



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

## **ASEAN-BAC Malaysia Webinar 2021:**

### **ASEAN Should Trailblaze The RCEP Ratification**

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# RCEP – The World’s Largest Free Trade Deal

Regional Comprehensive Economic Partnership (RCEP) consists of 10 ASEAN member countries and 5 ASEAN FTA Partner countries.

## Global GDP



**US\$24.0 trn;**  
28.2% of  
global GDP

## Global Trade



**US\$10.4 trn;**  
27.2% of  
global trade

## Global Population



**2.3 billion;**  
29.5% of  
world  
population

## Main Objectives of RCEP



**Strengthening  
regional value  
chain**



**User friendly  
and easy to use**



**Modern,  
Comprehensive and  
High Quality**



RCEP was initiated in 2012



Lasted 8 years

## The RCEP scopes:

Elimination or reduction of  
import duties



Promotion, facilitation,  
protection and investment  
liberalisation



Protection of intellectual  
property rights, facilitation  
in e-commerce



Economic and Technical  
cooperation



**\*India withdrew from RCEP negotiations in 2019**

Source: MITI, World Bank; data as at 2019

# RCEP Member's Total Trade with Its RCEP Partners

## Total trade with respective RCEP partners in 2020

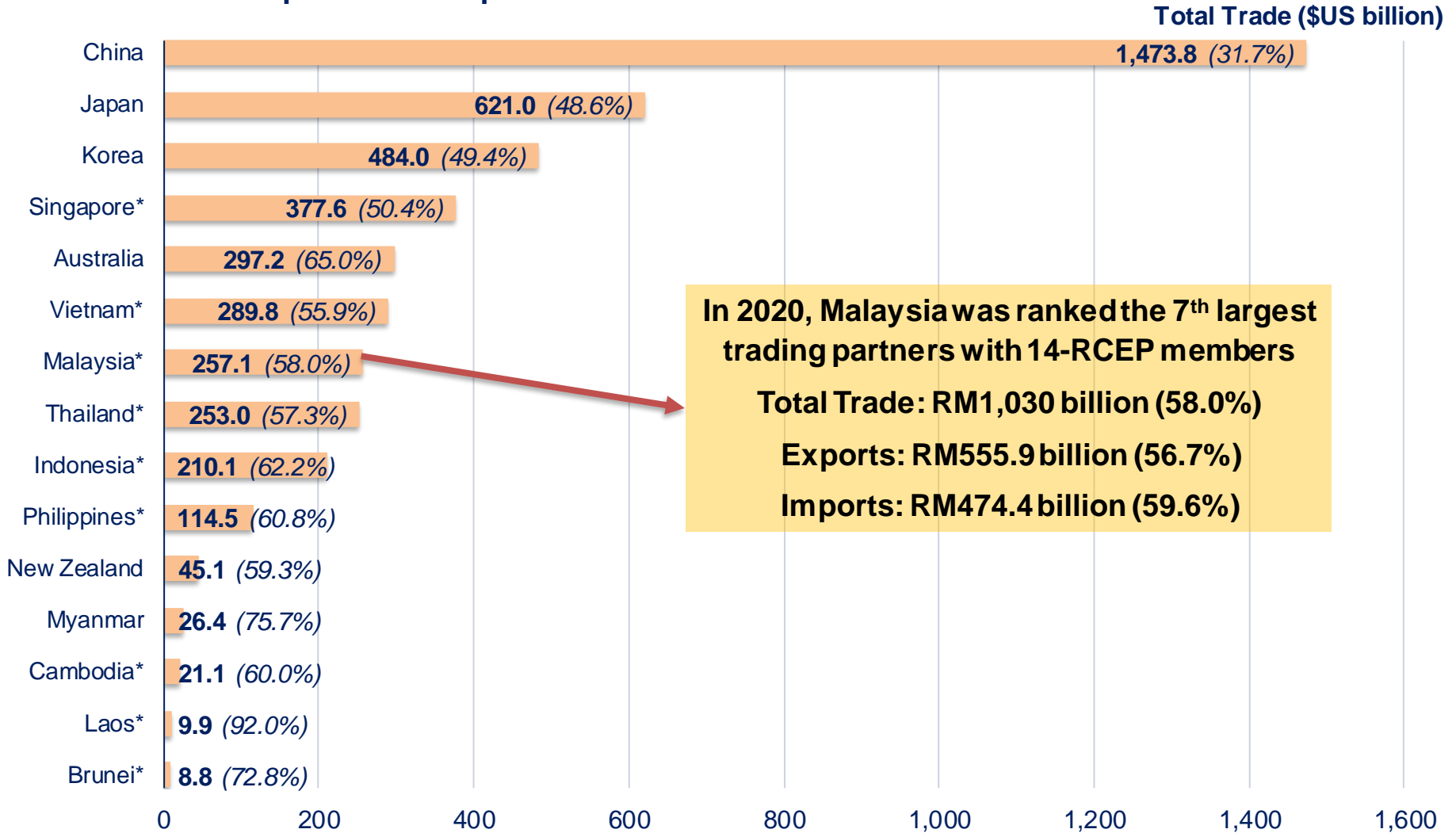


Figure in parenthesis indicates % share to total trade with world

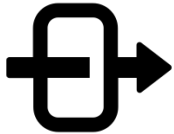
Source: UN Comtrade; DOSM

\*2019 Data

# Ratify RCEP Fast to Aid Post COVID-19 Recovery



- **Sending a very strong signal** to the international community that Malaysia is indeed **open for business; increase trade; and attract investment (DDI and FDI)**



- **Re-position Malaysia as an attractive and competitive place of doing business and also a gateway to regional market**, and to attract more quality FDI and retain existing DDI and FDI



- The sooner RCEP enters into force, the sooner domestic and foreign businesses in Malaysia can enjoy the **benefits of RCEP from a trade and investment liberalisation. Greater uniformity and clarity on the Rules of Origin classification**



- **Government and relevant agencies must work together with the chamber and industry associations** to explain how RCEP will benefit our domestic players, especially SMEs and the man on the street.

- **Domestic policies, trade facilitation, product and market development programs** must be strengthened.

- **Standard product quality; manpower reskilling and upskilling; upgrading of industries' capabilities** via Industry 4.0 programs etc.



# RCEP's Impact on Malaysia – Gain or Pain?



GDP

0.8% - 1.7%



Exports

24.4%

- Malaysia's trade with RCEP members made up 58% of total trade in 2020 (Exports: 56.7%; Imports: 59.6%)
- ASEAN's investment of RM36.9 billion made up 26.5% of total investment in Malaysia; Japan (9.6%) and China (5.9%)



