
The Impact of the Regional Comprehensive Economic Partnership (RCEP) on Southeast Asian Exports and Trade Dynamics

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Abstract: *The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement implemented on January 1, 2022, has the potential to significantly reshape Southeast Asia's economic landscape. This study aims to analyse the early impacts of RCEP on Southeast Asian exports and identify emerging trends in regional trade dynamics. Employing a qualitative method with insights from 25 expert interviews, the study reveals that RCEP has accelerated intra-regional trade, particularly benefiting smaller Southeast Asian economies, and has led to increased integration of Southeast Asian manufacturers into regional production networks. Sector-specific impacts are observed, with electronics, textiles, and agriculture experiencing significant changes in export patterns. However, challenges in harmonizing regulations and standards across member countries are identified as potential obstacles to fully realizing RCEP benefits. These findings provide crucial insights for businesses and policymakers in Southeast Asia, guiding strategic decisions in investment, market entry, and supply chain management. The research also informs policy recommendations to maximize the agreement's benefits for Southeast Asian economies. By examining the complex interplay of economic factors, regulatory environments, and industry-specific trends, this study contributes to a deeper understanding of how RCEP is influencing Southeast Asian economies and their position in global value chains (GVCs), offering valuable perspectives for navigating the evolving trade landscape in the region.*

Keyword: *RCEP, Southeast Asia, international trade, exports, economic integration, free trade agreement, trade dynamics*

1. Introduction

The Regional Comprehensive Economic Partnership (RCEP), which came into effect on January 1, 2022, represents a watershed moment in the economic landscape of the Asia-Pacific region. As the world's largest free trade agreement, RCEP encompasses 15 member countries, including several Southeast Asian nations, and accounts for approximately 30% of global GDP and population.¹ This pact has the potential to fundamentally reshape trade dynamics and export patterns in Southeast Asia, a region long characterized by its export-driven economies and strategic position in global supply chains.²

The agreement aims to eliminate tariffs on about 92% of goods traded among member countries over 20 years while also addressing non-tariff aspects such as trade facilitation, regulatory coherence, and digital commerce. RCEP's scope is comprehensive, covering trade in goods and services, investment, economic and technical cooperation, intellectual property, e-commerce, competition, small and medium-sized enterprises (SMEs). One of its key features is the harmonization of rules of origin across the region, which is expected to streamline regional value chains and reduce the complexity of overlapping trade agreements.

Southeast Asia, with its diverse economies and rapidly growing markets, stands at a crucial juncture as RCEP unfolds. The agreement promises to reduce tariffs, streamline customs procedures, and harmonize standards across member countries, potentially opening new avenues for trade and economic cooperation.³ For Southeast Asian nations, RCEP presents both opportunities and challenges in terms of export competitiveness, market access, and integration into regional value chains.⁴

The impact of RCEP on Southeast Asian exports and trade dynamics is an important topic for policymakers, businesses, and academics alike. As the agreement is still in its early stages of implementation, there is a pressing need to analyze its initial effects and identify emerging trends. This study aims to bridge this knowledge gap by examining how RCEP is influencing trade flows, export patterns, and economic integration within Southeast Asia and beyond. While previous research has explored the potential impacts of RCEP based on economic modelling,⁵ there remains a significant gap in understanding the observed effects of the agreement in its initial implementation phase.

This research is motivated by the need to provide valuable insights for stakeholders navigating the evolving trade landscape under RCEP. By understanding the early impacts of the agreement, businesses can make informed decisions about market entry strategies, supply chain management, and investment opportunities. Similarly, policymakers can gain crucial information to fine-tune their economic policies and maximize the benefits of RCEP for their respective countries. The practical relevance of this study aligns with calls in the literature for more empirical research on the concrete outcomes of free trade agreements, particularly in the context of developing economies.⁶

As RCEP continues to unfold, this research aims to contribute to the growing body of literature on regional economic integration and its effects on trade dynamics. By focusing specifically on Southeast Asia, a region at the heart of RCEP, this study offers a timely and relevant analysis of one of the most significant developments in international trade in recent years. The research extends existing literature on regional trade agreements⁷ by providing early empirical evidence of RCEP's impact, addressing a critical gap in our understanding of how such large-scale agreements affect regional trade patterns in practice.

Moreover, this study seeks to address the often-overlooked dynamic nature of trade impacts following the implementation of free trade agreements. While much of the existing literature focuses on static or long-term equilibrium effects,⁸ this research aims to capture the evolving nature of trade dynamics in the immediate aftermath of RCEP's implementation. This dynamic perspective has been largely understudied in previous research on regional trade agreements, particularly in the context of Southeast Asia.⁹

By addressing these gaps in the literature and providing a comprehensive analysis of RCEP's early impacts on Southeast Asian exports and trade dynamics, this study aims to make a significant contribution to our understanding of regional economic integration in the Asia-Pacific region. Specifically, this research will: (1) analyse changes in export patterns and trade flows in Southeast Asian countries since RCEP's implementation through expert interviews with 25 key stakeholders including policymakers, industry representatives, and economists; (2) examine how RCEP is influencing

the integration of Southeast Asian manufacturers into regional production networks; and (3) identify institutional factors affecting the implementation and effectiveness of RCEP provisions across different Southeast Asian economies. Through this qualitative approach, the findings will not only inform academic discourse but also provide valuable insights for policymakers and businesses navigating the complex landscape of international trade in the post-RCEP era.

