



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

Regional Comprehensive Economic Partnership (RCEP) Agreement:

BRIEF SUMMARY ON FOOD INDUSTRY

27 October 2021



Background

- On 15 November 2020 RCEP was signed during the 4th RCEP Summit.
- The Agreement covers 14,367 pages encompassing 20 chapters and market access schedules covering trade in goods, trade in services and investment.
- Available online at <https://rcepsec.org/legal-text/>



Parties

- Consists of 15 Countries

ASEAN Countries

1. Brunei
2. Cambodia
3. Indonesia
4. Lao P.D.R
5. Malaysia
6. Myanmar
7. The Philippines
8. Singapore
9. Thailand
10. Vietnam

ASEAN FTA Partners

1. Australia
2. P.R. China
3. Japan
4. New Zealand
5. South Korea

Scope of Agreement : 20 Chapters



1. Initial Provisions and General Definitions
2. **Trade in Goods**
3. **Rules of Origin, *including Annex on Product Specific Rules***
4. Customs Procedures and Trade Facilitation
5. Sanitary and Phytosanitary Measures
6. Standards, Technical Regulations and Conformity Assessment Procedures
7. Trade Remedies
8. Trade in Services, *including Annexes on Financial Services, Telecommunication Services and Professional Services*
9. Movement of Natural Persons
10. Investment
11. Intellectual Property
12. Electronic Commerce
13. Competition
14. Small and Medium Enterprises
15. Economic and Technical Cooperation
16. Government Procurement
17. General Provisions and Exceptions
18. Institutional Provisions
19. Dispute Settlement
20. Final Provisions



Excluded Elements

- Market access and dispute settlement mechanism for **Government Procurement**
- **Grants / Subsidies / Incentives** by Government.
- Disciplines / Provisions on **Export Duties**



Background

- Based on the World Bank data in 2019, RCEP Participating Countries (RPCs) account for:
 - A total of 29.5% of the global population or 2.2 billion;
 - Combined Gross Domestic Products (GDP) of **US\$25.8 trillion** (RM103.9 trillion) or **29.44%** of the world's GDP; and
 - Merchandise trade among RCEP Parties amounted to **US\$10.7 trillion** (RM43.6 trillion) or 27% share of global in **2018**.
- In 2019, the five (5) ASEAN's Free Trade Area Partners (AFPs) were the major investors in ASEAN contributing **US\$34.5 billion** (RM139 billion) or 21.7% from the total **US\$158.8 billion** (RM639.8 billion) of Foreign Direct Investments (FDI).
- In 2019, **Malaysia's exports to RCEP countries** was valued at RM560.78 billion, representing **56.4% of our total exports**.



Macroeconomic Impact To Malaysia

- RCEP will contribute positively to Malaysia's economic development based on the Working Paper "East Asia's New Trade Blocs" published by Peterson Institute for International Economics in June 2020.
- Once RCEP has entered into force, Malaysia's GDP is estimated to increase by **RM16 billion per year** (or about 1.1% of nominal GDP) for the next 10 years.
- Based on the estimate by MATRADE, total exports to **RCEP markets** could increase by **RM21 billion per year**. The stronger integration in regional production network will further boost overall trade activity.



Benefits In Brief

RCEP provides an opportunity for **Malaysian companies** by:

- offering market access to nearly a third of the world's population;
- intra-regional sourcing of raw materials at competitive prices;
- integrating supply chain within the RCEP region;
- promoting greater transparency, information sharing, trade facilitation, economic cooperation, standardisation of rules relating to E-commerce; and
- providing certainty in protection of intellectual property rights.



Entry into Force

- RCEP will enter into force 60 days after Malaysia completes its domestic procedures and subsequently submits instrument of ratification to ASEAN Secretariat.
- 6 ASEAN Member States and 3 ASEAN FTA Partners would have to ratify the Agreement for it to enter into force.



Trade in Goods (TIG)

- The TIG chapter contains key elements to **achieve** which include:
 - **granting national treatment** to the goods of the other Parties;
 - **reduction or elimination** of customs duties;
 - duty-free **temporary admission** of goods;
 - **reaffirmation of commitments** in the WTO Ministerial Decision on Export Competition,
 - **elimination** of scheduled export subsidy entitlements for agricultural goods.
- This Chapter also sets out rules for determining the applicable tariff treatment in cases of different tariff preferences applied by a Party. All RPCs schedules of **Tariff Commitments in Annex I**.



