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Has the Regional Comprehensive Economic Partnership (RCEP) Created Trade Among Its Members?

Product-Level Evidence from Member and Non-Member Supply to RCEP Markets

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I. Identification and Strategy of the Paper

The question, and why it has to be answered now

- RCEP brings together **15 economies** and entered into force on **1 January 2022**, making it the largest preferential trade agreement in terms of covered population and economic output.

- The ex ante literature has largely **focused on simulating the potential effects of RCEP** (Petri and Plummer 2020; Park, Petri and Plummer 2021), while evidence on its realized effects remains limited.

- The paper therefore asks **three questions** that are central to the 2027 review:

  - Did imports between RCEP members increase after implementation?
  - Did suppliers from outside RCEP lose market share?
  - Did the product-specific rules of origin under Annex 3A shape either outcome?

Why this is also an FDI paper

- **FDI can shape which firms are able to satisfy the origin rule.** Firms already embedded in regional production networks can document regional content with relatively little additional cost, while firms that rely on suppliers outside the bloc may need to reorganize their sourcing or forgo the preferential tariff.

- **The rule can shape whether FDI translates into preferential trade.** If claiming the preference is costly and an existing regime offers the same tariff, firms may leave the preference unused.

Investment builds the capability to comply, but the agreement shapes whether firms have an incentive to use that capability. At present, only the investment side is observed.

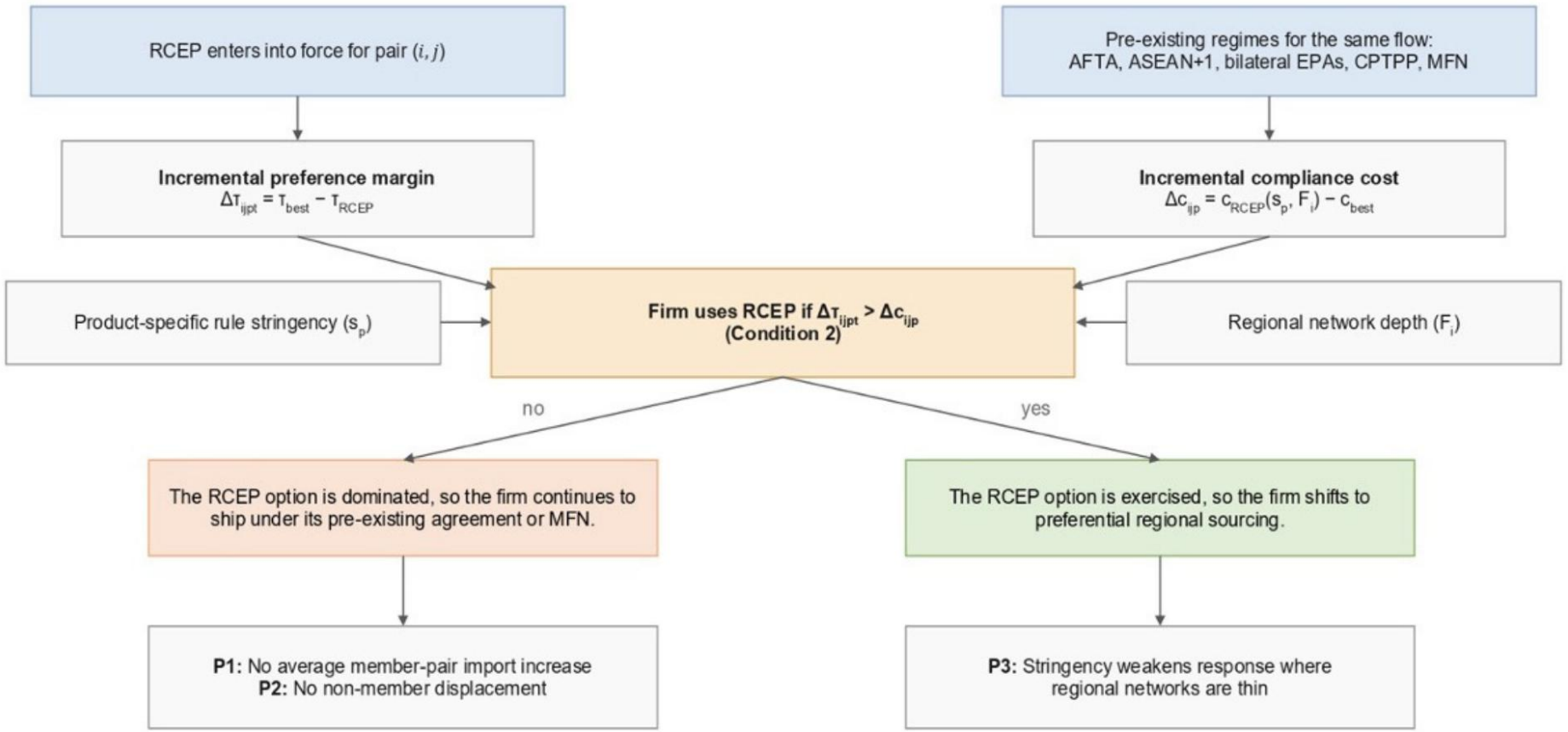
What RCEP actually changed — and what it did not

