Analyzing The Economic Impact Of Regional Comprehensive Economic Partnership On Trade Flow And Growth Outcomes In The Asia Pacific Region

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Abstract

The Regional Comprehensive Economic Partnership (RCEP) represents a transformative step in global trade, uniting 15 Asia-Pacific nations in the largest trade agreement by GDP and population. This study investigates RCEP's impact on trade flows and economic growth within its member states. Drawing on Economic Integration Theory and panel regression analysis, the study used data from 2010 to 2023 to examines how trade liberalization, reduced barriers, and harmonized rules of origin enhance intra-regional trade. Using regression analysis on trade volumes, GDP growth, and foreign direct investment (FDI), the findings reveal that exports significantly drive economic growth, while trade imbalances and over-reliance on imports present challenges. Furthermore, cross-sectional dependence highlights the integrated nature of RCEP economies. This research underscores the need for balanced trade policies, equitable benefits for smaller economies, and domestic capacity-building to maximize RCEP's potential.

Keywords: *Regional Comprehensive Economic Partnership (RCEP), Trade Liberalization, Economic Growth, Asia-Pacific, Exports and Imports, Foreign Direct Investment (FDI), Regional Integration, Economic Integration Theory.*

I.   Introduction

Background of the Study.

The Regional Comprehensive Economic Partnership   RCEP is a landmark trade agreement highlighting the tightening of economic bonds across the Asia-Pacific. When considering its importance, one must place its emergence within the larger regional cooperation and globalization narrative. Globalization has accelerated dramatically in the recent past, followed by a strengthening interdependence within the fast-emerging economies of the Asia-Pacific region, thus making the Asia-Pacific region the most dynamic economic zone in the last few decades. Globalization began in the post-World War 2 times when economies began to adopt free trade, technological innovations and more interlinking between markets. In this context, the Asia-Pacific rose to become a principal actor functioning as a center of world manufacturing, trade, and investment.

Countries in the region, from advanced industrial economies like Japan and South Korea to developing giants like China and Indonesia, used globalization to expand their economies at an extraordinary pace. Each of the countries in the region had realized the potential of working together and was looking to formalize economic cooperation. The Asia-Pacific Economic Cooperation (APEC), formed in 1989, highlighted such efforts to promote regional trade and investment. In the 1990s also, the establishment of the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) formed an important step towards setting up a framework to ease trade barriers. Given the diversity of economies in the Asia-Pacific, however, from the most highly developed to emerging economies, a more flexible platform to harmonize regional trade rules and deepen economic linkages was needed.

The Origin of RCEP

RCEP was first proposed at the 19th ASEAN Summit in Bali, Indonesia in 2011. Led by ASEAN, the partnership sought to bolster the region's place in the global economy by uniting its member states with their major trading partners. It was intended to create a comprehensive trade agreement, which would subsume existing bilateral and regional free trade agreements (FTAs) and promote economic growth and resilience. Negotiations were formally launched in 2012 with a mega-regional grouping of 15 nations: the 10 ASEAN member-states (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, and Cambodia) plus five major economies with existing FTAs whilst with ASEAN—China, Japan, South

Korea, Australia, and New Zealand. Together, they form a diverse group that includes both advanced industrialized and developing economies, making RCEP the biggest trade bloc ever in population and G.D.P.

India initially engaged in the negotiations, given its substantial economic footprint and strategic leverage. But in 2019, India which had also negotiated the agreement took a step back, over fears about potential trade imbalances and its effect on domestic industries. Nevertheless, RCEP officially entered into force on 1 January 2022 after a necessary number of signatory countries ratified it. More than trade, RCEP hopes to cement the Asia-Pacific as the centerpiece of world economic expansion. The agreement combines economies in various development stages to facilitate the transfer of technology, boost productivity and produce innovation.

Economic Significance of RCEP

RCEP's scale is unparalleled. It represents close to 30 per cent of the world's gross domestic product and population, including a combined economic size of about $26 trillion and more than 2.2 billion people. This agreement builds on the momentum for trade liberalization seen to date but provides a more inclusive, more uniform framework. Its provisions include trade in goods and services, investment, intellectual property, e-commerce, competition policy, and small and medium enterprises (SMEs). Among its main economic aims, RCEP sought the elimination of tariffs and other trade restrictions among member countries, to improve access to their markets and encourage smoother regional trade. Unlike other regional trade deals, RCEP includes a common set of rules of origin, making it easier to certify goods as coming from within the block. This especially helps businesses with supply chains that include multiple member countries to reduce costs and cubicle costs significantly.

