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RCEP: Goods Market Access Implications for ASEAN

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ABSTRACT:

Free trade agreements (FTAs) are often signed by the developing countries in the hope of increasing their market access, improving their balance of trade (BOT) and reviving their economic growth by generating additional output and employment in their countries. However, if FTAs worsen the BOT or net exports, they can adversely impact Gross Domestic Product (GDP) growth and employment in the country. In this context, this paper undertakes a detailed disaggregated product-level impact analysis of tariff liberalisation under Regional Comprehensive Economic Partnership (RCEP) on BOT of Association of South East Asian Nations (ASEAN) countries. It uses World Integrated Trade Solutions (WITS)-SMART simulations incorporating the sensitive lists (SLs) and tariff rate quotas (TRQs) negotiated by countries in the RCEP. Such an analysis is not possible using any other methodology, especially the computable general equilibrium (CGE) models which use aggregate sector level data and are based on unrealistic assumptions. The results of the simulations show that tariff liberalisation under RCEP will deteriorate the existing BOT of ASEAN vis-à-vis RCEP countries by six percent per annum, while BOT will improve for some of the non-ASEAN countries in the RCEP. The maximum gains in terms of improved BOT will go to Japan, followed by New Zealand. Post RCEP, BOT will worsen for Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. The results show that imports of almost all ASEAN countries increase from China, except for Lao PDR and Vietnam. However, China's imports increase mainly from Japan and Korea, Rep., while its

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imports decline from all ASEAN countries. China also experiences a worsening of its trade balance along with Korea, Rep. Exports to RCEP countries are estimated to fall for Cambodia, Malaysia, Myanmar, Philippines, Singapore, and Vietnam because of trade diversion in favour of more efficient exporters within the RCEP, while it will marginally improve for Indonesia, Lao PDR and Thailand, although the increase in their exports will be less than the increase in their imports. ASEAN countries will also lose tariff revenues at a time when their industrial and trade growth have been adversely impacted due to the pandemic and domestic financial resources are needed for reviving their economies and repaying their debts.

Keywords: RCEP, SMART Simulations, Tariff Liberalisation Impact, Balance of Trade, Sensitive Lists and Tariff Rate Quotas, Tariff Revenue Loss

1 Introduction

The pandemic-hit global economy is facing multiple crises including health, economic, financial, and environmental. While developed countries are rolling out trillions of dollars' worth economic recovery packages, developing countries lack the financial resources to boost their economies. According to United Nations Conference on Trade and Development (UNCTAD) Trade and Development Report Update (2020)[1], developing countries will not only be hit harder but will also take more time to recover. For developing countries to recover faster and recover better with resilient growth, it is important for them to revisit their trade and industrial policies. International trade can be an important vehicle for delivering growth if it improves a country's balance of trade (BOT), generates additional employment by boosting net exports, generates additional tariff revenues especially from imports of luxury items and provides important inputs and raw materials needed for industrial growth. To this end, trade agreements can be useful policy tools, but it is important to assess whether they are able to provide additional market access and the associated gains.

In this context, the paper estimates the additional market access that can be achieved by developing countries through the Regional Comprehensive Economic Partnership (RCEP). RCEP is an agreement negotiated initially between the ten members of the Association of South East Asian Nations (ASEAN): Brunei-Darussalam, Cambodia, Indonesia, Laos People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam plus the six countries with which ASEAN has free trade agreements (FTAs)- Australia, China, India, Japan, South Korea, and New Zealand. However, India withdrew from the RCEP negotiations in November 2019 leaving 15 member countries of RCEP to negotiate the agreement. RCEP was signed virtually between the 15 countries in November 2020 but has not yet been ratified by all countries. The text of RCEP has 20 chapters including trade in goods, trade in services, investment, e-commerce, intellectual property, government procurement and competition. This paper focuses on the chapter on goods and estimates the impact of RCEP on net exports and BOT of RCEP member countries, aiming at estimating the additional market access which can be generated for ASEAN countries.

[1] https://unctad.org/system/files/official-document/gdsinf2020d4_en.pdf

The paper uses SMART simulations available on World Integrated Trade Solutions (WITS) (World Bank) to estimate the impact of tariff liberalisation under RCEP on exports and imports of RCEP member countries. The results are reported at a disaggregated level of six-digit. The analysis undertaken uses the sensitive lists (SLs) and tariff rate quotas (TRQs) in the schedules of each member country of RCEP. This is the only methodology which provides results at product-level disaggregation incorporating the SLs and TRQs into the analysis.

The results show that ASEAN will be a net loser in terms of its existing BOT post RCEP since its BOT will deteriorate by six percent per annum. Imports into ASEAN will increase much more than its exports. Within ASEAN, BOT deteriorates for Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. However, BOT improves substantially for non-ASEAN countries like Japan and New Zealand. The reason for deterioration of BOT of most of the ASEAN countries is trade diversion within the RCEP group towards more efficient exporters which adversely impacts the existing exports of ASEAN countries. This will lead to decline in intra-ASEAN trade as ASEAN countries import from more efficient exporters like China instead of other ASEAN countries. The paper provides results of tariff liberalisation under RCEP at the Harmonized System (HS) six-digit product level for each country. Change in exports, imports and BOT are reported for each country vis-à-vis other RCEP partner countries.

The paper is organised as follows: section 2 critically reviews the existing studies on impact of RCEP; section 3 provides existing trends in trade amongst RCEP member countries in the pre RCEP period i.e., 2019; section 4 briefly discusses the negotiated SLs and TRQs of different countries in RCEP and their trade coverage; section 5 discusses the methodology used in the paper to estimate the impact of RCEP on BOT of RCEP countries; section 6 provides the results of impact of RCEP on imports of member countries; section 7 provides a detailed analysis of change in imports post RCEP both at the country and at the product level; section 8 discusses the results of the simulations of impact of tariff liberalisation under RCEP on exports of member countries and section 9 concludes the paper and summarises the results.

2 Existing Studies on Economic Implications of RCEP

There is extensive literature available on RCEP including studies that estimate its economic implications for both member countries (insiders) and non-member countries (outsiders). As FTAs are growing in number and depth, assessment of their economic impacts has become important to inform policymakers facing a multitude of potential FTAs. However, all the studies available on impact assessment of RCEP use computable general equilibrium (CGE) modelling. CGE models have been heavily criticised in economic literature for their unrealistic assumptions of perfect competition, full employment, balanced government budgets and unrealistic economic conditions.

Further, CGE models do not provide results at a disaggregated product level since they undertake simulation for broad sectors. The results therefore face the problem of "aggregation". More importantly, these models are unable to incorporate RCEP's actual SLs and TRQs in their analysis. Any gains shown by CGE models in terms of changes in gross domestic products (GDPs) of member countries and associated gains in terms of foreign direct investments are therefore overestimated since the increase in exports of member countries may not materialise if the products are in SLs and face TRQs of the partner countries. This section critically reviews studies which provide impact assessments of tariff liberalisation under RCEP using CGE models.

The Peterson Institute for International Economics (PIIE, 2020)[2] has estimated economic gains for the global economy from RCEP using a CGE model. The paper shows that RCEP will raise global national incomes in 2030 by an annual $186 billion. It will yield especially large benefits for China, Japan and South Korea and losses for India. China, Japan, and Korea are expected to gain $85 billion, $48 billion, and $23 billion, respectively. Other RCEP winners will include Indonesia, Malaysia, Thailand, and Vietnam. However, inclusion of India in the study renders its results meaningless now. Further, according to the study, the trade war between US and China makes RCEP especially valuable because it strengthens East Asian interdependence raising trade among members by $428 billion and reducing trade among non-members by $48 billion. RCEP will also create sizeable new trade among the plus three countries. However, it needs to be noted that ASEAN FTAs with non-ASEAN member countries precede RCEP and ASEAN's existing significant economic integration means that the marginal benefit RCEP creates for trade among them would be limited.

Another paper by the PIIE (2017)[3] applies the CGE model used by Petri and Plummer (2016) and Petri, Plummer and Zhai (2012) to analyse the effects of RCEP. This study yields somewhat larger effects. The paper underscores the relative weakness of RCEP provisions and highlights that RCEP members are more competitive than complementary in economic structure and no single economy is accepted as a natural leader. It needs to be noted that the analysis of this paper also includes India.

The World Bank Group's (2019)[4] policy research working paper analyses the economic impact of RCEP on the largest South East Asian economy and ASEAN member- Indonesia. The analysis employs the LINKAGE model which is a dynamic global CGE model. Based on trade and relative prices channels, the model evaluates the impact of a reduction of tariffs and Non-Tariff Measures (NTMs) in goods and services brought about by RCEP. The CGE model is then combined with the Global Income Distribution Dynamics (GIDD) microsimulation tool to study the impact of RCEP on poverty and shared prosperity. GIDD distributes the macro-economic effects captured by the CGE analysis across households using Indonesia's National Socio-Economic Household Survey for the year 2014. According to the study, RCEP is expected to yield lower gains as members have already achieved a relatively high degree of liberalization among themselves and there is little prospect to significantly advance that level. As regards the distributional impact of RCEP, it underlines that RCEP offers lower gains in terms of poverty reduction, but better distributional outcomes and the growth incidence curve has a U-shape in case of RCEP. It needs to be noted that this study was published before India pulled out of RCEP. Further, assigning values to NTMs can be problematic. Banga (2017)[5] provides a detailed critique of this methodology.

