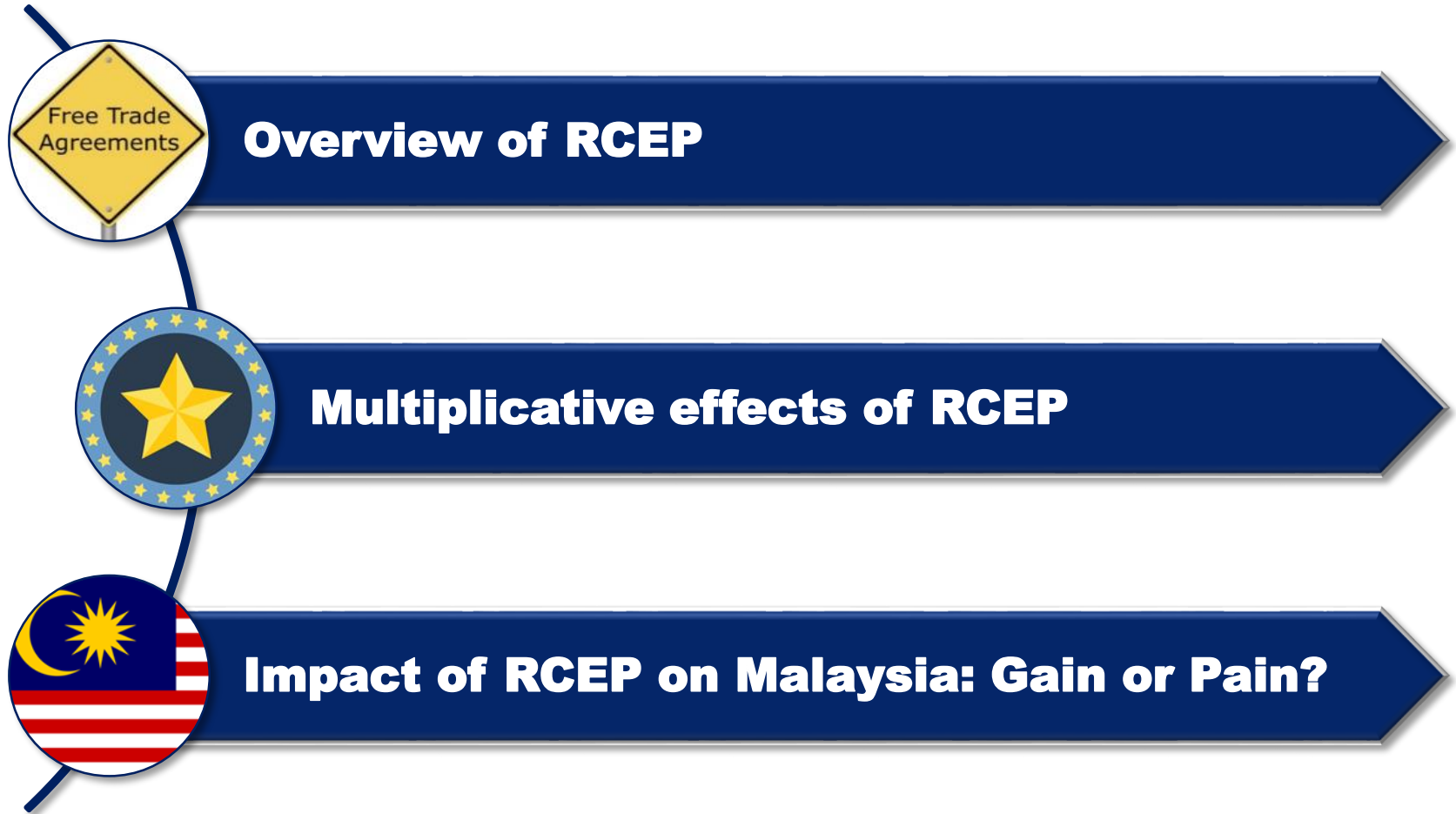




社会经济研究中心
**SOCIO-ECONOMIC
RESEARCH CENTRE**

**Regional Comprehensive
Economic Partnership (RCEP)**

Can It Be A Game Changer?



AT LAST, AN RCEP DEAL

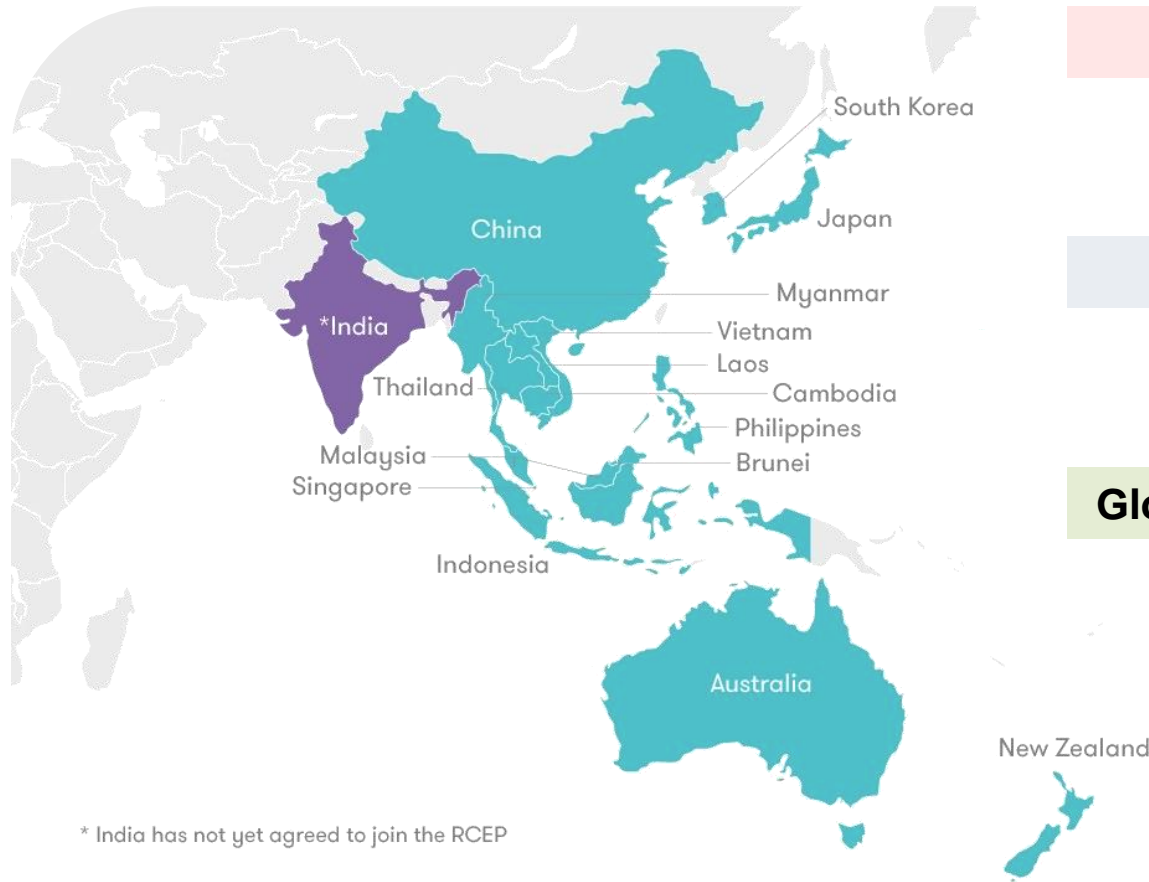


Regional Comprehensive Economic Partnership (RCEP)

- The **Regional Comprehensive Economic Partnership (RCEP)**, is the world's largest **free-trade agreement (FTA)** comprising 15 countries: **10** member states of the **Association of Southeast Asian Nations (ASEAN)** – **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam**, and **five** of their **FTA partners (Australia, China, Japan, New Zealand and South Korea)**.
- The RCEP's negotiation is an ASEAN driven initiative, which was launched during the 21st ASEAN Summit in Phnom Penh, Cambodia in November **2012**. It is the second mega-regional FTA to involve the Asia-Pacific region after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- RCEP was built upon the **existing ASEAN+1 FTAs** aims to **strengthen economic linkages, to enhance trade and investment related activities** as well as **contribute to minimising development gaps** among the parties.
- RCEP negotiations are to achieve a **modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement** among the ASEAN member states and ASEAN's FTA partners.
- **RCEP will only come into force after 9 signatory countries** (a minimum of 6 from ASEAN, 3 from non-ASEAN) have ratified the agreement, which may take more than a year.

RCEP – The world's largest free trade deal

- **RCEP 15 participating countries** collectively have a **population of 2.3 billion** (around **30%** of the world population), a combined **GDP value** of around **US\$24.0 trillion (28.2%** of Global GDP), and a **total trade value** of **US\$10.4 trillion (27.2%** of global trade).



* India has not yet agreed to join the RCEP

Global GDP

28.2%

Global Trade

27.2%






Global Population

29.5%

* India withdrew from RCEP

Source: World Bank; data as at 2019






Snapshot of RCEP member countries (ASEAN) in 2019

Country	GDP (\$US billion)	GDP per capita (\$US)	Total Trade (\$US billion)	Population (million)
 Brunei	14.0 (0.7%)	32,327.4	12.1	0.4
 Cambodia	20.9 (7.1%)	1,269.0	35.4	16.5
 Indonesia	1,204.5 (5.1%)	4,450.7	339.0	270.6
 Laos	13.2 (6.2%)	1,840.5	12.0	7.2
 Malaysia	398.7 (4.8%)	12,478.2	443.2	32.0

Data as at 2019; % in parenthesis refers to CAGR in 2016-2019

Source: World Bank






Snapshot of RCEP member countries (ASEAN) in 2019 (cont.)

