

**Report of the NEAT Working Group Meeting on Leveraging RCEP
for Supply Chains Connectivity in East Asia
Sponsored by NEAT China
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I Overview

1. The supply chain connectivity is fundamental and beneficial for East Asian economies and regional economic integration. Confronted with regional challenges and global uncertainties, especially tariffs by the U.S., it is more than necessary to enhance cooperation and maintain stability. In this case, RCEP is indispensable for resilient and inclusive supply chains connectivity in East Asia. RCEP not only facilitates smooth flows of final products and intermediate goods, services and capitals, but also provides sound institutional environments, which are all conducive to supply chain connectivity.

2. There is broad consensus for RCEP and supply chain connectivity in East Asia. In October 2024, ASEAN Leaders' Declaration on Enhancing Supply Chain Connectivity emphasizes the role of RCEP, for deeper global participation and closer intraregional linkages. In May 2025, ASEAN and China have fully completed negotiations on ASEAN-China Free Trade Area (ACFTA) 3.0 upgrading, with 9 new chapters including supply chain connectivity, which will urge RCEP to be better utilized. Affirmatively, RCEP is an impetus for supply chains connectivity in East Asia, and this consensus can also be observed in Joint Study on 10+3 Cooperation for Improvement of Supply Chain Connectivity (2020). Based on policy consensus and theoretical evidence, the priority for next step is to leverage RCEP for supply chains connectivity in the region.

3. Given the importance of RCEP and its impact upon supply chain connectivity among APT countries, the on-site NEAT Working Group Meeting on Leveraging RCEP for Supply Chains Connectivity in East Asia was held on 22 July 2025 in Huangshan, China. It provides a platform for NEAT members to share knowledge and experience on RCEP and East Asia's supply chain connectivity, to conduct joint research on the status quo and future development in the areas related to free trade agreements, intraregional trade, industrial cooperation and supply chains, particularly and most importantly, to pool wisdom to better utilize RCEP and enhance supply chain connectivity, with all APT parties involved and for multi-win outcomes.

4. The list of NEAT participants is at Annex.

II Countries Perspectives

5. **Brunei** states that RCEP has good economic potential and has uplifted intra-RCEP trade, and it is beneficial to further integrate Brunei into regional value chains (RVCs) and production networks. Brunei's share of export to RCEP countries remains high and unchanged, but in order to ensure future supply chain connectivity, full value chain audit and regional industrial planning are needed to ensure that Brunei moves up the value chain in certain sectors such as downstream oil and gas, and the food industry. Moreover, there is critical need to focus on trade enablers. Paperless trading across RCEP is needed for streamlined trade processes, and more efforts are needed to remove digital restrictions and boost trade by digital platforms. Given the massive disparity in time and cost for trade-related documents within RCEP, mutually recognized certifications and standards are urgently required and will be a great facilitator of trade. Therefore, Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP) in RCEP should be fully utilized.

6. **Cambodia** discusses the significance of RCEP for supply chain resilience. Facing increasing challenges, uncertainties, and economic instability, regional cooperation for East Asia is critical for building supply chain resilience, and RCEP can play an important role from three perspectives. Firstly, RCEP is good for trade facilitation. RCEP promotes a transparent, fair and rules-based system to reduce costs and simplify customs, enables faster and predictable movement of goods crucial for industries, and supports Cambodia's export diversification and integration into regional value chains. Secondly, RCEP supports digital economy. Digital technologies reshape trade, offering growth and inclusivity, and RCEP's digital trade provisions foster a borderless marketplace and align with Cambodia's digital goals. ASEAN's Digital Economic Framework Agreement (DEFA) will boost infrastructure, security, and MSME inclusion. Thirdly, expansion of engagement is needed and beneficial. Expanding RCEP membership enhances its role as a global economic connector, for RCEP promotes standardized trade policies and supports shared production networks. Besides, cross-regional partnerships (e.g., ASEAN-GCC) strengthen supply chain connectivity. In a word, RCEP is key to building resilient and integrated supply chains in East Asia.

