

New Reflections on RCEP and Regional Cooperation among China, Mongolia, and Russia

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Abstract: The signing of the Regional Comprehensive Economic Partnership (RCEP) signifies the establishment of the world's largest free trade area. RCEP has made breakthroughs in improving the regional trade and investment environment, promoting economic development, and advancing trade liberalization. It is an open and inclusive free trade agreement, inviting more countries to participate. The implications of RCEP for promoting regional cooperation among China, Mongolia, and Russia include improving cooperation mechanisms, advancing institutional construction, promoting financial cooperation, and e-commerce development, inviting Russia and Mongolia to participate in RCEP economic activities with quasi-member treatment, and strengthening the training of high-quality professional comprehensive talents among these countries.

Keywords: RCEP; China, Mongolia, Russia; Regional Economy

1. Introduction

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement initiated by the ten ASEAN countries in November 2012, including members from ASEAN states, China, Japan, Korea, Australia, New Zealand, and India. It covers over 3.5 billion people, or approximately 47.5% of the world's population, and its member states' GDP accounts for nearly one-third of the global output. It attracts over 40% of global foreign direct investment and its merchandise exports account for about 30% of the global total^[1]. The RCEP was officially signed by fifteen countries, including the ten ASEAN countries and China, Japan, Korea, Australia, and New Zealand on November 15, 2020, marking the creation of the largest free trade agreement globally, which decided to take effect from January 1, 2022.

The RCEP reflects the post-Cold War era's regional economic development in East Asia. Starting in the late 1980s with the rise of the new economies such as South Korea, Japan, Taiwan, and Singapore, the region recognized its significant economic potential, leading to a stronger desire for economic and trade cooperation within East Asia. In response to the Asian financial crisis in 1997, there was a strong realization of the need to establish an effective regional cooperation mechanism to handle bigger financial crises in the future, leading to the establishment of various economic agreements and cooperation mechanisms among ASEAN countries and with China, Japan, and Korea.

2. RCEP is a Product of Post-Cold War East Asian Economic Regionalization

In the late 1980s, with the emergence of the new economies South Korea, Japan, Taiwan, and Singapore, known as the "Four Asian Tigers," East Asian economies recognized the significant economic potential within the region, leading to a growing desire for economic and trade cooperation. In 1990, the Malaysian Prime Minister proposed the establishment of the "East Asian Trade Grouping," including ASEAN and China, Japan, and Korea, aimed at strengthening trade, investment, and other economic cooperation among member countries to enhance their political and economic strength, positioning East Asia as the third major force after the North American trade area and the European Community. This concept evolved into the "East Asia Economic Caucus" in 1991, starting the ASEAN plus China, Japan, and Korea (10+3) cooperation. The 1997 Asian financial crisis underscored the need for an effective regional cooperation mechanism to address larger financial crises in the future. In December 1997, the first informal meeting of ASEAN with China, Japan, and Korea (then 9+3, as Cambodia had not yet joined ASEAN) took place in Kuala Lumpur, Malaysia, where discussions on the ASEAN, China, Japan, and Korea cooperation mechanism were held and consensus reached. By 2002, China and ASEAN had signed the bilateral free trade area framework agreement, followed

by individual “10+1” free trade agreements with Korea (2007), Japan (2008), Australia (2010), New Zealand (2010), and India (2010), establishing the “ASEAN+1” bilateral cooperation model.

To consolidate its position in East Asian economic development, ASEAN proposed the establishment of RCEP in 2011 to achieve trade liberalization in the region. In 2012, the ten ASEAN countries and China, Japan, Korea, India, Australia, and New Zealand reached a consensus to establish RCEP, aiming for a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement covering goods trade, service trade, investment, economic and technical cooperation, intellectual property, competition, and dispute resolution^[3]. The first round of negotiations was held in Brunei in May 2013, but due to significant differences in economic development levels, diverse interests, and numerous disagreements among the countries, no substantial progress was made initially. India, influenced by the US “Indo-Pacific Strategy,” withdrew from RCEP in 2018. The outbreak of the COVID-19 pandemic in 2020 severely impacted the global economy, leading ASEAN member states to recognize the importance of regional cooperation, thereby increasing their initiative towards RCEP and successfully signing the agreement in 2021, thus establishing the largest free trade area market in the Asia-Pacific region.

3. RCEP Initiates a New Model for Asia-Pacific Regional Economic Cooperation

With the diversified development of international economics and trade, such as service trade, cross-border e-commerce, and digital technologies like e-commerce and electronic ports, there’s a need for new, higher-level international economic and trade rules to adapt to knowledge property protection and competition policies entering the market. These are essential to promote the liberalization and facilitation of trade and investment. RCEP, surpassing the traditional scope of free trade agreements, covers trade, investment, and their facilitation extensively, ensuring the free flow of goods and services among nations.

3.1 Main Content and Features of RCEP

1. Main Contents and Features of RCEP: The agreement consists of the text and four market access schedules, including a preface and 20 chapters, addressing various aspects of trade and investment, aiming for high-level trade liberalization.

2. Trade in Goods: RCEP eliminates tariffs and other restrictive measures on imported goods within the region, aiming for zero tariffs on over 90% of goods traded within ten years, thereby promoting trade and economic development among member countries.

