RCEP: Benefits and Challenges in TIGs

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RCEP: Benefits for Malaysia

Malaysia ratified the agreement on 21 January 2022 and the agreement entered into force on 18 March 2022.

Expected benefit: Increase in exports from tariff cuts in RCEP.

According to UNCTAD 2021 Report, among the ASEAN member states (AMS), Malaysia and Singapore are expected to be the largest beneficiaries from the RCEP tariff concessions in RCEP. Exports from Malaysia are projected to increase by USD200 million with the tariff cuts.
RCEP: Challenges for Malaysia

- Low utilisation of FTAs and keeping track of utilisation
- Common problem: Getting SMEs to use the agreement:
- Several common problems identified with the usage of FTAs are:
  - Lack of awareness and understanding of these agreements, including knowledge on the how to meet the requirements for accessing the preferential tariff rate in the agreement,
  - Inadequate internal capacity to manage the use of FTAs for SMEs.
RCEP Challenges: Complexity of TIG tariffs

• Need to check by product and by country
• There is a span of 20 years for tariffs to fall
• So it does not drop to zero at year one.
• Can be difficult for SMEs to find out the tariffs that apply for their product and in which country
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<th>Product Description</th>
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**Section A: For Murder/Death of ASEAN**

**Area 1**

Schedule of Tariff Commodity...

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**YUSEF ISHAK INSTITUTE**
RCEP & Malaysia: Learning to manage the ROO

Likewise, firms that wish to access the tariff cuts must satisfy the ROO.

Firms need technical help to see if they can meet the ROO and check for the ROO that apply for their product.

- Regional value content
- Change in tariff classification
RCEP & Malaysia: Outreach

MITI POCKET TALK 2022

TOPIC
- Introduction to FTAs
- Introduction to Preferential Certificate of Origin (PCO)
- Introduction to Strategic Trade Act 2010

DATE
- 23 February 2022
- 23 March 2022
- 27 April 2022
- 25 May 2022
- 22 June 2022
- 20 July 2022
- 24 August 2022
- 21 September 2022
- 19 October 2022
- 23 November 2022

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For more information, please contact the Secretariat
Fairol: 03-6207 1152 (fairol@mit.gov.my)
Arshana: 03-6207 1093 (arshana.jailil@mit.gov.my)

ISEAS YUSOF ISHAK INSTITUTE
Getting firms to export to RCEP countries

• Despite these noble intentions, dissemination is only useful if small and medium enterprises (SMEs) have the capacity to export or they are planning to export and/or increase their volume of exports. After all, increasing market access and exports are important goals of the RCEP.

• A recent survey on the internationalisation of SMEs in the ten ASEAN economies, conducted by the ASEAN Secretariat in 2019, found that only 18.9 per cent of the companies surveyed in the region, are exporting. Thus even with greater dissemination efforts, SMEs may not be able to reap the benefits from the agreement, without additional efforts made to enhance SME exports.

• The 2019 ASEAN survey results also shows that SMEs who have yet to conduct international activities cite ‘insufficient internationalisation knowledge’ as their biggest challenge for internationalising their activities. Many SMEs, unlike large firms, do not have the resources to conduct extensive market research to support exporting. This is particularly true for first-time exporters. For new exporters to emerge, SMEs need assistance from export support programmes that can provide the necessary market intelligence on RCEP markets.

• For existing SME exporters, expansion to new markets in RCEP member countries can help them to diversify risks that arise from depending on a single export destination and/or to increase export volumes. Products that are on the downside of the sales cycle in one market may quickly take off in another where it was not available previously, especially outside ASEAN. Increasing export volumes will reduce the administrative costs incurred by SMEs for learning how to comply with the RCEP rules, since compliance costs are deemed as fixed costs.

• The 2019 ASEAN survey also shows that for existing exporters, ‘finding a trade partner’ is the biggest challenge in internationalising their activities. The RCEP can therefore become relevant for existing exporters if there are specific business matching programmes for helping SMEs find suitable trade partners in other RCEP member countries.

• Creating export programmes that can nurture new exporters and assist existing exporters to increase their export volume and diversify their markets will help SMEs to reap the benefits of the RCEP, beyond merely enhancing its utilisation.
Conclusion: To get firms on board the RCEP train for TIG

• Outreach to improve utilisation
• Technical support for identifying tariff gains and meeting the ROO
• Export support programs to nurture new exporters
• Business matching programs to help firms diversify markets to RCEP partner countries
Thank you for your kind attention!