Country	GDP (\$US billion)	GDP per capita (\$US)	Total Trade (\$US billion)	Population (million)
 Myanmar	86.9 (5.4%)	1,608.5	36.7	54.0
 Philippines	360.9 (6.6%)	3,337.7	183.8	108.1
 Singapore	335.5 (2.9%)	58,829.6	750.0	5.7
 Thailand	452.8 (3.5%)	6,502.7	482.5	69.6
 Vietnam	200.9 (6.8%)	2,082.2	518.2	96.5

Data as at 2019; % in parenthesis refers to CAGR in 2016-2019

Source: World Bank

Snapshot of RCEP member countries (FTA partners) in 2019

Country	GDP (\$US billion)	GDP per capita (\$US)	Total Trade (\$US billion)	Population (million)
 Australia	1,447.6 2.5%	57,071.2	492.6	25.4
 China	11,537.2 6.7%	8,254.3	4,577.8	1,397.7
 Japan	6,210.7 0.9%	49,187.8	1,426.5	126.3
 New Zealand	191.7 3.2%	38,993.0	81.9	4.9
 South Korea	1,479.2 2.7%	28,605.7	1,045.6	51.7

Data as at 2019; % in parenthesis refers to CAGR in 2016-2019

Source: World Bank

RCEP member's total trade with its respective RCEP partners

Total trade with respective RCEP partners in 2019

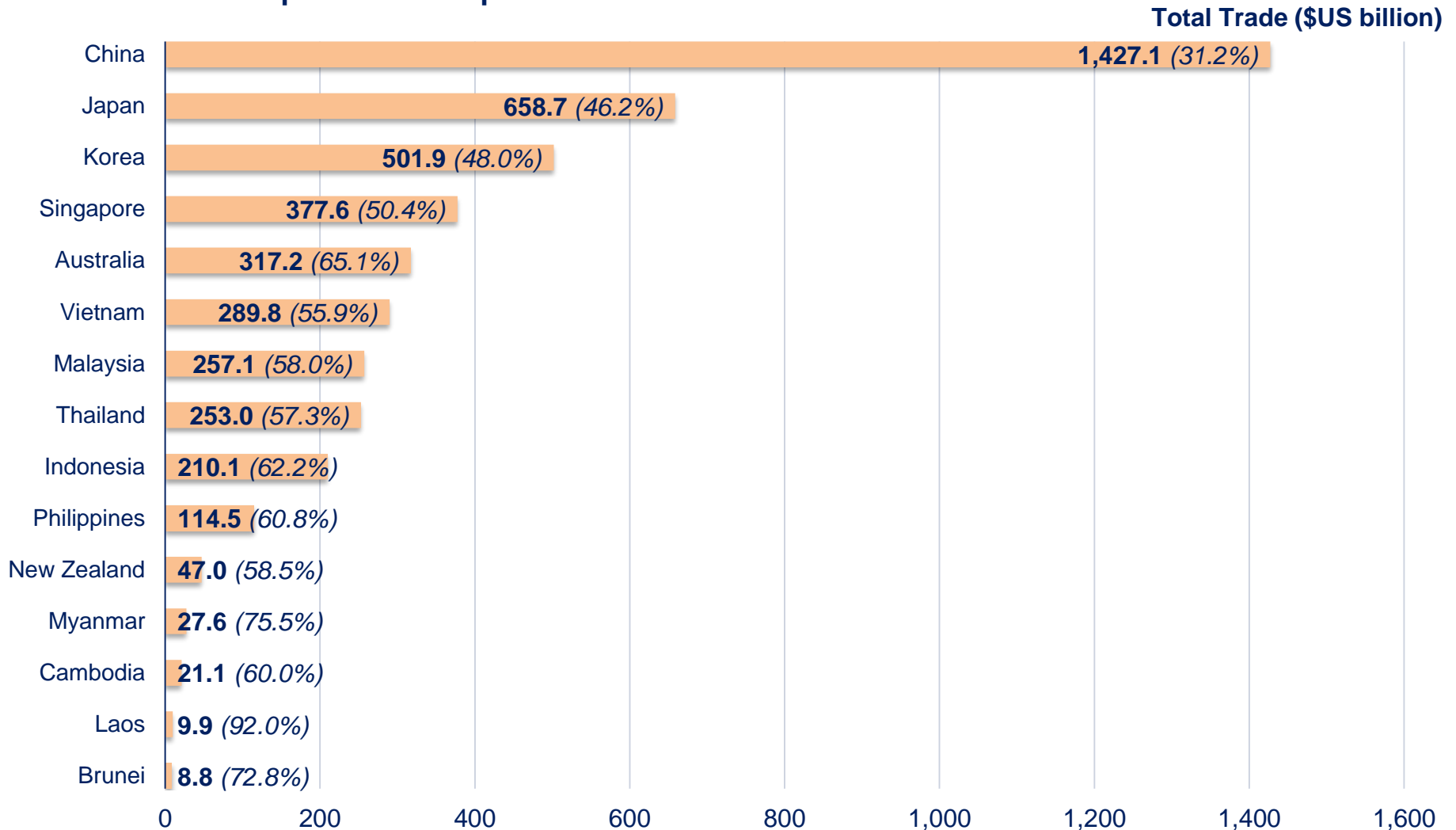
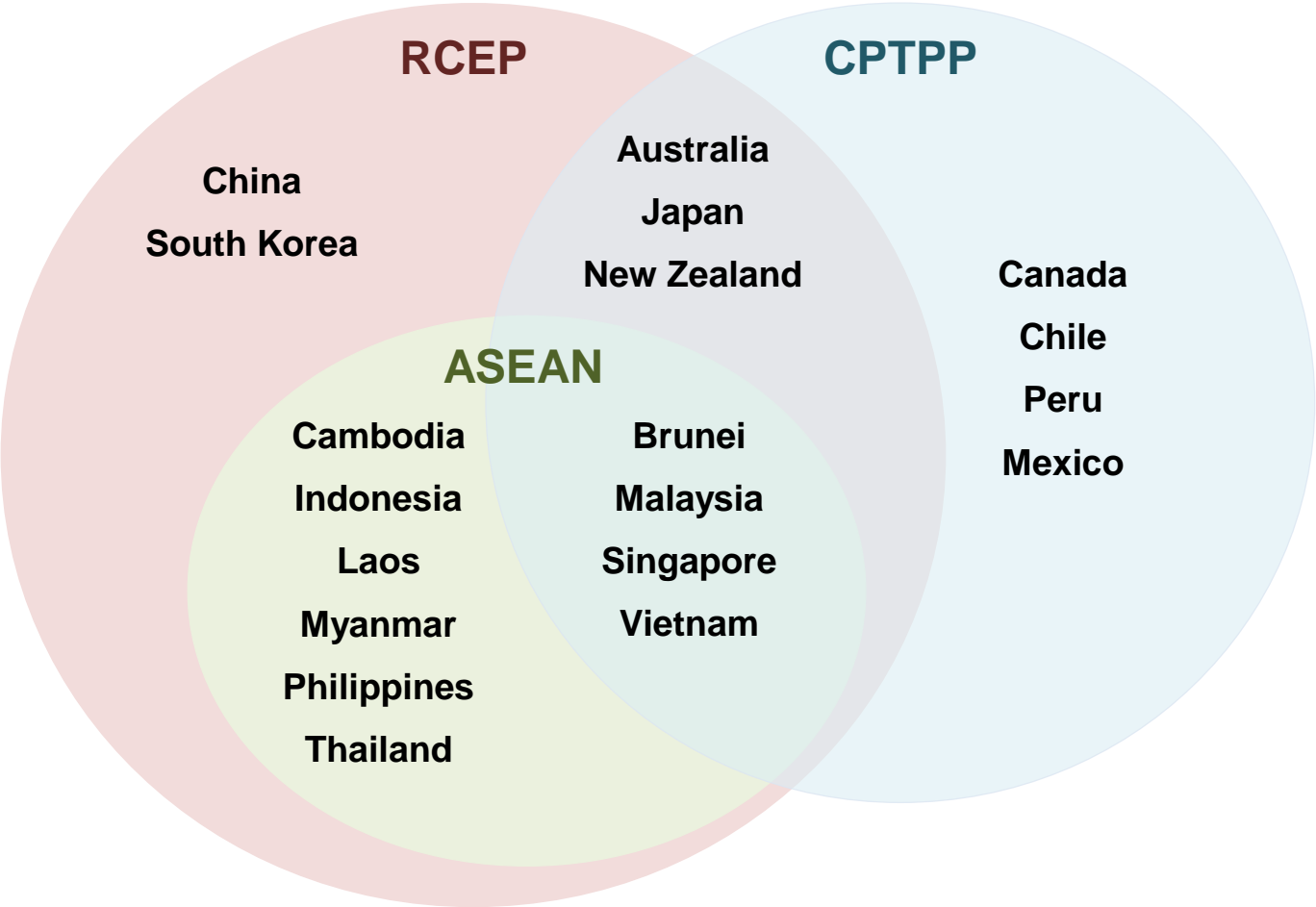


Figure in parenthesis indicates % share to total trade with world

Source: UN Comtrade

Overview of RCEP vs. CPTPP and ASEAN

Asia-Pacific trade groupings



Overview of RCEP vs. CPTPP and ASEAN

2019	World	RCEP	CPTPP	ASEAN
GDP (US\$ billion) <i>% of global GDP</i>	84,944.4	23,954.6 28.2%	12,546.1 14.8%	3,088.2 3.6%
Population (million) <i>% of world population</i>	7,673.5	2,266.6 29.5%	507.7 6.6%	660.6 8.6%
Total trade (US\$ billion) <i>% of global trade</i>	38,394.3	10,437.4 27.2%	5,792.7 15.1%	2,813.1 7.3%

Data as at 2019; % in parenthesis refers to CAGR in 2016-2019

Source: World Bank

Overview of RCEP vs. CPTPP

RCEP

- Coverage: **Less ambitious** than the CPTPP in **scope and depth**
- RCEP is both **wider and shallower in issues concerning labour, environment standards, intellectual property and investor state protection**
- **20 chapters** – focusing on harmonizing barriers and procedures in regional trade, and setting “lowest common denominator” standards between member countries

CPTPP

- Coverage: **More ambitious in terms of scope** though narrower but it is deeper into “sensitive” and “contentious” areas
- **More depth and wider scope**
- **About 30 different chapters** – aim for stricter common standards on labour issues, environmental protection and dispute resolution, transparency, state-owned enterprises, anti-corruption than those proposed in the RCEP

Overview of RCEP vs. CPTPP (cont.)

RCEP

- **Some key issues in CPTPP were not covered or have limited coverage in RCEP as follows:**
 - a) Trade in Services** – Chapter 8 (Limited coverage)
 - b) Investment** – Chapter 10 (Limited coverage)
 - c) E-commerce** – Chapter 12 (Limited coverage)
 - d) Labour** – (Not covered)
 - e) Environmental** – (Not covered)
 - f) State-owned enterprises** – (Not covered)
 - g) Transparency and anti-corruption** – (Not covered)

The scope of RCEP



- Tariff elimination for **trade in goods**, including the related chapters of **Rules of Origin (ROO)**, **Customs Procedures and Trade Facilitation (CPTF)**, **Sanitary and Phytosanitary (SPS) Measures, Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP)**, and trade remedies;



- Liberalisation of **services** sectors, including **financial services, telecommunications services** and movement of natural persons;



- **Promotion, facilitation, protection and liberalisation of investment;**



- **Competition policy** (countries are allowed to implement national laws related to state-owned enterprises), **intellectual property rights, electronic commerce and government procurement** (no market access, only for information exchange and promotion of transparency measures);



- **Economic and technical cooperation and SMEs;** and



- **Legal and institutional issues.**

Source: Ministry of International Trade and Industry (MITI)

RCEP – A GAME CHANGER



RCEP – Setting a new global trade order

- Since the 2008-09 Global Financial Crisis, **countries have implemented protectionist measures in responding to slowing growth in their economies, creating a “global trade disorder”**. According to the Global Trade Alert report, the number of protectionist measures introduced in 2013 exceeded those in 2009 during the depth of the crisis. The G20 economies had introduced more than 450 protectionist measures, an average of one in every 23 hours. The most significant of which have been higher tariffs on bilateral trade between the US and China since mid-2018. Since then, rising global protectionism has not relented.
- Following eight years of negotiations since November 2012, the signing of Regional Comprehensive Economic Partnership (RCEP), the world’s largest free trade deal in the Asia-Pacific region underscores that **the multilateral trading system is vital in defending global trading order in fighting against rising protectionism in advanced economies**.
- Pending ratification, **RCEP will come into force within the next two years**. Based on past experience with other existing ASEAN-related FTAs, we expect existing RCEP provisions will continue to be refined, enhanced and deepened over time as RCEP economies’ economic development gaps continue to narrow.
- The best way to support the **rules-based multilateral trading system is for members to do what they said they would do by implementing, monitoring and enforcing what has already been agreed**.

