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## POLICY BRIEF: CONCENTRATED TRADE IN RCEP

Together with TPP and AEC, RCEP has been the most noticeable trade deal among ASEAN and their partners recently. Even though it is unlikely to consider RCEP as a highly ambitious trade deal like TPP, in which almost 90% of the tariff lines are cut to zero, there are still possibilities for this trade deal to achieve medium high level of ambition as long as their members are aware of how much benefit they can get from this FTA.

### IMPORTANT FINDINGS

Trade is concentrated in and across RCEP members. First, for most RCEP countries, exports to other RCEP members account for a significant part of their international export and highly concentrate on a number of top traded products (Chart 1). Second, 15<sup>1</sup> RCEP countries' top traded products to other RCEP members have many products in common. (Chart 2) Third, the tariff rates for the most common top traded products across RCEP countries are noticeably significant. (Chart 3) There are two important implications to this.

### IMPLICATIONS

Firstly, if most of top traded products of a country are carved out in the tariff elimination or reduction's coverage, the benefits that country could have otherwise gained will fall dramatically or in some cases will become insignificant. Take Australia as an example. Australia's export to RCEP, which accounts for 76.64% of its international trade, has 79.28% of its value come from top 20 products. This implies that if these 20 products are carved out, the potential benefits from tariff elimination and reduction for Australia, which could otherwise hugely contribute to the country's international trade gain, will fall remarkably. Take India as another example. India's export to RCEP only accounts for 18.33% of its

international trade with 76% of this amount coming from 20 top traded products. This means if most of the top traded products are carved out, the benefits left for India to enjoy from this trade deal are not so impressive.

Secondly, if RCEP members cannot agree on tariff elimination and reduction for most products and they can only cover a number of products, as long as the most common top traded products across 15 RCEP countries are included (Chart 2), they can still make this trade deal promising for their members. Chart 2 shows 20 products which are the most common top traded products across 15 RCEP countries and chart 3 shows the tariff rates for these products from 15 RCEP countries. It can be seen from chart 3 that these 20 products are subject to significant tariff rates from RCEP countries. What can be drawn from these two charts is that if tariff elimination and reduction are put on the right products, there is still a way to make this trade deal promising to RCEP members even if they can only agree on the coverage of a number of products.

### REFERENCES

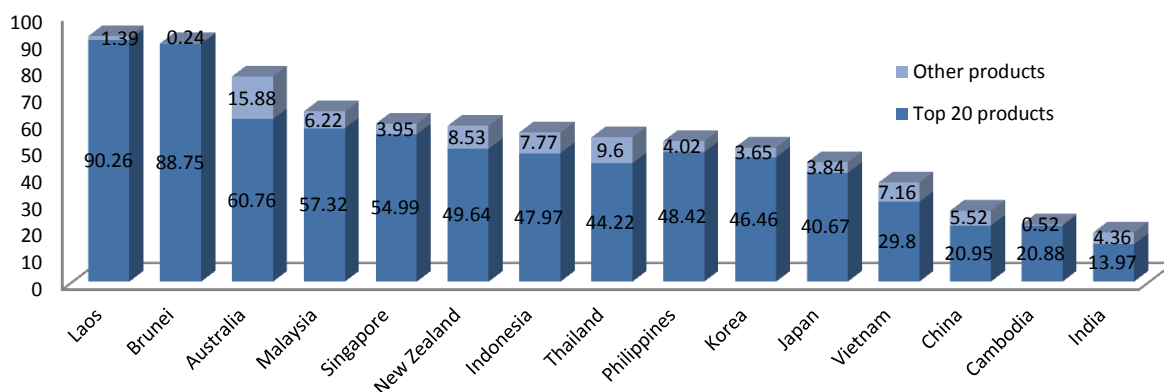
1. Data taken from International Trade Centre. [http://www.trademap.org/Bilateral\\_TS.aspx](http://www.trademap.org/Bilateral_TS.aspx)
2. Myanmar's data is not available.

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**Chart 1: Trade-to-RCEP's contribution to Trade-to-the-world**



**Chart 2: Twenty most common top traded products across 15 RCEP countries**

No	Product code & label	No of overlapping	No	Product code & label	No of overlapping
1	85 - Electrical, electronic equipment	15	11	71 - Pearls, precious stones, metals, coins, etc	9
2	84 - Machinery, nuclear reactors, boilers, etc	14	12	40 - Rubber and articles thereof	9
3	27 - Mineral fuels, oils, distillation products, etc	14	13	74 - Copper and articles thereof	8
4	87 - Vehicles other than railway, tramway	13	14	03 - Fish, crustaceans, molluscs, aquatic invertebrates nes	7
5	39 - Plastics and articles thereof	12	15	10 - Cereals	6
6	73 - Articles of iron or steel	11	16	89 - Ships, boats and other floating structures	6
7	90 - Optical, photo, technical, medical, etc apparatus	11	17	94 - Furniture, lighting, signs, prefabricated buildings	6
8	29 - Organic chemicals	10	18	76 - Aluminium and articles thereof	6
9	72 - Iron and steel	9	19	62 - Articles of apparel, accessories, not knit or crochet	5
10	44 - Wood and articles of wood, wood charcoal	9	20	61 - Articles of apparel, accessories, knit or crochet	5

**Chart 3: Tariff rates from 16 RCEP countries for 20 products in Chart 2**

