



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# The RCEP Advantage

Part 1:  
New Trade Opportunities in Vietnam

Webinar | April 07, 2022 | Tuesday | 5 PM Singapore Time | Dezan Shira & Associates



# About Us

1992

Dezan Shira's establishment

400+

Our **team** of legal, tax, accounting, business intelligence and audit professionals

3,000+

Multinational **clients** that have already chosen us

80+

**Countries** served by our professional services

25

**Offices** in China, Hong Kong, India, Vietnam, Singapore, Indonesia and Mongolia; Liaison offices in Italy, the United States and Germany, and Asian Alliance offices in Malaysia, the Philippines, Thailand, Bangladesh, Japan, South Korea and Taiwan.

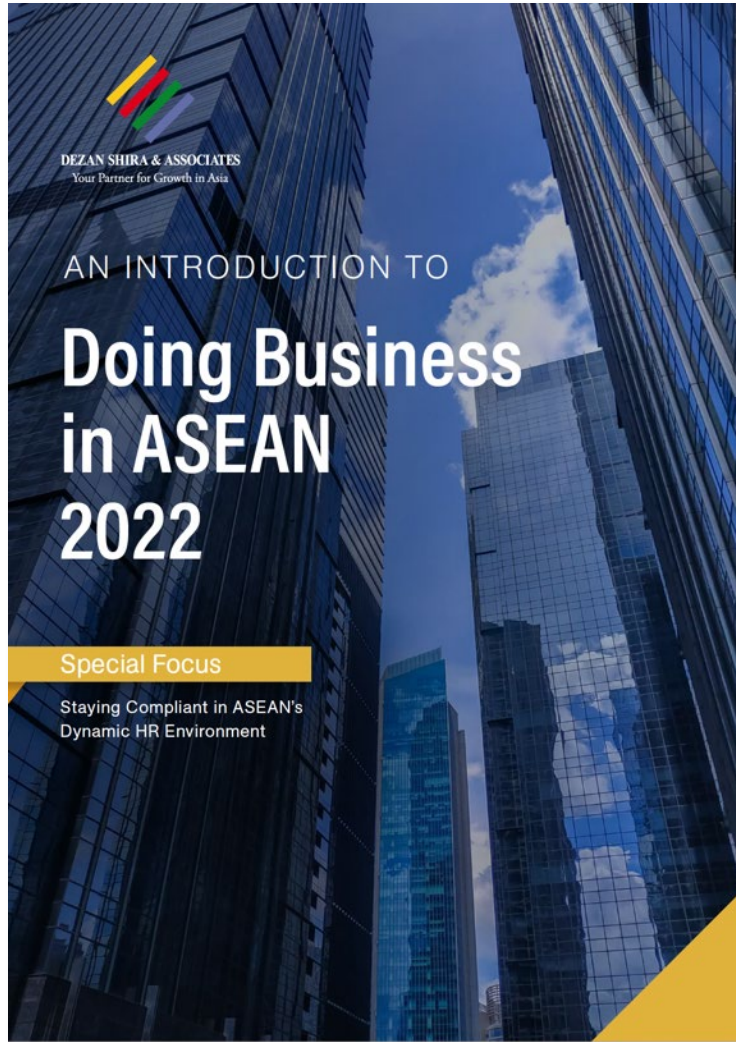


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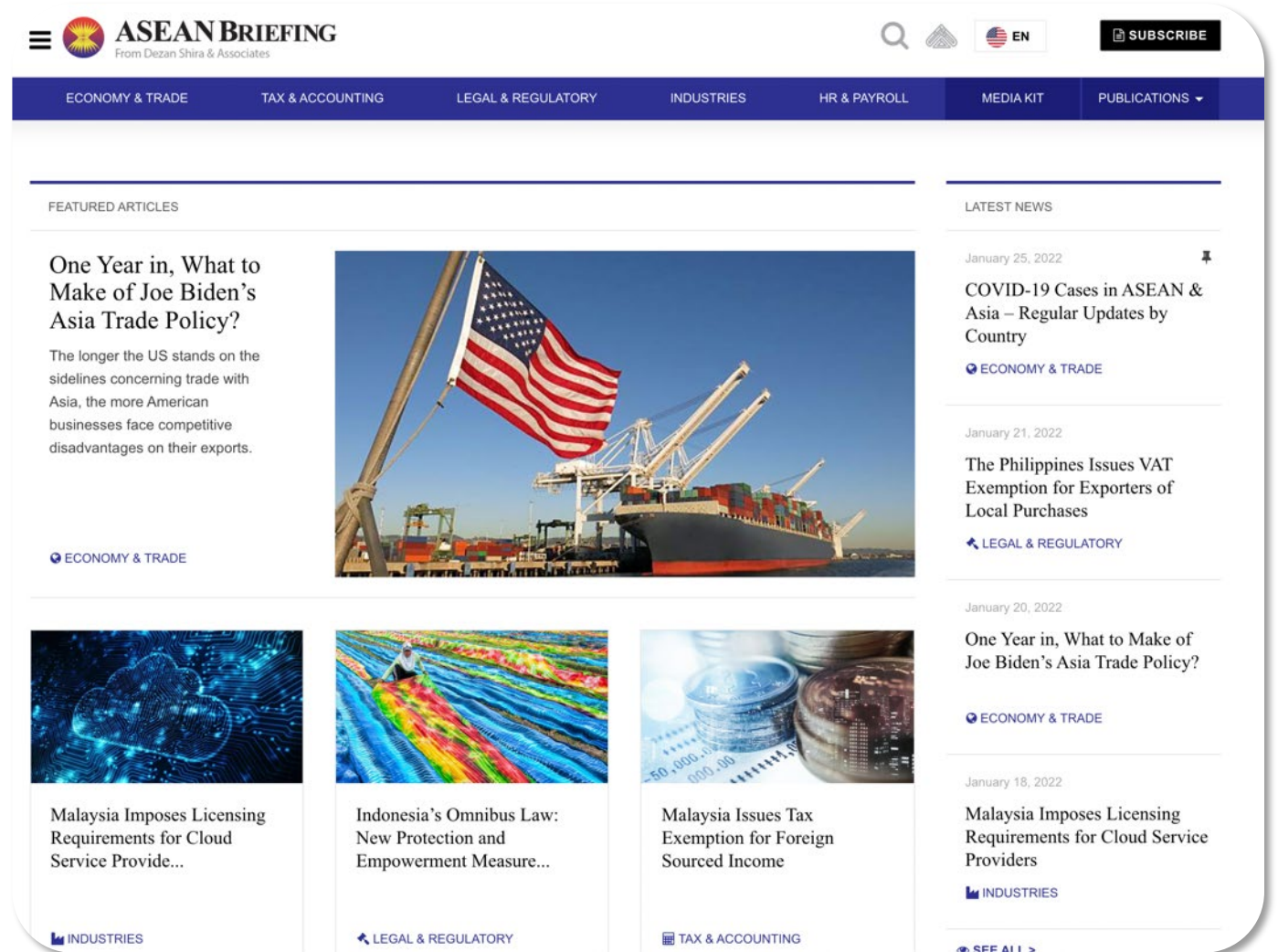
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# What is RCEP?

- The Regional Comprehensive Economic Partnership (RCEP) is an agreement between the member states of the Association of Southeast Asian Nations (ASEAN) and its free trade agreement (FTA) partners.
- The pact aims to cover trade in goods and services, intellectual property, etc.
- Member states of ASEAN and their FTA partners are **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, China, Japan, India, South Korea, Australia and New Zealand.**
- The RCEP includes a mix of high-, middle-, and low-income countries.



# What is the objective of RCEP?

- expected to eliminate about 90% of the tariffs on imports between its signatories
- would offer significant economic gains for signatory nations:
  - boost post-pandemic economic recovery
  - "pull the economic center of gravity back towards Asia"
- other reactions were neutral or negative
- RCEP is intended to reduce tariffs and red tape
- RCEP includes unified rules of origin throughout the bloc, which may facilitate international supply chains and trade within the region
- RCEP prohibits certain tariffs. It does not focus on labor unions, environmental protection, or government subsidies
- RCEP does not establish unified standards on labor and the environment
- RCEP does not commit countries to open services and other vulnerable areas of their economies