- **RCEP created genuinely new preferential access for only two bilateral relationships**. PRC-Japan and Korea-Japan account for the only new links, while 103 of 105 member pairs already had preferential access.

- For most firms, **RCEP adds another regime** rather than opens a new market. Exporters now choose among RCEP, an existing FTA, or MFN, while 38 tariff offers and partner-specific schedules can increase the cost of proving origin.

- **The value of RCEP therefore depends on the alternative already available.** ADB (2022) finds many RCEP rules more demanding than ASEAN+1 alternatives, while Kohpaiboon and Jongwanich (2022) reach a more favorable average assessment.

A regime-choice model



Notes: τ denotes tariff, c compliance cost, s_p rule stringency, and F_i regional production-network depth.

Three propositions

1. If firms continue to prefer established legacy regimes, RCEP should not raise member-pair imports relative to non-member supply of the same products in the same destination markets.

2. Because RCEP does not change the cost of non-member supply, diversion can occur only if member imports expand enough to displace outside suppliers. Without that increase, there is no displacement mechanism.

3. Stricter origin rules should dampen the RCEP response where regional production networks remain thin. Inward FDI from RCEP members can ease this constraint by strengthening regional sourcing links, whereas extra-regional FDI should not produce the same effect.

A bilateral exporter–importer–product panel

- **CEPII BACI V202601**, 2017–2024, aggregated to exporter–importer–HS4–year cells across **all 15 RCEP markets***.
- The sample covers **67 major suppliers** and **99% of RCEP import value**, retaining non-members such as the United States, the European Union (EU), Taipei, China, and India to identify possible trade diversion.
- The balanced panel contains **4.89 million observations with zero trade flows retained**. HS4 is the main specification, while HS6 results serve as a robustness check (which reproduces the results on 488,368 observations).

* The 15 RCEP markets are Australia, Brunei Darussalam, Cambodia, People's Republic of China, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, New Zealand, the Philippines, the Republic of Korea, Singapore, Thailand, and Viet Nam.

Measuring and validating origin-rule stringency

- The baseline stringency follows **Estevadeordal's (2000) ordinal scale***, with scores increasing from tariff-shift rules to wholly obtained requirements and averaged at HS4. Where multiple rules are available, the least restrictive route is used, reflecting the option firms can choose to minimize compliance costs.

- An alternative index lowers the score for regional value content, recognizing that **RCEP cumulation may make RVC easier to satisfy than stricter tariff-shift rules**. The two HS4 indices correlate at 0.88.

- Results are audited against the scoring choice, using both indices, HS4 and HS6 estimates, and rule-type indicators that remove the assumption altogether.

* Baseline coding follows Estevadeordal (2000), as adapted by Cadot et al. (2006). CTH/CTSH = 1, CC = 2, RVC/specified process = 3, wholly obtained = 4. Where alternative rules are available, the least restrictive admissible rule is retained. The alternative index assigns RVC = 2 and affects 1,036 HS6 subheadings. The two indices correlate at 0.88 at HS4.

Measuring and validating origin-rule stringency

Structure of the rule	Subheadings*
Alternatives joined by “or”	3,733
Cumulative “and” requirements	4
Carrying an “except” clause	283
Carrying a “provided that” condition	10
Numbered sub-rules by description	7
Total subheadings coded	**5,612**

* The minimum-score rule is valid when listed conditions are genuine alternatives. Most are, but 283 “except” clauses impose additional restrictions beyond the coded rule. The index therefore understates legal stringency for about 5% of subheadings. Rather than impose unsupported numerical penalties, the paper treats this as measurement error and reports it transparently.