All the above discussed studies undertake CGE modelling that has been strongly criticized in the economic literature. The CGE models (including its variations and modifications) that have been adopted in these studies are based on unreasonable assumptions such as perfect competition and full employment that will always show positive gains in the gross domestic product (Raza et al, 2014)[6]. According to Taylor and Arnim (2006), most of the CGE models assume (i) fixed or 'full'

[2] Petri and Michael G. Plummer (2020), East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs, June 2020

[3] Peter A. Petri, Michael G. Plummer, Shujiro Urata, and Fan Zhai (2017), Going It Alone in the Asia-Pacific: Regional Trade Agreements Without the United States, October 2017

[4] Massimiliano Calì, Maryla Maliszewska, Zoryana Olekseyuk and Israel Osorio-Rodarte (2019), Economic and Distributional Impacts of Free Trade Agreements: The Case of Indonesia

[5] Banga R. (2017), Critique of Impact Assessment of Regional Trade Agreements Using Non-Tariff Measures, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3037435

[6] Raza, W., Grumiller, J, Taylor, L., Tröster, B., von Arnim, R. (2014) 'Assess TTIP: Assessing the Claimed Benefits of the Transatlantic Trade and Investment Partnership'. Vienna: Austrian Foundation for Development Research

employment of labour and capital is maintained everywhere in the world (ii) each country's trade deficit (or surplus) stays constant after liberalization and (iii) completely flexible taxes on households which enable each country's internal economy to adjust smoothly.

The assumption regarding the 'constant trade balance' implies that if government revenues change due to tariff reduction or other trade policies, government expenditures must adjust endogenously to satisfy the fixed budget deficit. However, in real world, this is never the case. The assumption regarding completely flexible taxes on households, implies "any changes in government budget are automatically compensated by income tax rates on households". These assumptions mean that the models are designed in such a way that 'the price system' will always respond to liberalization in a way which leads to increases in overall well-being. Further, study from Boston University by Dutt and Gallagher (2020)[7] estimates that trade liberalization does not appear to be correlated with an automatic compensation for lost tariff revenue through other taxation measures in developing countries and tariff revenue losses due trade liberalisation are permanent in developing countries unlike in the developed countries.

According to Panagariya and Duttagupta (2001), CGE models that show 'gains' for a country from its own preferential liberalization can do so only by using internally inconsistent assumptions. The 'Armington assumption' used in all CGE models including Petri et al (2020) implies that there exists 'product differentiation' i.e., no country, howsoever small, produces something which is also produced by another country in the world. In other words, domestic and foreign products are imperfect substitutes. For example, it is assumed that vegetable oil produced in one country is different from the vegetable oil produced by any other country and therefore it can never be completely replaced by competing imports.

According to Raza et al (2014), the costs of 'regulatory changes' are also never estimated by CGE models. RCEP involves regulatory changes in the member countries which can have huge short-term adjustment costs which are ignored by the CGE models. The results of CGE models with respect to gains in terms of GDPs and foreign direct investments are therefore not reliable.

India pulled out of RCEP citing differences over tariffs and other barriers and has stated that the deal will hurt its farmers who fear a flood of cheaper imports from countries such as China[8].

Sharma et al (2020) [9] estimates the impact of tariff elimination under the RCEP on various macroeconomic variables of the RCEP member countries by using the CGE Global Trade Analysis Project (GTAP) Static model under two scenarios: (1) India does not join the RCEP, and (2) India joins the RCEP. Relaxing some of the unrealistic assumptions mentioned above like full employment, the results of the model show that India's GDP would be adversely affected in case India joins this agreement, and its overall trade deficit might deteriorate after joining the RCEP, especially with respect to ASEAN and China. The study also finds that an RCEP without India might lose its shine as the GDP of most of the other members of the RCEP would be negatively impacted by India's decision to stay out. ASEAN member countries will be adversely impacted by the agreement in terms of their trade balance whether or not India joins the RCEP. Finally, the study concludes that it may not be favourable for India to re-join this mega FTA.

[7] https://www.bu.edu/gdp/files/2020/07/GEGI_WorkingPaper_040_Final.pdf

[8] https://www.indiatoday.in/news-analysis/story/5-reasons-why-pm-modi-pulled-out-rcep-in-bangkok-1615825-2019-11-05

[9] Sachin Kumar Sharma, G Badri Narayanan, Adeet Dobhal and Raihan Akhter (2020), A Quantitative Assessment of India's Withdrawal from RCEP: Issues and Concerns CEP, TWN Third World Network

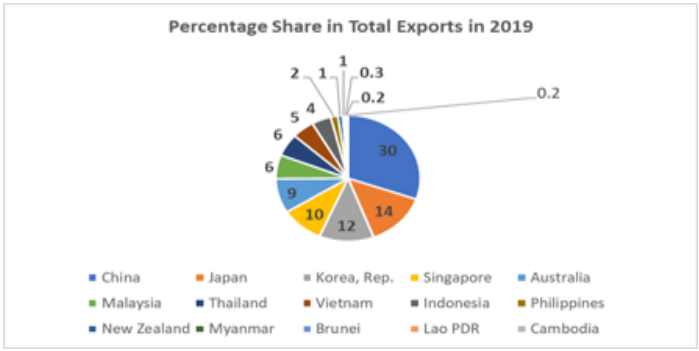
3 Existing Trade Trends Pre RCEP

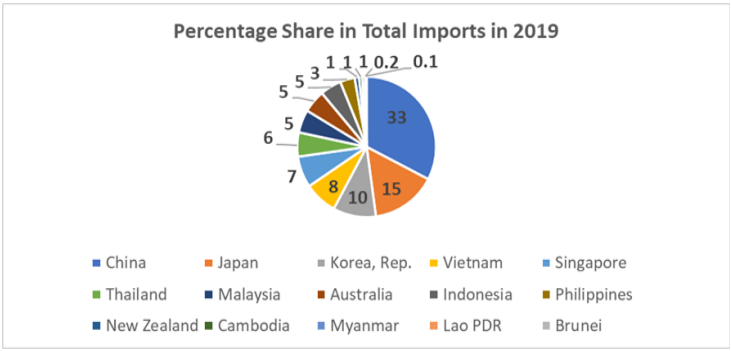
This section examines the existing trade trends among RCEP countries in the pre RCEP period i.e., in 2019.

3.1 Share in total trade in 2019

Examining the existing trade trends amongst the RCEP member countries in 2019, it is seen that ASEAN countries share was around 36 percent in total imports within RCEP and 34 percent in total exports. Figure 1 shows that in 2019, China was the biggest exporter in the group with a share of 30 percent followed by Japan (14 percent), Korea, Rep. (12 percent) and Singapore (10 percent). In terms of imports, China again emerges as the biggest importer with a share of 33 percent followed by Japan (15 percent) and Korea, Rep. (10 percent).

Figure 1: Share in Total Imports and Exports of RCEP Member Countries





Source: UN COMTRADE, WITS (World Bank and UNCTAD), 2019.

3.2 Composition of RCEP trade in 2019

Pre RCEP trends in imports amongst RCEP member countries show that in 2019 maximum trade within RCEP comprised of chapter 85 (electrical machinery and equipment) with a share of 26 percent, followed by chapter 84 (machinery and mechanical appliances) with a share of 12 percent. Mineral oils and ores comprised 11 percent of total trade followed by plastic articles and motor vehicles with a share of four percent each (Table 1).

Table 1: Composition of Imports in RCEP in 2019

HS Codes	Description	Percentage share in total trade between RCEP member countries
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	**26**
84	Nuclear reactors, boilers, machinery, and mechanical appliances; parts	**12**
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	**11**
26	Ores, slag and ash	**4**

HS Codes	Description	Percentage share in total trade between RCEP member countries
39	Plastics and articles thereof	**4**
87	Vehicles other than railway or tramway rolling stock, and parts and acc	**4**
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3
72	Iron and steel	3
29	Organic chemicals	2
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery;	2
73	Articles of iron or steel	2
38	Miscellaneous chemical products	1
40	Rubber and articles thereof	1
74	Copper and articles thereof	1
62	Articles of apparel and clothing accessories, not knitted or crocheted	1
61	Articles of apparel and clothing accessories, knitted or crocheted	1
	Others	22
	Total	**100**

Source: UN COMTRADE, WITS (World Bank and UNCTAD), 2019. Note: HS 2012 Nomenclature is used. Available: http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs_nomenclature_previous_editions.aspx.

4 Sensitive Lists and Tariff Rate Quotas with their Trade Coverage

The 15 RCEP member countries already have or are negotiating existing FTAs amongst themselves. In addition to its internal FTA, ASEAN already has existing FTAs with the other five non-ASEAN members i.e., Australia, China, Japan, New Zealand and Korea, Rep. Non-ASEAN countries also either have an existing FTA among themselves or are negotiating such FTAs in addition to RCEP. Any additional market access for ASEAN can therefore be gained from RCEP only if deeper tariff liberalisation is undertaken which cuts through the existing sensitive lists of the member countries. This section undertakes an analysis of the SLs and TRQs negotiated under RCEP by each country.