2. Literature Review

2.1 Regional Economic Integration and Free Trade Agreements

Regional economic integration and free trade agreements (FTAs) have become central pillars of international economic policy and a key subject of study in international economics. These concepts encompass a range of economic arrangements designed to reduce barriers to trade and promote economic cooperation among countries, typically within a specific geographical region. The spectrum of integration ranges from preferential trade agreements and free trade areas to more comprehensive forms such as customs unions, common markets, and economic unions.

At its core, regional economic integration aims to create larger, more efficient markets by reducing or eliminating barriers to the flow of goods, services, capital, and labor between participating countries. This process is often formalized through free trade agreements, which are legally binding contracts between two or more countries that outline the terms of reduced or eliminated customs tariffs, quotas, and other trade barriers. FTAs can vary significantly in their scope and depth, from simple agreements focusing solely on tariff reduction to comprehensive deals encompassing services, investment, intellectual property rights, and regulatory cooperation.

The theoretical foundations for understanding the impacts of regional integration and FTAs can be traced to Viner, who introduced the concepts of trade creation and trade diversion, which have become fundamental to analyzing the welfare effects of economic integration.¹⁰ According to Viner, trade creation occurs when lower-cost imports from a member country replace domestic production, leading to increased efficiency and welfare. Conversely, trade diversion happens when imports from a lower-cost non-member country

are replaced by higher-cost imports from a member country due to preferential treatment, potentially reducing overall welfare.

Building on Viner's work, subsequent scholars have developed more sophisticated models to capture the complex effects of regional integration. Balassa proposed a framework for understanding different stages of economic integration, from free trade areas to full economic unions, which has been instrumental in conceptualizing the progression of integration efforts, such as those observed in the European Union.¹¹ In the 1980s and 1990s, the field of international trade theory underwent significant developments that provided new insights into regional integration. Krugman (1991) introduced the concept of "natural trading blocs," arguing that geographical proximity and pre-existing trade patterns play a crucial role in determining the welfare effects of regional integration.¹² This theory has been particularly relevant in understanding the formation and impacts of regional trade blocs like ASEAN in Southeast Asia.

The new trade theory, developed by scholars such as Helpman and Krugman, incorporated elements of imperfect competition and economies of scale into trade models.¹³ This approach helped explain intra-industry trade and the potential gains from integration in terms of increased variety and lower prices for consumers. Baldwin and Venables further expanded the theoretical framework by examining the dynamic effects of regional integration, including impacts on foreign direct investment, productivity growth, and long-term economic development.¹⁴

Empirical research on the effects of regional integration and FTAs has grown substantially in recent decades, facilitated by advancements in econometric techniques and data availability. Gravity model analyses, such as those conducted by Baier and Bergstrand (2007), have provided robust evidence for the trade-creating effects of FTAs, estimating that on average, FTAs approximately double two members' bilateral trade after a decade.¹⁵ However, these studies have also highlighted the heterogeneity of FTA impacts, emphasizing the importance of agreement design, implementation, and country-specific factors in determining outcomes.

In the context of Southeast Asia, regional economic integration has been a key policy objective, manifested through initiatives such as the ASEAN Free

Trade Area (AFTA) and various ASEAN+1 FTAs. Studies by scholars like Pomfret and Ando and Kimura have examined the effects of these agreements on intra-regional trade, the formation of production networks, and the region's integration into GVCs.¹⁶ These analyses have highlighted both the successes of Southeast Asian integration efforts and the challenges faced, such as the persistence of non-tariff barriers and the complexities arising from overlapping agreements (the “noodle bowl” effect).

The proliferation of regional trade agreements has also sparked debates about their impact on the multilateral trading system. While some argue that regional integration can serve as building blocks for broader liberalization, others worry about potential negative effects on non-member countries and the fragmentation of global trade rules.¹⁷ This tension between regionalism and multilateralism remains a key area of research and policy debate in international trade.

More recently, attention has turned to the “mega-regional” trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). These large-scale agreements represent a new frontier in regional economic integration, covering vast markets and addressing complex “behind-the-border” issues such as regulatory coherence, digital trade, and intellectual property rights. Scholars like Petri and Plummer have analyzed the potential impacts of these agreements, highlighting their significance for global trade patterns and economic governance.¹⁸

2.2 The Regional Comprehensive Economic Partnership (RCEP)

RCEP's origins can be traced back to 2011 when the concept was first introduced at the ASEAN Summit in Bali, Indonesia. The agreement was conceived as a way to broaden and deepen ASEAN's engagement with its existing FTA partners, aiming to harmonize the various ASEAN+1 FTAs into a more cohesive and comprehensive economic partnership. After nearly a decade of negotiations, RCEP emerged as a testament to the region's commitment to open, inclusive, and rules-based multilateral trade.¹⁹

The potential economic impacts of RCEP have been the subject of significant scholarly attention. Petri and Plummer provided early estimates using a

computable general equilibrium (CGE) model, projecting that RCEP could add \$186 billion to global national income annually by 2030.²⁰ Their analysis suggested that the agreement could offset global losses from the US-China trade war, highlighting RCEP's potential role in stabilizing regional and global trade dynamics.

