariff lines in the CPTPP is already duty-free at base tariff (i.e., 54.1% compared to RCEP's 22.9%). This initial gap of 31.2 percentage points is narrowing to just 22.7 percentage points upon both mega-FTAs' entry into force.

Compared to the CPTPP (5.7%), RCEP members included a larger percentage of their tariff lines subject to liberalization periods of 10 years or more (26.0%). In fact, 30 out of 39 RCEP liberalization schedules had more than 19.6% of its total tariff lines under longer liberalization periods. Incidentally, the CPTPP's highest percentage was from Mexico's schedule at 19.6%.

RCEP has considerably more goods under partial liberalization and exclusion compared to the CPTPP — possibly a result of RCEP's more contrasting development levels among their partners. Specifically, 3.1% of RCEP's total tariff lines are partially liberalized, which is 2.2 percentage points higher than the CPTPP's. Similarly, the percentage of total tariff lines excluded from tariff liberalization in RCEP is quite high compared to the CPTPP. In aggregate terms, around 7.2% of the tariff lines in RCEP are excluded, compared to the 0.4% of the tariff lines in the CPTPP. Interestingly, only Chile; Japan; and Mexico had exclusions in the CPTPP,

¹⁰ The ranges for the CPTPP and RCEP do not consider Singapore's tariff liberalization schedules, which offer full preferential treatment to all goods from the date of entry into force of those agreements.

whereas all RCEP economies, except for Singapore, had at least one excluded tariff line. Moreover, the CPTPP's maximum percentage of excluded tariff lines in any schedule (3.2%) is lower compared to the percentages in 30 out of 39 RCEP liberalization schedules.

Table 2.3: Comparative indicators between the CPTPP and the RCEP's market commitments

Indicator	Product Group	CPTPP	RCEP
Tariff lines that are already duty-free at base tariff (% of total product group lines)	All products	Aggregate: 54.1 Min: 0.4 (CHL) Max: 99.9 (SGP)	Aggregate: 22.9 Min: 0.0 (LAO) Max: 100.0 (SGP)
	Agricultural Products	Aggregate: 45.9 Min: 0.0 (CHL) Max: 99.5 (SGP)	Aggregate: 17.3 Min: 0.0 (LAO) Max: 100.0 (SGP)
	Non-Agricultural Products	Aggregate: 55.5 Min: 0.5 (CHL) Max: 100.0 (SGP)	Aggregate: 23.8 Min: 0.0 (LAO) Max: 100.0 (SGP)
Tariff lines immediately duty-free upon entry into force (% of total product group lines)	All products	Aggregate: 86.1 Min: 64.8 (VN) Max: 100.0 (SGP)	Aggregate: 63.4 Min: 25.0 (PRC to JPN) Max: 100.0 (SGP)
	Agricultural Products	Aggregate: 77.8 Min: 30.4 (VN) Max: 100.0 (SGP)	Aggregate: 52.9 Min: 12.1 (LAO) Max: 100.0 (SGP)
	Non-Agricultural Products	Aggregate: 87.5 Min: 70.1 (VN) Max: 100.0 (SGP)	Aggregate: 65.1 Min: 26.5 (PRC to JPN) Max: 100.0 (SGP)
Tariff lines subject to longer liberalization of 10 years or more (% of total product group lines)	All products	Aggregate: 5.7 Min: 0.0 (AUS; CHL; NZ; SGP) Max: 19.6 (MEX)	Aggregate: 26.0 Min: 0.0 (SGP) Max: 61.0 (PRC to JPN)
	Agricultural Products	Aggregate: 6.3 Min: 0.0 (AUS; CHL; NZ; SGP) Max: 15.6 (VN)	Aggregate: 26.8 Min: 0.0 (SGP) Max: 68.3 (PRC to JPN)
	Non-Agricultural Products	Aggregate: 5.6 Min: 0.0 (AUS; BD; CHL; NZ; SGP) Max: 20.6 (MEX)	Aggregate: 25.9 Min: 0.0 (SGP) Max: 59.9 (MMR)
Tariff lines subject to partial liberalization (% of total product group lines)	All products	Aggregate: 0.9 Min: 0.1 (AUS; MAS) Max: 3.8 (JPN)	Aggregate: 3.1 Min: 0.0 (KHM; JPN to PRC; ROK to JPN; LAO; MMR; SGP) Max: 6.7 (PH to all, except PRC)
	Agricultural Products	Aggregate: 4.4 Min: 0.0 (AUS; NZ) Max: 17.2 (JPN)	Aggregate: 3.5 Min: 0.0 (AUS; KHM; PRC to JPN; JPN to PRC; JPN to ROK; ROK to JPN; LAO; MMR; SGP) Max: 10.7 (PH to all, except PRC)
	Non-Agricultural Products	Aggregate: 0.3 Min: 0.0 (CDA; CHL; JPN; MAS; PE) Max: 2.3 (VN)	Aggregate: 3.1 Min: 0.0 (KHM; JPN to PRC; ROK to JPN; LAO; MMR; SGP) Max: 6.5 (NZ)
Tariff lines that are excluded (% of total product group lines)	All products	Aggregate: 0.4 Min: 0.0 (all except CHL; JPN; MEX) Max: 3.2 (JPN)	Aggregate: 7.2 Min: 0.0 (SGP) Max: 18.8 (JPN to ROK)
	Agricultural Products	Aggregate: 2.4 Min: 0.0 (all, except CHL; JPN; MEX) Max: 2.6 (JPN)	Aggregate: 16.8 Min: 0.0 (PH to ASEAN; PH to AUS and NZ; PH to JPN; SGP) Max: 52.3 (ROK to JPN)
	Non-Agricultural Products	Aggregate: 0.1 Min: 0.0 (all except JPN) Max: 0.5 (JPN)	Aggregate: 5.7 Min: 0.0 (SGP) Max: 13.3 (PRC to JPN)