RCEP – Setting a new global trade order (cont.)

- RCEP comes on the heels of the world economy is reeling from the COVID-19 pandemic slump. **The participating countries are pinning hopes on a quick and effective implementation of the trade deal to serve as an engine for economic recovery in post COVID-19's new normal era.** Post the US Presidential Election, the fundamental issues behind the US-China trade tensions are not going to be resolved any time soon and their bilateral, or even unilateral, resolution would also damage the rest of the world.
- The RCEP's conclusion would **cement ASEAN bloc's pivotal role in forging regional integration** as it links together ASEAN countries and their six FTA partners, that is ASEAN plus-one FTAs.
- The trade deal is timely for ASEAN as its member countries, which had been disrupted by a prolonged the US-China's trade tension were further severely impacted by the COVID-19 global pandemic. As safeguarding against growing protectionism, it is believed that **a smooth and effective implementation of RCEP in terms of compliance and trade as well as investment facilitation can be beneficial for countries to stabilise and revitalise economic recovery** post the COVID-19 outbreak.

Why RCEP is vital for ASEAN?

- ASEAN's economic dynamism is expected to benefit from RCEP that will **provide a basis for broader regional market integration in trade, services and investment. For China and Japan**, Asia's largest and second largest economies, RCEP is the first free trade agreement to connect them.
- ASEAN currently has multiple 'plus-one' trade agreements with its FTA partners. In order to provide concrete market access and investment commitments, **RCEP will simplify rules and procedures for each FTA within a single arrangement and reduce existing trade inefficiencies**. This solves the so-called 'noodle bowl' effect of ASEAN becoming entangled with overlapping bilateral and regional FTAs and different rules for each country.
- The **technical cooperation like Japan, South Korea, New Zealand, and Australia** will assist ASEAN SMEs in developing **better quality and standards as well as more competitive products**. The **telecommunication services and agriculture industry** are likely to boom with businesses competing regionally.
- Southeast Asia has also one of the highest intra-industry trade in its well-established supply chains, especially in the electronics and electrical products industry. It is expected that the **reduction of tariffs and application of new innovations that increase the value-added contents of local products** will deepen ASEAN SMEs' linkages with global supply chains.

Why RCEP is vital for ASEAN? (cont.)

- **Lowering of barriers and non-barriers, further streamlining of rules and regulations in trade facilitation** will boost trade among these countries and improve market access for goods and services. The creation of a large integrated market in RCEP would attract global companies to locate their business in the region, and be part of the growing global value chain activities. **Most members are expected to reduce tariffs on at least 92% of tariff lines within 20 years and maintain carveouts for agricultural products.**
- **The multiplicative effects will kick in as the easing as well as simplification of trade and investment rules will facilitate greater inclusion of ASEAN's small and medium-sized enterprises (SMEs) into global and regional supply chains.**
- One of the most significant changes under RCEP is the **creation of common rules of origin (ROO) for the entire bloc.** Once implemented, RCEP countries will **only require a single certificate of origin.** This will allow companies to easily ship products between RCEP countries without needing to worry about specific rules of origin criteria in each country or for each step of manufacturing. **A common rule of origin for RCEP bloc will lower costs for companies with supply chains that stretch throughout Asia** and may encourage multinationals that export to RCEP countries to establish supply chains across the bloc.

Why RCEP is vital for ASEAN? (cont.)

- While tariff reductions in RCEP matter, **it is equally important to enhance trade facilitation and custom procedures in a manner that is predictable, consistent and transparent.** Trade facilitation can contribute to lowering trade transaction costs and creating standard efficiencies. Inefficient trade facilitation causes direct and administrative costs to traders; direct administrative cost to governments; time and efficiency lost; and uncertainty.
- It is reckoned that the **different levels of development of participating countries, RCEP will include appropriate forms of flexibility, including provision for special and differential treatment as well as additional flexibility** to the least-developed ASEAN member states.
- The **movement of information across borders**, which is a key way for businesses to not only reach customers abroad but coordinate activity across countries.
- **There is a stronger provisions to address non-tariff measures (NTMs)**, which include establishing a platform for RCEP countries to conduct technical consultations, and enter into strong binding commitments to improve transparency on import regulations.

Why RCEP is vital for ASEAN? (cont.)

- **E-commerce and digital trade are of increasing importance** in Asia to revolutionise trade and services. Block chain technology, industrial Internet of Things (IOT) and electronic communication are all essential elements of a globally competitive industry. The democratising nature of the internet has reduced the barriers that previously excluded small to medium businesses to global markets, exposing them to greater opportunities and risks. Hence, **decrease barriers for e-commerce and create coherent rules throughout the region to support digital-driven trade and services.**
- **Intellectual property right (IPR), digital copyright rules as well as investor-state dispute settlement provision** are areas that have to be strengthened to enhance investors' and businesses' confidence in committing investment in the region.

It is important to **raise the standards of IP protection and enforcement**, in line with the Madrid Protocol that most RCEP member countries have already signed up to. Acceding to IPI treaties that will enable companies to file a single patent or trade mark application for multiple countries, rather than individual applications for each country.

Multiplicative effects of RCEP

A) Better market access on a level playing field

- Provide a strong platform to **expand trade in services** throughout the region
- Establish **high quality rules for the supply of services** between the parties, including obligations to provide access to foreign service suppliers (**market access**), to **treat local and foreign suppliers equally (national treatment)** and to **treat foreign suppliers at least as well as suppliers of any other non-RCEP country** (most-favoured nation or MFN).
- **Service suppliers** will benefit from commitments to **enhance the transparency and predictability of domestic regulations** affecting trade in services, improving the business environment across the region.
- The ASEAN-China Free Trade Agreement (ACFTA) has been cited to have provided the **greatest positive impact** on ASEAN among the other plus-one agreements, and all ASEAN members have now already established deep trade relations with China.

Multiplicative effects of RCEP (cont.)

B) Improve regulatory environment and business opportunities

- The **government procurement** commitment will support **improved transparency and cooperation** among the RCEP parties on procurement by central governments. RCEP is the first Agreement where ASEAN as a whole, as well as a number of individual RCEP countries, have included rules on government procurement in a trade agreement.
- RCEP member countries are **committing to publish laws, regulations and procedures and may include tender opportunities for government procurement for greater transparency.**
- The provisions on **competition**, which will require parties to maintain **competition laws and regulations** that proscribe anti-competitive activities, and ensure independent enforcement. RCEP will also include obligations in relation to the use of misleading practices or false or misleading descriptions.

Multiplicative effects of RCEP (cont.)

C) Support economic capacity building and capability of SMEs

- Provide for the effective implementation and utilisation of the Agreement through economic cooperation activities, including capacity building and technical assistance. RCEP will provide **a framework for programs and activities that can enhance the capability of SMEs** to participate in and benefit from the opportunities created by the Agreement.

D) Support the recognition of professional services in key markets

- The inclusion of a separate Annex **on professional services represents a first for almost half of the RCEP countries**. It will provide specific disciplines addressing behind the border barriers to the supply of professional services. It will also provide a framework for professional bodies to engage in dialogue on the recognition of qualifications, licences and registration, and the development of mutual recognition agreements in professions of mutual interest.
- On market access, **foreign shareholding limits will be increased for at 65% of services sectors, including professional services, telecommunications, financial services, computer and related services, distribution and logistics services.**

Multiplicative effects of RCEP (cont.)

E) Enhance the rules governing financial services

- **Enhanced rules** on the **supply of financial services**, which will facilitate business operations across the RCEP region. It will also **provide sufficient policy and regulatory flexibility** for parties to guard against instability in the financial system.

F) High quality rules on telecommunications

- Set out a framework of rules to **govern trade in, and the access and use of, telecommunications services across the region**. For example, RCEP countries have committed to allow the **portability of mobile telephone numbers**, and **have agreed to cooperate to promote reasonable international mobile roaming rates**.

Multiplicative effects of RCEP – Individual Economy



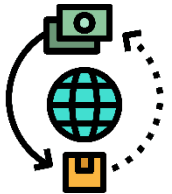
- Several studies showed that all RCEP member countries would gain in terms of real **Gross Domestic Product (GDP)** through **liberalising their trade and fostering investment**.



- RCEP member countries' committed investment will **lead to lower country-specific risk** and **gain in real GDP will be reinforced further**.



- RCEP member countries will gain from the implementation of RCEP such as **growth in investment and attract more capital inflows**.



- **Free trade in goods and services and logistics efficiency** will lead to **higher investment** in all RCEP member countries.



- RCEP member countries' commitment to **deeper tariff reductions will expand their trade volumes**. Thus, **the economic welfare of most RCEP member countries will improve**.

Multiplicative effects of RCEP – Individual Economy (cont.)

Studies	Economic Impact
World Bank	<p>GDP</p> <ul style="list-style-type: none"> In 2030, RCEP is projected to increase overall members' GDP by 1.5% (\$654 billion). China and Korea are projected to register highest GDP increase in relative terms. RCEP agreements' global impact is 0.6% of the expected world GDP (US\$674 billion). By 2030, Malaysia's estimated gains is 0.8% of GDP Estimated increases in exports and imports under RCEP agreements are US\$24.4 billion and US\$24.8 billion respectively.
World Bank	<p>Tariff liberalization</p> <ul style="list-style-type: none"> Biggest reductions are expected in several countries, including Malaysia. For example, the highest level of imposed NTMs occur in Philippines, Malaysia, New Zealand, Myanmar, and Vietnam – up to 15% in ad-valorem equivalents (including 15.3% in India, but withdrew from RCEP). However, NTMs are much higher in some specific sectors such as Food, Beverages and Tobacco (26% in Malaysia) and Wearing apparel (19% in Malaysia). In addition, Malaysia is expected to experience greatest declines in facing trade barriers in RCEP markets.
UNESCAP	<p>Tariff liberalization</p> <ul style="list-style-type: none"> RCEP is estimated to generate larger aggregate gains than the TPP, both for its members and the world as a whole, conditional on a full liberalization of tariff barriers. A fully liberalizing RCEP generates significantly larger welfare gains for several economies, in particular Australia and Japan, and of course China, Korea and the remaining members of ASEAN.

Multiplicative effects of RCEP – Individual Economy (cont.)