Trade in Goods (TIG)

- Contains provisions on non-tariff measures that complements tariff liberalisation outcomes. These include:
 - general **elimination** of quantitative restrictions,
 - **greater transparency** on the application of non-tariff measures,
 - **administration** of import licensing procedures, and
 - the **application** of fees and formalities connected with importation and exportation.
- Sets out a process for Parties to conduct technical consultations on non-tariff measures that adversely affect trade between them and also provides for the possibility of future work to be undertaken on sector-specific initiatives to facilitate greater trade.



ASEAN Food, Agriculture and Forestry

Six Goals to achieve the Vision

- Ensuring equitable, sustainable and inclusive growth
- Alleviating poverty and eradicating hunger
- Ensuring food security, food safety and better nutrition
- Deepening regional integration
- Enhancing access to global markets
- Increasing resilience to, and contributing to mitigation and adaptation of climate change, natural disasters and other shock.

Strategic Plan of Action for ASEAN Cooperation in Food, Agriculture and Forestry, 2016-2025, the priority areas of Cooperation focuses on:

- Enhance quantity and quality of production with sustainable, 'green' technologies, resource management systems, and minimise pre- and post-harvest losses and waste;
- Enhance trade facilitation, economic integration and market access;
- Ensure food security, food safety, better nutrition and equitable distribution.
- Increase resilience to climate change, natural disasters and other shocks;
- Assist resource constrained small producers and SMEs to improve productivity, technology and product quality, to meet global market standards and increase competitiveness.
- Strengthen ASEAN joint approaches on international and regional issues affecting the FAF sector.



The importance of Food Industry in ASIA

Demand Side Factor

- COVID-19 Impact to food spending
- Risks of food-specific taxes
- Risk of broad-based austerity measures
- Travel and Tourism share of GDP

Supply Side Factors:

- Policy restrictions to trade
- Potential impact of agricultural subsidy cuts
- Food production costs
- Exchange rate volatility

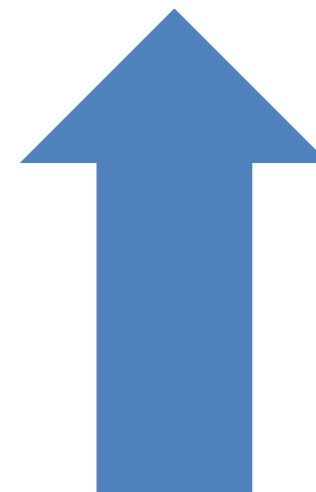
Ref: Looking to recovery: Asia's Food Industry in the Post-COVID era; Oxford Economics; October 2020