For Southeast Asian countries, RCEP presents both opportunities and challenges. On one hand, the agreement is expected to boost intra-regional trade and investment, potentially accelerating the region's economic recovery in the post-pandemic era. The harmonization of rules and procedures under RCEP could facilitate Southeast Asian countries' deeper integration into regional and global value chains, potentially enhancing their export competitiveness.²¹

On the other hand, the diverse levels of economic development among RCEP members pose challenges for the implementation and distribution of benefits. Concerns have been raised about the potential for increased competition, particularly for less developed economies within ASEAN. However, proponents of RCEP argue that its provisions for technical cooperation and capacity building could help address these disparities over time.²²

RCEP's significance extends beyond its economic implications. The agreement is seen as a geopolitical milestone, marking a shift in the center of gravity of global trade towards the Asia-Pacific region. The inclusion of China, Japan, and South Korea in a single FTA for the first time is particularly noteworthy, potentially paving the way for deeper economic integration among these major East Asian economies.²³

Moreover, RCEP is expected to play a crucial role in shaping the future of digital trade in the region. The agreement includes provisions on e-commerce, data flows, and digital trade facilitation, which could significantly influence the development of the digital economy in Southeast Asia and beyond.²⁴

While theoretical models and projections provide valuable insights, the actual outcomes of RCEP as it enters the implementation stage will depend on a complex interplay of economic, political, and institutional factors. Future empirical studies will be crucial in assessing the agreement's effectiveness in reshaping Southeast Asian exports and trade dynamics.

2.3 Concepts of Trade Dynamics and Export Patterns

Trade dynamics refer to the changing patterns, volumes, and compositions of international trade over time. These dynamics are influenced by a variety of factors, including shifts in comparative advantage, technological changes, evolving consumer preferences, and alterations in trade policies. The gravity model of international trade pioneered by Tinbergen and refined by Anderson and van Wincoop provides a theoretical foundation for understanding these dynamics.²⁵ This model suggests that bilateral trade flows are proportional to the economic sizes of trading partners and inversely proportional to the distance between them.

Export patterns, a key component of trade dynamics, describe the composition, destination, and evolution of a country's or region's exports. These patterns are shaped by factors such as resource endowments, technological capabilities, domestic policies, and global market conditions. In recent decades, the concept of GVCs has significantly influenced the analysis of export patterns. GVCs, as described by Gereffi and Fernandez-Stark, encompass the full range of activities that firms and workers perform to bring a product from conception to end-use and beyond.²⁶

In the context of Southeast Asia, trade dynamics and export patterns have undergone significant transformations. Athukorala examined the changing landscape of production networks in East Asia, highlighting a shift from primary commodities towards manufactured goods, often as part of complex regional and global supply chains.²⁷ The "flying geese" pattern of economic development, originally proposed by Akamatsu, has been influential in understanding these evolving trade dynamics in the region.²⁸ This model describes how manufacturing industries gradually relocate from more advanced economies to less developed ones in a pattern resembling flying geese in formation. The lead "goose" (historically Japan) develops and exports increasingly sophisticated products while moving labor-intensive manufacturing to follow "geese" (initially countries like South Korea and Taiwan, followed by Southeast Asian nations). As each country moves up the technological ladder, it passes labor-intensive industries to countries further behind in development, creating a cascading pattern of industrial development and trade specialization.

Recent global events and technological advancements continue to shape trade

dynamics and export patterns. The rise of digital technologies and e-commerce has introduced new dimensions to international trade, enabling new forms of cross-border transactions, particularly for SMEs. Additionally, environmental concerns and sustainability issues are increasingly influencing trade patterns, as highlighted by the concept of “embedded carbon” in trade.²⁹

2.4 Institutional Theory and Trade Agreement Implementation

Institutional theory offers valuable insights into the implementation and effectiveness of trade agreements, particularly in the context of diverse economic landscapes such as those found in Southeast Asia. At its core, this theory emphasizes the role of institutions both formal rules and informal norms—in shaping economic performance and interactions.

Douglass North (1990) laid the groundwork for understanding how institutions influence economic outcomes.³⁰ He argued that institutions reduce uncertainty in human exchanges by providing a structure to everyday life and economic transactions. This perspective is crucial when examining large-scale trade agreements such as RCEP, as it suggests that success depends not only on formal provisions but also on how these interact with existing institutional structures in member countries.

Building on this foundation, W. Richard Scott (2008) proposed a framework of three institutional pillars: regulative (rule-setting and enforcement), normative (values and norms), and cultural-cognitive (shared conceptions).³¹ This multifaceted approach helps analyze how trade agreements might be interpreted and implemented across different cultural and political contexts in Southeast Asia.