II. Problem Statement

The establishment of a Regional Comprehensive Economic Partnership (RCEP) is one of the most transformative reforms in global trade, but the empirical literature on the economic implications of RCEP is still emerging. That is, large gaps remain in our understanding, particularly concerning their effects on trade flows, economic growth, and income distribution in the Asia-Pacific region. Despite the literature discussing the comparative advantages of protecting sectors versus liberalizing trade and facilitating regional synergy, large gaps remain on the multi-faceted impact of RCEP.

First, many studies generalize the economic benefits brought by RCEP without being able to distinguish among member states or industry impacts adequately (Ajibo et al.,2019; Xiao, 2015). Notably, the agreement encompasses economies of all stages, from advanced markets including Japan to developing economies like Cambodia, but there is little understanding of how these differences shape, for example, which outcomes translate into trade benefits and economic growth. Finally, the absence of behemoths such as India and the United States begs the question of how RCEP could alter the contours of trade and economic power globally—if at all—and whether this is a precursor to a historic shift of concentration power to East Asia. These gaps highlight the necessity of a more nuanced and empirically grounded analysis of the economic impact of RCEP.

Research Objectives
To analyze the effect of RCEP on trade flows within member countries
To assess RCEP's contributions to economic growth across member economies

Research Questions
How has RCEP influenced trade flows among its member countries?
To what extent has RCEP contributed to economic growth across the Asia-Pacific region?

Scope and significance

Geographically, this study focuses on two major areas, the 15 member states of RCEP, contributing almost 30% of the world GDP and population, which are located in the Asia–Pacific region. Economically, the agreement covers trade in goods and services, investment, intellectual property, and rules of origin, making it a pillar of regional economic integration.

The importance of this study is that it provides a look into the detailed impacts of RCEP, by going beyond aggregate economic welfare, and distributional impacts, and impacts on sectors. In doing so, it illuminates RCEP's potential to both shape the future of regional development and redefine global trade for decades to come.

III. Literature Review
The History of RTAs and Their Role in International Trade.

Regional Trade Agreements (RTAs) are playing an important role in shaping how we see global space by having economic integration and reducing barriers between member states. RTAs emerged historically as a reaction to globalization and as a means for countries to defend their competitiveness in international trade. The rapid growth of RTAs, especially after the 1990s, has been closely linked with stalled multilateral trade negotiations under the World Trade Organization (WTO). Specifically, we originally saw RTAs arise with the General Agreement on Tariffs and Trade (GATT), but the true distension of RTAs arose along with the formation of the WTO in 1995. (Chakraborty, & Dey, 2024; Adlung, 2020; Romanchyshyna, 2023)

One important aspect of RTAs is that they provide a framework within which smaller economies can negotiate favorable access to larger markets, benefiting trade flows and economic expansion. An example would be agreements like the North American Free Trade Agreement (NAFTA) and the European Union (EU) showing evidence of how regional trade agreements (RTAs) can work to align trade policies, lower tariffs, and develop integrated markets. These agreements typically include more than just reductions in tariffs, and they cover rules on investment, services, intellectual property and environmental standards.

A Glimpse into the Strategic Position of RCEP in Global Trade

The RCEP (2020 — implemented in 2022) is a free trade agreement comprising 15 member states in Asia and the Pacific and is ranked as the largest trade agreement on the planet. This accounts for around 30% of the world's GDP and population and forms a coherent economic bloc with the manpower and wealth necessary to change the global patterns of trade (Petri & Plummer, 2020). Unlike previous RTAs, RCEP integrates existing bilateral FTAs among ASEAN countries and external parties—specifically China, Japan, South Korea, Australia, and New Zealand—into one framework, effectively mitigating the "spaghetti bowl" challenges of overlapping arrangements.

Studies assessing the expected impacts of RCEP show its potential to increase regional trade by US$500 billion annually by 2030, with the main effects coming from the alignment of rules of origin and reductions in tariffs (Canton, 2021). The RCEP is also likely to reinforce global supply chains, especially in manufacturing and services, by facilitating cross-border operations.