Demand
Side
Factor



Supply
Side
Factors



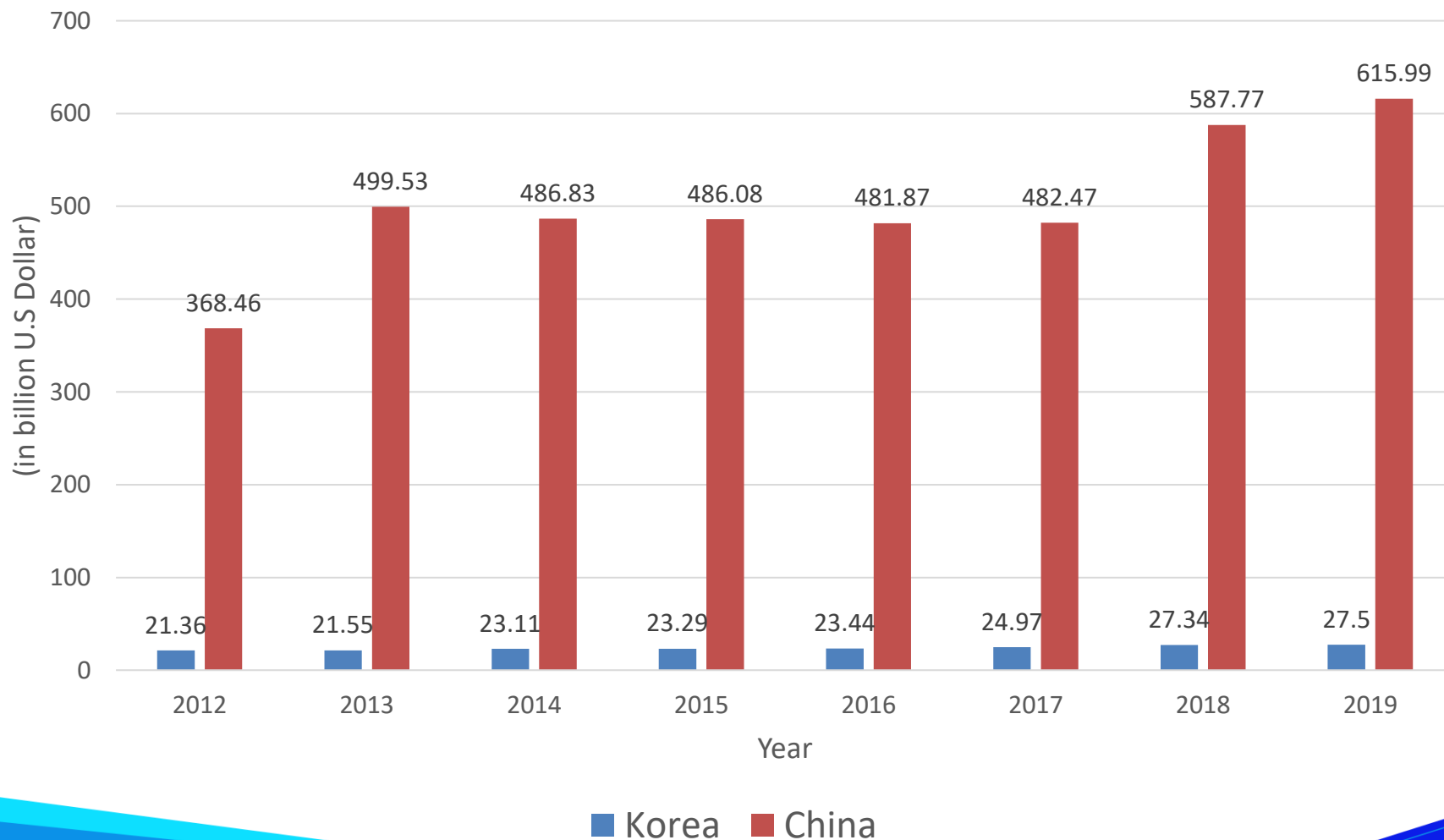


The food processing and beverages industry comprises:

- cocoa and cocoa preparations;
- prepared cereals and flour preparations;
- processed seafood;
- dairy products;
- prepared and preserved vegetables and fruits;
- processed meat;
- sugar and sugar confectionery;
- coffee;
- tea;
- spices; and
- edible products and preparations.



