



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

ASEAN-BAC Malaysia Webinar 2021:

ASEAN Should Trailblaze The RCEP Ratification

Lee Heng Guie
Executive Director
22 June 2021

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



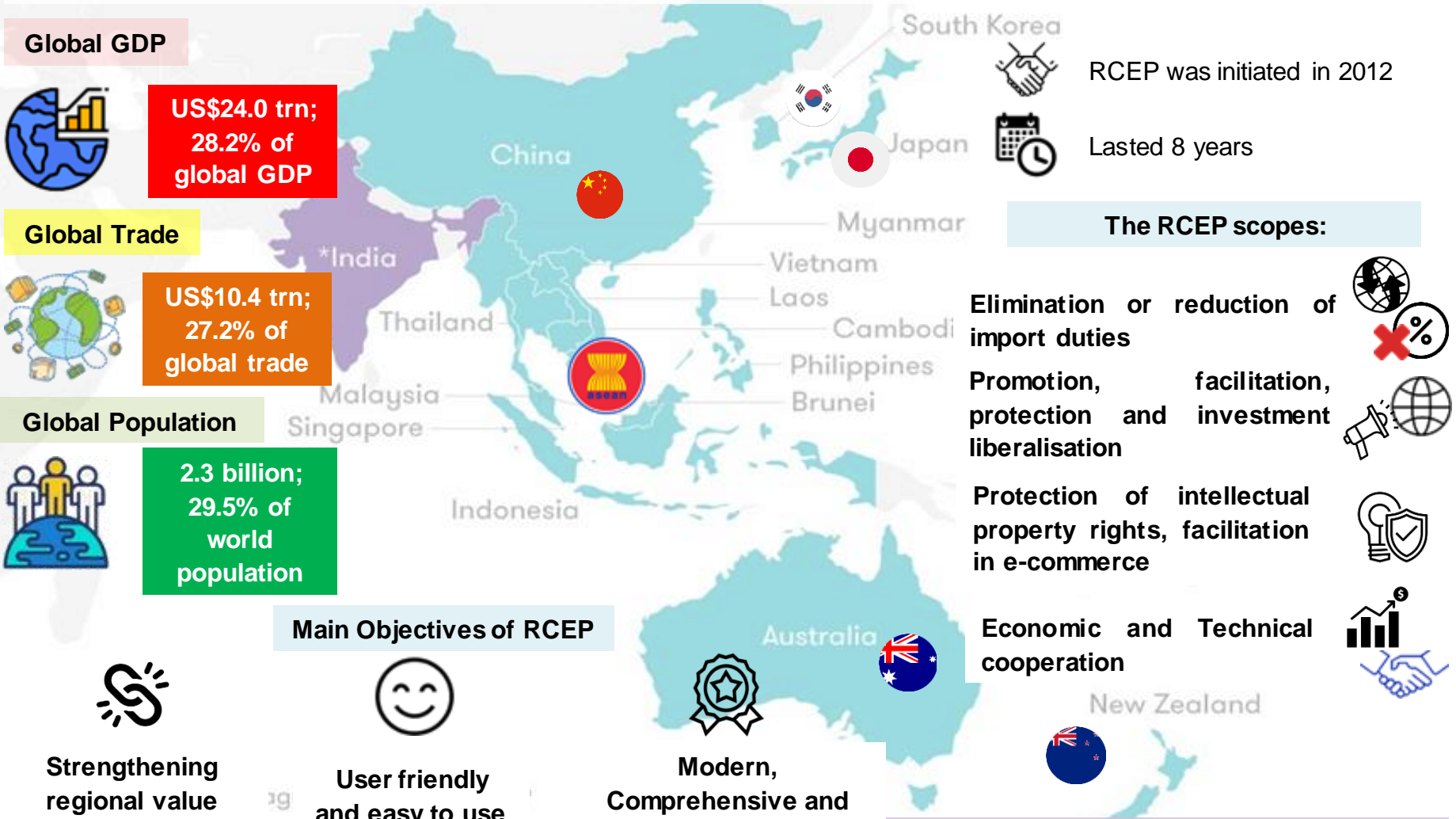
Promotion, facilitation,
protection and investment
liberalisation



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 Members' Total Trade with Its RCEP Partners