Studies

Economic Impact

Export and Import

- Under RCEP, **highest growth of exports and production** are projected to occur in **Food and Beverages** (up by 23.4% driven by increases in several countries which includes **Malaysia**), **Textiles, Natural resources/Mining, Metals and Chemical, Rubber, Plastic products** (up by 5.5% driven by increases in several countries which includes **Malaysia**).
- RCEP will boost **significant expansion of Trade and Transport services** that are projected to obtain **the largest production increase by \$235 billion in 2030**.
- **The largest market opportunities** caused by the RCEP market access will be in **China, Japan and Korea**, which will experience **largest increases in their exports**.
- Under the RCEP, **export flows of signatory countries to RCEP markets** is projected to increase by **\$616 billion in 2030**. **China and Japan** are expected to reorient their exports towards RCEP members the most.
- RCEP exports will increase slightly (mostly in **Wearing apparel, Textiles, and Chemical, Rubber, Plastic products**) to such non-member markets as Other TPP and the US.
- Exports directed to RCEP members would increase in all sectors, with the greatest increases in **Food, Beverages, Tobacco (26.6%), Textiles (25.8%), Transport equipment (15.4%), Wearing apparel and leather (13.6%), Metals (12%), Trade and Transport services (16.6%), and Chemical, Rubber, Plastic products (11.4%)**.
- The relocation of export flows towards RCEP markets from other markets will be the most evident in **Agriculture, Natural resources/mining, Transport equipment, Other manufacturing, and Services**.

World Bank

Multiplicative effects of RCEP – Individual Economy (cont.)

Studies

Economic Impact

UNESCAP

Export and Import

- RCEP is estimated to **generate larger aggregate gains** than the TPP, both for its members **Australia and Japan** thus seem to benefit from **less competition from the US**. To the extent that it is due to preferential access in some sensitive products (such as rice) that may not be part of an actual RCEP agreement.
- The North and South American members of the TPP are worse off under the RCEP scenario. As in the case of Vietnam, probably due in part to the inclusion of China, which will generate more competition for Vietnam in the **Textiles** sector.

EIA Research Project Report

Investment

- Countries participating in RCEP would commit to **promoting investment**, and this commitment can **improve the rate of return on capital by reducing country-specific negative factors**.
- The country has **higher tariffs on imports used for physical capital formation**, and **liberalization lowers the price of capital goods**.
- For example, due to **the fall in the price of capital goods**, **large increase in investment** in Cambodia contributes to **higher gain in real GDP**. **By increasing the degree of reduction in tariffs, the gains in real GDP become larger**.

Multiplicative effects of RCEP – Individual Economy (cont.)

Studies

Economic Impact

EIA Research Project Report

Trade Volume and Investment

- The **deeper the cuts in bilateral tariffs**, the higher the trade volumes for RCEP members.
- **Freer trade in goods and services and efficient logistics** lead to higher investment in all RCEP member countries. As expected, **improvements in the rate of return** caused by **reducing the country-specific risk** resulted in higher investment.
- The results on **increased foreign ownership of capital stock** indicate that **capital will flow into the region**. Thus, all RCEP participating countries would **attract more investment from abroad**.

EIA Research Project Report

Economic Welfare

- The RCEP could bring **economic benefits** to all participating countries for most of the policy scenarios. Further, **economic welfare gains** become more substantial once the RCEP includes **investment commitment**.

Impact of RCEP on selected ASEAN economies

Singapore

- **This deepened integration is set to benefit Singapore as a pivotal player in regional trade and supply chains in ASEAN.** The boost to exports are likely when RCEP is implemented in phases through the years of implementation. Singapore already has bilateral agreements with all the non-ASEAN partners, namely Japan, South Korea, Australia, New Zealand, and China.

Thailand

- Thailand with **export shipments account for 70% of its GDP** can **benefit from RCEP through greater integration of its economy with supply chains and larger markets in Asia-Pacific.** Manufacturers can also obtain cheaper raw materials from a larger network of sources and suppliers. Its food-based processing and automotive hub will be further deepened.

Indonesia

- Being the largest economy in ASEAN, it will benefit from **an increase in market access, investment, and opportunities to participate in regional supply chains.** Amidst the US-China trade war, the government has made it a priority to complete various trade deals with countries and organizations to boost its trade and investment. Indonesia's corporate tax rate will be reduced to 20% in 2022 from 22% in 2020-2021.

Impact of RCEP on selected ASEAN economies (cont.)

The Philippines

- The RCEP would **open markets for 92% of products produced by the Philippines**, which includes the business process outsourcing industry. In addition, **service workers in such as seafarers, teachers, IT programmers, and engineers can benefit** due to demand from countries like Japan and South Korea, which are in need of service workers.

Vietnam

- RCEP would enhance opportunities for **Vietnamese enterprises to boost exports, engage in new value chains, and attract further foreign investment**. The lowering of import tariffs would open up new opportunities for products from its prominent sectors like **telecommunications, ICT, textiles and footwear, and agriculture**.

Smaller ASEAN economies

- The agreement could also **facilitate smaller ASEAN economies (Laos, Myanmar, Brunei, Cambodia) to further strengthen their FTAs**, and helps to narrow the development gaps between ASEAN members.

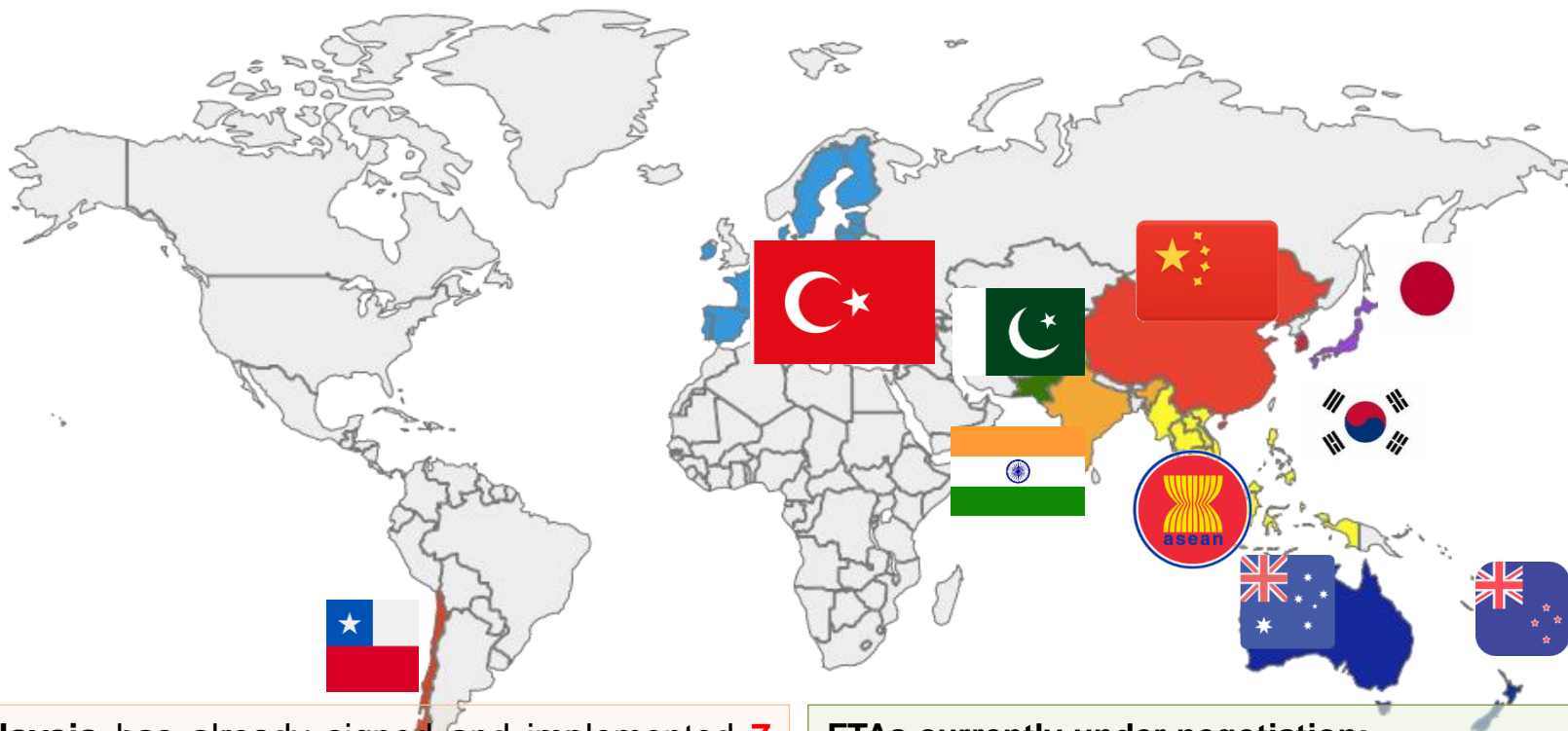
WHAT DOES RCEP MEAN TO MALAYSIA?



Impact of RCEP on Malaysia: Gain or Pain?

- Following the signing of the Regional Comprehensive Economic Partnership (RCEP), **doors will soon open to attract more investment and swell Malaysia's trade with partnering countries.**
- **Almost 60% of Malaysia's trade involves RCEP Members and around 56% of Malaysia's exports go towards the countries covered by RCEP** (58.0% of total trade in 2019; exports share: 56.3%; imports share: 60.0%). ASEAN members are also amongst Malaysia's top trading partners (26.6% of total trade in 2019; exports share: 28.8%; imports share: 24.1%).
- Malaysia's **open trade position will be greatly enhanced by increased market integration, reduced trade barriers and enhanced trade facilitation.** Malaysia stands to benefit in terms of geographical location (market access) of participating countries, supported by **better trade facilitation to lower transaction costs for businesses and investors.**

FTAs of Malaysia



Malaysia has already signed and implemented **7 bilateral FTAs** with **Japan, Pakistan, New Zealand, India, Chile, Australia and Turkey**.

While at the ASEAN level, Malaysia has **6 regional FTAs** with **ASEAN Free Trade Agreement (AFTA), China, Korea, Japan, Australia-New Zealand and India**.