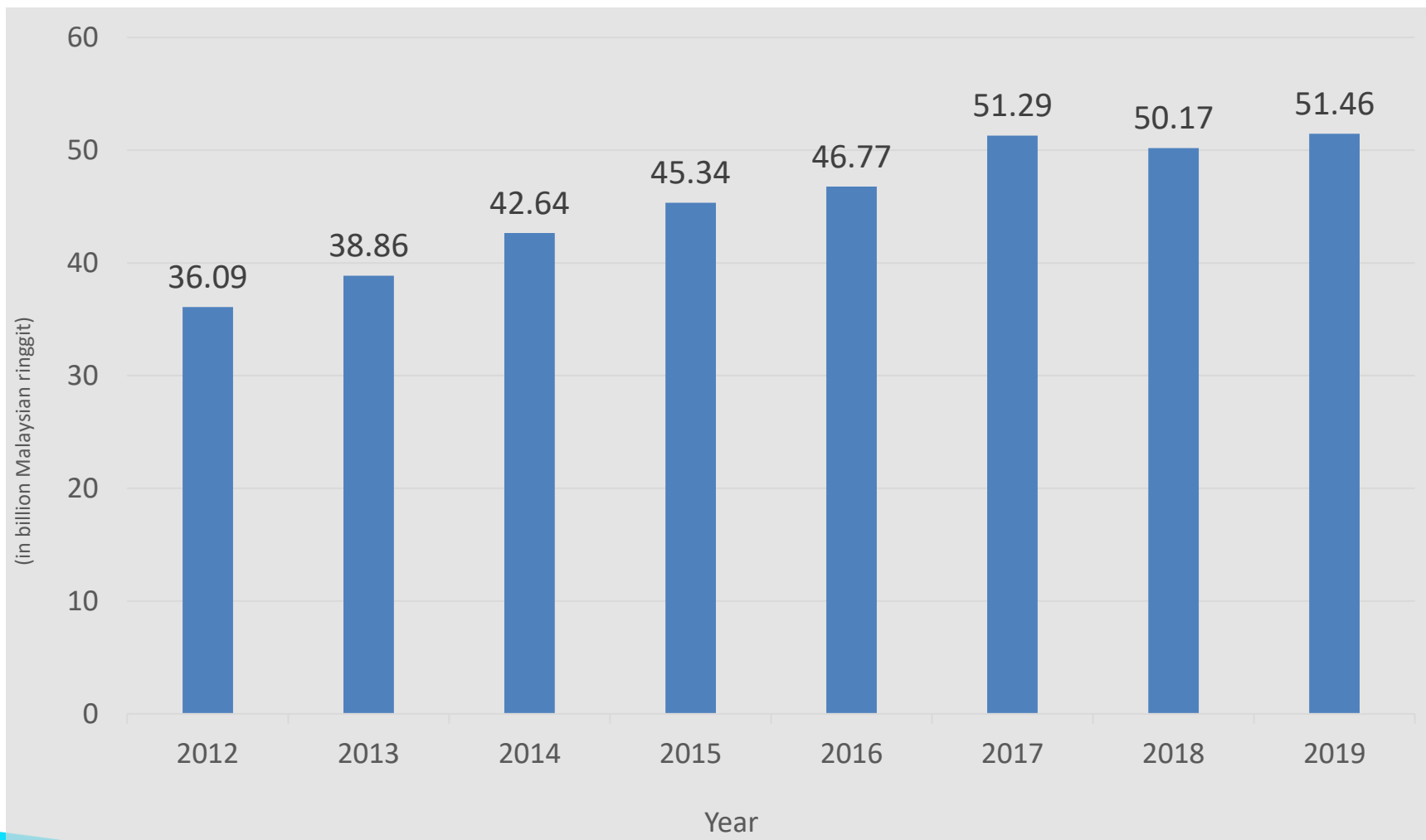
IMPORT VALUE OF FOOD



Source: Statista



Import value of food Malaysia 2012-2019

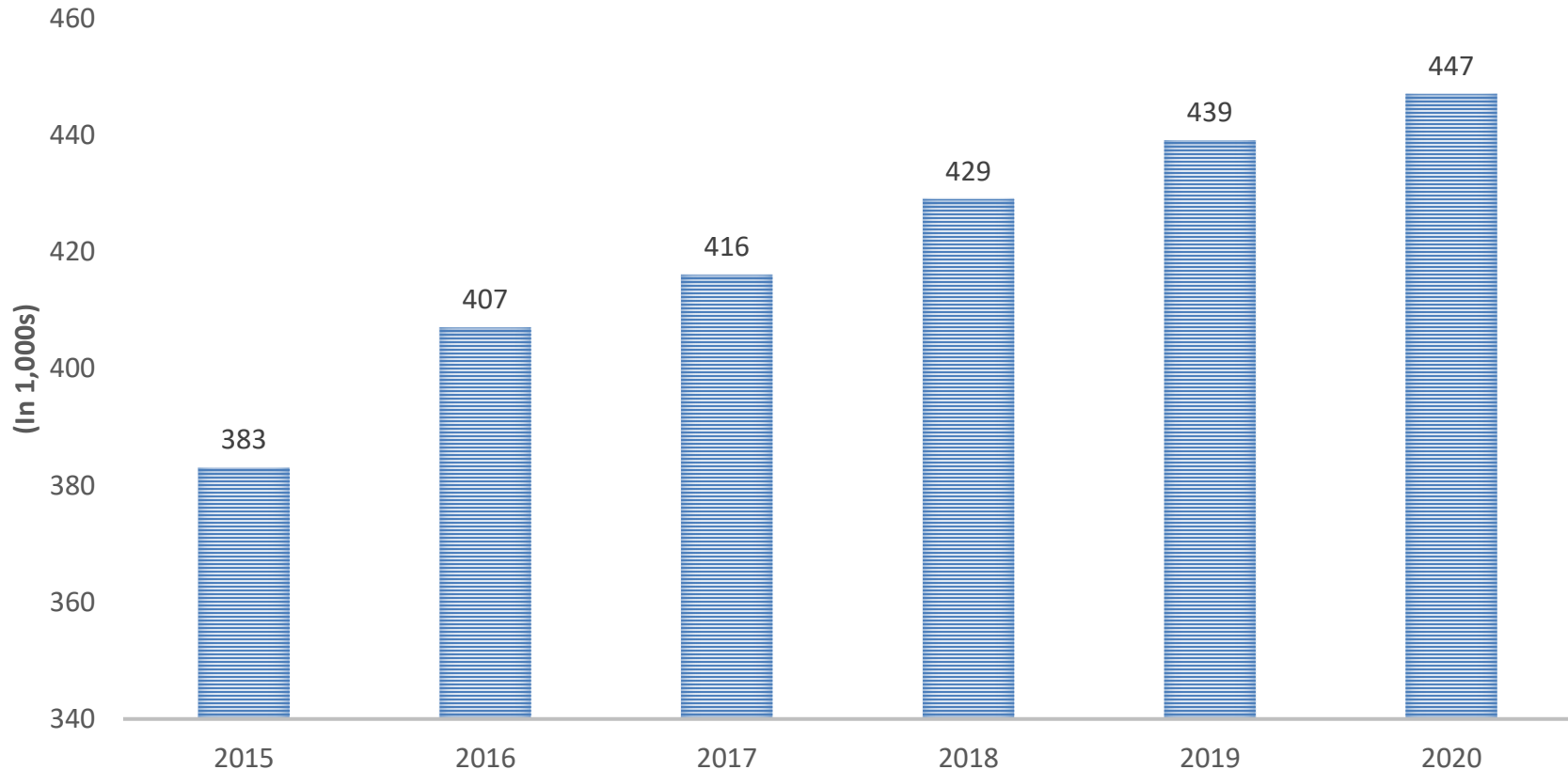


Source: Statista