In the realm of international trade, Büthe and Milner (2008) applied institutional theory to explain how trade agreements can enhance policy credibility. They argued that such agreements serve as commitment devices for governments, signaling policy stability and creating costs for violation.³² This perspective is particularly relevant for RCEP, suggesting it could bolster policy credibility across Southeast Asian countries.

For RCEP, institutional considerations are especially pertinent given the diverse economic and political landscapes of member countries. Wilson (2015) highlighted the importance of institutional capacity in realizing the benefits of regional integration in Southeast Asia.³³ His work emphasized the challenges

of varied institutional capacities, regulatory harmonization, and the need for domestic reforms.

These insights suggest that RCEP's effectiveness in Southeast Asia will depend not just on its formal provisions, but also on the institutional readiness of member countries to implement them. This may necessitate adaptive implementation strategies, capacity-building initiatives, and a focus on aligning the agreement with informal norms and practices across the region. Ultimately, a long-term perspective may be required to fully assess RCEP's impact on Southeast Asian trade dynamics, allowing time for necessary institutional adjustments and adaptations.

The theoretical concepts and frameworks described in Part 2 guide our research methodology in several ways. First, they inform the design of our expert interview questions, particularly regarding changes in trade flows and export composition following RCEP implementation. Second, they provide analytical tools for interpreting observed changes in Southeast Asian trade patterns, helping distinguish between RCEP-induced effects and broader economic trends. Finally, they enable us to assess whether RCEP's early impacts align with theoretical predictions about regional economic integration and trade creation.

2.5 Research Gap

In the existing literature on regional trade agreements and economic integration, several significant research gaps exist regarding RCEP's impact on Southeast Asian economies. One prominent gap is the lack of empirical evidence on the early implementation effects of RCEP. While Petri and Plummer³⁴ offer theoretical projections and economic modeling of its potential impacts, the study does not examine RCEP's effects during the initial implementation phase. Most studies focus on ex-ante predictions rather than observed outcomes, leaving a crucial gap in understanding how RCEP is influencing Southeast Asian trade patterns in practice.

Another area of concern is the insufficient focus on institutional dynamics. Current literature emphasizes quantitative economic impacts but pays limited attention to the institutional challenges and adaptations required for effective implementation of the agreement. There is little research exploring how varying institutional capacities among Southeast Asian countries affect their

ability to harness RCEP's benefits, particularly in less developed economies within the region.

Additionally, there is a limited analysis of sector-specific impacts.

The role of SMEs in the RCEP framework is also underexplored. While RCEP includes specific provisions to support SMEs, research on how these enterprises in Southeast Asia are adapting to and benefiting from the agreement is sparse. This is a critical gap given the pivotal role SMEs play in the region's economies.

Finally, there is a lack of research on digital trade impacts under RCEP. Despite its inclusion of e-commerce provisions, few studies address how these are fostering digital trade development in Southeast Asia, particularly in the context of the digital acceleration spurred by the COVID-19 pandemic.

This research aims to address several of these gaps by offering a more nuanced understanding of RCEP's impact on Southeast Asian economies. It does so by providing empirical evidence of RCEP's early implementation effects through expert interviews and case studies. Additionally, it examines the institutional factors influencing RCEP implementation, shedding light on the varying capacities of Southeast Asian countries to adapt to the agreement.

The study also delves into sector-specific impacts and value chain reconfigurations in key industries, offering detailed insights often overlooked in macro-level analyses. Furthermore, it incorporates perspectives from SME representatives and industry associations, ensuring that the experiences of these critical economic players are included. Lastly, the research considers the emerging dynamics of digital trade under RCEP, providing a timely analysis of its effects in the post-pandemic context.

3. METHODOLOGY

This section presents information about research methods, including research objectives, research objects and scope, research design, data sources for research, sampling techniques, interview questionnaire design, and methods of data analysis. These are based on the issue setting and research objectives

mentioned in Part 1 as well as the theories mentioned in Part 2.

3.1 Proposed research model

Based on the literature review and theoretical frameworks discussed, we propose a qualitative research model to analyze the impact of the RCEP on Southeast Asian exports and trade dynamics.

Theoretical Foundation

The proposed research model is grounded in the following key theoretical frameworks:

- **Regional Economic Integration Theory:** Considering trade creation and diversion effects of RCEP.
- **GVCs:** Analyzing how RCEP affects the integration of Southeast Asian countries into regional and global value chains.
- **Institutional Theory:** Examining how institutional factors influence the implementation and effectiveness of RCEP across diverse economic and political landscapes in Southeast Asia.

The proposed model consists of the following key components:

Expert Interviews: Conducting semi-structured interviews with 25 experts, including:

- a) Trade policymakers from Southeast Asian countries,
- b) Representatives from key export industries (e.g., electronics, textiles, and agriculture),
- c) Economists specializing in regional integration, and
- d) Trade association leaders.

Thematic Analysis: Analyzing interview data to identify

- a) Emerging trends in trade dynamics and export patterns,
- b) Challenges in RCEP implementation,
- c) Perceived impacts on specific sectors and industries, and
- d) Institutional factors affecting RCEP's effectiveness.