FTAs currently under negotiation:

- Malaysia-Iran Preferential Trade Agreement (MIPTA)
- Malaysia-European Free Trade Area Economic Partnership Agreement (MEEPA)
- Malaysia-EU Free Trade Agreement (MEUFTA)

FTAs signed but pending ratification:

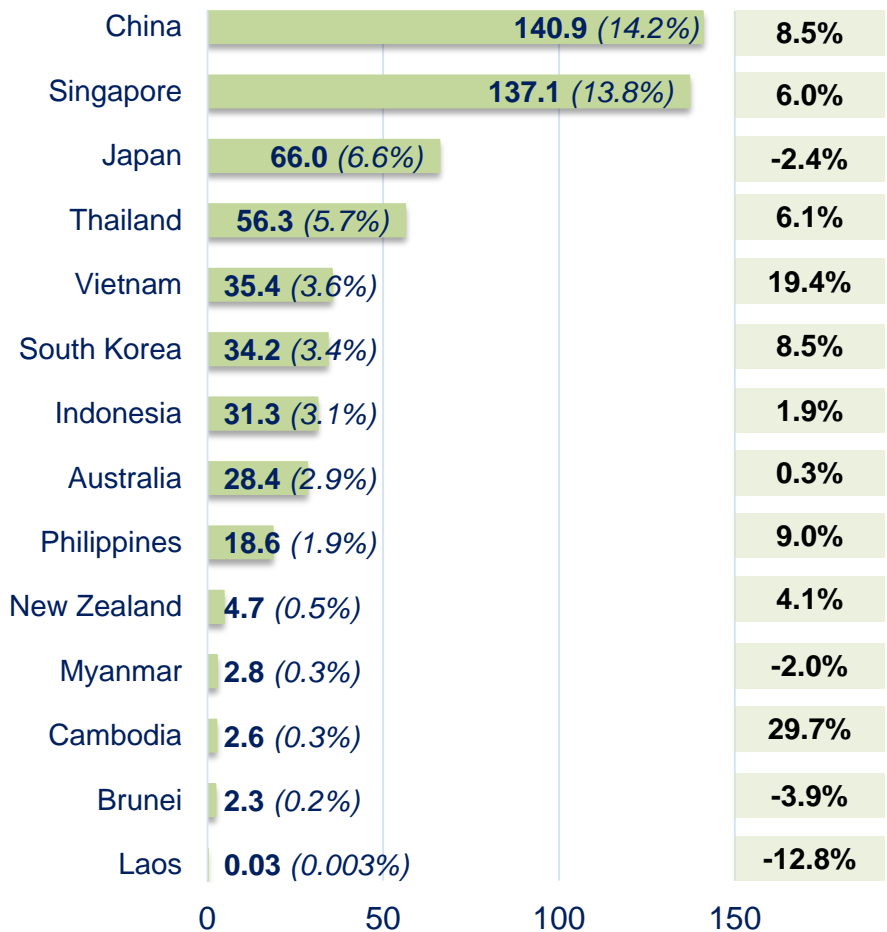
- ASEAN-Hong Kong Free Trade Agreement (AHKFTA)
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Source: MITI

Malaysia's trade with RCEP partners

Exports to RCEP partners in 2019

RM billion



Imports from RCEP partners in 2019

RM billion

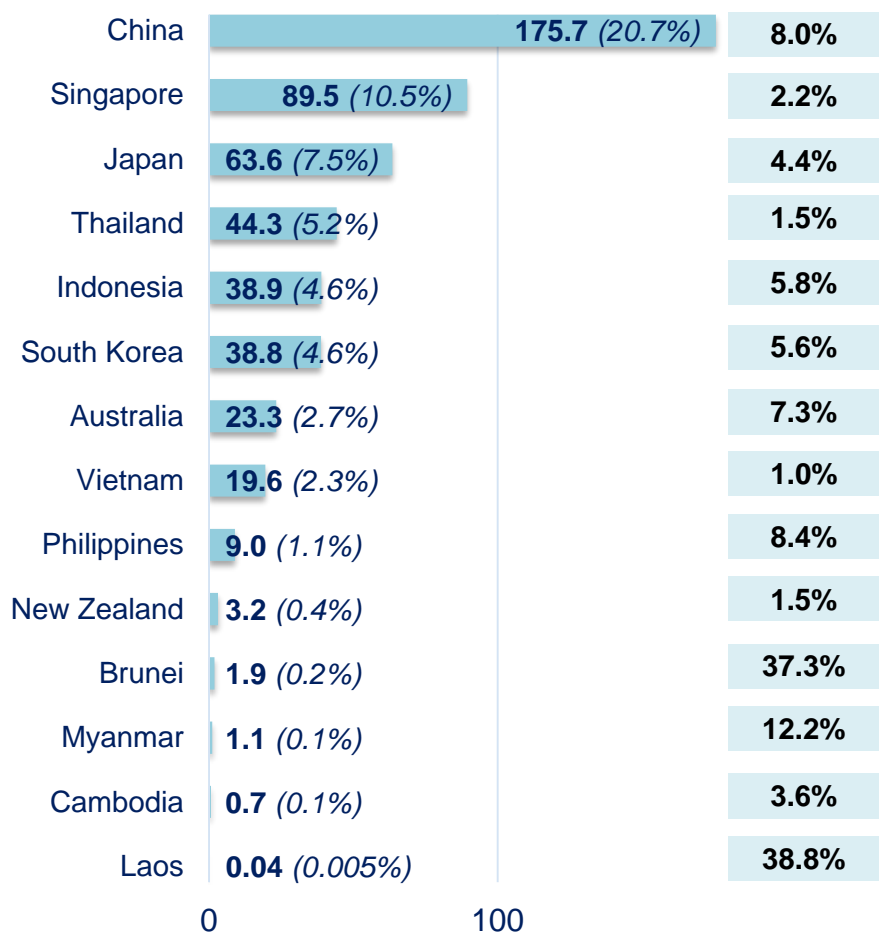


Figure in parenthesis indicates % share of total exports/imports

Source: DOSM

Malaysia's trade with RCEP partners (cont.)

Total trade with RCEP partners in 2019

RM billion

CAGR
(2016-2019)

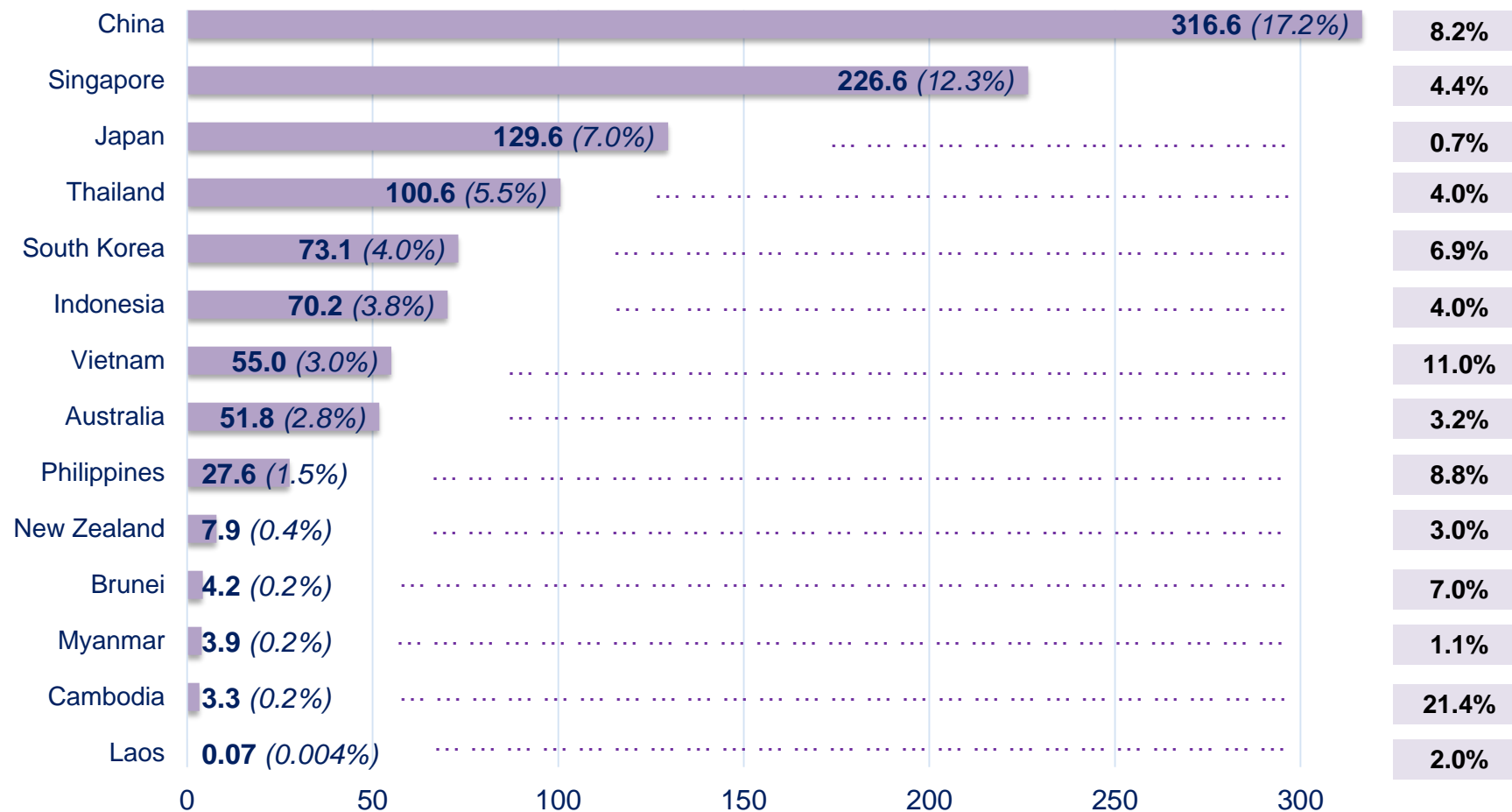


Figure in parenthesis indicates % share of total trade

Source: DOSM

Malaysia's major export products to RCEP members*

Brunei		RM mil	% share
84	Machinery and equipment	239.5	10.5%
19	Preparations of cereals, etc.	239.4	10.5%
30	Pharmaceutical products	161.0	7.0%
85	Electrical and electronic products	127.7	5.6%
21	Miscellaneous edible preparations	122.6	5.4%

Laos		RM mil	% share
84	Machinery and equipment	9.5	28.5%
85	Electrical and electronic products	3.4	10.1%
55	Man-made staple fibres	3.2	9.6%
22	Beverages	3.2	9.6%
30	Pharmaceutical products	2.5	7.4%

Singapore		RM mil	% share
85	Electrical and electronic products	54,759.6	39.9%
27	Mineral fuels and oils	23,334.3	17.0%
84	Machinery and equipment	16,125.2	11.8%
90	Optical and medical equipment	5,338.9	3.9%
39	Plastics products	3,468.3	2.5%

Australia		RM mil	% share
27	Mineral fuels and oils	12,006.1	42.2%
84	Machinery and equipment	3,083.3	10.8%
85	Electrical and electronic products	2,422.2	8.5%
39	Plastics products	1,353.8	4.8%
15	Animal or vegetable fats and oils	725.6	2.6%

Cambodia		RM mil	% share
27	Mineral fuels and oils	932.1	35.9%
60	Knitted or crocheted fabrics	329.2	12.7%
19	Preparations of cereals, etc.	171.9	6.6%
72	Iron and steel	148.0	5.7%
87	Vehicles	110.3	4.2%

Myanmar		RM mil	% share
72	Iron and steel	467.1	16.5%
39	Plastics products	325.8	11.5%
15	Animal or vegetable fats and oils	262.0	9.3%
31	Fertilisers	256.1	9.0%
27	Mineral fuels and oils	241.8	8.5%

Thailand		RM mil	% share
85	Electrical and electronic products	16,110.1	28.6%
27	Mineral fuels and oils	9,920.7	17.6%
84	Machinery and equipment	8,908.1	15.8%
39	Plastics products	2,760.9	4.9%
90	Optical and medical equipment	2,008.4	3.6%

China		RM mil	% share
85	Electrical and electronic products	49,500.4	35.1%
27	Mineral fuels and oils	20,554.5	14.6%
39	Plastics products	11,397.3	8.1%
84	Machinery and equipment	6,515.4	4.6%
15	Animal or vegetable fats and oils	6,055.4	4.3%

New Zealand		RM mil	% share
27	Mineral fuels and oils	1,881.8	39.9%
84	Machinery and equipment	370.9	7.9%
23	Residues from food industries	337.0	7.2%
85	Electrical and electronic products	314.5	6.7%
15	Animal or vegetable fats and oils	272.4	5.8%

