ISSUE BRIEF

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REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP): OPPORTUNITIES FOR PAKISTAN

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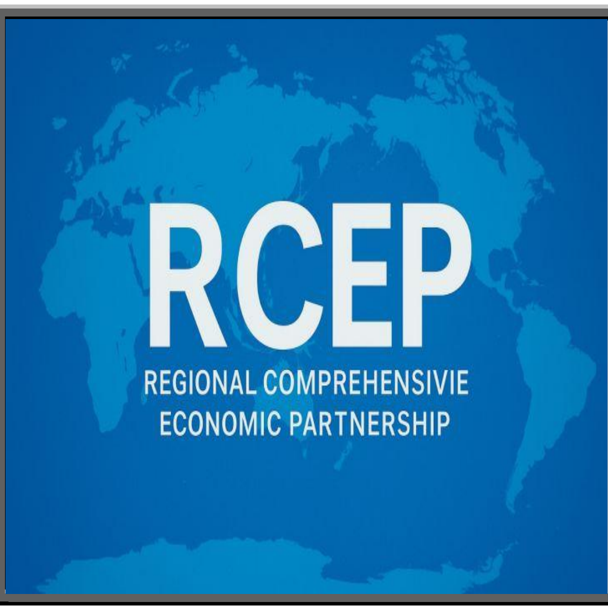

Introduction

The global economic landscape is undergoing significant transformation, marked by growing regional economic integration, shifting supply chains, technological advancements, and the emergence of new centres of economic growth. The Asia-Pacific has increasingly become a major driver of global trade and investment, with regional economies deepening economic cooperation through trade agreements and connectivity initiatives. In this evolving environment, the Regional Comprehensive Economic Partnership (RCEP) has emerged as a major platform for regional economic integration with important implications for countries seeking greater access to Asian markets.

What is RECP

RCEP is the world's largest free trade agreement that entered into force on 1 January 2022.[1] It brings together the ten ASEAN member states—Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam—along with China, Japan, the Republic of Korea, Australia, and New Zealand. Collectively, RCEP economies represent around 30 per cent of

[1] Association of Southeast Asian Nations (ASEAN), "Regional Comprehensive Economic Partnership (RCEP)," August 25, 2026, https://asean.org/our-communities/economic-community/integration-with-global-economy/regional-comprehensive-economic-partnership-rcep.

global GDP, trade, and population. The agreement seeks to reduce trade barriers, simplify customs procedures, facilitate investment, strengthen regional supply chains, and promote deeper economic cooperation among its members. Unlike traditional trade agreements that primarily focus on tariff reductions, RCEP also covers trade in services, investment, e-commerce, intellectual property, competition, and support for small and medium-sized enterprises (SMEs).[2] By establishing common rules and harmonizing trade-related procedures, the agreement seeks to reduce transaction costs and facilitate greater integration of regional production networks. Its significance therefore extends beyond tariff liberalization and reflects the broader trend towards interconnected regional value chains[3].

Pakistan's Strategic Opportunity in the RCEP Ecosystem

For Pakistan, although it is not a member of RCEP, the agreement carries important opportunities. Pakistan's geographic position at the crossroad of South Asia, Central Asia, the Middle East, and the Arabian Sea provides considerable potential to serve as a bridge between regional markets.[4] Its strategic partnership with China, growing engagement with ASEAN, and access to the Arabian Sea through Gwadar provide a foundation for deeper economic connectivity with the wider Asia-Pacific region. As RCEP economies deepen intra-regional trade and investment, Pakistan needs strategies to connect its businesses with these expanding markets and value chains.

Pakistan's Export Opportunity in the RCEP Ecosystem

For Pakistan, the most immediate strategic opportunity lies in using its existing export strengths to connect with RCEP markets. Rather than seeking direct benefits from RCEP tariff preferences, which are available primarily to member economies, Pakistan can focus on identifying products and sectors where its exports can remain competitive in individual RCEP markets. Textiles, sports goods, surgical instruments, leather, agriculture, pharmaceuticals, IT services and halal products can provide entry points, particularly where Pakistani products can meet the required quality, certification and market

2 Asian Development Bank, *Regional Comprehensive Economic Partnership: Overview and Economic Impact* (Manila: Asian Development Bank), August 25, 2026, https://www.adb.org/publications/regional-comprehensive-economic-partnership-overview-and-economic-impact

3 Department of Foreign Affairs and Trade, Australian Government, "Regional Comprehensive Economic Partnership Agreement," August 25, 2026, https://www.dfat.gov.au/trade/agreements/in-force/rcep .