7. **Indonesia** examines the effect of external shocks on production networks, using electronics industry as a case study. The current tariff war did not benefit ASEAN electronic exports overall, because electronic products involve more complex technological processes and different regulations across countries, leading to higher and more complex switching costs. But each ASEAN country shows different effect, depending on integration into global value chains (GVCs) and product diversification. APT countries, especially China, Singapore, Malaysia and Thailand, became main destinations for leading firms from developed countries, because of lower labor and

infrastructure costs. Therefore, ASEAN can position themselves as cost-effective alternatives for global manufacturers. Since electronics production is highly dependent on international intermediate goods and vulnerable to tariff-induced cost increases, ASEAN could increase capacity in intermediate goods of electronics, which have proven to be more responsive to multinational production relocation. It is needed to deepen integration into GVCs, including openness to trade and investment-friendly policy. Attraction and capitalizing of skilled workers and specialized talents are indispensable to move upstream in the value chains.

8. **Lao PDR** analyses the transformative impact of RCEP on supply chain connectivity across East Asia. As a mega-regional agreement, RCEP has a broader and deeper coverage, uses single Rules of Origin (ROO), and has more consolidation and harmonization. RCEP not only deepens regional economic integration, but also expands connectivity in the global economy. RCEP is good for cost reduction and efficiency, and regional value chains in East Asia, and meanwhile Laos also benefits from flexible exemptions, enhanced market access, technical assistance and cooperation, information exchange, and Small and Medium Enterprises (SMEs) participation, etc. However, there are still challenges for Laos, including high level of market competition, agricultural exports not subject to SPS, inconsistency of regional and national policies, and possibility of losing benefits after LDC graduation. For East Asia, there are also implementation and structural challenges, economic recovery challenges, and geopolitical and trade policy pressure. In the future, Laos and East Asia need to develop firms' competitiveness, upgrade SPS standards, reform policies, boost digital transformation, strengthen capabilities and human resources, improve service regulations, and initiate technical assistance programs to support capacity building.

9. **Malaysia** identifies challenges associated with RCEP's implementation and proposes recommendations to strengthen its effectiveness. Though RCEP countries trade heavily with each other in absolute terms, the agreement has not substantially increased regional trade flows in relative terms. RCEP's provisions on trade in goods serve as an important safeguard against protectionism, but there is limited scope for further tariff cuts in most RCEP member states. RCEP also has not resolved the high prevalence of non-tariff measures (NTM) in the region and continues to face low utilization compared with other regional FTAs. To address these challenges and improve RCEP's impact, three areas require attention. Firstly, there is a need to improve business awareness, update the agreement to reflect emerging priorities, and establish a permanent RCEP Secretariat to support implementation. Secondly, greater regional integration can be pursued through strategic trade promotion efforts and a consolidated RCEP single window. Thirdly, RCEP's relevance should be strengthened by expanding

membership to qualified applicant economies, positioning the agreement as a mechanism to promote the multilateral rules-based order, and convening regular RCEP Leaders' Summits.

10. **Myanmar** thinks that RCEP is important for supply chain reconfiguration in East Asia. RCEP is a catalyst for economic and geopolitical transformation, since RCEP not only provides a robust framework for economic integration and supply chain resilience, enhancing intra-regional trade and flows of talents, knowledge, and capital, but also acts as a stabilizing force against global protectionism, reinforcing the value of regional cooperation in a fragmented world. To maximize the transformative potential of RCEP, more efforts are needed. Firstly, it is essential to enhance regulatory coherence and implementation, including aligning national regulations with RCEP provisions, operationalizing ROO and trade facilitation, and promoting transparent and predictable policies. Secondly, investing in infrastructure and digital systems are helpful, especially cross-border infrastructure, interoperable digital platforms and integrated information systems. Thirdly, capacity building is crucial for inclusive growth, with more assistance for Micro, Small, and Medium Enterprises (MSMEs) and their integration into supply chains. Fourthly, regional cooperation should be further strengthened, establishing cooperation mechanisms, extending RCEP benefits strategically, and leveraging NEAT for dialogue. Finally, it is good to foster Public-Private Partnerships (PPP).

