

The impact of the establishment of the EU-RCEP free trade area on global value chains in the agri-food sector: The EU perspective

Given the impasse in negotiations on the World Trade Organization forum (WTO), initiatives aimed at liberalizing trade on a regional scale began to gain importance in the multilateral trade system. On the other hand, due to the international fragmentation of production, in the 21st century the evolution of international trade in goods has been observed, from trading mostly final goods to trading intermediate goods destined as inputs for further processing, either domestically or traded abroad. Both **regionalization** resulting in appearing new global competitors and the **development of global value chains (GVCs)** have challenged major players in international trade. Those two phenomena **apply also to the agri-food trade**.

The failure of the Transatlantic Trade and Investment Partnership negotiations between the EU and the USA means that the EU still has a wide range of choices regarding strengthening trade ties. In this context, the Asian direction is important because there is a political will on the part of the most significant player in the region, i.e., China, reflected in the Belt and Road Initiative aimed at the economic consolidation of Eurasia. **Regional Comprehensive Economic Partnership (RCEP)** concluded in 2020 by the ASEAN countries, China, Japan, South Korea, Australia, and New Zealand is the largest free trade area in the world. **On the one hand, it is an important trading partner, and on the other – a competitor for the EU economy**, striving to maintain its current strong position in international trade. Establishment a free trade area between the EU and RCEP seems to be the most promising option for future trade cooperation, however, its sectoral effects can be diversified. As there are significant differences in export competitiveness depending on whether gross trade values or value added are considered, possible effects of such an agreement need to be examined both in terms of gross trade values and value added. Such an analysis can offer a more comprehensive and valuable insight than using gross trade values alone. In turn, sectoral analyses may help decision-makers negotiate favourable, detailed provisions of trade agreements. It should be emphasised here that up-to-date, no studies have evaluated the effects of a potential trade agreement between the EU and RCEP, either at the macroeconomic or sectoral levels. Our research will fill this gap.

The main aim of the project is to assess the impact of the possible EU-RCEP free trade agreement on the EU agri-food sector participation in global value chains and its international competitiveness. The research will include both **ex-post and ex-ante analyses**. When describing the specifics of agri-food trade between the EU and RCEP countries (ex-post analysis), trade performance, the direction of trade, trade structure, comparative advantages and participation in GVCs will be analysed. In order to assess the impact of a potential EU-RCEP agreement on the EU participation in agri-food GVCs (ex-ante analysis), a general equilibrium framework will be developed. Standard Global Trade Analysis Project (GTAP) model will be converted into a global supply chain database using the EMERGING database and the ImpactECON Global Supply Chain package. The author's simulation scenario covering expected changes in tariff and non-tariff barriers to trade will be designed.

Novelties of the proposed project are four-fold. Firstly, to our best knowledge, this is the first attempt to assess the impact of a possible EU-RCEP free trade agreement on the EU agri-food sector and its competitiveness. The second novel contribution is employing the value added approach and developing a comparative analysis of trade effects and export competitiveness in gross terms and in view of value added. Thirdly, a novel methodological approach will be implemented. The Global Trade Analysis Project (GTAP) computable general equilibrium model will be adapted to account for the value-added structure of international trade. Fourthly, based on research results, some recommendations for decision-makers and practitioners can be made to improve the EU trade strategies towards the RCEP countries taken to boost bilateral cooperation and enhance the international competitiveness of the EU agri-food sector.

The results will enrich the **knowledge** about shaping the international competitive position of the EU agri-food sector when being a part of GVCs and having mega-regional preferential trade agreement signatories as trading partners. Our research will also contribute to the **development of agricultural economics and alternative trade theory** by improving methodological tools for GVCs analyses. A **utilitarian value** of the study will consist in supporting the processes of trade policy evaluation and implementing tailored solutions optimizing gains from trade.