However, critics of RCEP question whether its benefits will be equally shared. Although this benefits larger economies such as China and Japan enormously, smaller nations may find it difficult to compete in the fully integrated market. Moreover, the exclusion of India from RCEP has created debates around the inclusivity of the agreement, as well as its sustainability in the long term. As some scholars point out, the potential success of RCEP is critically premised upon its capability to mediate non-tariff barriers and nurture the fairer development of its heterogeneous membership (Kimura, 2021).

Theoretical Framework

The theoretical framework below will address the influence of RCEP on trade and economic growth in the Asia-Pacific region. One major economic theory forms the basis for this analysis, namely Economic Integration Theory. Particularly in doing so, the theory creates a baseline understanding of how RCEP is structured as well as the implications that it may have for its member states, particularly in the way of reduced trade barriers, economies of scale, and competitive advantages.

Economic Integration Theory

Economic Integration Theory in its classical form (Pratama, & Nurika, 2020; Bela Balassa, 1961) provides the basic insight into the process that processes can take when countries reduce tariff and non-tariff trade barriers and gradually integrate. Balassa recognized five stages of economic integration that can be formalized within increasingly closer levels of integration, from free trade areas (FTAs) to economic and monetary unions. The theory states that through the removal of tariffs among parties, to then incentivize trade flows, the integration will eventually result in overall economic growth.

Using this theory, the motivation behind RCEP, which is a free trade agreement (FTA), can be established. FTAs also generally include requirements that members reduce or eliminate trade barriers (tariffs and quotas) to trade in goods and services within the Member States. Unlike customs unions or common markets, RCEP does not establish common external tariffs on non-members so by virtue, allows members to forge their external trade policy. Based on Balassa's theory of economic integration (El Alaoui, & Omari, 2022; Balassa, 1961), the RCEP agreement can be viewed as the early stages of economic integration in the Asia-Pacific region, with an emphasis on trade liberalization and regulatory cooperation.

RCEP may in the long run lead through progressive steps towards further integration, as Balassa held, potentially starting with the establishment of a free trade area moving towards a customs union or a common market. The highest stages of integration would range from deeper economic coordination (merging external tariffs) to the free movement of labor and capital. Thus, there are already steps taken in RCEP which could eventually lead to greater economic integration in the Asia-Pacific and potentially be closer to an economic union in the future.

IV. Methodology And Data

This study utilizes a regression analysis to assess the impact of RCEP on trade flows and economic growth in the Asia Pacific region through and between the countries that participated in RCEP. Panel regression analysis (Liu et al., 2020) is employed to not only delineate variable association but also to form causal relationships. Focusing on trade volume, GDP growth and the output of the sector, the study delivered empirical evidence on the effect of RCEP on the economy of its member countries.

The baseline panel regression model is expressed as:

$$RCEP_{it} = \beta_0 + \beta_1 IMP2_{it} + \beta_2 EXP2i_{it} + \beta_3 GDP_{it} + \beta_4 FDI_{it} + \beta_5 FDII_{it} + \beta_6 TO_{it} + \beta_7 TAX_{it} + \alpha_i + \varepsilon_{it}$$

Where $RCEP_{it}$ denotes total trade for country i at time t, β_k coefficients to estimate the relationship between independent variables and $RCEP_{it}$ as the dependent variable measured as the total trade of goods and services among member countries furthermore, α_i country-specific fixed effects (unobserved heterogeneity) error ε_{it} term.

Considering the availability of data, the data of 14 countries were sourced from the World Development Indicators (WDI) World bank data portal from 2010 to 2023 as sample of the study. The results of the descriptive statistics are shown in Table 1.

V. Results And Findings
Table 1 Descriptive Statistics

Variables	definition	Source	Observation	Mean	SD	Min	Max	Range
RCEP	Total imports and exports of goods and services	WDI	196	413,9 billion	6.047 billion	3.519 billion	3.140 billion	3.137 billion
IMP2	Imports of goods and services (% of GDP)	WDI	196	49.58	35.16	13.58	175.8	162.2
EXP2	Exports of goods and services (% of GDP)	WDI	196	53.17	42.30	14.41	203.3	188.9
GDP	Gross Domestic Product	WDI	196	1.676 billion	3.391 billion	7.132 billion	1.788 billion	1.787 billion
FDI	Foreign direct investment, net outflows (% of GDP)	WDI	196	2.113	3.497	-1.244	19.32	20.57
FDII	Foreign direct investment, net inflows (% of GDP)	WDI	196	4.825	6.487	-1.753	34.95	36.70
TO	Trade (% of GDP)	WDI	196	102.8	76.89	28.50	379.1	350.6
TAX	Taxes on international trade (% of revenue)	WDI	196	5.768	5.513	1.108	24.34	23.23