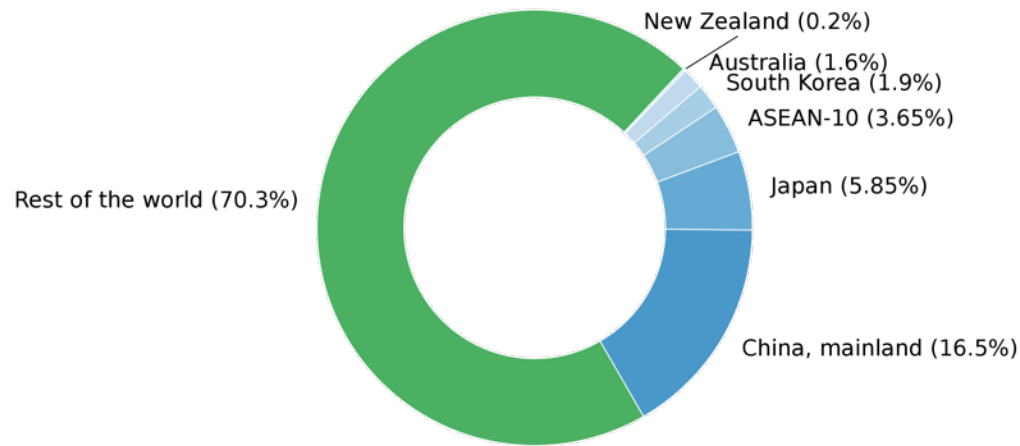
# RCEP – A Timeline

- 2011: Envisioned at 2011 ASEAN Summit in Bali, Indonesia,
- 2012: Negotiations formally launched during the 2012 ASEAN Summit in Cambodia.
- 2020: The treaty was formally signed on 15 November 2020 at the virtual ASEAN Summit hosted by Vietnam.
- 2022: For the first ten ratifying countries, the trade pact took effect on 1 January 2022. As of 17 January 2022, 7 of the 10 ASEAN and all 5 of the non-ASEAN signatories have signed
- 2023: Any other country or separate customs territory in the region can accede to the pact from 18 months after the date of entry into force of the pact i.e. from 1 July 2023.



# Why is RCEP important?

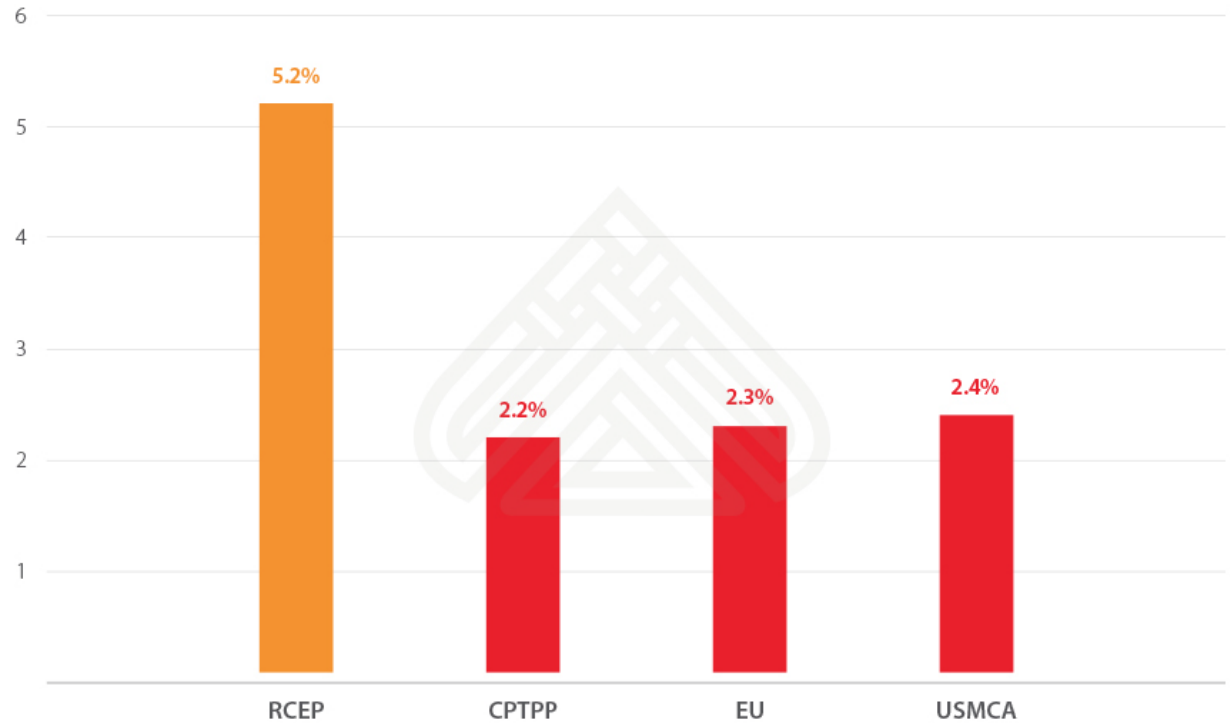
The 15 member countries account for about **30% of the world's population** (2.2 billion people) and **30% of global GDP** (\$29.7 trillion), making it the largest trade bloc in history.