SL analysis in this paper covers all tariff lines which are identified by the countries either as no liberalisation or limited liberalisation after a period of time or any product which has a tariff rate quota attached to it. It also includes products which are selectively liberalised i.e., not fully liberalised fror some partners. The sensitive list of a country therefore includes all tariff lines where the country has decided not to reduce tariffs or gradually reduce tariffs over time but not to zero or have used TRQs[10]. In this respect the analysis undertaken for SL is an underestimation of the impact of RCEP on trade of the member countries as limited liberalisation is considered as no liberalisation for the purposes of this analysis.

[10] TRQs are defined as 'quantities inside a quota are charged lower import duty rates, than those outside (which can be high)' See- https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm.

Table 2 presents the results of the SL analysis at the HS six-digit level. The results show that developed countries like Japan and New Zealand have been able to protect 21 and 28 percent respectively of their pre RCEP imports by value under their SLs and TRQs, while ASEAN has protected only on an average 19 percent of its pre RCEP imports by value. Countries like Cambodia, Lao PDR and Myanmar have protected much more than 20 percent of their pre RCEP imports under SL with Cambodia protecting 51 percent of its imports. In terms of the number of HS six-digit tariff lines under SL and TRQs, the greatest number of tariff lines have been protected by Japan (1324) followed by Korea, Rep. (912).

The objective of SLs in a trade agreement is to provide some protection against import surges for countries with developmental challenges post tariff liberalisation. However, RCEP SL analysis reveals that it is the developed countries which have been able to negotiate higher protection against imports as compared to ASEAN countries or even least developed countries within ASEAN.

Table 2: Imports and Number of Tariff Lines in Sensitive Lists of RCEP Members

	Total imports in SL and with TRQs pre RCEP (1000 USD)	Total imports Pre RCEP (1000 USD)	Number of tariff lines at six-digit level in SL and TRQs	Imports under SL and TRQs as percent of total imports pre RCEP
Australia	1,539,216	101,725,789	90	2
Brunei	35,892	2,220,565	81	2
Cambodia	8,816,518	17,205,925	856	**51**
China	119,228,211	727,465,195	832	16
Indonesia	18,857,087	100,593,547	672	19
Japan	71,386,772	336,268,616	1324	**21**
Korea, Rep.	39,337,496	232,889,278	912	17
Lao PDR	1,216,431	4,438,236	487	27
Malaysia	15,693,318	122,922,465	450	13
Myanmar	2,936,687	11,819,114	445	25
New Zealand	5,905,134	20,935,159	474	28
Philippines	14,613,245	70,378,783	223	21
Singapore	0	141,488,408	0	0
Thailand	17,764,992	129,503,199	358	14
Vietnam	23,873,323	170,660,170	618	14
ASEAN	**103,807,493**	**771,230,411**	**4,190**	**Avg-19**
Total	**341,204,322**	**2,961,744,860**	**7,822**	**Avg-18**

Source: UN COMTRADE, SMART simulations, WITS (World Bank and UNCTAD), 2019. https://www.dfat.gov.au/trade/agreements/not-yet-in-force/rcep/rcep-text-and-associated-documents.

5 RCEP: Impact on Trade Balance of ASEAN Countries

To estimate the impact of tariff liberalisation under RCEP on the market access of ASEAN countries, both in terms of changes in exports as well as imports, tariff simulations have been undertaken. The tariff lines under SL and those with TRQs have been included in the simulation analysis. The methodology as well as the results are presented below.

5.1 Methodology

To estimate the impact of RCEP on goods market access and BOT in goods in the member countries of RCEP, we use SMART simulations which are available in WITS (World Bank and UNCTAD)[11]. One of the advantages of this approach is that it allows estimation of the impact of tariff reduction at a very disaggregated level, for example, the implications of removing tariffs on broken rice (at HS six-digit disaggregation). Such a disaggregated product-level estimations of the impact of tariff reductions are not possible in any other model. HS-Combined nomenclature is used by SMART simulations[12]. The concordance matrices between HS Combined and HS 2012 have been used since many RCEP countries provide their schedules using HS 2012.

SMART simulations are appropriate to use for RCEP analysis as it enables estimation of impact of removal of tariffs of a member's countries on exports and imports vis-à-vis all other member countries. Both product-level as well as country-level disaggregated results are arrived at. This also resolves several "aggregation biases" which are present in methodologies like CGE models which use broad sector-level data as opposed to product-level data.

For estimating the impact of removal of tariffs on the trade of member countries, two scenarios are considered, i.e., 100 percent trade liberalisation in all countries which RCEP aims at; and limited tariff liberalisation incorporating the actual SLs and TRQs as identified by the member countries in their RCEP schedules. All products which have limited liberalisation (i.e., tariffs do not go down to zero and/or have tariff quotas) have been removed from the impact analysis of the countries. The results of the analysis are provided using HS Combined nomenclature with concordance with HS 2012. The reported changes in imports, exports and BOT are per annum changes. All the results provided in the study for post RCEP incorporate SLs and TRQs.

5.2 Results of SMART Simulations: Impact of RCEP Agreement on Balance of Trade in Goods

To undertake SMART simulations, the data used for RCEP member countries is for the year 2019 which is the latest available year in the model. For some countries, the latest data available in the SMART Model is an earlier year, for example Cambodia (2016), Malaysia (2016), Thailand (2015) and Korea, Rep. (2018). However, the data has been updated to 2019 in all these countries from UN-COMTRADE and the results are presented for the updated years.

The pre RCEP figures for imports and exports are for the year 2019. The results of the SMART simulation are presented in Table 3. Column 3 provides the results of 100 percent trade liberalisation in RCEP member countries i.e., assuming all tariffs are brought down to zero. While column 5 presents the results of limited liberalisation filtering in the sensitive lists and TRQs in the RCEP schedules of all the member countries. As discussed above, if any tariff line has been selected for gradual liberalisation but does not go down to zero or has a TRQ, then that tariff line is removed from the impact analysis assuming that there is no liberalisation under that tariff line. To this extent, the results may be an underestimation of the actual impact on imports.

The results presented in Table 3 show that in terms of BOT post RCEP with 100 percent liberalisation, the major gainer is Japan followed by Australia and New Zealand while BOT improves marginally for Brunei. It needs to be noted that these results are with respect to tariff liberalisation using 2019

[11] https://wits.worldbank.org/default.aspx

[12] http://wits.worldbank.org/WITS/WITS/Support%20Materials/CMTNomenclatureandConcordancesList.aspx?Page=ProductNomenclatureandConcordances

applied tariffs, therefore any market access gains that countries like Australia may have from FTAs preceding RCEP like the CPTPP are not taken into account.

The results show that the BOT deteriorates for all other ASEAN countries. Even when SLs and TRQs in their schedules are considered, ASEAN countries' BOT still deteriorates by around six percent, i.e., ASEAN countries together will lose around USD 8.5 billion per annum post RCEP in their goods trade balance. Of this, Malaysia will lose USD 4 billion per annum post RCEP, followed by Cambodia with a loss of USD 2.3 billion per annum. Thailand, Vietnam, and Myanmar will lose around half a million USD per annum post RCEP. Philippines and Indonesia will lose around USD 260 million and USD 150 million, respectively.

Japan will experience the highest increase in its BOT which increases from USD 12.1 billion to USD 24 billion which is almost a 99 percent improvement. The BOT improves for New Zealand by around six percent. While RCEP causes the BOT to worsen by 36 percent for Malaysia; more than 20 percent for Myanmar and Thailand; and 17 percent for Cambodia. Although exports of China to RCEP member countries increase post RCEP, its imports rise more than its exports making the net BOT of China more negative.

Table 3: Impact of RCEP on Balance of Trade of RCEP Member Countries

Reporter	BOT Before RCEP in USD Million	Post RCEP BOT with 100 percent liberalisation in USD Million	Post RCEP BOT with limited liberalisation including SL and TRQs in USD Million	Change in BOT pre and post RCEP including SL and TRQs in USD Million	Percentage Change in BOT Pre and Post RCEP with SL and TRQ
Australia	93,453	96,388	94,429	976	1.0
Brunei	3,654	3,662	3,658	4	0.1
Cambodia	-13,360	-17,932	-15,678	-2,318	-17.3
China	-139,684	-141,061	-144,536	-4,851	-3.5
Indonesia	-9,628	-10,006	-9,781	-152	-1.6
Japan	12,162	28,944	24,157	11,995	98.6
Korea, Rep.	36,073	29,793	33,169	-2,904	-8.0
Lao PDR	-607	-361	-623	-16	-2.6
Malaysia	11,218	3,638	7,122	-4,095	-36.5
Myanmar	-1,728	-2,078	-2,206	-479	-27.7
New Zealand	4,726	5,416	4,989	263	5.6
Philippines	-23,359	-24,264	-23,623	-264	-1.1
Singapore	-50,987	-50,467	-51,067	-80	-0.2
Thailand	-2,983	-3,061	-3,654	-671	-22.5
Vietnam	-52,133	-56,433	-52,635	-502	-1.0
ASEAN	-139,912	-157,301	-148,487	-8,572	-6.1

Source: UN COMTRADE, SMART Simulations, WITS (World Bank and UNCTAD), 2019.