Source: World Development Indicators database

Table 1 provides critical descriptive statistics on trade flows, economic indicators, and other relevant variables for RCEP member countries. These statistics offer a foundation for understanding the dynamics of trade and economic growth within the RCEP framework and help contextualize the study's objectives. The descriptive statistics reveal that total imports and exports among RCEP members average **413.9 billion USD**, with a standard deviation of **604.7 billion USD**. This significant variation indicates a disparity in trade volumes across member states. Larger economies like China, Japan, and South Korea likely dominate these trade figures, while smaller economies, such as Laos or Cambodia, contribute comparatively less. This disparity highlights the importance of intra-bloc trade policies to ensure smaller nations benefit from RCEP's integration.

Trade as a percentage of GDP (TO) is particularly insightful, with an average of **102.8%** and a wide range spanning from **28.5% to 379.1%**. The high average underscores the trade-dependent nature of many RCEP economies, where trade plays a central role in their economic structure. However, the wide range suggests a diverse degree of trade reliance, with some countries being highly open economies, while others are more inward-looking. This diversity necessitates tailored trade policies that accommodate both high and low trade-reliant economies. The data on foreign direct investment (FDI) reveals notable trends. Average net FDI inflows are **4.825% of GDP**, indicating that RCEP fosters investment attractiveness. Conversely, FDI outflows average **2.113%**, highlighting the active role of larger economies like China, Japan, and South Korea in regional investments. The disparity between inflows and outflows suggests that some RCEP countries are more capital exporters than recipients, which aligns with the economic objectives of major investing economies.

Taxation on international trade (TAX) averages **5.768%**, reflecting relatively low tariff revenues. This aligns with RCEP's emphasis on trade liberalization, where tariff barriers are minimized to promote intra-bloc trade. However, the variation in trade tax levels suggests that some countries still rely on tariffs for revenue generation, potentially limiting their ability to fully liberalize trade.

These descriptive statistics provide an essential backdrop for analyzing the role of RCEP in trade and economic growth. They highlight the significant heterogeneity within the bloc, emphasizing the need for policies that balance the interests of large and small economies.

Table 2: Fisher ADF unit root test

Variables	Fisher-ADF	
	Level	1st difference
lnRCEP	-0.731 (0.767)	7.438*** (0.000)
LnIMP2	3.924*** (0.000)	11.971*** (0.000)
LnEXP2	-0.472 (0.681)	9.706*** (0.000)
LnFDI	9.853*** (0.000)	10.549*** (0.000)
LnFDII	-0.263 (0.604)	2.514*** (0.006)
LnGDP	0.236 (0.406)	4.250*** (0.000)
LnTO	2.944*** (0.001)	10.807*** (0.000)
LnTAX	24.893*** (0.000)	15.048*** (0.000)

p-values are in parenthesis, a*** b** c* denotes significance level at 1%, 5%, and 10% respectively

The Fisher-ADF test results in Table 2 provide a robust analysis of the stationarity of variables. Stationarity is critical for ensuring the validity of regression models, as non-stationary data can lead to spurious relationships.

Key trade-related variables like **lnRCEP** (trade flows among members) and **lnEXP2** (exports) are found to be non-stationary at the level but become stationary after first differencing. This suggests that these variables exhibit trends over time, reflecting the gradual integration of RCEP economies and increasing trade flows. For example, as RCEP's policies take effect, trade among member countries may increase systematically, leading to non-stationary behavior.

In contrast, variables such as **lnIMP2** (imports) and **lnTO** (trade openness) are stationary at the level, indicating stable trade dynamics over time. This stability suggests that while trade flows exhibit trends, the overall structure of trade relationships among RCEP members remains consistent.

The stationarity of GDP-related variables is mixed. For example, **lnGDP** is stationary at the level, indicating consistent economic growth patterns across member states. However, non-stationarity in variables like **lnFDII** (foreign direct investment inflows) reflects country-specific fluctuations in investment dynamics. This finding is crucial for modeling FDI's impact on growth, as it requires careful differentiation to capture meaningful relationships.