11. **The Philippines** discusses the pathway to connectivity through sector liberalization. GVCs face many challenges, such as tariff on intermediate goods, border delays and bureaucracy, uncertainty in contracting, etc. In order to foster regional value chains, it is necessary to evaluate the effects of comprehensive FTAs and sectoral liberalization. Sectoral liberalization sounds more practical, based on faster negotiation and implementation, focused strategic priorities, more manageable political resistance, flexible private sector cooperation and ease of expansion to other partners. Using dominant supplier approach, it is observed that there are 14 environmental goods in the 2021 APEC environmental goods sample where RCEP supplies above 40% of world exports. After using predominant supplier and buyer indicators, and making comparative analysis between RCEP and APEC, it is found that sector liberalization is potentially a pathway to connectivity. Therefore, for supply chains connectivity in East Asia, the sectoral liberalization approach could consider starting with RCEP initially and broadening market access and liberalizing more specific sectors progressively.

12. **Singapore** measures the impacts of U.S. tariff and underlines the role of ASEAN. Overall, ASEAN is one of the most important “third-party” trade partners in the global industrial and supply chain markets of China and the United States. ASEAN not only

serves as a “transit station” for the upstream and midstream of China and the U.S., but also functions as a “manufacturing hub” for the entire industrial chain. ASEAN indirectly helps China stabilize its foreign trade market for key industrial products, especially countries like Vietnam, Thailand, and Indonesia, which act as “stabilizers” in the China-U.S. industrial chain. ASEAN also serves as an ideal “transit station” for intermediate goods trade between China and the U.S., with Vietnam playing a key role as a “connector” in the China-U.S. supply chain. Given the complex membership in key Asia-Pacific trade agreements, it is necessary for policy coordination, and RCEP and ASEAN are indispensable for regional and global economic cooperation. Tariffs by U.S. do no good, and because of the unpredictability of tariff, East Asia should focus on closer supply chains within the region, and ASEAN countries can contribute to and benefit from intraregional supply chains connectivity.

13. **Thailand** analyses food industry value chain under RCEP. Intra-RCEP trade will be risen, due to global situation and lifted barriers. Thailand is ready for Foreign Direct Investment (FDI) outflow, especially in food industry, since RCEP reduces investment barriers, encouraging Thailand to partner with China, Japan and Korea. Products such as rice mills, vegetables and fruits, poultry and swine farm, fishery products and food processing have high opportunities, and China, Japan and Korea could be main destination markets. However, there are both strength and weakness for investing abroad, which need attention and countermeasures. Large Thailand firms need partnership with China, Japan, Korea, and other large business. Thailand’s SMEs are flexible but need vision, financial support and technological knowhow. If possible, RCEP investment fund could be fruitful. Further studies on specific industries and specific countries are recommended, and more quantitative model could help, not only good for case study, but also helpful for RCEP implementation. From national policy perspective, Thailand’s new government fully supports “Global Policy”. For better regional connectivity, RCEP and coordinated rules should be implemented.

14. **Viet Nam** recognizes strategic adaptability for high-quality regional integration in the restructuring of global supply chains. Vietnam and Southeast Asian developing countries face unprecedented challenges from global supply chain restructuring, and also encounter remarkable opportunities through regional integration frameworks like RCEP and enhanced ASEAN-China cooperation. Vietnam’s strategic emphasis on science and technology, and balanced international engagement, provides a template for navigating complex global dynamics, while China’s experience in phased integration, infrastructure development, technology absorption, and regional cooperation also provides valuable templates that ASEAN countries can adapt to their specific circumstances. Besides, ACFTA and RCEP create opportunities for regional

supply chain connectivity. ACFTA 3.0 marks a shift from loose liberalization to deep functional integration, particularly through supply chain optimization and resilience. For ASEAN, ACFTA 3.0 offers both economic opportunities and strategic challenges that require proactive policy responses and regional coordination. In a word, strategic adaptability and principled international engagement, may suggest an inclusive, balanced approach to transform global challenges into development opportunities.