4 Pakistan Institute of Development Economics (PIDE), "Strengthening Pakistan's Trade Linkages: A Case Study of Regional Comprehensive Economic Partnership (RCEP)," August 25, 2026, https://pide.org.pk/research/strengthening-pakistans-trade-linkages-a-case-study-of-regional-comprehensive-economic-partnership-rcep/ .

standards. A targeted export strategy can therefore allow Pakistan to benefit from the demand generated by deeper intra-RCEP trade even without being a member of the agreement.[5]

Hainan: A Gateway to the RCEP Economic Ecosystem

China's Hainan Province can serve as an important practical means for Pakistan to strengthen its engagement with the RCEP region. The Hainan Free Trade Port is strategically positioned near Southeast Asia and is developing as a regional economic and logistics hub. Its institutional alignment with international trade rules, including RCEP, and its expanding connectivity with Asian markets make it particularly relevant for countries seeking greater integration with the Asia-Pacific.[6] Hainan is also increasingly being positioned as a platform linking China and ASEAN supply chains.

This creates opportunities for Pakistan beyond conventional bilateral trade with China. Pakistani businesses can use Hainan as a platform for market exploration, trade exhibitions, cross-border e-commerce, logistics, investment partnerships, and engagement with Chinese and Southeast Asian enterprises. The relevance of this opportunity is already visible in Pakistan-China relations. During his official visit to China from 25 April to 1 May 2026, President Asif Ali Zardari visited Sanya, Hainan, where he called for stronger engagement between Hainan enterprises and Pakistan's industrial and export sectors, particularly in tropical agriculture, port development, seed technology, and fisheries.[7]

Hainan can therefore function as a bridge rather than merely an endpoint for Pakistani trade. By developing commercial linkages with Hainan-based enterprises, Pakistan can gain greater exposure to regional standards, logistics systems, digital commerce, investment networks, and supply chains connected with RCEP economies.

Pakistan as a Non-Member: Accessing RCEP Opportunities

Pakistan does not receive RCEP's preferential tariff benefits as a non-member, but it can still benefit indirectly from the agreement through increased regional demand, investment flows, supply-chain

5 Pakistan Institute of Development Economics (PIDE), "Strengthening Pakistan's Trade Linkages: A Case Study of Regional Comprehensive Economic Partnership (RCEP)," August 25, 2026, https://pide.org.pk/research/strengthening-pakistans-trade-linkages-a-case-study-of-regional-comprehensive-economic-partnership-rcep/ .

6 Hainan Provincial People's Government, "Hainan Free Trade Port," August 25, 2026, https://www.mfat.govt.nz/en/trade/mfat-market-reports/hainan-free-trade-port-established-to-attract-foreign-businesses-to-china

7 Radio Pakistan, "President Expresses Pakistan's Interest in Expanding Cooperation with China in Agriculture, Port Development, Fisheries," April 30, 2026 https://www.radio.gov.pk/30-04-2026/president-expresses-pakistans-interest-in-expanding-cooperation-with-china-in-agriculture-port-development-fisheries

integration, and partnerships with RCEP-based companies. Pakistani firms can participate in these opportunities by developing commercial and production linkages with RCEP economies and positioning themselves within emerging regional value chains.

RCEP's rules of origin also distinguish genuine regional production from simple trans-shipment. Preferential treatment is linked to meeting agreed origin requirements, meaning that routing Pakistani goods through an RCEP member would not automatically make them eligible for RCEP preferences[8]. For Pakistan, the more sustainable approach is therefore to pursue genuine investment, joint ventures, production partnerships and supply-chain integration with RCEP economies. In this context, Hainan can provide a practical entry point for Pakistani businesses to develop such linkages and gain greater exposure to the wider RCEP economic ecosystem.