Empirical strategy

$$v_{ijpt} = \exp[\ \beta_1\ InForce_{ijt} + \beta_2\ (InForce_{ijt} \times RoO_p) + \gamma_{ijp} + \lambda_{it} + \mu_{jt}\ ]\ \varepsilon_{ijpt}$$

$$v_{ijpt} = \exp[\ \beta_1\ InForce_{ijt} + \beta_2\ (InForce_{ijt} \times RoO_p) + \delta\ (ImpPost_{jt} \times NonMember_i) + \gamma_{ijp} + \lambda_{it} + \lambda_t\ ]\ \varepsilon_{ijpt}$$

- **PPML with high-dimensional fixed effects retains zero trade flows.** Pair-product and country-year effects absorb persistent trade frictions and common country shocks.
- **Identification comes from direct within-market comparisons.** Member imports are compared with non-member supply of the same HS4 product in the same market and year, while the exporter specification uses variation across products within an exporter-year.



II. Results and Discussion

Result 1: No evidence of trade diversion

	(1) Creation, full FE	(2) Diversion identified
InForce	−0.0986** (0.0396)	−0.1152*** (0.0294)
InForce × RoO	+0.0522*** (0.0184)	+0.0560*** (0.0189)
ImpPost × NonMember	not included	**−0.0103 (0.0306)**
Fixed effects	ijp, it, jt	ijp, it, t
Observations	4,893,864	4,893,864

RCEP did not measurably displace non-member suppliers, and the estimate is precise enough to rule out economically meaningful diversion.

Result 2: No average trade creation

Specification	InForce	InForce × RoO	N
B1 PPML, zeros, full FE	−0.0986** (0.0396)	+0.0522*** (0.0184)	4,893,864
B2 PPML, diversion identified	−0.1152*** (0.0294)	+0.0560*** (0.0189)	4,893,864
B3 PPML, RVC rescaled to 2	−0.0944** (0.0406)	+0.0496** (0.0211)	4,893,864
B4 OLS, log values, positive flows	**−0.0216 (0.0265)**	+0.0396*** (0.0099)	3,258,654
B5 PPML, member pairs only	**−0.0136 (0.0600)**	+0.0447** (0.0179)	1,396,032

RCEP produced no detectable increase in member-pair imports in its first three years. The evidence does not support a robust contraction either.

Result 3: The average effect passes its placebo

	(1) Full, margin-interacted	(2) MFN > 0	(3) MFN = 0 (placebo)
InForce	−0.0872** (0.0405)	**−0.1141** (0.0445)**	**−0.0019 (0.0877)**
InForce × RoO	+0.0515*** (0.0189)	+0.0422* (0.0219)	+0.0674* (0.0375)
InForce × margin	−0.0044 (0.0027)	—	—
InForce × RoO × margin	+0.0013 (0.0008)	—	—
Observations	4,888,728	3,276,552	1,612,176

The average treatment effect passes the tariff-relevance test, which strengthens its interpretation as an RCEP effect rather than a coincidental post-period correlation.

Result 4: The stringency channel fails it

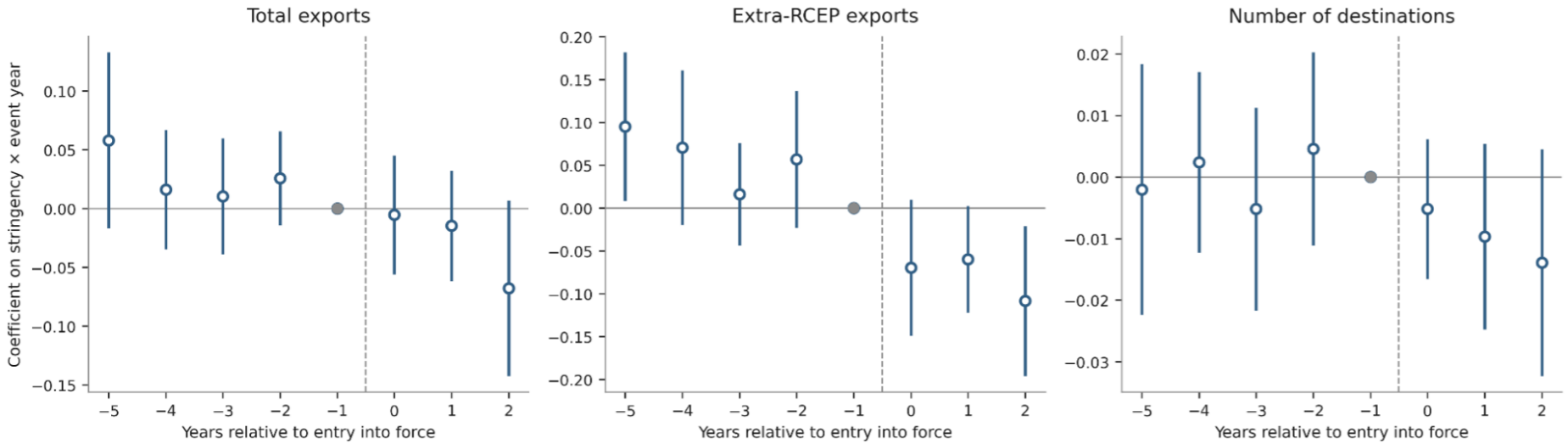
InForce × RoO, MFN > 0:
+0.0422 (p = 0.054)