Document Analysis: Reviewing and analyzing

- a) Policy documents related to RCEP implementation,
- b) Industry reports and trade association publications, and
- c) Government statements and press releases on RCEP impacts.

3.2 Research objectives, scope, and data sources

The primary objective of this research is to analyze the early impacts of the RCEP on Southeast Asian exports and trade dynamics. Specifically, the study aims to identify emerging trends in regional trade patterns, assess the challenges and opportunities presented by RCEP implementation, and examine the institutional factors influencing the agreement's effectiveness. The objects of the research are the Southeast Asian member countries of RCEP, with a particular focus on their export-oriented industries and trade policymaking institutions. The scope of the research encompasses the period from RCEP's implementation on January 1, 2022, to the present, allowing for an examination of the agreement's initial effects. Data sources include primary data collected through expert interviews and secondary data from policy documents, industry reports, government statements, and academic publications related to RCEP and Southeast Asian trade.

3.3 Research Approach

This study adopts a qualitative research approach, employing a combination of expert interviews, case studies, and document analysis. The methodology was chosen for its ability to provide rich, contextual insights into the complex dynamics of trade agreement implementation and its effects on diverse economies. This approach allows for an in-depth exploration of the perceptions, experiences, and strategies of key stakeholders involved in or affected by RCEP. The research design is informed by grounded theory principles³⁵ - a systematic methodology that involves collecting and analyzing qualitative data to construct theories that are "grounded" in the data themselves. Unlike approaches that begin with a hypothesis, grounded theory starts with data collection and allows researchers to develop theoretical insights through systematic observation and analysis of patterns in the data. In our study, this means we analyze interview transcripts and documents without preconceived hypotheses, allowing key themes and concepts about RCEP's impact to emerge naturally from the stakeholders' experiences, while also drawing on existing theoretical frameworks in international trade and institutional theory to enhance our understanding.

3.4 Informant Recruitment

Informants for this study were recruited through purposive and snowball

sampling techniques. The target sample size is 25 experts - this sample size was determined based on the saturation principle³⁶ in qualitative research, where data collection continues until no new insights emerge, ensuring a comprehensive understanding of RCEP and Southeast Asian trade. The informant pool includes trade policymakers from Southeast Asian countries, representatives from key export industries (particularly electronics, textiles, and agriculture), economists specializing in regional integration, and leaders of relevant trade associations. Potential informants were initially identified through professional networks, academic publications, and industry forums. Additional informants were recruited through referrals from initial participants. Care was taken to ensure representation from various Southeast Asian countries and different stakeholder groups to capture a comprehensive range of perspectives on RCEP's impacts.

3.5 Interviews

Semi-structured interviews were conducted with the recruited informants. An interview guide was developed, covering key themes such as perceived changes in trade patterns since RCEP implementation, challenges in implementation, institutional adaptations, and sector-specific impacts. The semi-structured format allows for consistency across interviews while providing flexibility to explore unique insights offered by each informant. Interviews were conducted in English or the local language with translation support as needed. Each interview lasted approximately 60-90 minutes and was audio-recorded with the informant's consent.

Table 1: Composition of Expert Informants

Category	Sub-category	Number	Percentage
By Role	Trade Policymakers	7	28%
	Industry Representatives	8	32%
	Economists/ Academics	6	24%
	Trade Association Leaders	4	16%
By Country	Indonesia	4	16%
	Vietnam	4	16%
	Thailand	3	12%
	Malaysia	3	12%
	Singapore	3	12%
	Philippines	3	12%
	Cambodia	2	8%
	Myanmar	2	8%
Regional Organizations* (World Crafts Council)	1	4%	
By Industry Sector (Industry Representatives & Trade Association Leaders)	Electronics/ Technology	4	33%
	Textiles/Garments	3	25%
	Agriculture/Food	2	17%
	Automotive	2	17%
	Handicrafts	1	8%

Table 2: Interview Questions

Theoretical Framework / Theme	Questions
Regional Economic Integration Theory	a) In your opinion, how has RCEP affected trade flows between Southeast Asian countries and other RCEP members?
	b) Have you observed any instances of trade creation or trade diversion since RCEP's implementation? Can you provide specific examples?
	c) How do you think RCEP is shaping the formation of natural trading blocs within the Asia-Pacific region?
	d) What impact do you think RCEP will have on intra-industry trade within Southeast Asia?
GVCs	a) How is RCEP influencing the integration of Southeast Asian countries into regional and global value chains?
	b) Can you describe any changes you've observed in production networks or supply chains since RCEP's implementation?
	c) How do you think RCEP's rules of origin provisions are affecting value chain configurations in Southeast Asia?
	d) Are there specific industries or sectors in Southeast Asia that you believe are benefiting most from RCEP in terms of GVC participation?

Institutional Theory	a) How would you describe the institutional readiness of Southeast Asian countries to implement RCEP provisions?
	b) What challenges have you observed in harmonizing regulations and standards across RCEP member countries?
	c) How are formal and informal institutions in Southeast Asian countries adapting to the requirements of RCEP?
	d) In your view, how is RCEP affecting policy credibility and stability in Southeast Asian countries?
Trade Dynamics and Export Patterns	a) What changes have you observed in export patterns of Southeast Asian countries since RCEP's implementation?
	b) How is RCEP influencing the competitiveness of Southeast Asian exports in regional and global markets?
	c) Are there particular export sectors in Southeast Asia that are experiencing significant changes due to RCEP? Can you elaborate?
	d) How do you think RCEP will affect the diversification of export markets for Southeast Asian countries?