2020 RCEP-15's share of global GDP (%)

## Average Economic Growth Rate of Member Countries of Major International FTAs

Average economic growth rate (2015-2019)


















*Note: The average economic growth rate is the GDP growth rate (from 2015 to 2019) weighted by the PPP GDP data of each country.  
Source: KPMG*

Graphic© Asia Briefing Ltd.



# RCEP Member States

Flag	Country	Capital	Area (km <sup>2</sup> )	Population	PPP GDP (millions USD)	PPP GDP per cap. (USD)	Trade (% of GDP)	HDI
	Australia	Canberra	7,692,024	25,698,300	1,296,075	50,817	44	0.944
	Brunei	Bandar Seri Begawan	5,765	459,500	33,756	76,567	110	0.838
	Cambodia	Phnom Penh	181,035	15,626,444	69,884	4,022	124	0.594
	China	Beijing	9,596,961	1,400,050,000	25,102,916	18,158	35	0.761
	Indonesia	Jakarta	1,910,931	263,510,000	3,481,107	12,432	33	0.718
	Japan	Tokyo	377,930	126,760,000	5,545,884	42,860	31	0.919
	South Korea	Seoul	100,210	51,709,098	2,127,164	39,446	69	0.916
	Laos	Vientiane	236,800	7,123,205	53,626	6,115	75	0.613
	Malaysia	Kuala Lumpur	330,803	32,273,000	988,993	28,636	116	0.81
	Myanmar	Naypyidaw	676,578	54,836,000	362,969	6,360	54	0.583
	New Zealand	Wellington	270,467	4,786,710	195,103	38,706	44	0.931
	Philippines	Manila	300,000	109,048,269	951,224	8,270	58	0.718
	Singapore	Singapore	719	5,703,600	578,204	101,376	321	0.938
	Thailand	Bangkok	513,120	68,298,000	1,296,095	17,749	98	0.777
	Vietnam	Hanoi	331,699	96,208,984	1,016,475	10,537	208	0.704

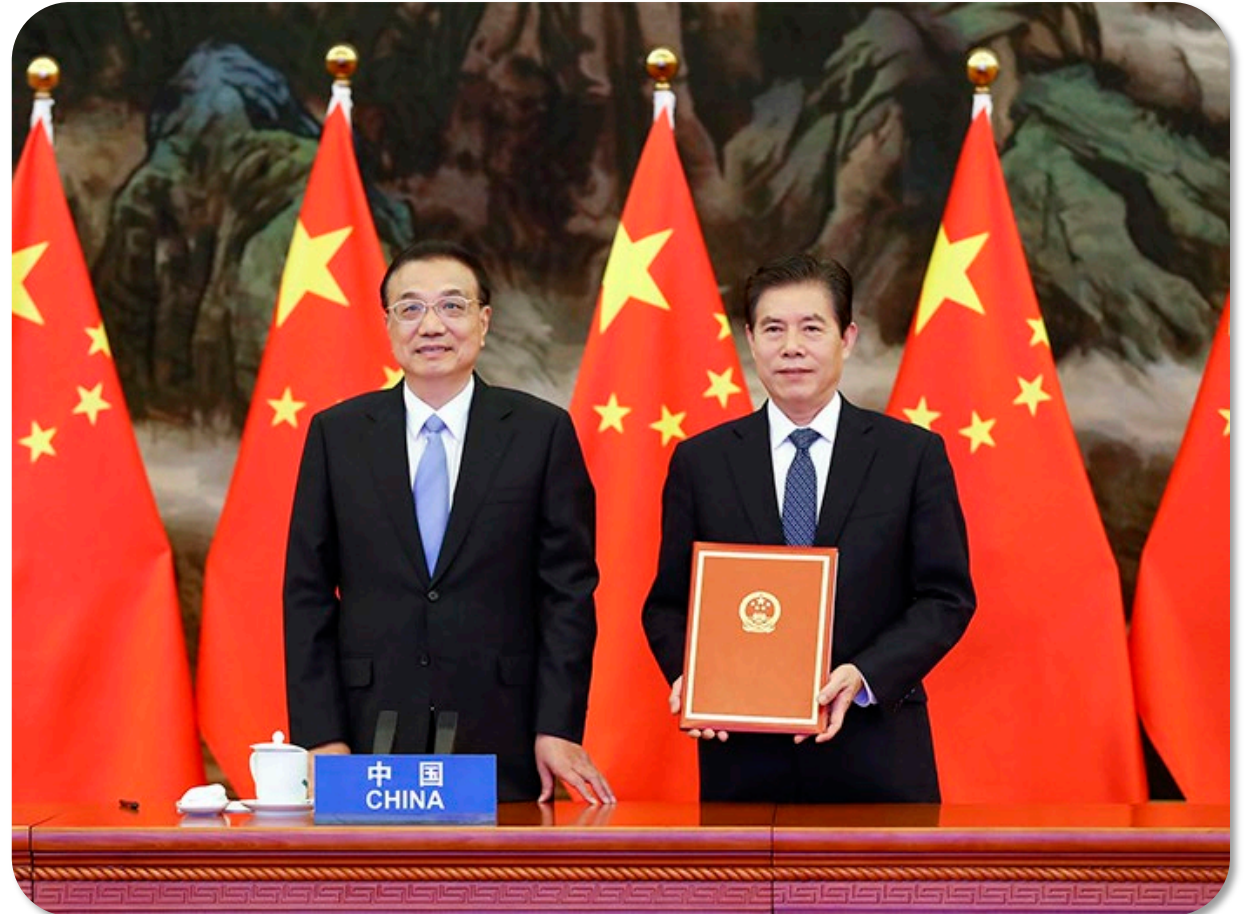
## 43 of the World's 100 Most Populous Cities are in RCEP