Total trade with respective RCEP partners in 2020

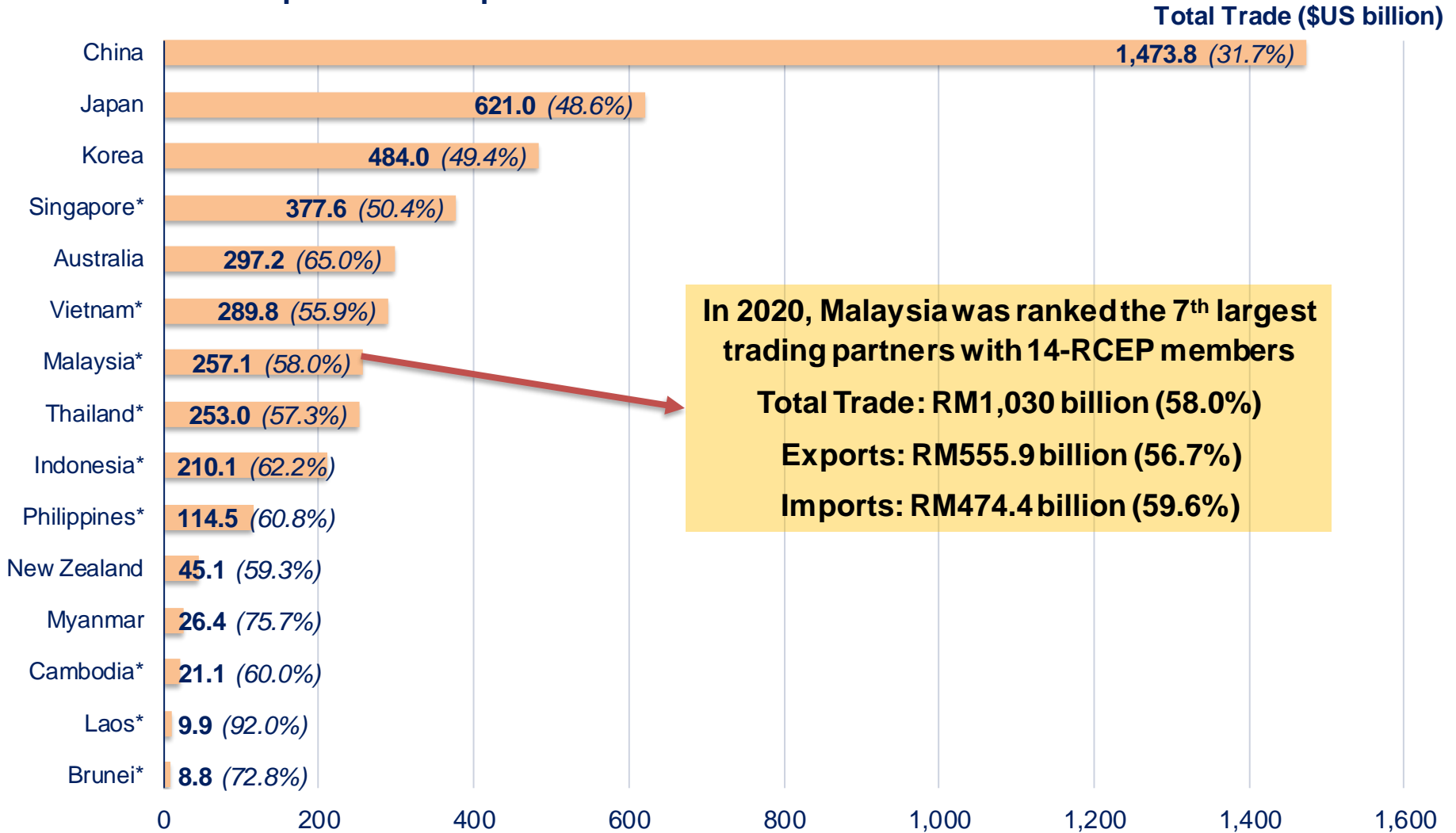


Figure in parenthesis indicates % share to total trade with world

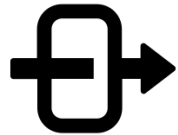
Source: UN Comtrade; DOSM

*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 the preferred 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%)

* Based on three research projects: World Bank (2030), United Nations ESCAP (2030) and Economic Research Institute for ASEAN and East Asia (ERIA) (2015-2030)



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.)



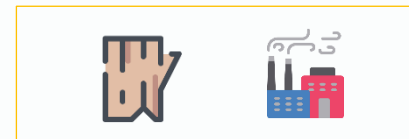
Companies specializing in industries like telecommunications, banking and finance, and consultancy will benefit from enhanced cooperation.



- **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.



Source: Three research projects: World Bank (2030), United Nations ESCAP (2030) and Economic Research Institute for ASEAN and East Asia (ERIA) (2015-2030)

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



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>