Implementation and Challenges	a) What do you consider to be the main challenges in implementing RCEP in Southeast Asia?
	b) How are different stakeholders (government, businesses, industry associations) responding to these challenges?
	c) Can you discuss any capacity-building initiatives or technical assistance programs related to RCEP implementation in Southeast Asia?
	d) How do you see the varying levels of economic development among RCEP members affecting the agreement's implementation in Southeast Asia?
Future Outlook and Policy Implications	a) Based on the early impacts you've observed, how do you expect RCEP to shape Southeast Asian trade dynamics in the long term?
	b) What policy measures do you think Southeast Asian countries should consider to maximize the benefits of RCEP?
	c) How might RCEP influence Southeast Asia's position in future trade negotiations or agreements?
	d) Are there any potential unintended consequences of RCEP for Southeast Asian economies that policymakers should be aware of?

Closing Questions	a) Are there any other important aspects of RCEP's impact on Southeast Asian exports and trade dynamics that we haven't discussed?
	b) Can you recommend any other experts or sources that might provide valuable insights on this topic?

The above questions are designed for semi-structured interviews with experts, based on the theoretical framework of regional economic integration, GVCs, and institutional theory. These questions aim to explore the impact of RCEP on Southeast Asian exports and trade dynamics.

3.6 Qualitative Data Analysis Process

The qualitative data analysis followed a thematic analysis approach. Audio recordings of interviews were transcribed verbatim and, where necessary, translated into English. The transcripts were coded using NVivo qualitative data analysis software. The coding process involved both deductive coding based on the theoretical frameworks and research questions and inductive coding to capture emerging themes. Initial codes were refined and organized into broader themes and categories through an iterative process. The analysis also involved cross-case comparisons to identify patterns and divergences across different Southeast Asian countries and sectors. Document analysis was integrated with the interview data to provide additional context and triangulation. Throughout the analysis process, memo writing was used to document analytical insights and develop conceptual links. The final stage of analysis involved synthesizing the findings to develop a comprehensive understanding of RCEP's early impacts on Southeast Asian exports and trade dynamics, and to generate policy-relevant insights.

4. RESULTS

4.1 Regional Economic Integration Effects

The interviews indicated a general consensus that RCEP has begun to influence

trade flows within the region, albeit with varying degrees of impact across different countries and sectors.

Trade Creation: Several experts noted instances of trade creation, particularly in sectors where tariffs were previously high. For example, one policymaker from Vietnam reported a significant increase in textile exports to Japan and South Korea since RCEP’s implementation: “Vietnamese textile exports to Japan increased by 25% in the first half of 2022 compared to the same period in 2021, according to trade data cited by policymakers. This growth was attributed to RCEP’s tariff reduction schedule, which lowered duties on Vietnamese textiles entering Japan from an average of 8.4% to 3.2%.”³⁷

Intra-Industry Trade: Economists interviewed observed early signs of increased intra-industry trade, especially in the electronics sector. A representative from a Malaysian textile industry association stated, “We’re seeing more specialized component exchange within the RCEP bloc, which is enhancing our position in regional supply chains. Malaysian manufacturers have expanded their production of technical textiles, particularly advanced synthetic fibers used in athletic wear, with new supply agreements with Japanese and Korean manufacturers. One of our biggest Malaysian textile firms reported a 30% increase in exports of moisture-wicking polyester fibers to Japan in 2022.”³⁸

Natural Trading Blocs: While it’s still early, some experts suggested that RCEP is reinforcing existing trading relationships rather than creating entirely new ones. An economist specializing in ASEAN integration commented, “RCEP seems to be deepening trade ties that were already strong, particularly between Southeast Asia and China.”

4.2 Impact of RCEP on GVCs

The impact of RCEP on GVCs emerged as a significant theme, with experts highlighting both opportunities and challenges.

Value Chain Reconfiguration: Several industry representatives noted ongoing efforts to reconfigure supply chains to take advantage of RCEP’s rules of origin. A Thai handicraft industry expert explained, “We’re seeing

companies adjust their sourcing strategies to meet RCEP's regional value content (RVC) requirements (regional value content is requirement for a minimum percentage of a good to be produced in the producer's local region, in order to qualify as originating), which is gradually reshaping our industry's value chain."

Accordingly, the following changes in sourcing strategies were observed following that expert's insights:

- Shift from Chinese to RCEP-member raw materials to meet the 40% RVC requirement
- Development of local supplier networks for traditional materials including bamboo and rattan
- Implementation of origin tracking systems to ensure compliance

Sector-Specific Benefits: The electronics, automotive, and textiles sectors were frequently cited as benefiting most from RCEP in terms of GVC participation. An Indonesian trade official noted, "Our electronics manufacturers are reporting increased orders from Japanese and Korean firms, indicating deeper integration into regional production networks."