6 Impact on Imports: Results of SMART Simulations

6.1 Change in total imports post RCEP

The results of the import analysis using SMART simulations show that imports into ASEAN will increase by USD 7.8 billion with all RCEP countries experiencing an increase in their imports post RCEP, even with their SLs and TRQs in place. The greatest increase in imports in absolute terms amongst ASEAN countries is estimated for Malaysia, i.e., USD 3.7 billion per annum followed by Cambodia (USD 2.3 billion) and Thailand (USD 876 million). Imports in non-ASEAN countries also increase with the maximum change estimated is for China (USD 11.4 billion) followed by Korea, Rep. (USD 6.3 billion) and Japan (USD 2.2 billion).

Table 4: Change in Imports Post RCEP with Sensitive Lists and TRQs

Reporter	Imports Pre RCEP (1000 USD)	Imports post RCEP with SL and TRQ (1000 USD)	Change in imports post RCEP (1000 USD)	Percentage change in imports post RCEP
Australia	101,725,789	101,739,013	13,224	0.0
Brunei	2,220,565	2,220,768	203	0.0
Cambodia	17,205,925	19,514,843	2,308,918	13.4
China	727,465,195	738,866,701	11,401,506	1.6
Indonesia	100,593,547	100,908,478	314,931	0.3
Japan	336,268,616	338,555,772	2,287,156	0.7
Korea, Rep..	232,889,278	239,279,902	6,390,624	2.7
Lao PDR	4,438,236	4,489,601	51,326	1.1
Malaysia	122,922,465	126,682,161	3,759,696	3.1
Myanmar	11,819,114	11,990,688	171,574	1.5
New Zealand	20,935,159	20,941,855	6,696	0.0
Philippines	70,378,783	70,526,879	148,096	0.2
Singapore	141,488,408	141,488,408	0	0.0
Thailand	129,503,199	130,379,922	876,723	0.7
Vietnam	170,660,170	170,849,538	189,368	0.1
ASEAN	771,230,412	779,051,286	7,820,874	1.0

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

6.2 Change in imports from other countries in RCEP

Table 5 provides results of the estimated change in imports of ASEAN and non-ASEAN countries from their partner RCEP member countries post RCEP taking account of SLs and TRQs. The results show that imports of almost all ASEAN countries increase from China, except for Lao PDR and Vietnam. Most of the increase in Cambodia's imports i.e., 79 percent of rise in imports will be from China while 71 percent of the increase in Indonesia's imports will be from China. Around half of the increase in imports of Malaysia, Myanmar and Philippines post RCEP will be from China.

However, China's imports increase mainly from Japan and Korea, Rep., while its imports decline from all ASEAN countries. This shows that China will experience trade diversion post RCEP from ASEAN countries in favour of Japan and Korea PDR. Vietnam and Philippines, experience maximum increase in their imports from Korea, Rep.

Table 5: Change in Imports from RCEP Partner Countries Post RCEP

Partner Name	Change in Cambodia's imports post RCEP (1000 USD)	Change in Indonesia's imports post RCEP (1000 USD)	Change in Lao's imports post RCEP (1000 USD)	Change in Malaysia's imports post RCEP (1000 USD)	Change in Myanmar's imports post RCEP (1000 USD)	Change in Philippines imports post RCEP (1000 USD)	Change in Thailand's imports post RCEP (1000 USD)	Change in Vietnam's imports post RCEP (1000 USD)	Change in China's imports post RCEP (1000 USD)
Australia	27,698	**49,012**	**5,814**	62,383	14,423	1,065	39,264	3,077	197,788
Brunei	0	0	0	4,535	3	0	-3	0	-10
Cambodia	0	-722	-4	731	5	-48	30,181	-635	-11,914
China	**1,834,800**	**225,578**	-1,174	**1,806,903**	**88,303**	**72,108**	**226,073**	-95,287	0
Indonesia	8,994	0	-186	318,474	2,885	-3,192	-26,888	-5,886	-91,957
Japan	49,095	31,313	**11,008**	**515,153**	**26,349**	-7,558	300,795	68,891	**9,558,544**
Korea, Rep..	26,007	23,357	403	156,063	4,976	**102,009**	77,860	**264,708**	**3,159,647**
Lao PDR	17	-3	0	233	-1	0	45,688	-100	-707
Malaysia	1,707	-2,757	-102	0	11,455	-3,531	-34,712	-8,751	-366,448
Myanmar	4,940	3,638	0	2,793	0	-39	**178,113**	-58	-5,430
New Zealand	802	12,019	49	10,789	2,020	-2	79,523	1,590	-55,420
Philippines	1,202	6,045	-1	28,956	1,138	0	-5,149	-1,893	-108,068
Singapore	11,593	-5,120	-65	264,772	1,615	-2,569	-15,197	-2,963	-243,187
Thailand	149,733	-13,846	**35,810**	**469,815**	10,821	-5,437	0	-33,328	-350,668
Vietnam	192,330	-13,582	-225	118,095	7,582	-4,710	-18,823	0	-280,665
Total Change in Imports	**2,308,918**	**314,931**	**51,326**	**3,759,696**	**171,575**	**148,096**	**876,724**	**189,367**	**11,401,506**

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

6.3 Total imports post RCEP

Table 6 shows the five products where imports values increased the most for ASEAN countries post RCEP. The results show that imports of textiles and clothing are products with the greatest increase in imports for Brunei, Cambodia, and Indonesia, while vehicles are products with the largest increases in imports due to RCEP for Malaysia, Myanmar, and Vietnam. Electrical machinery and mechanical appliances are also products with large increases in imports for Cambodia, Lao PDR, Philippines, Malaysia, and Vietnam. While imports of certain agricultural products increase the most for Thailand due to RCEP.

Table 6: Top Five Imports of ASEAN Countries Post RCEP

Country	Two-digit product codes and description		Absolute change in imports (1000 USD)	Percentage share in total change in imports
Brunei	94	furniture: bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	166	82
	63	other made-up textile articles; sets; worn clothing and worn textile articles; rags	23	11
	64	footwear, gaiters, and the like; parts of such articles	14	7
Cambodia	60	knitted or crocheted fabrics	881,067	44
	55	man-made staple fibres	249,200	13
	84	nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	157,783	8
	52	cotton	83,232	4
	87	vehicles other than railway or tramway rolling stock, and parts and accessories thereof	62,238	3
Indonesia	61	articles of apparel and clothing accessories, knitted or crocheted	69,959	22
	62	articles of apparel and clothing accessories, not knitted or crocheted	58,702	19
	73	articles of iron or steel	29,067	9
	02	meat and edible meat offal	24,864	8
	74	copper and articles thereof	21,926	7
Lao PDR	01	live animals	37,122	72
	55	man-made staple fibres	3,605	7
	84	nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	1,647	3
	85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	1,071	2
	05	products of animal origin, not elsewhere specified or included	949	2
Malaysia	87	vehicles other than railway or tramway rolling stock, and parts and accessories thereof	717,131	21
	84	nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	451,799	14
	85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	299,553	9
	48	paper and paperboard; articles of paper pulp, of paper or of paperboard	40,973	7
	73	articles of iron or steel	187,863	6
Myanmar	87	vehicles other than railway or tramway rolling stock, and parts and accessories thereof	58,802	34
	73	articles of iron or steel	12,768	7
	10	cereals	12,767	7

Country	Two-digit product codes and description		Absolute change in imports (1000 USD)	Percentage share in total change in imports
	39	plastics and articles thereof	12,688	7
	11	products of the milling industry; malt; starches; inulin; wheat gluten	10,925	6
Philippines	93	arms and ammunition; parts and accessories thereof	76,048	51
	39	plastics and articles thereof	19,472	13
	85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	8,721	6
	62	articles of apparel and clothing accessories, not knitted or crocheted	7,675	5
	84	nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	7,602	5
Singapore	Not applicable as it does not have SL and/or TRQ tariff lines			
Thailand	07	edible vegetables and certain roots and tubers	339,345	39
	10	cereals	147,590	17
	73	articles of iron or steel	119,237	14
	04	dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	109,263	12
	09	coffee, tea, maté and spices	82,686	9
Vietnam	35	albuminoidal substances; modified starches; glues; enzymes	86,489	46
	85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	77,444	41
	87	vehicles other than railway or tramway rolling stock, and parts and accessories thereof	45,948	24
	73	articles of iron or steel	9,839	5
	96	miscellaneous manufactured articles	9,522	5

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7 Detailed Analysis of Change in Imports Post RCEP: Country/ Product-Wise

The results of SMART simulations provide detailed analysis of which product will be imported by the RCEP countries and from which RCEP country. This section highlights some of the key results of import analysis for each of the ASEAN countries at the disaggregated HS six-digit level.

7.1 Detailed analysis of change in imports of Cambodia

Table 7 reports the results of detailed analysis of change in imports of Cambodia. The results show that Cambodia's imports increase mostly from China, i.e., 79 percent of its import increase will be from China, followed by Vietnam and Thailand. Further, analysis at the product level reveal that the top 20 imports of Cambodia post RCEP will be mainly in textiles and clothing and mechanical appliances from China, parts of footwear from Vietnam and machinery and mechanical appliances from China.