15. **Japan** analyses challenges and opportunities of RCEP for East Asia and Japan, from tariff perspective especially trade distortion tariffs by the second Trump administration. The postwar international economic order has become increasingly unstable, and meanwhile WTO dispute settlement mechanism weakened. In response, it is vital for APT countries to take the initiative in strengthening regional frameworks such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP. In addition, efforts to advance the China-Japan-Republic of Korea (CJK) FTA should also be actively pursued. However, the RCEP's utilization rate is rather low for Japanese companies, except intra-CJK trade, because existing research suggests that when preferential tariffs are already available through other established FTAs, firms in member countries are less likely to utilize newly concluded agreements. In practice, Japanese companies tend to select the FTA that provides the greatest tariff reduction benefits. Therefore, it is essential that RCEP offer tariff rates that are more favorable than those provided under existing FTAs. Comparable efforts should also be made in the development of the CJK FTA.

16. **Republic of Korea** underlines RCEP's significance for Korea, analyses sectoral impacts, and proposes strategic navigation for Korea after comparison of RCEP and CPTPP. RCEP's impact is incremental but strategic. With boosted integration, lowered barriers, and enhanced resilience, RCEP improves Korean access to ASEAN and Japan, and introduces the structural shift to Asia-balanced trade. However, the long-term benefits are expected through 2030s. In the context of Trump-era tariffs, RCEP buffers against decoupling and functions towards regional supply chain connectivity. Compared with higher-standard CPTPP, RCEP is ASEAN-led and broader regional agreement. However, RCEP has no shield against economic coercion, and the dispute settlement system is limited. For Korea, RCEP is evolution but not revolution, vital but not enough. Korea gains from autos and tech areas, but may lose in agriculture, SMEs and labor. Korea needs to promote strategic opening with Japan, and balance global competitiveness with domestic equity. Joining CPTPP would be Korea's next move, using FTAs and tech alliances to improve economic statecraft. In a word, Korea will be a regional bridge-builder, and RCEP needs further upgrading, which are both constructive for East Asia supply chain connectivity.

17. **China** discusses both traditional and institutional effects of RCEP, and proposes future path for supply chain connectivity. RCEP is fundamental for stable, diversified and high-quality supply chains in East Asia, despite economic uncertainty and inefficient utilization. On one hand, RCEP has traditional FTA's effects, reducing border measures, boosting intra-regional trade including intermediate goods, and enhancing both GVCs and RVCs. On the other hand, RCEP is good for institutional environment by better regulating behind-border measures. In order to better leverage RCEP for closer, greener and higher supply chains in East Asia, more efforts are needed. Firstly, RCEP is an open regionalism, and thus lower tariff and easier business should always be insisted, and new membership including China's Hong Kong should be considered. Secondly, RCEP requires upgrading, introducing Corporate Social Responsibility (CSR) and labor clauses, for social welfare and green chains. Thirdly, aligning with higher standards, higher Intellectual Property Right (IPR) provisions and more harmonization on standardization will be useful for higher value chains. RCEP itself needs more awareness, better utilization, further upgrading, and easier facilitation.

III Consensus Reached

18. The following issues are mentioned and recognized by many experts:

19. **Connectivity rather than tariff is needed.** Globalized cooperation is long-term tendency, and East Asia is part of it. APT countries can benefit from supply chain connectivity, both globally and regionally. However, tariffs imposed by the U.S. this year brought uncertainties and challenges for entire world and East Asia. Connected rather than decoupled supply chain is always needed.