Source: Kuriyama et al. (2019); CPTPP legal text; RCEP legal text, Annex I; APEC PSU staff calculations.

Note: AUS (Australia); BN (Brunei Darussalam); KHM (Cambodia); CDA (Canada); CHL (Chile); PRC (China); INA (Indonesia); JPN (Japan); ROK (Korea); LAO (Lao PDR); MAS (Malaysia); MEX (Mexico); MMR (Myanmar); NZ (New Zealand); PE (Peru); PH (the Philippines); SGP (Singapore); THA (Thailand); VN (Viet Nam)

Finally, most of the exclusions and products under partial liberalization in the CPTPP concern agricultural products (973 tariff lines or 74.6% of affected tariff lines). In fact, the number of non-agricultural tariff lines under those conditions are less in the CPTPP (331 tariff lines or 25.4% of affected tariff lines). On the contrary, RCEP includes a significant number of non-agricultural products excluded or subjected to partial liberalization conditions (28,259 tariff lines or 72.5% of affected tariff lines), whereas affected agricultural tariff lines are less (10,743 tariff lines or 27.5% of affected tariff lines). This might suggest that economies in the CPTPP and in RCEP differ on which product group they consider as more sensitive.

Despite the differences between RCEP and CPTPP, from the tariff liberalization perspective, both agreements are remarkable as they will fully liberalize a significant percentage of tariff lines. In the long term, 98.9% of the tariff lines will eventually be fully liberalized under CPTPP, while 89.7% of the RCEP tariff lines will enjoy full liberalization after 21 years.

3. FINAL REMARKS

Some of the key observations of the analysis of the RCEP tariff liberalization commitments are as follows:

RCEP's meaningful tariff liberalization is one reason that makes it a step forward for APEC to realize the much larger FTAAP. Both the CPTPP and RCEP are important pathways for this goal because they strengthen economic links among their members (e.g., increased market access and greater economic integration across the region) and represent important instruments to build up trust among economies. In fact, RCEP is arguably the largest regional FTA in history, with its members accounting for 30.0% of global population, 30.0% of global GDP, and nearly 28.8% of global trade (Thangavelu et al., 2021). RCEP is expected to create enormous potential for trade as it includes important trade flows that had not benefitted from preferential trade liberalization via previous RTAs/FTAs. The FTAAP envisions to integrate trade among the 21 member economies of APEC and, thus far, RCEP has already increased the link among 12 member economies, whereas the CPTPP has linked 11 member economies. These two agreements collectively demonstrate the region's commitment to liberalizing trade and create fertile ground for greater regional integration towards an eventual FTAAP.