InForce × RoO, MFN = 0:
+0.0674 (p = 0.072)

Triple interaction, difference of slopes: p = 0.116

- The **Annex 3A stringency relationship** is just as strong where RCEP offers no tariff preference. The estimated slopes are statistically indistinguishable.
- That **weakens the tariff-compliance interpretation of Annex 3A**. If the applicable tariff is already zero, firms gain nothing from claiming RCEP origin, so the product-specific rule should not affect regime choice.

Result 5a: Where the association actually lives



- Measured stringency **predicts a weaker post-RCEP export response, but the effect comes from third markets rather than intra-RCEP trade**. Extra-RCEP exports fall by 12.6%, while the intra-RCEP effect is statistically indistinguishable from zero.

- This weakens the claim that origin rules suppressed regional trade. The pattern instead suggests that **the stringency index may be capturing product characteristics linked to broader global supply-chain adjustment.**

Result 5b: Which kind of rule actually binds

Binding rule (base: change of tariff heading)	ln total exports	ln extra-RCEP	ln intra-RCEP
Wholly obtained	**−0.1670*** (0.0462)**	**−0.4103*** (0.1266)**	−0.1012 (0.0786)
Change of chapter	−0.0487** (0.0190)	−0.1025** (0.0414)	−0.0096 (0.0280)
Regional value content	**+0.1745 (0.1311)**	**+0.1887 (0.2598)**	+0.0613 (0.2215)
Change of subheading	+0.0242 (0.0255)	+0.1247** (0.0447)	−0.0200 (0.0408)

- **The ordinal stringency index masks important differences across rule types.** Wholly obtained requirements drive the restrictive effect, while regional value content shows little evidence of the penalty implied by the aggregate scale.

- **Cumulation explains the divergence.** RVC can draw on qualifying content across RCEP economies, but wholly obtained rules cannot. For the 2027 review, this points to a specific binding constraint rather than a case for broadly loosening origin rules.

Result 6: Who can actually use the rules

Interaction with Post × RoO	ln total exports	p	ln intra-RCEP exports	p
FDI from RCEP members	**+0.0342 (0.0133)**	**0.022**	**+0.0257 (0.0102)**	**0.025**
FDI from outside RCEP	−0.0081 (0.0167)	0.636	+0.0130 (0.0121)	0.302
FDI from RCEP, one-year lag	0.025	0.065	—	—
Pooled FDI (not source-split)	**not robust under country clustering**			

- **Only regional FDI weakens the measured stringency effect.** Extra-regional FDI shows no comparable moderation, which argues against a generic foreign-ownership or paperwork explanation.
- **The result is more consistent with regional production-network depth.** Firms already sourcing within RCEP face a lower incremental cost of documenting regional content, so deeper regional investment can relax the effective burden of origin rules.

Corroboration from the data I do not have

- **Direct customs evidence confirms that RCEP utilisation is highest where no legacy FTA competes**. Hayakawa, Kohpaiboon and Quimba (2025) report utilisation of about 76% for Japan's imports from the PRC and 68% from Korea, while most other member pairs remain in the single digits or low teens.

- **Low utilisation appears to reflect regime choice rather than lack of access**. Firms often retain familiar FTAs when they offer equal or better tariff treatment, which is consistent with the paper's interpretation of overlapping preferences.

- **RCEP's facilitation mechanisms have not yet translated into broad uptake.** Cumulation, back-to-back certification, and self-certification remain limited in practice, while Tijaja and Teguh in *East Asian Forum* (2026) similarly point to complexity and unfamiliarity as continuing barriers.