The test results emphasize the importance of handling non-stationary variables appropriately. Differencing or employing techniques such as cointegration analysis can ensure robust regression results. The trends in trade and investment variables also underscore the transformative impact of RCEP, which fosters gradual but significant changes in member countries' economic structures.

Table 3 cross-sectional dependence test results

Variables	CD-test	p-value
lnRCEP	24.11***	(0.000)
LnIMP2	4.52***	(0.000)
LnEXP2	5.98***	(0.000)
LnFDI	0.86***	(0.000)
LnFDII	-0.38	(0.701)
LnGDP	18.29***	(0.000)
LnTO	5.43***	(0.000)
LnTAX	4.76***	(0.000)

p-values are in parenthesis, a*** b** c* denotes significance level at 1%, 5%, and 10% respectively

The cross-sectional dependence test evaluates whether variables are interdependent across countries, which is critical for understanding regional integration under RCEP. Significant dependence indicates that changes in one country's trade or economic policies can influence others, reflecting strong interconnectedness.

Key variables such as **lnRCEP**, **lnIMP2**, **lnEXP2**, and **lnGDP** exhibit significant cross-sectional dependence, with p-values less than 0.05. This finding underscores the interconnected nature of RCEP economies. For instance, an increase in trade flows in one member country, such as China, is likely to influence neighboring economies due to supply chain linkages and shared trade networks. Similarly, GDP growth in larger economies like Japan or South Korea can create positive spillovers through increased demand for imports and exports.

Interestingly, variables like **lnFDII** (foreign direct investment inflows) do not exhibit significant cross-sectional dependence. This indicates that FDI inflows are more influenced by country-specific factors, such as local policies, political stability, or market conditions, rather than regional trends. This finding highlights the importance of tailoring investment policies to individual country contexts within RCEP.

The significant cross-sectional dependence in trade and GDP variables aligns with the goals of RCEP, which seeks to deepen economic integration and interdependence. However, the lack of dependence in FDI inflows suggests that while trade networks are highly integrated, investment flows require further harmonization to achieve similar levels of connectivity.

Table 4 Regression analysis

VARIABLES	(1) lnIMP2	(2) lnEXP2	(3) lnGDP	(4) lnFDI	(5) lnFDII	(6) lnTO	(7) lnTAX	(8) combine
lnIMP2		-0.621***						1.225***
		(-3.09)						(8.07)
lnEXP2			-0.452**					0.308
			(-2.47)					(1.51)
lnGDP				0.850***				0.994***
				(64.36)				(500.38)
lnFDI					0.322***			0.015***
					(6.80)			(10.21)
lnFDII						-0.503***		-0.001
						(-4.75)		(-0.66)
lnTO	-0.569***						-0.569***	-0.554
	(-2.94)						(-2.94)	(-1.57)
lnTAX								0.006
								(1.24)
Constant	28.195***	27.982***	27.371***	3.076***	25.882***	26.225***	28.195***	-3.985***
	(33.67)	(38.24)	(40.36)	(8.69)	(239.31)	(208.70)	(33.67)	(-20.48)
Observations	196	196	196	196	181	189	196	176
R-squared	0.041	0.047	0.028	0.907	0.288	0.116	0.041	1.000

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.