Indonesia		RM mil	% share
27	Mineral fuels and oils	6,635.3	21.2%
84	Machinery and equipment	3,827.2	12.2%
39	Plastics products	3,739.6	11.9%
72	Iron and steel	2,499.5	8.0%
85	Electrical and electronic products	2,125.3	6.8%

Philippines		RM mil	% share
85	Electrical and electronic products	3,359.5	18.1%
27	Mineral fuels and oils	2,762.1	14.8%
15	Animal or vegetable fats and oils	1,815.0	9.8%
72	Iron and steel	1,624.3	8.7%
39	Plastics products	1,518.4	8.2%

Vietnam		RM mil	% share
85	Electrical and electronic products	8,029.0	22.7%
27	Mineral fuels and oils	6,702.4	18.9%
76	Aluminium products	3,225.0	9.1%
84	Machinery and equipment	3,115.3	8.8%
39	Plastics products	2,859.4	8.1%

Japan		RM mil	% share
27	Mineral fuels and oils	18,654.3	28.3%
85	Electrical and electronic products	17,710.4	26.8%
84	Machinery and equipment	3,441.3	5.2%
39	Plastics products	2,941.0	4.5%
44	Wood and wood products	2,844.3	4.3%

South Korea		RM mil	% share
85	Electrical and electronic products	10,701.5	31.3%
27	Mineral fuels and oils	8,959.4	26.2%
76	Aluminium products	1,654.2	4.8%
90	Optical and medical equipment	1,511.2	4.4%
84	Machinery and equipment	1,196.6	3.5%

* By HS code; data as at 2019

Source: DOSM

Malaysia's major import products from RCEP members*

Brunei		RM mil	% share
27	Mineral fuels and oils	1,815.3	93.5%
88	Aircraft and parts	39.0	2.0%
84	Machinery and equipment	16.4	0.8%
28	Inorganic chemicals	9.4	0.5%
72	Iron and steel	8.6	0.4%

Laos		RM mil	% share
84	Machinery and equipment	12.6	30.5%
71	Pearls, precious stones and metals	6.6	15.8%
31	Fertilisers	6.3	15.1%
85	Electrical and electronic products	5.7	13.8%
39	Plastics products	4.0	9.6%

Singapore		RM mil	% share
27	Mineral fuels and oils	29,335.2	32.8%
85	Electrical and electronic products	28,755.9	32.1%
84	Machinery and equipment	6,345.2	7.1%
71	Pearls, precious stones and metals	4,151.5	4.6%
39	Plastics products	3,576.0	4.0%

Australia		RM mil	% share
27	Mineral fuels and oils	9,389.9	40.3%
74	Copper products	2,945.5	12.6%
26	Ores, slag and ash	2,138.1	9.2%
28	Inorganic chemicals	1,131.4	4.9%
75	Nickel products	1,045.6	4.5%

New Zealand		RM mil	% share
04	Dairy products, eggs, honey and edible products of animal origin	1,774.0	55.3%
02	Meat and edible meat offal	259.9	8.1%
19	Preparations of cereals, etc.	215.6	6.7%
08	Fruits and nuts	115.6	3.6%
44	Wood and wood products	104.5	3.3%

Cambodia		RM mil	% share
61	Knitted or crocheted apparel and clothing accessories	166.2	24.3%
10	Cereals	112.7	16.5%
62	Not knitted or crocheted apparel and clothing accessories	73.9	10.8%
64	Footwear	72.0	10.5%
15	Animal or vegetable fats and oils	58.9	8.6%

Myanmar		RM mil	% share
40	Rubber products	209.2	19.2%
03	Fish and other aquatic invertebrates	136.8	12.6%
61	Knitted or crocheted apparel and clothing accessories	121.7	11.2%
07	Edible vegetables	105.5	9.7%
74	Copper products	100.6	9.2%

Thailand		RM mil	% share
85	Electrical and electronic products	8,158.8	18.4%
84	Machinery and equipment	6,314.3	14.3%
87	Vehicles	6,289.7	14.2%
40	Rubber products	4,383.0	9.9%
27	Mineral fuels and oils	2,534.2	5.7%

China		RM mil	% share
85	Electrical and electronic products	56,542.6	32.2%
84	Machinery and equipment	29,014.1	16.5%
27	Mineral fuels and oils	12,212.4	7.0%
39	Plastics products	7,333.4	4.2%
87	Vehicles	4,985.1	2.8%

Indonesia		RM mil	% share
27	Mineral fuels and oils	10,487.2	27.0%
15	Animal or vegetable fats and oils	3,636.7	9.3%
72	Iron and steel	2,542.3	6.5%
38	Miscellaneous chemical products	2,030.9	5.2%
85	Electrical and electronic products	1,910.2	4.9%

Philippines		RM mil	% share
85	Electrical and electronic products	5,597.6	62.0%
84	Machinery and equipment	502.0	5.6%
40	Rubber products	400.1	4.4%
90	Optical and medical equipment	343.1	3.8%
19	Preparations of cereals, etc.	270.0	3.0%

Vietnam		RM mil	% share
85	Electrical and electronic products	6,036.7	30.8%
72	Iron and steel	1,912.2	9.8%
84	Machinery and equipment	1,322.3	6.8%
27	Mineral fuels and oils	1,018.4	5.2%
10	Cereals	831.3	4.2%

Japan		RM mil	% share
85	Electrical and electronic products	18,623.5	29.3%
84	Machinery and equipment	8,170.6	12.8%
87	Vehicles	7,040.6	11.1%
72	Iron and steel	4,556.0	7.2%
39	Plastics products	3,713.7	5.8%

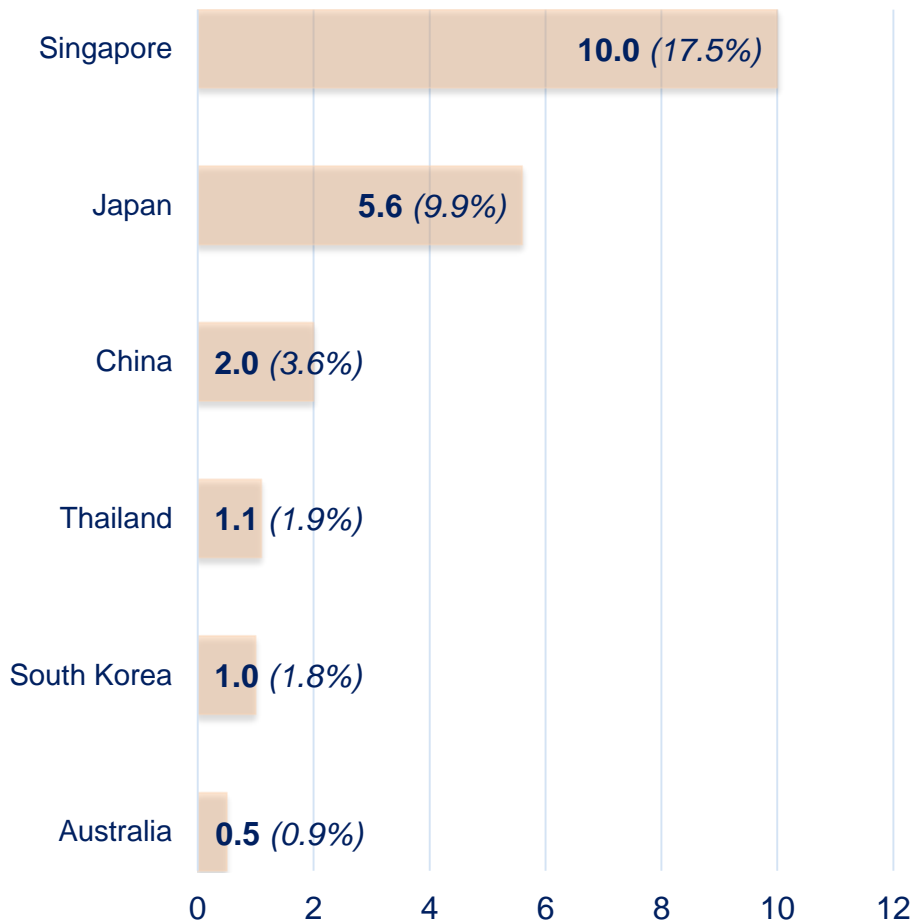
South Korea		RM mil	% share
85	Electrical and electronic products	10,648.5	27.4%
27	Mineral fuels and oils	7,340.0	18.9%
84	Machinery and equipment	3,621.5	9.3%
72	Iron and steel	3,228.5	8.3%
40	Rubber products	2,197.4	5.7%

