

Economic Impact of the RCEP

Ken Itakura¹, Yutaro Kimata², and Shujiro Urata³

¹Research Institute of Economy, Trade and Industry, and Nagoya City University

²Nagoya City University

³Research Institute of Economy, Trade and Industry, and Waseda University

Abstract

This study provides a quantitative evaluation of the economic impact of the Regional Comprehensive Economic Partnership (RCEP), the world's largest regional trade agreement. We adopt two methodological approaches. First, we conduct an ex post evaluation using a structural gravity model applied to panel data on bilateral trade in goods and services, inward foreign direct investment (FDI), and import tariffs. Second, we implement an ex ante analysis using a computable general equilibrium (CGE) model to simulate potential medium-term economic gains from deeper integration. Our ex post results indicate that RCEP has limited short-term effects on goods trade and inward FDI within the region. However, services trade shows clear gains, and the responsiveness of goods imports to tariffs has increased. Drawing on empirical estimates, the CGE analysis simulates a set of policy scenarios that include tariff reductions, reductions in non-tariff barriers (NTBs) in goods and services trade, and improved investment conditions. The simulation results show that deeper integration, particularly in NTB reductions and investment commitments, produces substantial economic benefits: by 2040, real GDP in RCEP increases by 1.5%, and economic welfare by 1.3%. These findings imply that realizing RCEP's full economic potential depends critically on progress in reducing NTBs and facilitating cross-border investment.

Keywords: RCEP, regional trade agreement, tariffs, gravity model, CGE model, non-tariff barriers

JEL classification: F14, F15