20. **Bilateral and multilateral FTAs rather than unilateralism is helpful.** Both globalization and regionalization need FTAs, and in East Asia FTAs including RCEP is indispensable. RCEP promotes multilateral cooperation and market-oriented connectivity. Through sound institutional environment, RCEP continuously boosts supply chain connectivity.

21. **RCEP is fruitful, but not enough.** RCEP is a comprehensive, modern, high-quality and mutually beneficial FTA, which is definitely good for supply chain connectivity in East Asia. However, RCEP has not been fully utilized in practices, provisions still need upgrading, and regulations still require coordination. More efforts are needed to further utilize RCEP for supply chain connectivity.

IV Policy Recommendations

22. The participants to the NEAT Working Group Meeting noted that it is essential for APT countries to enhance regional and global supply chain connectivity, and RCEP is a great impetus. In order to maximize benefits for all APT countries by utilizing RCEP, the Working Group on “Leveraging RCEP for Supply Chains Connectivity in East Asia” puts forward policy recommendations based on all the presentations and discussions at the meeting as follows:

(a) Consensus and actions towards connected cooperation and lower tariff

- **Global cooperation and regional connectivity should always persist.** East Asia exists and prospers in both global and regional supply chains, and only through cooperation and liberalization can APT economies benefit. Connected cooperation is not only long-run tendency, but also quite necessary for East Asia, which needs more attention from theory, business and policy perspectives.
- **Negotiations and endeavors to cease tariff escalation is urgent.** Tariff and protectionism is nothing but zero-sum game, which is never a good choice. For supply chain connectivity and fundamentally for economic flows of goods, it is pressing to avoid tariff conflicts and maintain healthy economic and trade rules and regulations.

(b) RCEP Support Unit within the ASEAN Secretariat for institutional support

- **RCEP institutional construction is necessary for effective implementation of the RCEP agreement. Better functioning and more practices under RCEP Support Unit are needed.**

(c) Better utilization of RCEP and further policy coordination

- **Public awareness of RCEP and assistance to MSMEs are helpful.** RCEP Support Unit established in 2024 is good but not enough, and more efforts are needed to improve public awareness of enterprises and assist businesses to understand well and use properly RCEP, including training and practical guide for MSMEs. The more we use RCEP, the better we achieve connectivity.
- **Policy coordination under RCEP should be encouraged.** RCEP provides a grand blueprint for economic integration and supply chain connectivity, and regional policy harmonization in practices will have synergistic effects. For instance, RCEP supports trade facilitation, but ASEAN and CJK have separate single windows, and therefore RCEP Single Window would be much better.

(d) Expansion and upgrading of RCEP for resilience and sustainability

- **New membership and more participation is worthy.** RCEP is an open regionalism, beneficial for not only the region but also more related economies. Possible expansion of RCEP membership and inclusive regional participation will bolster RCEP's relevance and reinforce the region's commitment to multilateral economic governance.
- **Upgrading of RCEP will further promote connectivity.** To further utilize RCEP, it's necessary to optimize and upgrade the existing clauses and regulations, including lower tariff, paperless trade, more practical facilitation, less NTMs and especially technical barriers to trade, harmonized ROO, sector liberalization, IPR, etc. Besides, more new topics are needed, such as CSR.

V Conclusion

23. Only in connectivity can APT countries benefit, and East Asia can gain more by further utilizing RCEP. Confronted with challenges and uncertainties, especially tariff distortion this year, supply chain connectivity is increasingly important for APT countries, and RCEP is constructive for connectivity. RCEP is fruitful; and for better connectivity, RCEP needs more, including not merely capacity building, policy coordination, new membership, and clauses upgrading. With consensus on liberalized cooperation with lower tariff, and under the principle of ASEAN centrality, RCEP will persistently contribute to better connectivity, benefiting diversified APT countries in different sectors for more enterprises.

Appendix: List of Participants of the NEAT Working Group Meeting on Leveraging RCEP for Supply Chains Connectivity in East Asia

LIST OF PARTICIPANTS

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