* By HS code; data as at 2019

Source: DOSM

RCEP partners' gross FDI flows into Malaysia

Gross FDI in Malaysia by selected RCEP partners
RM billion, 1H 2020



Gross FDI in Malaysia by selected RCEP partners
RM billion, average 2015-2019

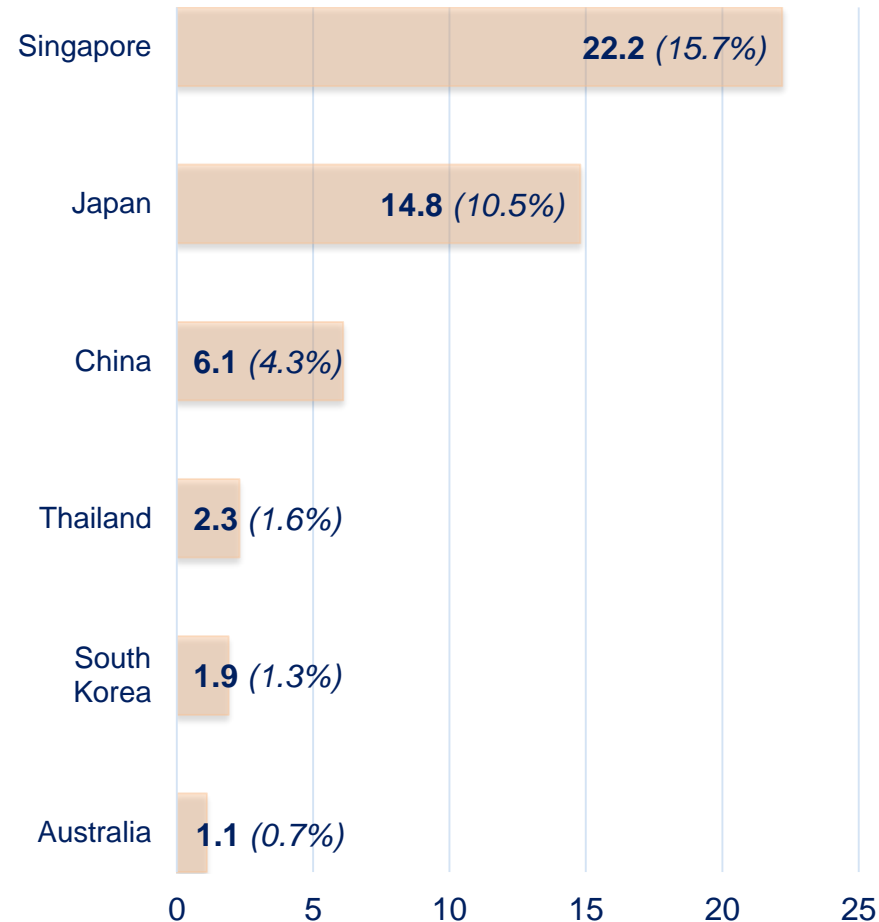
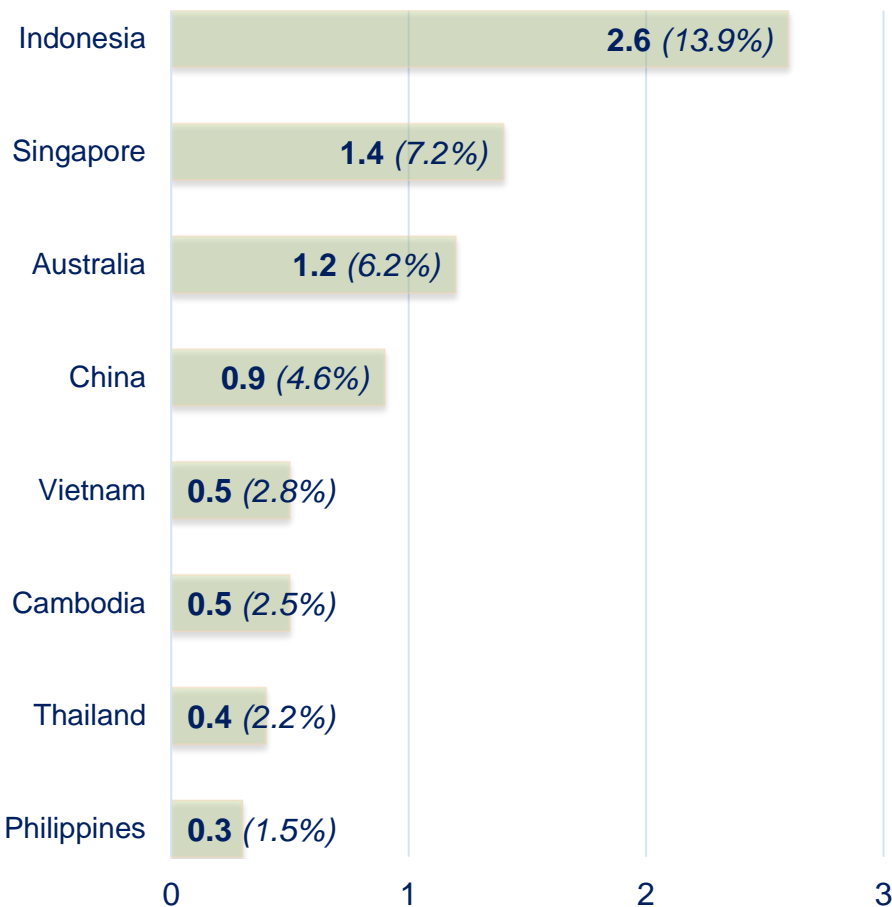


Figure in parenthesis indicates % share of total gross FDI flow

Source: DOSM

Malaysia's gross outward investment flow to RCEP partners

Gross DIA from Malaysia to selected RCEP partners
RM billion, 1H 2020



Gross DIA from Malaysia to selected RCEP partners
RM billion, average 2015-2019

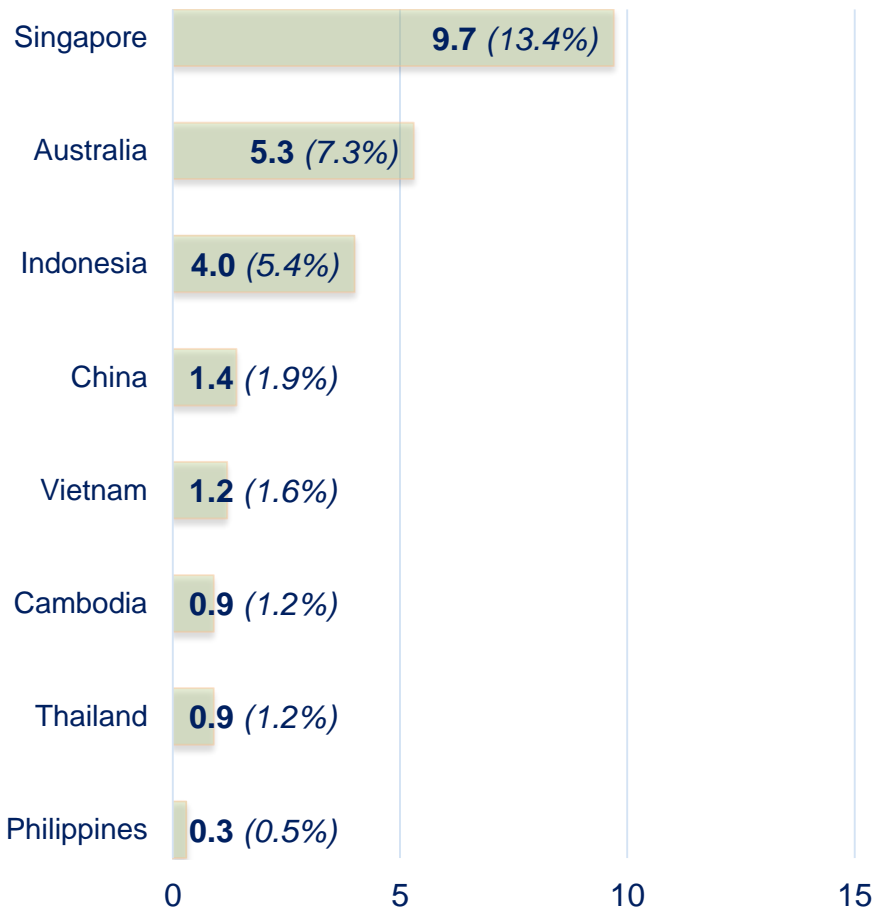
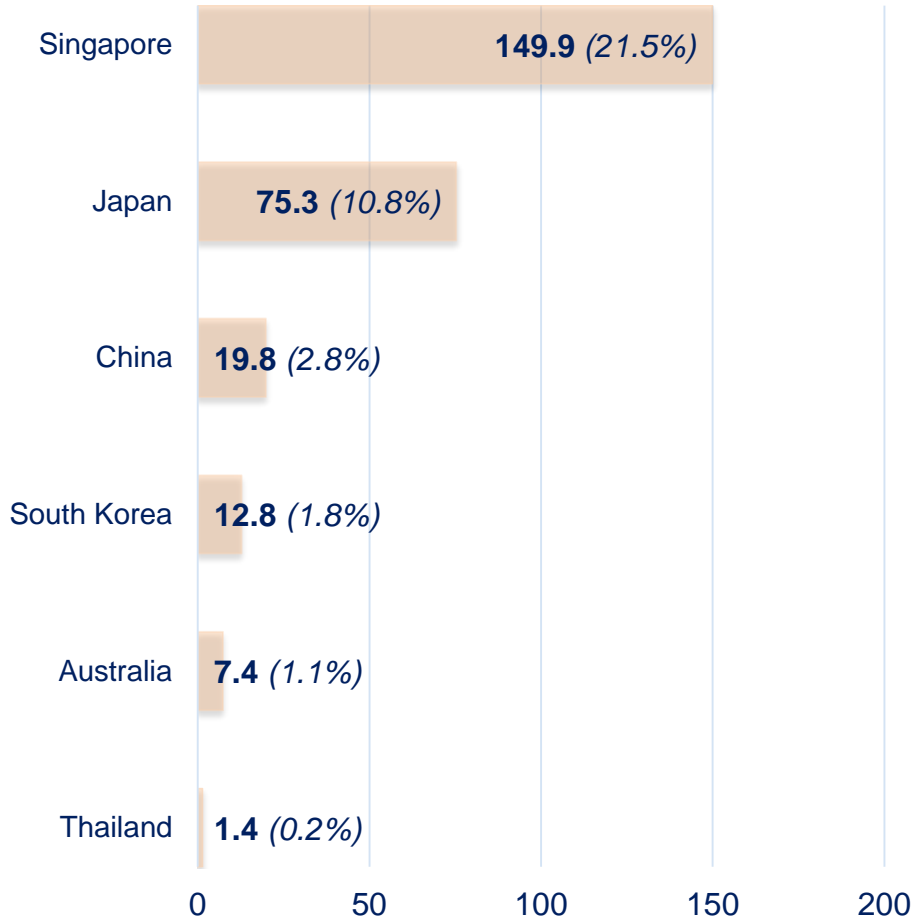


Figure in parenthesis indicates % share of total gross DIA flow
Source: DOSM

RCEP partners' stock of FDI in Malaysia and Malaysia's outward investment stock in RCEP partners