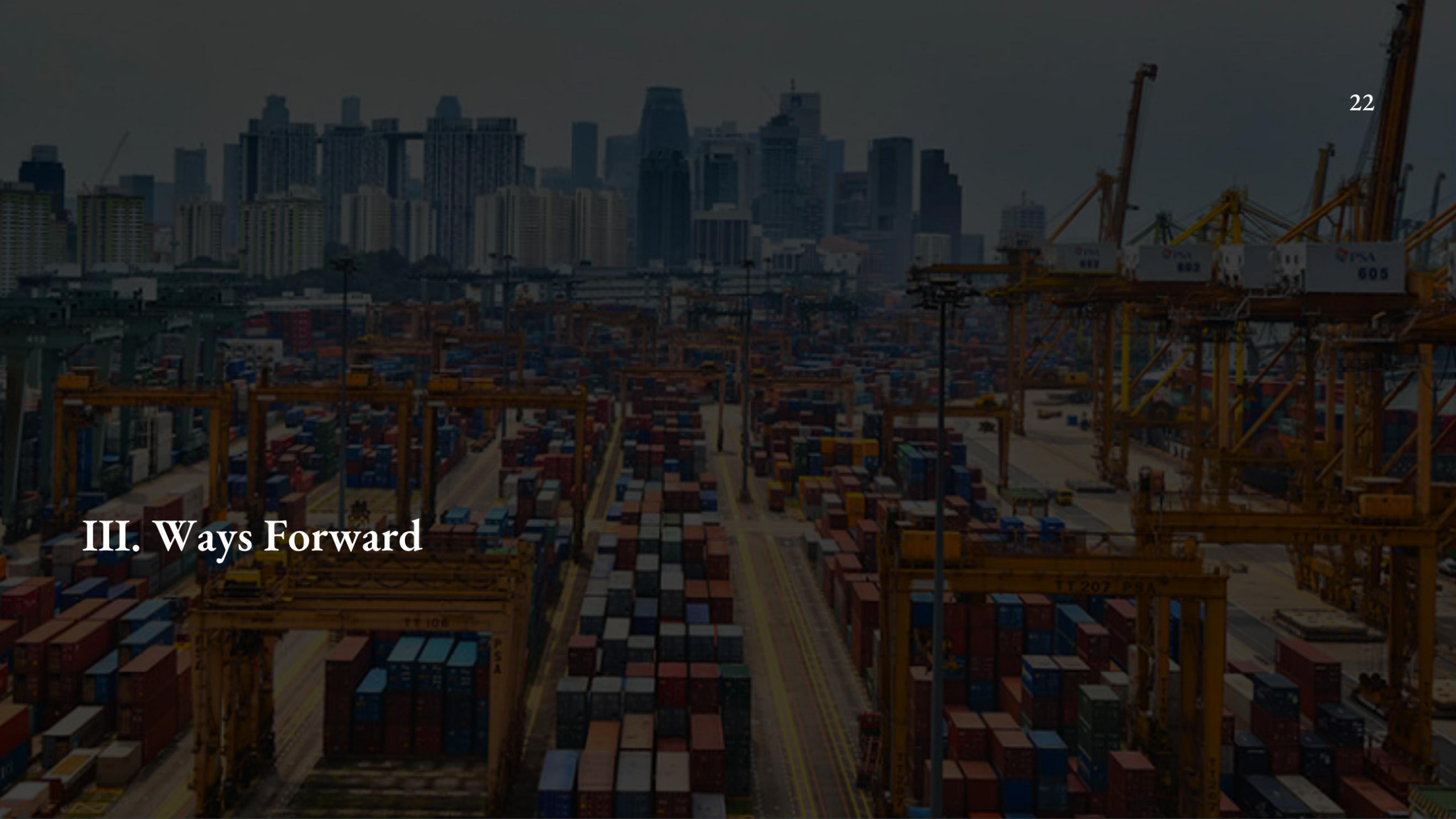
What survives, and what I am not claiming

Robust

- No trade diversion.
- No detectable average trade creation on the member-versus-non-member margin during 2022–2024.
- The stringency association itself survives both indices, HS4 and HS6 estimation, and 15 of 15 LOCO exclusions.
- No change in export-market diversification.

Not Robust

- The magnitude of the negative InForce coefficient.
- The causal interpretation of stringency does not survive the zero-duty placebo.
- Parallel trends are less secure for extra-RCEP exports.
- Welfare effects are not estimated.



III. Ways Forward

An agenda for the 2027 general review

- Publish preference-utilisation statistics by product and member pair.
- Resolve partner-specific tariff differentials across the 38 offers.
- Make certification interoperable and operationally usable.
- Target origin-rule reform rather than relaxing requirements across the board.
- Extend usability to firms without multinational administrative capacity.





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Thank you for listening!

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