Number of people employed in the food processing industry in Malaysia



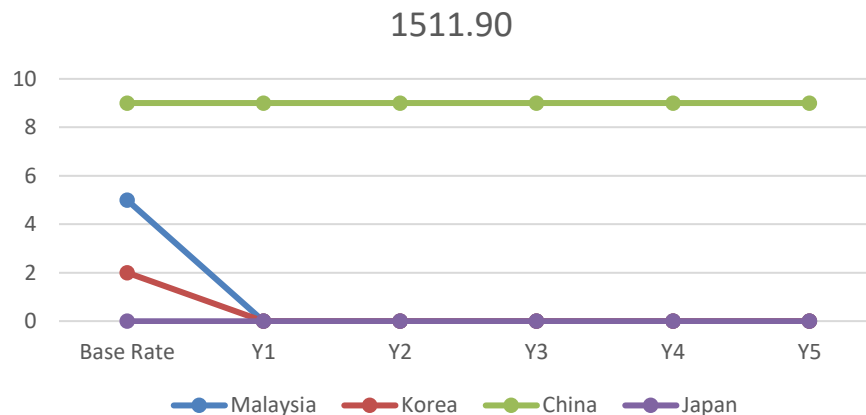
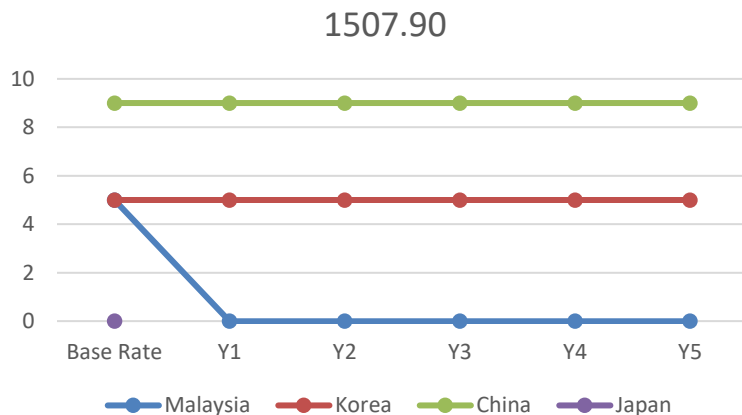
NUMBER OF EMPLOYMENT