RCEP's negotiation process faced numerous challenges (Ho, 2020; Rolli et al., 2022), primarily because of the number of parties involved, with differences in their levels of development and outcome ambition. To accommodate the needs of all RCEP members, a reasonable level of ambition was achieved by having exclusions, goods under partial liberalization, and long liberalization periods. Creative solutions are also found in RCEP to address specific concerns of parties, such as the multiple liberalization schedules that could be costlier to manage. In fact, 30 out of 39 RCEP tariff liberalization schedules included more than 19.6% of their tariff lines achieving full liberalization status in 10 years or more, which could imply, for some parties, a relatively slower liberalization in RCEP than in other RTAs/FTAs. That being said, the degree of trade liberalization agreed in RCEP is still remarkable since 63.4% of total tariff lines will enjoy a duty-free status upon RCEP's entry into force, and a total of 338,395 tariff lines or 89.7% of total tariff lines would become fully liberalized under RCEP by Year-21 — this percentage is quite meaningful considering the size and value of RCEP.

Interestingly, RCEP appeared to be more sensitive towards non-agricultural products compared to the CPTPP, which was more sensitive to agricultural products. A comparison of these FTAs revealed that 72.5% of tariff lines under partial liberalization and exclusion in RCEP were actually non-agricultural products.

Some categories of goods in RCEP are experiencing a relatively fast liberalization. In particular, capital goods (e.g., machinery), intermediate goods (e.g., chemicals), and raw materials (e.g., nickel) will experience faster liberalization; whereas labor-intensive products (e.g., textiles and wearing apparel), agricultural goods, and vehicles will face slower liberalization or even partial liberalization and exclusions.

APPENDIX: EXPANDED TABLES**Appendix Table 1: Number and percentage of HS Chapters fully liberalized on RCEP's Year-1**

Economy		From Year-1	
		#	%
Australia		30	31.3
Brunei Darussalam		64	66.0
Cambodia		5	5.2
China	ASEAN	12	12.5
	Australia	9	9.4
	Japan	1	1.0
	Korea	2	2.1
	New Zealand	9	9.4
Indonesia	ASEAN	21	21.9
	Australia	21	21.9
	China	21	21.9
	Japan	21	21.9
	Korea	21	21.9
	New Zealand	21	21.9
Japan	ASEAN; Australia; New Zealand	34	35.4
	China	17	17.7
	Korea	28	29.2
Korea	ASEAN	15	15.6
	Australia	15	15.6
	China	4	4.2
	Japan	4	4.2
	New Zealand	15	15.6
Lao PDR		0	0.0
Malaysia		24	24.7
Myanmar		2	2.1
New Zealand		20	20.8
The Philippines	ASEAN	41	42.7
	Australia; New Zealand	41	42.7
	China	41	42.7
	Japan	40	41.7
	Korea	38	39.6
Singapore		96	100.0
Thailand		27	28.1
Viet Nam	ASEAN	21	21.9
	Australia	21	21.9
	China	21	21.9
	Japan	21	21.9
	Korea	21	21.9
	New Zealand	21	21.9

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Appendix Table 2: Base tariff vis-à-vis duty-free on RCEP's entry into force