CPEC, Gwadar and Regional Connectivity

The China-Pakistan Economic Corridor (CPEC) can provide an important platform for connecting Pakistan with expanding economic networks in East and Southeast Asia. The development of Gwadar Port, transport infrastructure, logistics networks, and Special Economic Zones (SEZs) can contribute to Pakistan's emergence as a regional trade and production hub. Pakistani SEZs can attract investment from Chinese and other Asian companies seeking competitive production locations and access to regional markets. This can help Pakistan move beyond its traditional role as an exporter of relatively low-value products and become more integrated into regional and global value chains.

Under CPEC 2.0 a greater emphasis has been placed on export-oriented industrialisation and B2B cooperation, with priority areas including agriculture and agro-processing, ICT and digital technologies, logistics, and aquaculture and seafood processing.[9] The emerging relationship between Hainan and Pakistan can complement this objective. Cooperation between Hainan enterprises and Pakistani industries in areas such as logistics, manufacturing, agriculture, fisheries, technology, and port development can create linkages between CPEC infrastructure and wider Asian production networks.

[8] Pakistan Business Council, "Positioning Pakistan for Integration with Regional Comprehensive Economic Partnership (RCEP)," accessed September 1, 2026, https://www.pbc.org.pk/research/positioning-pakistan-for-integration-with-regional-comprehensive-economic-partnership-rcep/ .

[9] China-Pakistan Economic Corridor, "CPEC 2.0," China-Pakistan Economic Corridor, August 26, 2026, https://cpec.gov.pk/news/338

Strengthening Pakistan–ASEAN and RCEP Engagement

Another important area requiring attention is Pakistan's economic relationship with ASEAN. Despite considerable potential, trade and investment ties remain below their possible levels. Pakistan should strengthen economic diplomacy with ASEAN member states through business-to-business engagement, trade exhibitions, investment forums, chambers of commerce, and digital commerce platforms. Greater awareness of ASEAN market requirements and stronger institutional links between Pakistani and Southeast Asian businesses could help identify opportunities in sectors where Pakistan possesses comparative advantages.

Rather than viewing RCEP solely as a trade bloc from which Pakistan is excluded, Islamabad should approach it as an expanding regional economic ecosystem. Stronger economic relations with China, ASEAN, Japan, the Republic of Korea, Australia, and New Zealand can provide avenues for Pakistani firms to connect with regional supply chains. Hainan can complement this approach by providing a China-based platform for accessing networks that increasingly intersect with RCEP markets.

Policy Recommendations

To maximize these opportunities, Pakistan needs a forward-looking regional economic strategy:

1. **Strengthen economic diplomacy:** Pakistan should strengthen economic diplomacy with ASEAN and other RCEP economies and identify sectors with the greatest potential for trade and investment.
2. **Pursue free trade agreements:** Pakistan should pursue free trade agreements with ASEAN member states and East Asian economies.
3. **Chamber of Commerce awareness sessions:** Chambers of Commerce should hold sessions for Pakistani companies to raise awareness about RCEP and opportunities for Pakistani businessmen.
4. **Enhance domestic export competitiveness** through industrial modernization, technological upgrading, skills development, product diversification, and compliance with international standards.
5. **Integrate CPEC and Gwadar** with regional trade and supply-chain networks, with greater emphasis on export-oriented industrialization and logistics.

6. **Explore structured cooperation with Hainan Special Economic Zone** through business forums, e-commerce platforms, agricultural partnerships, logistics cooperation, and investment facilitation.

7. **Draw lessons from Hainan** as a commercial gateway to better understand RCEP standards, market requirements, and regional value chains.

8. **Adopt a country-specific RCEP strategy** by identifying priority RCEP countries and building targeted trade, investment, and business partnerships based on Pakistan's export strengths.

Conclusion

RCEP is reshaping the Asia-Pacific economic landscape through deeper regional integration, harmonized trade rules, and interconnected supply chains. Although Pakistan is not a member, exclusion from the agreement does not mean exclusion from the opportunities it generates. Pakistan's strategic partnership with China, geographic location, CPEC infrastructure, and growing engagement with ASEAN provide avenues for connecting with this expanding economic ecosystem. Within this strategy, Hainan can serve as a practical bridge linking Pakistani businesses with Chinese, ASEAN and wider RCEP-related markets. Through stronger engagement with RCEP economies, greater utilization of CPEC and Gwadar, strategic cooperation with Hainan, export diversification, and domestic economic reforms, Pakistan can strengthen its integration into regional value chains and transform geographic connectivity into sustainable economic opportunity.