3. Rules of Origin: Introduces the concept of ‘cumulation,’ allowing products to qualify for preferential tariffs, thereby reducing production costs and promoting regional trade and investment.

4. Customs Procedures and Trade Facilitation: Simplifies customs procedures, mandates the release of goods within 48 hours of receiving clearance information, and special provisions for perishable goods, enhancing trade of fresh products.

3.2 The Impact and Significance of RCEP

The enforcement of RCEP brings new opportunities for regional cooperation and injects vitality into the global economy, significantly impacting regional and global economies. Acknowledged as the largest global free trade agreement, RCEP promotes regional integration and Asia-Pacific economic connectivity. Leaders from countries like Singapore, Japan, Korea, and Australia have recognized RCEP as a crucial achievement, especially for economic recovery and the revival of multilateralism amidst the COVID-19 pandemic. RCEP enhances trade and investment liberalization and facilitates closer economic ties among member countries, strengthening the East Asian regional supply chain and making it more stable and efficient. The implementation of RCEP is expected to elevate cooperation levels in the Asia-Pacific region, fostering a new stage in global economic cooperation and acting as a new engine for global economic recovery, especially in post-pandemic times.

3.3 Current Status of Economic and Trade Cooperation in the Mongolia-Russia Region

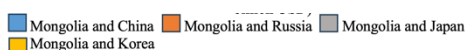


Figure.1.1 Trade Scale between Mongolia and China, Japan, Korea, Russia (in billion USD)

Note-Source: China Statistical Yearbook, UN Comtrade Database

3.3.1 The trade scale between Mongolia and China, Japan, Korea, and Russia

Trade relations between China and Mongolia have been favorable, with the total trade volume generally showing an upward trend from 2010 to 2021. However, the total trade volume saw a significant decline in 2020 due to the COVID-19 pandemic. Over this period, the total trade volume increased from 4.02 billion USD to 91.3 billion USD, marking a 128.16% rise. Imports surged by 170.26%, while exports grew by 54.03%. Throughout these years, China experienced a trade deficit with Mongolia, indicating Mongolia's exports to China exceeded its imports, making China a crucial trade partner for Mongolia. Mongolia's economy is small, with a limited range of export goods primarily consisting of livestock and mineral products. Its trade volume with Japan, Korea, and Russia is smaller compared to other countries, but its trade with Russia exceeds that with Japan and Korea.

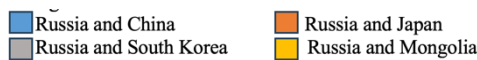


Figure.1.2 The trade volume between Russia and China, Japan, South Korea, and Mongolia is measured in billions of US dollars.

Note-Source: China Statistical Yearbook, UN Comtrade Database

Trade between China and Russia has been substantial and on an upward trend. From 2010 to 2021, the trade volume between China and Russia significantly increased from \$55 billion to \$146.5 billion, marking a 163.84% rise. Exports grew by 128.12%, and imports by 204.66%. In 2021, China-Russia trade reached a new high of \$146.5 billion, with China experiencing a trade deficit for the past four years, underscoring Russia's role as a vital trade partner. Russia's trade with Japan and Korea also exceeded \$10 billion, with trade volume with Japan surpassing that with Korea. The highest trade volume between Russia and Japan was \$33.228 billion in 2013, but it declined significantly in the following years due to the Ukraine crisis and fluctuations in international oil prices.

3.3.2 Implications for Promoting Regional Cooperation Among China, Mongolia, and Russia:

1) Improving Cooperation Mechanisms and Institutional Building:

Bilateral cooperation mechanisms between China, Mongolia, and Russia are well-established, but a comprehensive tripartite cooperation mechanism is lacking. Drawing from RCEP, tailored cooperation mechanisms that benefit all three countries can be developed, focusing on trade structures, investment volumes, and areas of financial cooperation.

2) Promoting Financial Cooperation and Cross-border E-commerce Development

Cross-border e-commerce is gradually becoming a new engine for promoting international trade development. Optimizing the financial environment among China, Mongolia, and Russia, and strengthening financial cooperation among these countries, contribute to the facilitation of payment settlements in international trade.

Firstly, it is necessary to enhance cooperation in the financial sector among China, Mongolia, and Russia. Cross-border local currency settlements can reduce transaction costs and exchange rate volatility in international trade. The three countries need to promote the use of local currencies for cross-border trade settlements, increase the pilot areas for cross-border local currency settlements, and establish cross-border local currency payment settlement systems. At the same time, it is essential to strengthen trust among the banking institutions of China, Mongolia, and Russia, increase cooperation in financial product types, expand the scope of banking services, and gradually improve the quality of financial services. Establishing a financial risk early warning mechanism for economic and trade cooperation among the three countries is also crucial to timely preventive measures against existing risks. Secondly, promoting the development of cross-border e-commerce is imperative. China, Mongolia, and Russia should actively build cross-border e-commerce platforms, enact regulations to standardize the development of cross-border e-commerce, integrate these platforms with the "Silk Road," develop new trade methods, utilize big data to establish information repositories, and achieve real-time sharing of logistics information. This will lower trade costs and enhance international trade efficiency.

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