Economy		% share of product group's total tariff lines					
		All Products		Agricultural		Non-Agricultural	
		Base Tariff = 0.0%	Duty- free on Day-1	Base Tariff = 0.0%	Duty- free on Day-1	Base Tariff = 0.0%	Duty- free on Day-1
Australia		47.6	75.3	73.4	90.3	43.6	73.0
Brunei Darussalam		76.9	76.5	97.8	94.3	73.8	73.8
Cambodia		13.5	29.9	12.3	43.9	13.7	27.7
China	ASEAN	8.4	67.9	7.9	60.2	8.5	69.2
	Australia	8.4	65.8	7.9	57.9	8.5	67.1
	Japan	8.4	25.0	7.9	16.0	8.5	26.5
	Korea	8.4	38.6	7.9	23.3	8.5	41.1
	New Zealand	8.4	66.1	7.9	60.0	8.5	67.1
Indonesia	ASEAN	12.5	65.1	9.2	73.5	13.0	63.9
	Australia	12.5	65.1	9.2	73.5	13.0	63.8
	China	12.5	65.1	9.2	73.5	13.0	63.8
	Japan	12.5	65.1	9.2	73.5	13.0	63.9
	Korea	12.5	65.0	9.2	73.5	13.0	63.7
	New Zealand	12.5	65.1	9.2	73.5	13.0	63.8
Japan ^a	ASEAN; Australia; New Zealand	40.5	73.4	25.8	33.7	44.1	83.9
	China	40.5	55.2	25.8	33.7	44.1	60.9
	Korea	40.5	63.9	25.8	33.7	44.1	71.9
Korea	ASEAN	16.0	64.1	5.5	22.4	17.7	70.8
	Australia	16.0	64.0	5.5	22.2	17.7	70.8
	China	16.0	50.4	5.5	20.0	17.7	55.3
	Japan	16.0	41.4	5.5	18.9	17.7	45.1
	New Zealand	16.0	64.0	5.5	22.3	17.7	70.8
Lao PDR		0.0	29.9	0.0	12.1	0.0	32.7
Malaysia		64.6	69.9	71.3	85.1	63.6	67.6
Myanmar		4.2	30.0	10.8	35.1	3.1	29.2
New Zealand		58.3	65.2	64.9	75.8	57.3	63.4
The Philippines	ASEAN	5.0	83.0	0.2	80.7	5.7	83.3
	Australia; New Zealand	5.0	82.9	0.2	80.7	5.7	83.3
	China	5.0	81.9	0.2	80.7	5.7	82.1
	Japan	5.0	82.9	0.2	80.7	5.7	83.3
	Korea	5.0	82.6	0.2	80.7	5.7	82.9
Singapore		100.0	100.0	100.0	100.0	100.0	100.0
Thailand		17.7	66.3	4.2	54.1	19.8	68.2
Viet Nam	ASEAN	31.4	65.3	13.2	50.3	34.2	67.6
	Australia	31.4	65.3	13.2	50.3	34.2	67.6
	China	31.4	65.3	13.2	50.3	34.2	67.6
	Japan	31.4	65.3	13.2	50.3	34.2	67.6
	Korea	31.4	65.3	13.2	50.3	34.2	67.6
	New Zealand	31.4	65.3	13.2	50.3	34.2	67.6
RCEP Aggregate		22.9	63.4	17.3	52.9	23.8	65.1

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

^a Whilst Japan's base tariff do not appear in its Schedule of Tariff Commitments, Japan's MFN applied tariff rates from 1 January 2014 have been used as base tariffs in this report. Please see the General Note #3 in Annex I of the RCEP Schedule of Tariff Commitments.