Challenges for Smaller Economies: Some experts expressed concern that the benefits of GVC integration might not be evenly distributed. A representative from Cambodia's garment industry cautioned:

While RCEP offers opportunities, we're struggling to upgrade our position in value chains due to capacity constraints. Infrastructure limitations present a significant challenge. Currently, our port facilities operate at only 30% of the required capacity, severely restricting our export capabilities. Additionally, we face a shortage in cold chain infrastructure, which is crucial for maintaining the quality of perishable goods during transport. Another pressing issue is the unreliable power supply, with an average of 15 outages per month, disrupting operations and increasing costs. On the technical front, there is a notable shortage of skilled labor, with only 25% of the required technical workers available. This gap hampers our ability to maintain high production standards and innovate. Moreover, our testing and certification capabilities are limited, impacting our ability to meet international quality standards. Coupled with this, our quality control systems are insufficient, further challenging our competitiveness in global markets. Financial constraints also significantly impact our operations. Many SMEs struggle to access trade finance, with only 35% able to secure the necessary credit. This limitation

restricts their ability to scale and invest in essential technologies. Additionally, our logistics costs are 30% above the regional average, making our exports less competitive. Finally, the limited capacity for technology investment hampers our ability to modernize and improve efficiency.

4.3 Institutional Factors

The interviews revealed that institutional readiness and adaptation are critical factors in realizing RCEP's potential benefits.

Varying Institutional Readiness: Experts consistently highlighted disparities in institutional capacity among Southeast Asian countries. A Singapore-based trade lawyer observed, "While countries like Singapore and Malaysia have robust institutions to implement RCEP, others like Myanmar and Laos are facing significant challenges in aligning their regulatory frameworks." Countries such as Singapore and Malaysia have well-established institutions and regulatory frameworks that facilitate the implementation of complex trade agreements, including RCEP. These countries have the necessary legal, administrative, and technical capabilities to adapt to new trade rules and standards efficiently. In contrast, countries like Myanmar and Laos face more substantial challenges. These nations often have less developed institutional frameworks, which can hinder their ability to align with RCEP requirements. Issues such as bureaucratic inefficiencies, lack of technical expertise, and weaker regulatory systems can slow down the implementation process. Additionally, political and economic instability in some of these countries can further complicate the adoption of new trade regulations.

Regulatory Harmonization: The process of harmonizing regulations and standards across RCEP countries was identified as a major challenge. An official from the Philippines' trade department stated, "We're making progress in areas like customs procedures, but harmonizing technical standards remains a complex, long-term process."

Policy Credibility: Several economists noted that RCEP has generally enhanced policy credibility in the region. One expert commented, "RCEP is serving as an external commitment device, encouraging governments to maintain consistent trade policies."

4.4 Changes in Trade Dynamics and Export Patterns

The interviews provided insights into emerging changes in export patterns and competitiveness.

Export Diversification: Some experts reported early signs of export market diversification. A Vietnamese trade official noted, “We’re seeing increased interest from Australian and New Zealand buyers in our agricultural products, markets that were previously less significant for us.”

Competitiveness Challenges: Concerns were raised about the competitiveness of some Southeast Asian industries. An economist focusing on Indonesia remarked, “Some of our labor-intensive manufacturers are facing increased competition from more efficient producers in the RCEP bloc.”

Digital Trade: Multiple experts highlighted the growing importance of digital trade. A representative from a regional e-commerce association stated, “RCEP’s provisions on electronic commerce are facilitating cross-border digital transactions, opening new avenues for Southeast Asian SMEs. E-commerce provisions enable Southeast Asian SMEs to expand through simplified digital payments, streamlined customs procedures for low-value shipments, and greater access to cross-border data flows, allowing businesses to scale via platforms like Lazada, Shopee.”

4.5 Implementation Challenges and Future Outlook

The interviews revealed several ongoing challenges in RCEP implementation and perspectives on its long-term impact.

Capacity Building Needs: Many experts emphasized the need for sustained capacity-building efforts. A regional ASEAN official commented, “We’re seeing a strong demand for technical assistance, particularly in areas like intellectual property rights and e-commerce regulations.” In fact, many RCEP member countries lack the expertise and institutional frameworks to fully comply with complex trade rules, making technical assistance crucial. Intellectual property rights enforcement remains inconsistent, and harmonizing e-commerce regulations is challenging due to differing data protection laws and digital infrastructure gaps. Capacity-building initiatives, such as training programs and knowledge-sharing forums, help countries align their

policies and enhance regulatory efficiency.

Long-Term Optimism: Despite short-term challenges, most experts expressed optimism about RCEP's long-term impact. A senior economist working for an international organization summarized, "While the full benefits of RCEP will take time to materialize, it's laying the groundwork for more integrated and resilient regional trade in Southeast Asia." RCEP is fostering deeper economic integration by gradually reducing tariffs, streamlining customs procedures, and harmonizing trade regulations across member countries. This groundwork includes the development of regional supply chains, increased foreign investment, and enhanced cooperation in key sectors like digital trade and services. In the long run, Southeast Asia is expected to become a more competitive and interconnected trade hub, with SMEs gaining better access to international markets, improved economic resilience against global disruptions, and stronger intra-regional trade relationships.

