



## Our thoughts

# Market observation

## China's latest trade news has little to do with the US

We are approaching a key deadline in the US-China trade war: on 1 January 2019, US tariffs on Chinese goods will automatically rise from 10% to 25%. But while President Trump's protectionist policies continue to hold the headlines, China has become increasingly motivated in its relationships with other Asian economies.

Almost entirely under the international media radar, the Regional Comprehensive Economic Partnership (RCEP) – an agreement some six years in the making – may finally be edging towards completion. If successful, the RCEP would create the world's largest free trading bloc, encompassing all 10 ASEAN (Association of Southeast Asian Nations) member states plus China, Japan, Australia, New Zealand, India and South Korea. Together, these 16 nations account for around half of the world's population (3.6 billion people) and approximately 40% of global GDP. Potentially reducing tariffs on thousands of products, the deal would not only be good news for global growth but could also simplify supply chains.

The RCEP's negotiators hope for a formal agreement in mid-November – a very ambitious deadline, but the US has provided impetus for action in both its tariff war on China and its decision to exit (and therefore weaken) the Trans-Pacific Partnership (TPP). The deal is far from a foregone conclusion but, if achieved, the RCEP could prove to be a boon for all 16 potential signatories (despite US relations), and would add to our existing conviction in Asia's longer-term outlook.

### Potentially the world's largest free trading bloc

The Regional Comprehensive Economic Partnership (RCEP)



Source: Heartwood

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