Appendix Table 3: Number of tariff lines subject to partial liberalization

Economy		% share of product group's total tariff lines					
		All Products		Agricultural		Non-Agricultural	
		#	%	#	%	#	%
Australia		2	0.0	0	0.0	2	0.0
Brunei Darussalam		80	0.8	16	1.2	64	0.7
Cambodia		0	0.0	0	0.0	0	0.0
China	ASEAN	446	5.4	17	1.5	429	6.0
	Australia	460	5.6	26	2.2	434	6.1
	Japan	30	0.4	0	0.0	30	0.4
	Korea	84	1.0	11	1.0	73	1.0
	New Zealand	468	5.7	26	2.2	442	6.2
Indonesia	ASEAN	390	3.9	25	1.9	365	4.2
	Australia	360	3.6	25	1.9	335	3.9
	China	283	2.8	25	1.9	258	3.0
	Japan	352	3.5	25	1.9	327	3.8
	Korea	326	3.3	25	1.9	301	3.5
	New Zealand	360	3.6	25	1.9	335	3.9
Japan	ASEAN; Australia; New Zealand	56	0.6	23	1.2	33	0.4
	China	0	0.0	0	0.0	0	0.0
	Korea	52	0.6	0	0.0	52	0.7
Korea	ASEAN	511	4.2	159	9.3	352	3.3
	Australia	501	4.1	151	8.8	350	3.3
	China	131	1.1	3	0.2	128	1.2
	Japan	0	0.0	0	0.0	0	0.0
	New Zealand	501	4.1	151	8.8	350	3.3
Lao PDR		0	0.0	0	0.0	0	0.0
Malaysia		253	2.7	11	0.9	242	3.0
Myanmar		0	0.0	0	0.0	0	0.0
New Zealand		436	5.8	18	1.7	418	6.5
The Philippines	ASEAN	649	6.7	133	10.7	516	6.2
	Australia; New Zealand	649	6.7	133	10.7	516	6.2
	China	642	6.7	126	10.1	516	6.2
	Japan	649	6.7	133	10.7	516	6.2
	Korea	649	6.7	133	10.7	516	6.2
Singapore		0	0.0	0	0.0	0	0.0
Thailand		115	1.2	16	1.2	99	1.2
Viet Nam	ASEAN	267	2.8	56	4.3	211	2.6
	Australia	332	3.5	63	4.9	269	3.3
	China	322	3.4	20	1.5	302	3.7
	Japan	540	5.6	100	7.7	440	5.3
	Korea	540	5.6	100	7.7	440	5.3
	New Zealand	332	3.5	63	4.9	269	3.3
RCEP Aggregate		11,768	3.1	1,838	3.5	9,930	3.1

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

Appendix Table 4: Number of excluded tariff lines

Economy		% share of product group's total tariff lines					
		All Products		Agricultural		Non-Agricultural	
		#	%	#	%	#	%
Australia		105	1.7	4	0.5	101	1.9
Brunei Darussalam		136	1.4	51	4.0	85	1.0
Cambodia		1,236	12.9	148	11.5	1,088	13.2
China	ASEAN	340	4.1	89	7.7	251	3.5
	Australia	369	4.5	97	8.4	272	3.8
	Japan	1,129	13.6	182	15.7	947	13.3
	Korea	1,075	13.0	158	13.7	917	12.9
	New Zealand	361	4.4	89	7.7	272	3.8
Indonesia	ASEAN	414	4.1	89	6.8	325	3.7
	Australia	561	5.6	94	7.2	467	5.4
	China	770	7.7	90	6.9	680	7.8
	Japan	701	7.0	89	6.8	612	7.0
	Korea	727	7.3	89	6.8	638	7.3
	New Zealand	491	4.9	90	6.9	401	4.6
Japan	ASEAN; Australia; New Zealand	1,084	11.6	782	40.0	302	4.1
	China	1,356	14.5	850	43.5	506	6.8
	Korea	1,762	18.8	1,011	51.7	751	10.1
Korea	ASEAN	628	5.1	441	25.7	187	1.8
	Australia	660	5.4	471	27.4	189	1.8
	China	1,584	12.9	683	39.8	901	8.6
	Japan	2,086	17.0	898	52.	1,188	11.3
	New Zealand	651	5.3	462	26.9	189	1.8
Lao PDR		1,339	14.0	559	43.3	780	9.4
Malaysia		688	7.3	117	9.4	571	7.0
Myanmar		1,371	14.0	449	31.4	922	11.0
New Zealand		176	2.3	32	3.0	144	2.2
The Philippines	ASEAN	30	0.3	0	0.0	30	0.4
	Australia; New Zealand	30	0.3	0	0.0	30	0.4
	China	37	0.4	7	0.6	30	0.4
	Japan	34	0.4	0	0.0	34	0.4
	Korea	81	0.8	47	3.8	34	0.4
Singapore		0	0.0	0	0.0	0	0.0
Thailand		719	7.5	241	18.7	478	5.8
Viet Nam	ASEAN	661	6.9	63	4.9	598	7.2
	Australia	661	6.9	63	4.9	598	7.2
	China	1,052	11.0	121	9.4	931	11.3
	Japan	734	7.7	93	7.2	641	7.8
	Korea	734	7.7	93	7.2	641	7.8
	New Zealand	661	6.9	63	4.9	598	7.2
RCEP Aggregate		27,234	7.2	8,905	16.8	18,329	5.7

Source: RCEP legal text, Annex I; APEC PSU staff calculations.

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