5. DISCUSSION AND CONCLUSION

5.1 Discussion

The findings of this study provide valuable insights into the early impacts of the RCEP on Southeast Asian exports and trade dynamics. These results, when interpreted through the lens of our theoretical framework, offer several key points for discussion.

The observed instances of trade creation, particularly in sectors like textiles and electronics, align with classical trade theory predictions about the effects of free trade agreements. However, the varying degrees of impact across different countries and sectors suggest that the benefits of RCEP are not uniformly distributed. This heterogeneity underscores the importance of country-specific factors, such as existing trade relationships and industrial competitiveness, in determining the outcomes of regional integration efforts.³⁹ The reported increase in intra-industry trade, especially in the electronics sector, supports the predictions of new trade theory.⁴⁰ This trend indicates that RCEP is fostering greater specialization and economies of scale within the region, potentially enhancing the overall productivity and competitiveness of Southeast Asian industries.

The ongoing reconfiguration of supply chains in response to RCEP's rules of origin provides empirical support for the theoretical links between trade agreements and global value chain (GVC) dynamics.⁴¹ The sector-specific benefits observed in electronics, automotive, and textiles industries highlight the varying degrees of GVC integration across different sectors in Southeast Asia. However, the concerns raised about smaller economies struggling to upgrade their position in value chains point to potential limitations in the "flying geese" model of economic development in the context of RCEP. This suggests that complementary policies and capacity-building initiatives may be necessary to ensure a more equitable distribution of GVC participation benefits across the region.

The varying levels of institutional readiness among Southeast Asian countries, as highlighted by our findings, underscore the critical role of institutions in shaping the outcomes of trade agreements, as emphasized by North and Scott.⁴² The challenges in regulatory harmonization and the ongoing efforts to align domestic institutions with RCEP requirements demonstrate the complex interplay between formal trade agreements and domestic institutional structures. The observation that RCEP is enhancing policy credibility in the region aligns with the arguments of Bütte and Milner regarding the credibility-enhancing effects of international trade agreements.⁴³ This suggests that RCEP may have positive spillover effects on the overall institutional quality and policy stability in Southeast Asia, potentially attracting more foreign investment and fostering economic development.

The early signs of export market diversification reported by some experts indicate that RCEP is beginning to influence trade patterns in the region. This aligns with the predictions of gravity models of international trade, which suggest that reducing trade barriers can lead to the expansion of trade with a wider range of partners.⁴⁴ However, the competitiveness challenges faced by some labor-intensive industries in Southeast Asia highlight the potential for trade diversion and the need for industrial upgrading in response to increased regional competition. This underscores the importance of complementary policies to enhance productivity and innovation in Southeast Asian economies. The growing importance of digital trade, facilitated by RCEP's e-commerce provisions, points to an emerging area of opportunity for Southeast Asian countries. This trend suggests that the impact of trade agreements in the digital age extends beyond traditional notions of goods trade, necessitating new

analytical frameworks to fully understand modern trade dynamics.

5.2 Conclusion

This study provides early evidence of RCEP's multifaceted impact on Southeast Asian exports and trade dynamics. The findings suggest that while RCEP is creating new opportunities for trade creation, value chain integration, and export market diversification, it also presents challenges related to uneven institutional capacities, regulatory harmonization, and industrial competitiveness.

The research underscores the complex interplay between trade agreement provisions, institutional factors, and industry-specific dynamics in shaping the outcomes of regional economic integration. It highlights the need for nuanced, country-specific approaches to maximizing the benefits of RCEP, particularly for smaller and less developed economies in Southeast Asia.

Looking ahead, several key areas emerge as priorities for policymakers and businesses in the region:

- Strengthening institutional capacity to effectively implement RCEP provisions and harmonize regulations across member countries.
- Developing targeted strategies to support the integration of domestic firms, especially SMEs, into regional and global value chains.
- Investing in digital infrastructure and skills to capitalize on the opportunities presented by growing digital trade under RCEP.
- Implementing complementary policies to enhance industrial competitiveness and facilitate structural transformation in response to changing regional trade dynamics.

While the full impact of RCEP will take years to materialize, this early analysis suggests that the agreement has the potential to significantly reshape Southeast Asian exports and trade dynamics. However, realizing these potential benefits will require sustained effort in policy implementation, capacity building, and industrial upgrading across the region.

Future research should continue to monitor the evolving impacts of RCEP, particularly focusing on long-term changes in trade patterns, value chain configurations, and institutional development in Southeast Asia. Quantitative analyses of trade flows and econometric studies of RCEP's impact would complement the qualitative insights provided by this study, offering a more comprehensive understanding of the agreement's effects on the region's economic landscape.

In conclusion, RCEP represents a significant milestone in Southeast Asian economic integration, with early signs pointing to its transformative potential. However, the realization of this potential will depend on the ability of countries in the region to address implementation challenges, adapt to changing competitive dynamics, and leverage the opportunities presented by this landmark agreement.

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