Table 7: Change in Cambodia's Imports Post RCEP: Product/Country Analysis

Partner Name	HS six-digit code with description	Change in Imports post RCEP in USD 1000
China	600690 - Other knitted or crocheted fabrics.	669,831
China	551599—Other woven fabrics of synthetic staple fibers	191,126
Malaysia	600690—Other knitted or crocheted fabrics. Other.	75,981
China	520929—Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing more than 200 g/m2. Other fabrics	69,070
China	600490—Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 % or more of elastomeric yarn or rubber thread, other than those of heading 60.01. Other	50,931
Vietnam	600490—Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 % or more of elastomeric yarn or rubber thread, other than those of heading 60.01—Other	28,954
China	870540—Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete- mixer lorries, road sweeper lorries, spraying lorries	28,889
China	843041—Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinerfor earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow- blowers—Self-propelled	25,881
Vietnam	640620—Outer soles and heels, of rubber or plastics	25,190
Thailand	252310—Cement clinkers	25,153
Australia	010229—Live bovine animals—Other	23,967
China	551529—Other woven fabrics of synthetic staple fibers. Other	21,945
Thailand	600690—Other knitted or crocheted fabrics.- Other	18,724
China	761490—Stranded wire, cables, plaited bands and the like, of aluminum, not electrically insulated—Other	17,299
China	611790—Other made up clothing accessories, knitted or crocheted; knitted or crocheted Parts	15,821
China	640620—Outer soles and heels, of rubber or plastics	3,899
Vietnam	721410—Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling. Forged	12,758
China	721610—Further worked than hot-rolled, hot-drawn or extruded, of a height of less than 80 mm	11,246
Vietnam	410799—Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather—Other	10,631
China	845229—Sewing machines, other than book-sewing machines of heading 84.40; furniture, bases and covers specially designed for sewing machines; sewing machine needles—Other	9,651
Total of top 20 imports		**1,346,947**

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.2 Detailed analysis of change in imports of Indonesia

Most of the increase in Indonesia's imports will be from China. The share of HS chapters 61 and 62 i.e., articles of apparels and clothing will be highest constituting around 51 percent of total increase in imports from China. This is followed by parts and accessories of vehicles and unmanufactured tobacco and tobacco refuse, particularly of tobacco, partly or wholly stemmed/stripped (240120) and tobacco, not stemmed/stripped (240110).

Table 8: Change in Indonesia's Imports from China Post RCEP: Product/Country Analysis

Product code		Change in Indonesia's imports from China post RCEP (1000 USD)	Percentage share of products in total imports from China
61	Articles of apparel and clothing accessories, knitted or crocheted	71,409	32
62	Articles of apparel and clothing accessories, not knitted or crocheted	59,571	26
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	40,395	18
24	Tobacco and manufactured tobacco substitutes	20,522	9
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	15,559	7
39	Plastics and articles thereof	13,336	6
	Total of above	220,792	98
	Total Change in Imports	**225,578**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.3 Detailed analysis of change in imports of Lao PDR

Table 9 reports the detailed analysis of change in imports for Lao PDR. Post RCEP the results show that Lao PDR's imports increase mainly from Australia, Japan and Thailand. the greatest increase in Lao PDR's imports from RCEP members will be in HS Chapter 0102 which is live bovine animals (010239) from Thailand. This will be followed by an increase in imports of woven fabrics from Japan (5514) and flours and meals from Australia.

Table 9: Change in Lao PDR's Imports Post RCEP: Product/Country Analysis

Partner Name	Product Codes (six-digit)	Change post RCEP (in 1000 USD)	Percentage share in the Change in Imports
Thailand	010239—Live bovine animals—Other	37,146	71
Japan	551430—Woven fabrics of synthetic staple fibres, containing less than 85 percent by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m²—Of yarns of different colours	1,615	3
Japan	551219—Woven fabrics of synthetic staple fibres, containing 85 percent or more by weight of synthetic staple fibres—Other	1,337	3

Partner Name	Product Codes (six-digit)	Change post RCEP (in 1000 USD)	Percentage share in the Change in Imports
Japan	050100—Human hair, unworked, whether or not washed or scoured; waste of human hair	971	2
Australia	230110—Flours, meals and pellets, of meat or meat offal; greaves	905	2
Japan	551411—Woven fabrics of synthetic staple fibres, containing less than 85 percent by weight of such fibreOf polyester staple fibres, plain weave	880	2
Australia	847490—Machinery for sorting, screening, separating, washing, crushing, grinding—Parts	803	2

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.4 Detailed analysis of change in imports of Malaysia

The results show that post RCEP, the greatest increase in imports of Malaysia will be from China which is around 48 percent of its total increase in imports followed by Japan. Table 10 reports the imports greater than USD 20 million from China. Imports of HS chapter 3506 which is prepared glues and other adhesive will increase by around USD 76 million. Of this, 350691 which is adhesives based on polymers will experience the greatest increase. This is followed by Chapter 8708 which is parts and accessories of motor vehicles and 8414 which is air or vacuum pumps.

Table 10: Change in Malaysia's Imports from China Post RCEP: Product/Country Analysis

HS four-Digit Product Code	Description	Change in imports post RCEP in USD 1000	Percentage share in total change in imports post RCEP
3506	Prepared glues and other prepared adhesives,	76,711	4
8708	Parts and accessories of the motor vehicles of headings 87.01 to 87.05.	71,106	4
8414	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters.	62,356	3
4819	Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, etc	50,460	3
8536	Electrical apparatus for switching or protecting electrical circuits, or for making connections	48,036	3
8302	Base metal mountings, fittings and similar articles suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, chests, caskets or the like;	35,275	2
4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes.	34,568	2
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves.	32,663	2
8716	Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof.	27,958	2
8702	Motor vehicles for the transport of ten or more persons, including the driver.	26,568	1

HS four-Digit Product Code	Description	Change in imports post RCEP in USD 1000	Percentage share in total change in imports post RCEP
7228	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel.	24,479	1
9405	Lamps and lighting fittings including searchlights and spot-lights and parts thereof,	23,185	1
8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36,	22,366	1
8704	Motor vehicles for the transport of goods.	21,572	1
7326	Other articles of iron or steel.	20,266	1
8712	Bicycles and other cycles (including delivery tricycles), not motorised.	20,032	1
	Total of above	597,601	33
	Total	**1,806,903**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

Table 11 reports the results of Malaysia's increase in imports from Japan. The maximum increase in imports into Malaysia from Japan post RCEP will be of parts and accessories of motor vehicles, followed by dust and powder of natural or synthetic precious and semi-precious stones (711590) and motor vehicles of weight between 5 to 20 tons.

Table 11: Change in Malaysia's Imports from Japan Post RCEP: Product/Country Analysis

Product Codes (six-digit)	Change in imports post RCEP (in 1000 USD)	Percentage share in the change in total imports
870829—Parts and accessories of the motor vehicles of headings 87.01 to 87.05. Other	51,939	10
711590—Dust and powder of natural or synthetic precious or semi- precious stones.		
Other	39,848	8
870899—Parts and accessories of the motor vehicles of headings 87.01 to 87.05. Other	30,576	6
870324—Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars—Of a cylinder capacity exceeding 3000 cm^3	24,075	5
350691—Prepared glues and other prepared adhesives—Adhesives based on polymers of headings 3901 to 3913 or on rubber	22,369	4
870840—Parts and accessories of the motor vehicles of headings 87.01 to 87.05. Gear boxes and parts thereof	17,864	3
870210—Motor vehicles for the transport of ten or more persons, including the driver. With only compression-ignition internal combustion piston engine (diesel or semi-diesel)	12,054	2
870830—Brakes and servo-brakes; parts thereof	10,386	2

Product Codes (six-digit)	Change in imports post RCEP (in 1000 USD)	Percentage share in the change in total imports
840991—Suitable for use solely or principally with spark-ignition internal combustion piston engines	10,021	2
Total of above	246,487	48
Total Imports from Japan	**515,153**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.5 Detailed analysis of change in imports of Myanmar

The detailed results of the SMART simulations on imports of Myanmar are reported in Table 12. The results show that the maximum increase in Myanmar's imports post RCEP will be from Australia, China and Japan. Imports of motor vehicles, woven fabrics and plastic articles increase from China and Japan while imports of wheat and meslin (100199) increase from Australia.

Table 12: Change in Myanmar's Imports Post RCEP: Product/Country Analysis

Partner Name	Product Codes (six-digit)	Change in imports post RCEP (in 1000 USD)	Percentage share in the change in imports
China	870410—Motor vehicles for the transport of goods -Dumpers designed for off-highway use	28,957	17
China	871110—Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars. With recipro-cating internal combustion piston engine of a cylinder capacity not exceeding 50 cm^3	18,827	11
Australia	100199—Wheat and meslin—Other	12,768	7
China	540761—Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04. Containing 85 per-cent or more by weight of non-textured polyester filaments	5,232	3
China	730661—(2007-) Other tubes, pipes and hollow profiles—Of square or rectangular cross-section	4,821	3
China	392690—Other articles of plastics and articles of other materials Other	1,972	1
China	292242—Glutamic acid and its salts	1,744	1
China	392310—Boxes, cases, crates and similar articles	1,435	1
China	841810—Combined refrigerator-freezers, fitted with separate exter-nal doors	1,376	1
Japan	852110—Video recording or reproducing apparatus, - Magnetic tape-type	1,310	1
China	730300—Tubes, pipes and hollow profiles, of cast iron	1,297	1
China	721070—Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated-Painted, varnished or coated with plastics	1,273	1
China	620520—Men's or boy's shirts. Of cotton	1,140	1
China	721633—Angles, shapes and sections of iron or non-alloy steel-H sections	1,096	1

Partner Name	Product Codes (six-digit)	Change in imports post RCEP (in 1000 USD)	Percentage share in the change in imports
Japan	870410—Motor vehicles for the transport of goods -Dumpers designed for off-highway use	1,077	1
Japan	551219—Woven fabrics of synthetic staple fibres, containing 85 percent or more by weight of synthetic staple fibers—Other	1,051	1
	Total of above	85,376	50
	Total Imports	**171,575**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.6 Detailed analysis of change in imports of Philippines

Table 13 reports the results of detailed analysis of imports of Philippines post RCEP. The simulation results show that Philippines experiences a fall in imports from all ASEAN countries but a rise in imports from China and Korea, Rep.. The products where the rise in imports from Korea, Rep. occur are HS Chapters 93 (arms and ammunition), 85 (electrical machinery and equipment) and 39 (plastics and articles thereof) and from China imports increase in chapters 39 (plastics and articles thereof), 40 (rubber and articles thereof), 61 and 63 (articles of apparel and clothing and other made-up textile articles), 64 (footwear, gaiters and the like; parts of such articles), 70 (glass and glassware), 84 (machinery and mechanical appliances) and 85 (electrical machinery and equipment) .