Fig 1. A two-way scatter plot for RCEP and Economic growth

Source: Stata 17
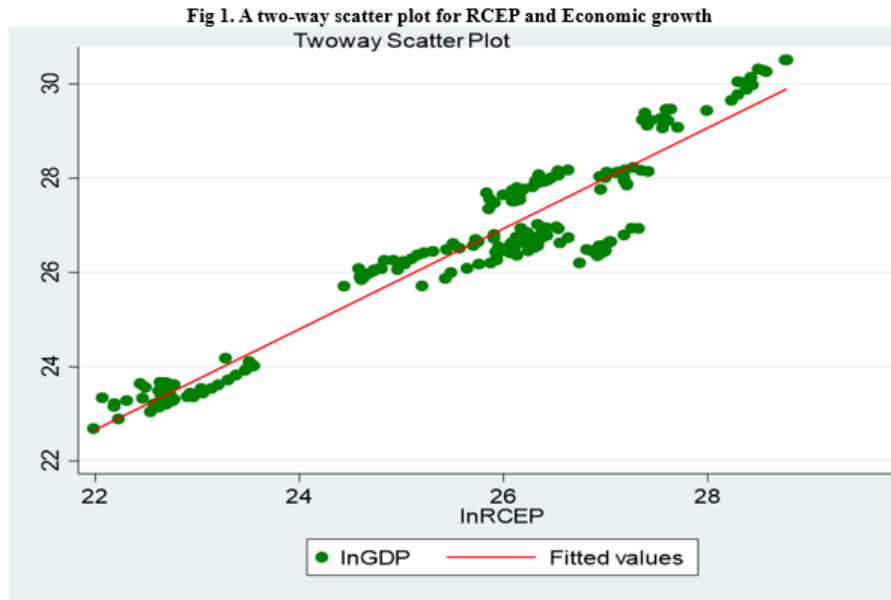
The regression analysis in Table 4 explores the relationships between trade, investment, and economic growth variables, providing insights into the contributions of RCEP.

Trade Variables
Imports (lnIMP2): The negative coefficient (−0.621,p<0.01-0.621, p<0.01−0.621,p<0.01) suggests that high import volumes relative to GDP can negatively impact economic growth. This may reflect trade imbalances or reliance on imports for essential goods, which can strain domestic industries. **Exports (lnEXP2):** The positive coefficient (1.225,p<0.011.225, p<0.011.225,p<0.01) highlights exports as a key driver of GDP growth. This aligns with RCEP's emphasis on boosting intra-bloc trade, where member countries benefit from reduced trade barriers and increased market access.

FDI Variables
Outward FDI (lnFDI): The positive coefficient (0.322,p<0.010.322, p<0.010.322,p<0.01) confirms the growth-enhancing effects of outward investments by RCEP members. This reflects the role of capital investments in stimulating economic activity within the bloc.
Inward FDI (lnFDII): The negative coefficient (−0.503,p<0.01-0.503, p<0.01−0.503,p<0.01) suggests potential challenges with capital dependency, where excessive reliance on foreign investments might undermine domestic economic stability.

Trade Openness (lnTO):
The negative coefficient (−0.569,p<0.01-0.569, p<0.01−0.569,p<0.01) indicates that excessive trade reliance without complementary policies can hinder growth. This underscores the need for balanced trade strategies that leverage RCEP's benefits while addressing vulnerabilities.

Taxes on Trade (lnTAX):
The insignificant coefficient (0.006,p>0.050.006, p>0.050.006,p>0.05) suggests that trade taxes have a limited direct impact on GDP growth. This aligns with RCEP's goal of minimizing tariff barriers to promote trade flows.

VI. Discussion
This section interprets the findings from the analysis in light of the research objectives:

Objective 1: Analyzing the Effect of RCEP on Trade Flows Within Member Countries
The results indicate that RCEP has played a significant role in enhancing trade flows among its member countries. The descriptive statistics show that the average trade volume among RCEP members is substantial, with notable disparities. This suggests that larger economies, such as China, Japan, and South Korea, are the primary drivers of trade, while smaller economies like Laos and Cambodia have comparatively lower contributions. Such disparities underline the need for policies that ensure equitable benefits across member states, particularly for less-developed countries within the bloc. The regression results further emphasize the role of trade in shaping economic outcomes. Exports (lnEXP2) exhibit a positive and significant relationship with GDP growth (1.225, p<0.011.2, p<0.011.2,p<0.01), underscoring their critical role in driving economic expansion. This aligns with RCEP's core objective of fostering export-led growth by reducing trade barriers and streamlining regional supply chains. Member countries benefit from improved market access and harmonized trade policies, which facilitate the flow of goods and services across borders.

However, the results also reveal a negative relationship between imports (lnIMP2) and GDP growth (−0.62,p<0.01-0.62, p<0.01−0.621,p<0.01). This could reflect trade imbalances within the bloc, where some countries rely heavily on imports without sufficient domestic production to offset these inflows. Such reliance may undermine domestic industries, particularly in smaller economies. This finding highlights the importance of balancing imports with local production capabilities to maximize the benefits of trade liberalization under RCEP. The significant cross-sectional dependence observed in trade variables (lnRCEP, lnIMP2, and lnEXP2) indicates strong interconnectivity among RCEP member economies. This reflects the integrated nature of trade networks facilitated by RCEP, where economic developments in one country can have spillover effects on others. Such interdependence is a positive indicator of regional integration, as it demonstrates the shared benefits of collaborative trade policies.