**1** Increased commercial opportunities and partnerships



**4** Mixed impact on economic sectors and industries (manufacturing, services, SMEs, consumer, agriculture)



**2** Better market access



**5** Growing Opportunities amid Competition



**3** Attract Investment



**6** Digitalisation and E-commerce

# Impact on Industries – Gain or Pain? (cont.)



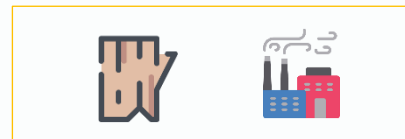
Companies specializing in industries like telecommunications, banking and finance, and consultancy will benefit from enhanced cooperation.



- Food and beverages industry, 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.



# Opportunities Come with Challenges



**Less competitive**  
(Domestic Businesses, SMEs)



Maintaining **product brand trust, good quality and standard products** are important



A company's and businesses' competitiveness depends on **the capacity of its industry to innovate and upgrade**



**Competitive advantage - Innovation and Advance technology** development



**Adoption of digital technology and e-commerce platform**

# What Matters to Manufacturers and Businesses?



**TARIFF LINES REDUCTION** (at least 92% of tariff lines in 20 years) – getting all attention in trade deals, they aren't as significant for some sectors as they are for the agriculture sector.



**RED TAPE, BEHIND-THE-BORDER BARRIERS, DATA FLOW and PROTECTION** are real issues.



**TRADE FACILITATION AND CUSTOM PROCEDURES** - predictable, consistent and transparent. It lowers trade transaction costs and enhances standard efficiencies.



**COSTS** associated with **inefficient trade facilitation**:



➤ **Procedural delays** - customs clearance and cargo handling.



➤ **Lack of predictability** in the nature, application or interpretation of regulations, formalities and contracts.



➤ **Lost business opportunities.** Delays in one country may have negative effects along the whole global production chain. Suppliers of trade-related services may also see their business reduced. It is estimated that **halving trade facilitation costs could deliver nearly ten times the benefit of halving tariffs.**



# What Can Government Do Further to Facilitate Business?



**CONTINUED FACILITATION.** The Government's work does not end at the conclusion of negotiations, signed or ratified.



**A MECHANISM - to address non-tariff barriers within RCEP**



## TRADE FACILITATION ENHANCEMENT



➤ Improve the **quality of trade facilitation rules across the region, protect data flows and reduce behind the border barriers.**



➤ Ensure exporters and investors understand their rights under international agreements and provide **a contact point for companies facing non-tariff barriers.**



➤ Improve the **market network and website** to include information on new forms of export, new risks and international digital compliance advice



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**THANK YOU**

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