Table 13: Change in Philippines Imports Post RCEP: Product/Country Analysis

Partner Name	Product Codes (six-digit)	Change in imports post RCEP (in 1000 USD)	Percentage share in the change in total imports
Korea, Rep.	930690—Bombs, grenades, torpedoes, mines, missiles and similar munitions of war Other	54,120	37
Korea, Rep.	930190 - Military weapons, other than revolvers, pistols and the arms of heading 93.07—Other	9,438	6
Korea, Rep.	854430—Ignition wiring sets and other wiring	7,200	5
Korea, Rep.	391990—Self-adhesive plates, sheets, film, foil, tape, etc—Other	6,620	4
China	620322—Men's or boy's suits, ensembles, jackets, blazers, trousers, bib—Of cotton	6,529	4
Korea, Rep.	930110—Military weapons -Artillery weapons	5,966	4
China	848180—Taps, cocks, valves and similar appliances for pipes, etc - Other appliances	5,847	4
Korea, Rep.	930120—Military weapons, other than revolvers, pistols and the arms of heading 93.07.- Rocket launchers; flame-throwers;	5,619	4
China	401120—New pneumatic tyres, of rubber—Of a kind used on buses or lorries	5,094	3
China	630222—Bed linen, table linen, toilet linen and kitchen linen—Of man-made fibres	3,098	2
	Total of above	109,531	74
	Total Imports	**148,096**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.7 Detailed analysis of change in imports of Thailand

The results of simulations show that Thailand's imports increase mostly from China. Table 14 reports the results of increase in imports from China post RCEP. The results show that imports from China increase in HS chapters 07 (onions and shallots, potatoes, etc), 09 (green tea), 12 (vegetable seeds), 71 (imitation jewellery) and 74 (Refined copper and copper alloys).

Table 14: Change in Thailand's Imports from China Post RCEP

Partner Name	Product Codes (six-digit)	Change post RCEP (in 1000 USD)	Percentage share in the change
China	070310—Onions and shallots	157,016	18
China	070190—Other Potatoes, fresh or chilled.	128,207	15
China	070320—Garlic	17,155	2
China	711719—Imitation jewellery	10,855	1
China	090220—Other green tea (not fermented)	7,996	1
China	740311—Cathodes and sections of cathodes, Refined copper and copper alloys,	7,053	1
China	090240—Other black tea (fermented) and other partly fermented tea	3,263	0
China	120991—Vegetable seeds	3,213	0
China	071290—Other vegetables; mixtures of vegetables	2,279	0
	Total of Above	337,037	38
	Total Imports	**876,724**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

7.8 Detailed analysis of change in imports of Vietnam

The results show that most of the rise in imports in Vietnam post RCEP will be from Korea, Rep. The five products with the greatest increase in imports due to RCEP at HS six-Digit level from Korea, Rep. constitute around 87 per cent of total rise in its imports. These are electrical apparatus, albuminoidal substances; modified starches; glues; enzymes and articles of iron or steel.

Table 15: Change in Vietnam's Imports from Korea, Rep. Post RCEP

Product Codes (six-digit)	Change post RCEP in USD 1000	Percentage share in the change in total Imports
853690—Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits - Other apparatus	90,652	34
350691—Prepared glues and other prepared adhesives—Adhesives based on polymers	78,205	30
853669—Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits—Other	26,281	10
350699—Prepared glues and other prepared adhesives, not elsewhere specified or included;—Other	19,970	8
732690—Other articles of iron or steel—Other	15,542	6
Total of top 5 imports from Korea, Rep.	**230,650**	**87**

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8 Impact on Exports: Results of SMART Simulations

8.1 Change in total exports post RCEP

The results of the SMART simulations for change in exports post RCEP is reported in Table 16. The results show that ASEAN countries will be net losers in terms of change in exports post RCEP as they lose their export shares to other non-ASEAN countries. Post RCEP, there will be a shift in trade in favour of more efficient exporters within RCEP. Total exports of RCEP members increase by USD 24.8 billion post RCEP of which exports of non-ASEAN countries increase by USD 25.5 billion which is around 2 percent of their pre RCEP exports while that of ASEAN countries decline by around USD 752 million, Exports to RCEP countries post RCEP are estimated to fall for Cambodia, Malaysia, Myanmar, Philippines, Singapore, and Vietnam and increase marginally for Indonesia, Lao PDR and Thailand. Marginal increases in exports are estimated for Brunei, Lao PDR, Indonesia, and Thailand.

However, the major gainer in terms of change in exports is Japan where exports increase by around four percent followed by Korea, Rep. and China. Exports of Japan are estimated to increase by around USD 14 billion per annum with RCEP countries while those of China will increase by USD 6.5 billion per annum post RCEP. Exports of Korea, Rep. are estimated to increase by USD 3.4 billion. In absolute terms, the greatest share in increased exports is experienced by Japan which is 58 percent of the total rise in exports due to RCEP followed by China with a share of 26 percent, Korea, Rep. and Australia with shares of 14 and 4 percent, respectively.

Table 16: Change in Exports Post RCEP with Sensitive Lists and TRQs

Reporter	Pre RCEP (in 1000 USD)	Post RCEP with SL and TRQ (in 1000 USD)	Change in Export Revenue (in 1000 USD)	Percentage Change in Exports in Post RCEP	Percentage Share in Total Change in Exports post RCEP
Australia	195,178,522	196,167,776	989,254*	0.5	4
Brunei	5,874,854	5,879,251	4,397	0.1	0
Cambodia	3,845,791	3,836,876	-8,915	-0.2	0
China	587,781,044	594,331,197	6,550,153	1.1	26
Indonesia	90,965,398	91,127,866	162,468	0.2	1
Japan	**348,430,767**	**362,713,265**	**14,282,498**	**4.1**	58
Korea, Rep..	268,961,982	272,448,764	3,486,782	1.3	14
Lao PDR	3,831,555	3,867,049	35,494	0.9	0
Malaysia	134,140,139	133,804,540	-335,599	-0.3	-1
Myanmar	10,091,340	9,784,299	-307,041	-3.0	-1
New Zealand	25,660,940	25,930,810	269,870	1.1	1
Philippines	47,019,438	46,903,575	-115,863	-0.2	0
Singapore	90,501,817	90,421,860	-79,957	-0.1	0
Thailand	126,520,677	126,726,366	205,689	0.2	1
Vietnam	118,527,258	118,214,688	-312,570	-0.3	-1
Total	2,057,331,522	2,082,158,182	24,826,660	1.2	100
ASEAN	**631,318,267**	**630,566,370**	**-751,897**	**-0.1**	
Non-ASEAN	**1,426,013,255**	**1,451,591,812**	**25,578,557**	**1.8**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

***Note:** These figures include increase in Australia's exports of beef to China post tariff liberalisation and do not take into account China's ban of beef imports from Australia in 2020.

8.2 Change in Indonesia's exports post RCEP

Only three ASEAN countries will experience a marginal rise in their exports post RCEP. Exports post RCEP rise by one percent for Indonesia and Thailand and by 0.07 percent for Brunei.

Examining the change in Indonesia's exports, we find that most of the rise in exports is with respect to Malaysia (Table 17). The products which will experience an increase in exports are mainly miscellaneous chemical products, parts and accessories of motor vehicles and cocoa paste. Exports to Korea, Rep. of coconuts and cashew nuts (080132) also increase.

Table 17: Increase in Indonesia's Exports Post RCEP

Partner Name	Product Description	Change in Exports in USD 1000	Share in Percentage Increase in Exports
Malaysia	382319—Industrial monocarboxylic fatty acids- Other	43,428	25
Korea, Rep.	080132—Coconuts, Brazil nuts and cashew nuts, fresh or dried, Shelled	32,426	19
Malaysia	870829—Parts and accessories of the motor vehicles- Other	14,632	9
Malaysia	180310—Cocoa paste, Not defatted	12,656	7
Malaysia	840991—Parts suitable for use solely or principally with spark-ignition internal combustion piston engines	9,944	6
Malaysia	350691—Prepared glues and other prepared adhesives—Adhesives based on polymers of headings 3901 to 3913 or on rubber	9,756	6
Malaysia	840991—Parts suitable for use solely or principally with spark-ignition internal combustion piston engines	8,709	5
Malaysia	480256 -Basketwork, wickerwork and other articles, made directly to shape from plaiting materials -Weighing 40 g/m² or more but not more than 150 g/m²,	8,027	5
Malaysia	740819—Copper wire—Other	6,902	4
Malaysia	840732—Spark-ignition reciprocating or rotary internal combustion piston engines- Of a cylinder capacity exceeding 50 cm³ but not exceeding 250 cm³	6,635	4
Malaysia	480257—Natural cork, debacked or roughly squared, or in rectangular (including square) blocks—Other, weighing 40 g/m² or more but not more than 150 g/m²	6,583	4
Malaysia	871410—Parts and accessories of vehicles of - motorcycles (including mopeds)	6,118	4
Malaysia	870899—Parts and accessories of the motor vehicles of headings 87.01 to 87.05—Other	5,728	3
	Total of above	**171,544**	

Source: Results of SMART Simulations, WITS (World Bank an UNCTAD), 2019.