Overall, these results suggest that RCEP has successfully enhanced trade flows among member countries, with exports playing a pivotal role in economic growth. However, addressing trade imbalances and supporting smaller economies through capacity-building initiatives will be crucial for ensuring sustainable growth across the bloc.
Objective 2: Assessing RCEP's Contributions to Economic Growth Across Member Economies

The findings reveal that RCEP has significantly contributed to economic growth across its member economies, though the impact varies depending on the variable analyzed. Exports (lnEXP2) and outward foreign direct investment (lnFDI) are identified as the primary drivers of GDP growth. The positive relationship between outward FDI and GDP (0.322,p<0.010.322, p<0.010.322,p<0.01) reflects the role of regional investments in stimulating economic activity. Larger economies such as China, Japan, and South Korea, which actively invest in infrastructure and industries within the bloc, appear to reap considerable economic benefits. Conversely, inward FDI (lnFDII) shows a negative relationship with GDP (−0.503,p<0.01-0.503, p<0.01−0.503,p<0.01). This finding suggests that some member countries may be overly dependent on foreign investments, which could create vulnerabilities in their economic structures. For instance, excessive reliance on FDI might limit the development of domestic industries or expose economies to external shocks. Policies aimed at balancing FDI inflows with domestic investment initiatives will be critical for ensuring sustainable economic growth.

The role of trade openness (lnTO) is also noteworthy. The negative coefficient (−0.569,p<0.01-0.569, p<0.01−0.569,p<0.01) suggests that excessive reliance on trade without complementary policies may hinder growth. This finding highlights the importance of developing diversified economic strategies that reduce overdependence on trade while leveraging RCEP's benefits. Countries with lower trade-to-GDP ratios may need targeted support to strengthen their trade capacities and integrate more effectively into regional supply chains. The insignificant impact of trade taxes (lnTAX) on GDP growth (0.006,p>0.050.006, p>0.050.006,p>0.05) aligns with RCEP's emphasis on minimizing tariff barriers. By reducing trade taxes, RCEP facilitates smoother trade flows, which indirectly contribute to economic growth. However, this also implies that countries relying on trade taxes for revenue generation may face fiscal challenges, necessitating alternative revenue sources.

The cross-sectional dependence observed in GDP variables indicates that economic growth within RCEP is interdependent. This underscores the bloc's success in fostering regional integration, where economic developments in one country positively influence others. For example, the economic growth of larger economies like China can stimulate demand for imports from smaller economies, creating a virtuous cycle of growth.

Implications

The results provide valuable insights into RCEP's effectiveness in achieving its objectives:

1. **Trade Integration:** The findings confirm that RCEP has significantly enhanced trade flows among member countries, with exports emerging as a key driver of growth. However, addressing trade imbalances and ensuring equitable benefits for smaller economies remain critical challenges.
2. **Economic Growth:** RCEP contributes to economic growth through increased exports and outward investments. However, the negative impact of inward FDI and overreliance on trade suggests the need for balanced economic policies that promote domestic production and resilience.

To maximize the benefits of RCEP, member countries should focus on:
Strengthening domestic industries to complement trade liberalization.
Promoting equitable access to regional trade opportunities for smaller economies.
Balancing FDI inflows with domestic investment strategies.
Diversifying economic activities to reduce trade reliance and enhance resilience.

These findings contribute to the broader understanding of regional trade agreements and their role in fostering economic growth and integration. Future research could explore the long-term socio-economic and environmental impacts of RCEP policies to provide a comprehensive assessment of the bloc's effectiveness.

VII. Conclusion and Recommendation

The RCEP has significantly boosted trade flows and economic growth among its member states, with exports playing a pivotal role. However, challenges such as trade imbalances, over-reliance on imports, and uneven benefits across economies need to be addressed. Larger economies like China, Japan, and South Korea have reaped substantial gains, while smaller nations require targeted policies to maximize their benefits. RCEP's success lies in fostering regional integration, but sustaining this requires strengthened domestic industries, equitable trade opportunities, and diversified economic strategies to reduce vulnerabilities.

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