Source: Statista

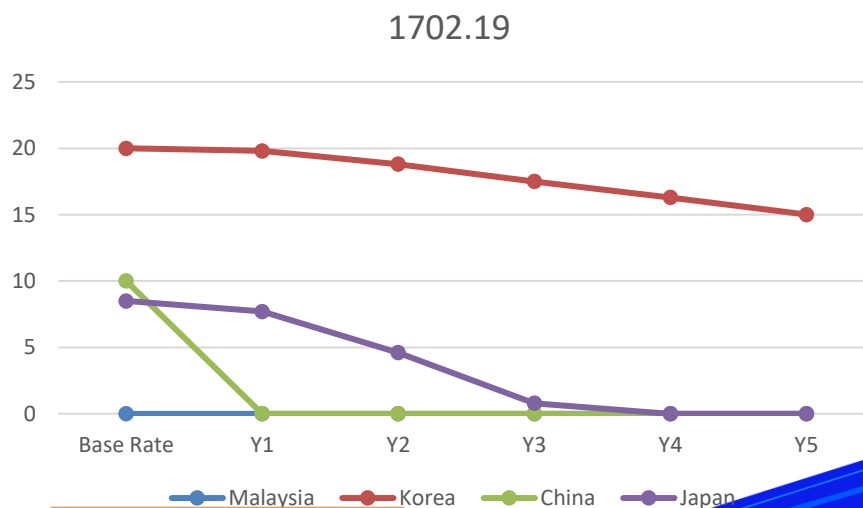
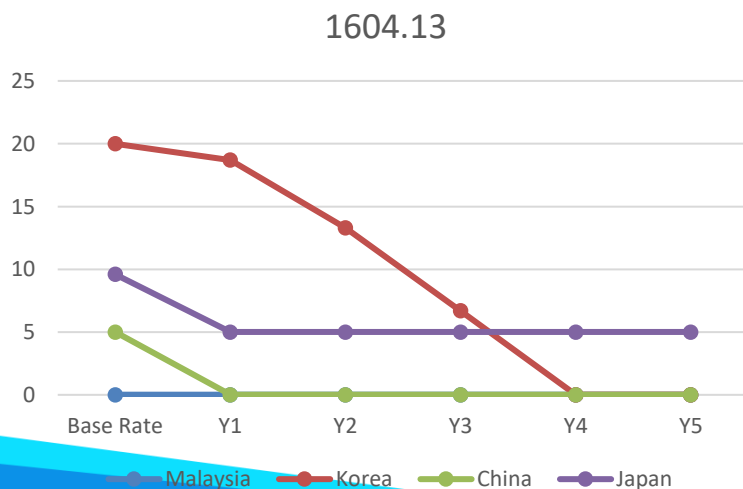


RCEP Tariffs



ROO PSR: CC or RVC40

ROO PSR: CC



ROO PSR: CC

ROO PSR: CC



Rules of Origin (ROO)

- The ROO Chapter determines which goods are originating under the RCEP Agreement and therefore eligible for preferential tariff treatment (**birth certificate**).
- This Chapter lists the minimal operations and processes considered insufficient to confer originating status on goods using non-originating materials.
- **General Principle**: all goods must comply with the requirement set-forth by the RCEP ROO in order to confer RCEP origin status and enjoy the preferential treatment under the RCEP.



Rules of Origin (ROO)

- ROO Chapter (Chapter 3) constitutes of **2 Sections**, **35 Articles** and **2 Annexes**:
 - Section A: Rules of Origin (15 Articles)
 - Section B: Operational Certification Procedures (20 Articles)
 - Annex 3A: Product Specific Rules
 - Annex 3B: Minimum Information Requirements
- Articles on Originating Goods and Goods Wholly Obtained or Produced and the Annex on Product-Specific Rules (PSR) set out the requirements for 5,205 tariff lines at six digit level to determine originating status of goods.



Rules of Origin (ROO)

- In general, RCEP ROO is derived and improvised from the existing ASEAN+1 FTAs. However, some **new elements** are introduced in the RCEP ROO to cater interests of RCEP Parties namely:
 - **Article 3.16: Proof of Origin** – a mixed-mode of origin presentation either via Certificate of Origin (COO) and Declaration of Origin (DOO).
 - **Article 3.21: Approved Exporter** – taken from ASEAN-wide Self-Certification (AWSC) under the ATIGA whereby only exporters approved by the Issuing Authority of the respective RCEP Party can use DOO.
 - **Annex 3B: Minimum Information Requirements** – the improvised version of Minimal Data Requirements in ASEAN+1 FTAs comprising both COO and DOO.



Reference

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Thank you