However, Indonesia's exports will decline post RCEP to many other RCEP countries, especially China, as the other countries import from a more efficient exporter within RCEP. Exports to China decline in oils and other products (HS 270799), steel products (HS 721913) and primary cells and batteries (HS 850650). Exports also decline in some products to other ASEAN countries like Thailand of onions and shallots, electric motors, and sports footwear (Table 18).

Table 18: Decline in Indonesia's Exports Post RCEP

Partner Name	Product Description	Decline in Exports In USD 1000	Percentage Share in Total Decline in Exports Post RCEP
China	270799—Oils and other products—Other	-8,475	14
China	721913—Flat-rolled products of stainless steel—Of a thickness of 3 mm or more but less than 4,75 mm	-4,771	8
Japan	240210—Cigars, cheroots and cigarillos, containing tobacco	-4,748	8
China	850650—Primary cells and primary batterie- Lithium	-4,615	8
Thailand	070310—Onions and shallots	-3,800	6
China	920110—Upright pianos	-3,757	6
China	270750—Oils and other products—Other aromatic hydrocarbon mixtures of which 65 % or more by volume	-3,407	6
Korea, Rep.	640299—Other footwear with outer soles and uppers of rubber or plastics—Other	-3,196	5
China	852290—Parts and accessories suitable for use solely or principally with the apparatus of headings - Other	-2,826	5
Thailand	850110—Motors of an output not exceeding 37,5 W	-2,773	5
Japan	620293—Women's or girls' overcoats, car-coats, capes, cloaks, anoraks—Of man-made fibres	-2,417	4
China	640419—Footwear with outer soles of rubber, plastics, leather or composition—Other	-2,369	4
Japan	610463—Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts—Of synthetic fibres	-2,249	4
Thailand	850131—Electric motors and generators—Of an output not exceeding 750 W	-2,054	3
Korea, Rep.	640411—Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like	-1,985	3
Japan	160419—Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs—Other	-1,830	3
China	848210—Ball bearings	-1,816	3
Thailand	640411—Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like	-1,801	3
	Total of above	**58,889**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8.3 Change in Thailand's exports post RCEP

Table 19 reports the product-wise and country-wise increase in Thailand's exports post RCEP. The results show almost 39 percent of the rise in exports of Thailand in its total rise in exports will be of parts and accessories of motor vehicles to Malaysia.

Table 19: Change in Thailand's Exports Post RCEP

Reporter Name	Product Codes (six-digit)	Change in Exports (in 1000 USD)	Percentage Share of Product in Total Increase in Exports
Malaysia	870829—Parts and accessories of the motor vehicles – Other	129,976	39
Lao PDR	010239—Live bovine animals—Other.	37,146	11
Malaysia	870899—Parts and accessories of the motor vehicles – Other	33,585	10
Cambodia	252310—Cement clinkers	25,153	7
Cambodia	600690—Other knitted or crocheted fabrics - Other	18,724	6
Japan	160100—Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	17,911	5
Malaysia	251810—Dolomite, not calcined or sintered	17,355	5
Japan	190490—Prepared foods obtained by the swelling or roasting of cereals or cereal products - Other	16,115	5
Malaysia	220290—Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured - Other	14,268	4
Malaysia	840991—Parts Suitable for use solely or principally with spark-ignition internal combustion piston engines	14,211	4
Malaysia	853710—Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus. For a voltage not exceeding 1000 V	11,636	3
	Total of above	**336,080**	

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8.4 Change in China's exports post RCEP

China will experience an increase in exports to almost all ASEAN countries and the exports are very dispersed over many products. Table 20 shows that the increase in China's exports post RCEP will be highest for Cambodia followed by Malaysia, Thailand, Indonesia, Myanmar and Philippines. China's exports to Lao PDR and Vietnam will fall post RCEP.

Table 20: Change in China's Exports to ASEAN Countries Post RCEP

Partner Name	Change in Exports of China USD 1000	Share in Percentage Increase in China's Exports to RCEP Countries
Cambodia	**1,834,800**	21
Indonesia	225,578	4
Lao PDR	-1,174	0
Malaysia	**1,806,903**	20
Myanmar	88,303	1
Philippines	72,108	1
Thailand	226,073	5
Vietnam	-95,287	0

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

Further disaggregated results of change in China's exports to ASEAN countries post RCEP is reported in Table 21. The results show that China's exports mainly increase in textiles and clothing, onions and shallots, potatoes and corrugated cartons. However, as mentioned above, China's export basket becomes very diversified and exports will increase in many products across ASEAN countries post RCEP.

Table 21: Change in China's Exports: Product-wise and Country-wise

Reporter Name	Product Codes (six-digit)	Change in Exports (in 1000 USD)	Share of Products in Percentage Change in Total Exports
Cambodia	600690—Other knitted or crocheted fabrics Other	669,831	10
Cambodia	551599—Other woven fabrics of synthetic staple fibres—Other	191,126	3
Thailand	070310—Onions and shallots	157,016	2
Thailand	070190—Potatoes, fresh or chilled—Other	128,207	2
Malaysia	350691—Adhesives based on polymers of headings 3901 to 3913 or on rubber	76,711	1
Cambodia	520929—Woven fabrics of cotton containing 85 % or more by weight of cotton—Other fabrics	69,070	1
Indonesia	610620—Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted - Of man-made fibres	66,088	1
Cambodia	600490—Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 % or more Other	50,931	1
Indonesia	620462—Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts—Of cotton	40,530	1
Malaysia	481910—Cartons, boxes and cases, of corrugated paper or paperboard	35,240	1

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8.5 Change in Japan's exports post RCEP

Japan is found to gain the most in terms of increase in its exports post RCEP. Japan's exports increase by around USD 14 billion of which USD 9.5 billion or 68 percent of the export increases are to China, 25 percent of the increase in exports is to Korea, Rep. and around 4 percent to Malaysia and 2 percent to Thailand (Table 22). Japan's exports rise to other ASEAN countries as well except for the Philippines where it declines by USD 7.5 million.

Table 22: Change in Japan's Exports Post RCEP

Partner Name	Change in Japan's Exports Post RCEP In USD 1000	Percentage Share in Change in Japan's Exports
China	9,558,544	67
Korea, Rep.	3,517,524	25
Malaysia	515,153	4
Thailand	300,795	2

Partner Name	Change in Japan's Exports Post RCEP In USD 1000	Percentage Share in Change in Japan's Exports
Vietnam	68,891	0.5
Cambodia	49,095	0.3
Indonesia	31,313	0.2
Myanmar	26,349	0.2
Lao PDR	11,008	0.1
New Zealand	1,144	0.0
Australia	598	0.0
Singapore	0	0.0
Brunei	209,642	1.5
Philippines	-7,558	-0.1
Total	**14,282,498**	**100**

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

Table 23 reports the top 20 country-wise and product-wise change in Japan's exports post RCEP. The results show that Japan's exports increase in adhesives, prepared foods, automatic regulated instruments, processors and controllers and other articles of plastics to China. Japan's exports to Korea, Rep. increase in machines and apparatus and adhesives.

Table 23: Change in Japan's Exports: Country-wise and Product-wise

Partner Name	Product Code Description	Change in Exports of Japan (USD1000)
China	350691—Adhesives based on polymers of headings 3901 to 3913 or on rubber	536,636
China	190410—Prepared foods obtained by the swelling or roasting of cereals or cereal products	266,545
Korea, Rep.	848620—(2007-) - Machines and apparatus for the manufacture of semiconductor devices or of electronic integrated circuits	248,963
Korea, Rep.	854231—(2007-)—Processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	227,227
China	700319—Cast glass and rolled glass, in sheets or profiles. Other	216,388
Korea, Rep.	841960—Machinery for liquefying air or other gases	194,961
China	903289—Automatic regulating or controlling instruments and apparatus. Other	158,363
China	854231—(2007-)—Processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	136,290
China	392690—Other articles of plastics and articles of other materials. Other	134,693
China	853890—Parts suitable for use solely or principally with the apparatus. Other	107,314
Korea, Rep.	350691—Adhesives based on polymers of headings 3901 to 3913 or on rubber	104,982
China	903180—Other instruments, appliances and machines	102,223
China	848180—Other appliances	101,883

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8.6 Change in Australia's exports post RCEP

Table 24 reports the results of changes in Australia's exports post RCEP. The greatest increase in exports from Australia is of agricultural products. The highest rise in exports will be of beef to Japan followed by meat of sheep or goats to China, petroleum oils to Malaysia and milk and cream to Thailand.