FDI stock in Malaysia by selected RCEP partners
RM billion, 1H 2020



DIA stock of Malaysia in selected RCEP partners
RM billion, 1H 2020

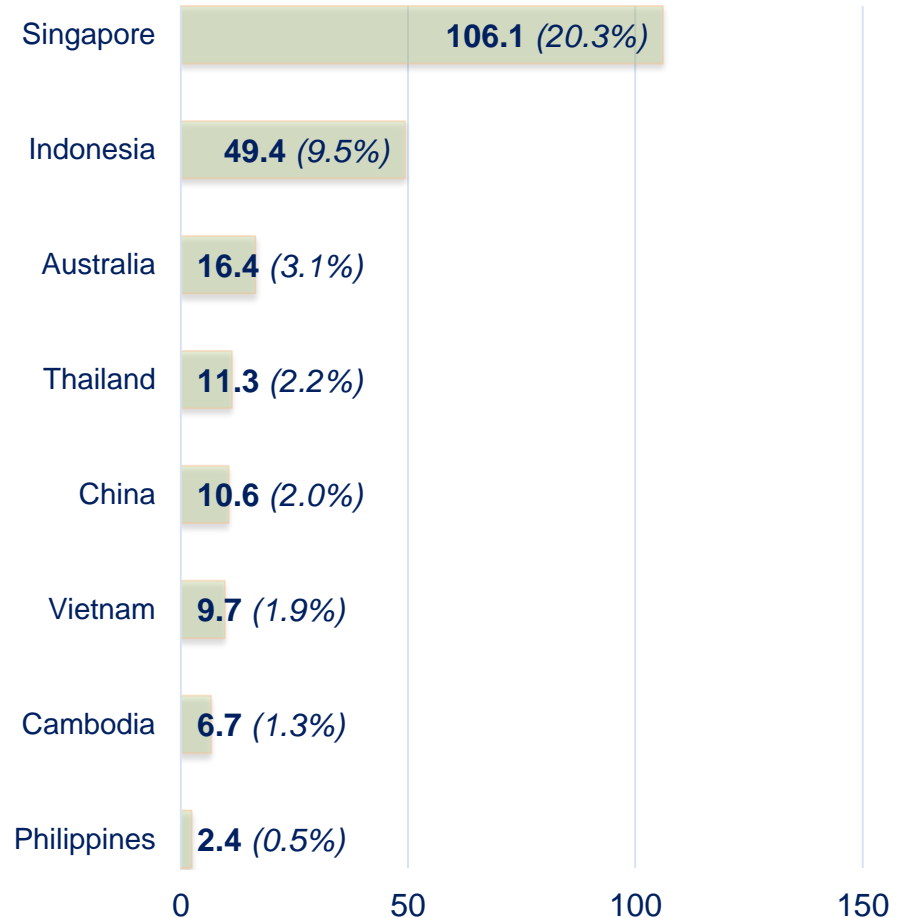
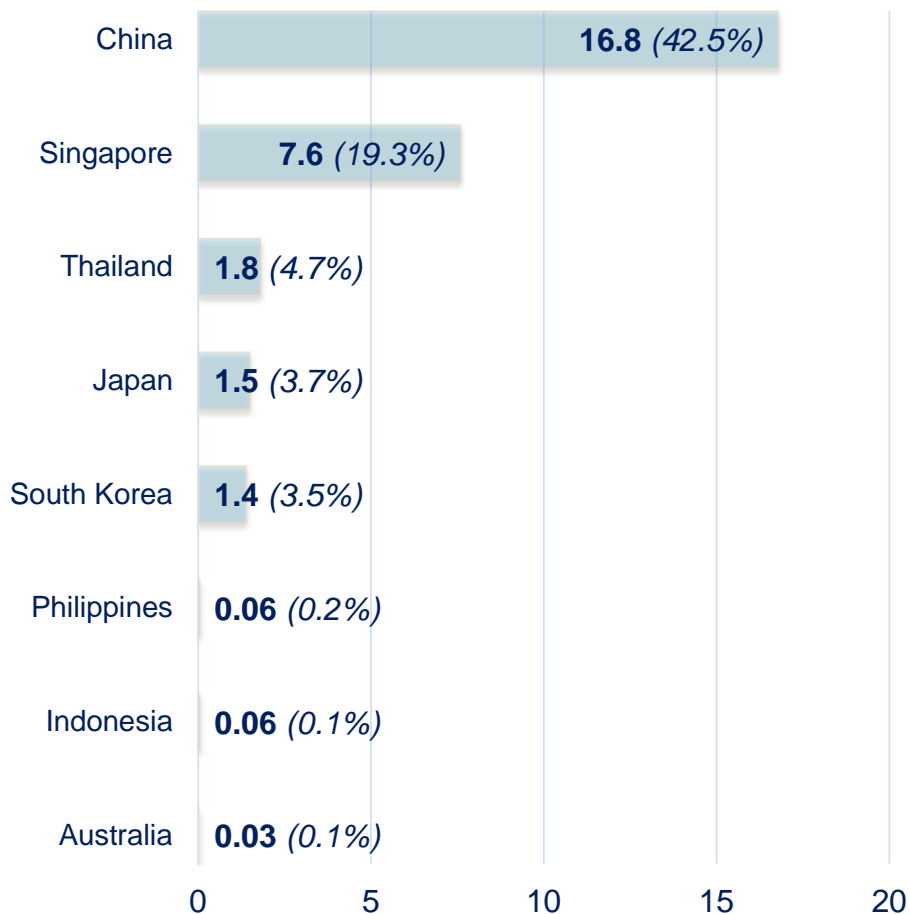


Figure in parenthesis indicates % share of total FDI/DIA stock
Source: DOSM

Approved RCEP partners' manufacturing investment in Malaysia

Approved manufacturing investment in Malaysia by selected RCEP partners

RM billion, Jan-Sep 2020



Approved manufacturing investment in Malaysia by selected RCEP partners

RM billion, average 2015-2019

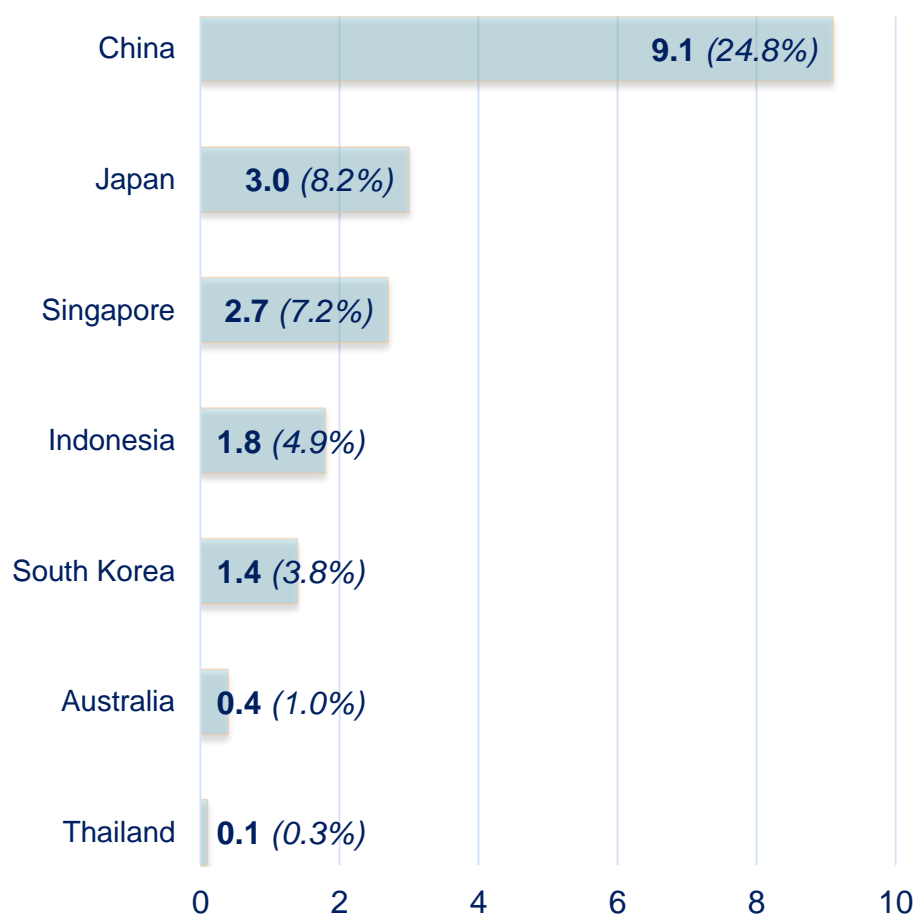


Figure in parenthesis indicates % share of total approved manufacturing investment

Source: MIDA

Overview of RCEP vs. CPTPP and ASEAN



Source: Nikkei Asia

Impact of RCEP on Malaysia: Gain or Pain? (cont.)

- a) RCEP will provide Malaysian companies and foreign investors with increased **commercial opportunities and partnerships with other RCEP members**. Foreign investment in Malaysia are expected to support Malaysian businesses by giving them access to capital and the technology and expertise of overseas partners.
- b) RCEP would provide **growing opportunities for foreign companies and domestic companies in positioning Malaysia as a growing hub for economic activities, and be part of the growing global value chain activities**. Streamlining all ASEAN +1 FTAs into one single agreement allows access to almost 50% of global market through a single agreement. The **improved connectivity will also see Malaysia gain from other economic sectors such as travel, tourism, hospitality and aviation industry**.
- c) The trade deal not **only gives consumers wide choices of goods and services at competitive prices but also for manufacturers and suppliers, they have an opportunity to obtain good quality and competitively priced raw materials** as well as wider scope for accumulation under the rules of origin's (ROO) calculation.

Impact of RCEP on Malaysia: Gain or Pain? (cont.)

- d) **Companies specializing in industries like telecommunications, banking and finance, and consultancy will benefit from enhanced cooperation.**

A model simulation suggests that due to better access to large RCEP markets, the most dynamic export growth will be experienced by the **food and beverages industry, chemical and chemical products, rubber products, plastic products, machinery and equipment as well as electronics and electrical products**. Textiles and wearing apparels will be dampened by low-cost competitors such as Vietnam while the timber and timber products industry too face competition from the participating countries.

- e) **RCEP is expected to complement ASEAN's efforts in becoming a single production base, thus ensuring that Malaysia would be on the investment radar of investors.**

Malaysia remains a good investment location for both domestic and global investors and will continue to be given its proactive economic policies, a highly-diversified economy and multilingual workforce, coupled with good infrastructure and connectivity as well as strategic location. **What's more important is to maintain an investment climate that is politically and economically stable as well as a transparent, business-friendly legal and regulatory environment** to attract more foreign direct investment (FDI) from RCEP partnering countries. In 2019, ASEAN's investment of RM28.6 billion made up 20.6% of total investment in Malaysia, followed by Japan (14.6%), and China (2.9%).

Impact of RCEP on Malaysia: Gain or Pain? (cont.)

- f) **With digitalisation and e-commerce delivering more trade and services**, Malaysian companies, especially SMEs must continue to step up the deployment digital technology and e-trade platform to have a wider market reach.

Like other trade agreements, increasing market liberalisation and step up competition in the home base market place, **ASEAN market and also in partnering countries' market will pose challenges to some domestic sectors and SMEs in terms of costs and products' competitiveness and also the companies' capability to produce high quality and standard products and services in international markets.** Building a healthy, competitive business environment can increase innovation, efficiency, and championship.

Overall, various studies have indicated that RCEP is expected to **generate net positive effect on Malaysia with net increase in GDP between 0.8% and 1.7%** while **increases in exports are expected to remain substantial at 24.4%.**

Impact of RCEP on Malaysia: Gain or Pain? (cont.)

g) Opportunities come with challenges

- There are also **growing concerns** having “a level playing field” will place our **domestic industries and businesses, especially SMEs in a less competitive position** to compete with foreign players not only in the domestic marketplace but also in international markets, particularly in RCEP participating countries.
- While businesses and consumers have a wider sources of raw materials and final products supplying amongst RCEP participating countries and not only sourced locally. Hence, the influx of cheaper and competitive priced goods in domestic market could pose competition in terms of pricing and product quality to domestic businesses. **Maintaining product brand trust, good quality and standard products are important to retain market share and expand market reach.**
- **A company's and businesses' competitiveness depends on the capacity of its industry to innovate and upgrade.** Companies gain advantage against their competitors because of pressure and challenge. They benefit from having strong domestic rivals, aggressive home-based suppliers, and demanding local customers.

Impact of RCEP on Malaysia: Gain or Pain? (cont.)

g) Opportunities come with challenges (cont.)

- **Companies achieve competitive advantage through acts of innovation and advance technology development.** Some innovations create competitive advantage by perceiving an entirely new market opportunity or by serving a market segment that others have ignored. **Innovation can be manifested in a new product design, a new production process, a new marketing approach, or a new way of conducting training.**
- **Domestic SMEs must accelerate the adoption of digital technology and e-commerce platform to drive more sales.** With the support of various funds and financial facilities and grants provided by the Government and agencies, SMEs must transform to adopt new technologies and find better means for competing. **It always involves investments in product development, skill and knowledge as well as in physical assets and brand reputations.**

Appendix – Legal Text of the RCEP Agreement

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Appendix – Market Access Annexes

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社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

THANK YOU

Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel : 603 - 4260 3116 / 3119
Fax : 603 - 4260 3118
Email : serc@accimserc.com
Website : <http://www.accimserc.com>