Table 24: Change in Australia's Exports Post RCEP: Country-wise and Product-wise

Partner Name	Product Codes (six-digit)	Absolute Change in Exports (in 1000 USD)	Percentage Share of Product in Total Increase in Exports
Japan	020130—Meat of bovine animals, fresh or chilled. - Boneless	374,188	37
Japan	020230—Meat of bovine animals, frozen - Boneless	182,295	18
China	020443—Meat of sheep or goats, fresh, chilled or frozen. -Boneless	63,635	6
China	020442—Meat of sheep or goats, fresh, chilled or frozen. - Other cuts with bone in	50,388	5
Japan	040690—Other cheese	30,316	3
Malaysia	270900—Petroleum oils and oils obtained from bituminous minerals, crude	29,153	3
Thailand	040210—Milk and cream, concentrated - In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 percent	25,931	3
Cambodia	010229—Live bovine animals. other	23,967	2
China	040120—Milk and cream, not concentrated - Of a fat content, by weight, exceeding 1 percent but not exceeding 6 percent	22,794	2
Indonesia	020230—Meat of bovine animals, frozen. - Boneless	15,664	2
China	080510—Oranges	14,019	1
China	040690—Other cheese	13,429	1
Myanmar	100199—Wheat and meslin—Other	12,768	1
Japan	080510—Citrus fruit, fresh or dried. - Oranges	11,885	1
China	040210—Milk and cream, concentrated - In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1, percent	11,265	1

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

8.7 Change in exports of Korea, Rep. post RCEP

With respect to Korea, Rep., most of the rise in its exports, i.e., 77 percent is to China, followed by Vietnam and Japan.

Table 25: Change in Exports of Korea, Rep. Post RCEP

Partner name	Change in Exports post RCEP in USD 1000	Percentage Share of Countries in Total Increase in Exports Post RCEP
China	3,159,647	83
Vietnam	264,708	7
Japan	243,659	6
Malaysia	156,063	4
Total of above	**3,824,077**	**100**

Source: Results of SMART Simulations, WITS (World Bank and UNCTAD), 2019.

9 Tariff Revenue Loss

With the ongoing pandemic governments need to mobilise domestic financial resources for reviving their economies. Tariffs are simple and effective policy tools not only to generate revenue for the governments but to also preserve valuable domestic financial resources from being spent on imports of luxury items. Tariff liberalisation under a FTA can lead to substantial tariff revenue losses if tariffs are liberalised heavily on importable items.

WITS-SMART simulations also provide estimated tariff revenue losses incurred by countries under FTA. Simulation for tariff liberalisation under RCEP show that tariff revenue loss post RCEP will be highest for Malaysia which will lose around USD 2.1 billion per annum, followed by Thailand with tariff revenue loss of USD 800 million. Cambodia and Vietnam will suffer a tariff revenue loss of USD 334 million and USD 192 million per annum, respectively. With external debts rising post pandemic and industrial and trade growth reporting negative figures, tariffs can generate additional government revenues while regulating imports, especially of luxury items.

Table 26: Tariff Revenue Loss Post RCEP to ASEAN Countries

Country	Tariff Revenue Loss in 1000 USD
Brunei	-192
Cambodia	-334,619
Indonesia	-151,424
Lao PDR	-9,319
Malaysia	-2,197,814
Myanmar	-72,108
Philippines	-58,178
Thailand	-800,989
Vietnam	-192,132
ASEAN	**-3,816,775**

10 Summary and Conclusions

FTAs are often signed by the developing countries in the hope of increasing their market access, improving their BOT and reviving their economic growth by generating additional output and employment in their countries. However, if FTAs lead to a greater increase in imports as compared to exports, they can worsen the BOT, provide greater domestic market access to other countries, and adversely impact GDP growth and employment in the country. It therefore becomes imperative to take an informed decision with respect to signing or ratifying of FTAs. In this context, this paper has undertaken an impact assessment of RCEP on the BOT in goods of ASEAN countries, estimating at a very disaggregated product level the impact of tariff liberalisation on net exports and BOT of ASEAN countries vis-à-vis other RCEP partners.

Most of the existing studies on the impacts of RCEP use CGE models which assess the impact of tariff liberalisation at a broad sectoral level. These models are based on unrealistic assumptions like perfect competition, full employment, balanced government budgets and no perfect substitutes existing for the products produced by any country. More importantly, these models can neither undertake tariff liberalisation analysis at the product-level nor can they consider the SLs and TRQs negotiated between RCEP countries. Therefore, the results of these models are unreliable and over-estimates with serious "aggregation biases".

This paper uses WITS-SMART simulations available on World Bank to estimate the impact of tariff liberalisation under RCEP on exports and imports of RCEP member countries. The impact of tariff liberalisation is estimated at the HS six-digit level using the scheduled SLs and TRQs of each member country of RCEP. This is the only methodology which can provide results at the country-level as well as product-level disaggregation incorporating the SLs and TRQs into the analysis.

The results of the simulations show that tariff liberalisation under RCEP will negatively impact the BOT of ASEAN countries post RCEP which will deteriorate by six percent annually. The reason for the deterioration of the BOT in goods of most of the ASEAN countries is not only the increase in their imports but also trade diversion within the RCEP group towards more efficient exporters which will adversely impact their existing exports to RCEP countries. Amongst ASEAN RCEP countries, the BOT deteriorates for Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. However, the BOT in goods improves substantially for non-ASEAN countries like Japan and New Zealand.

Post RCEP, ASEAN's goods trade balance will worsen by around USD 8.5 billion per annum of which Malaysia's goods trade balance will worsen by USD 4 billion per annum followed by Cambodia's worsening by USD 2.3 billion per annum. The goods trade balances of Thailand, Vietnam and Myanmar will worsen by around half a million USD per annum post RCEP. Philippines and Indonesia's goods trade balances will worsen by around USD 260 million and USD 150 million, respectively. Japan will experience the highest increase in its BOT which increases from USD 12.1 billion to USD 24 billion per annum. The BOT in goods improves for New Zealand by around five percent, while the BOT in goods will worsen by more than 30 percent for Malaysia; more than 20 percent for Myanmar and Thailand; and 17 percent for Cambodia.

The results of the import analysis using SMART simulations and incorporating each RCEP country's SLs and TRQs show that goods imports into ASEAN will increase by USD 7.8 billion of which imports by Malaysia will increase by USD 3.7 billion followed by Cambodia (USD 2.3 billion) and

Thailand (USD 876 million). Imports in non-ASEAN countries also increase with the greatest change estimated for China (USD 11.4 billion) followed by Korea, Rep. (USD 6.3 billion) and Japan (USD 2.2 billion).

The results show that imports of almost all ASEAN countries increase from China post RCEP, except for Lao PDR and Vietnam. Most of the increase in Cambodia's imports i.e., 79 percent of rise in its imports will be from China, while 71 percent of the post-RCEP increase in Indonesia's imports will be from China. Around half of the increase in imports of Malaysia, Myanmar and Philippines will also be from China. But China will experience trade diversion from ASEAN countries in favour of Japan and Korea, Rep. Its imports will increase from Japan and Korea, Rep., while its imports will decline from all ASEAN countries.

At the product level, the results show that imports of textiles and clothing are products with the greatest increase in imports for Brunei, Cambodia, and Indonesia, while vehicles are among the products whose imports increase the most due to RCEP for Malaysia, Myanmar, and Vietnam. Electrical machinery and mechanical appliances are also among the products with the largest increase imports for Cambodia, Lao PDR, Philippines, Malaysia, and Vietnam. While imports of certain agricultural products would increase the most for Thailand due to RCEP.

The results with respect to ASEAN's exports show that it will be a net loser post RCEP as ASEAN countries will lose their export shares to non-ASEAN countries. Post RCEP, there will be a shift in trade in favour of more efficient exporters within RCEP. Total exports of RCEP members will increase by USD 24.8 billion post RCEP of which exports of non-ASEAN countries increase by USD 25.5 billion which is around two percent of their pre RCEP exports, while that of ASEAN countries decline by around USD 752 million.

Post RCEP, exports are estimated to fall for Cambodia, Malaysia, Myanmar, Philippines, Singapore, and Vietnam and increase marginally for Indonesia, Lao PDR, and Thailand. However, the major gainer in terms of change in exports will be Japan. Japan's exports will increase by around four percent (around USD 14 billion) followed by China (6.5 billion) and Korea, Rep. (USD 3.4 billion).

With the onset of the pandemic, developing countries are facing multiple challenges including health, economic, financial, and environmental challenges. To recover faster and recover better with sustainable growth, it becomes important for them to revisit their trade and industrial policies. Tariffs are the most simple and efficient tools in the hands of the governments for raising financial resources at the times of crisis, protecting valuable domestic financial resources from being wasted on imports of luxury items, protecting domestic firms from unreasonable competition, and protecting the livelihoods of their citizens. The results of the detailed analysis undertaken at a very disaggregated product level in this paper shows that tariff liberalisation under RCEP may not yield the desired results of improving the goods BOT through increased market access for ASEAN countries.

Given the shifting export competitiveness in the digital era and multiple challenges including health, economic, financial, and environmental challenges ushered in by the pandemic, it has become extremely important for developing countries to preserve their policy space as well as their valuable domestic financial resources for reviving their economies and progressing on sustainable development goals (SDGs).

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