Rank	Name	Country	2022 Population
1	Tokyo	Japan	37,274,000
3	Shanghai	China	28,516,904
8	Beijing	China	21,333,332
10	Osaka	Japan	19,059,856
11	Chongqing	China	16,874,740
18	Manila	Philippines	14,406,059
19	Tianjin	China	14,011,828
20	Guangzhou	China	13,964,637
24	Shenzhen	China	12,831,330
29	Jakarta	Indonesia	11,074,811
31	Bangkok	Thailand	10,899,698
33	Seoul	South Korea	9,975,709
34	Nagoya	Japan	9,571,596
36	Chengdu	China	9,478,521
37	Nanjing	China	9,429,381
39	Ho Chi Minh City	Vietnam	9,077,158
41	Wuhan	China	8,591,611
42	Xi'an	China	8,537,646
44	Kuala Lumpur	Malaysia	8,419,566
46	Hangzhou	China	8,044,878
48	Suzhou	China	7,764,499
51	Shenyang	China	7,527,975

Rank	Name	Country	2022 Population
53	Dongguan	China	7,511,851
54	Foshan	China	7,497,263
59	Harbin	China	6,665,951
64	Singapore	Singapore	6,039,577
65	Dalian	China	5,930,140
66	Qingdao	China	5,865,232
67	Zhengzhou	China	5,690,312
68	Jinan	China	5,663,015
72	Yangon	Myanmar	5,514,454
73	Fukuoka	Japan	5,502,591
79	Melbourne	Australia	5,150,766
81	Hanoi	Vietnam	5,067,352
82	Sydney	Australia	5,056,571
84	Changsha	China	4,809,887
88	Urumqi	China	4,710,203
89	Kunming	China	4,657,381
90	Changchun	China	4,616,002
91	Hefei	China	4,496,456
92	Shantou	China	4,490,411
95	Ningbo	China	4,405,292
99	Shijiazhuang	China	4,285,135

# China's Role in RCEP

- RCEP was pushed by China in 2012 to counter TPP
- The US-led TPP excluded China.
- However, in 2016 US President Donald Trump withdrew US from TPP
- RCEP now has become a major tool for China to counter the US efforts to prevent trade with Beijing.



# India's Role in RCEP

- 2019 India decided against joining RCEP
- PM Modi said *"the present form of the RCEP agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP. It also does not address satisfactorily India's outstanding issues and concerns in such a situation."*
- Why was India cautious in its RCEP negotiations? - fear in India that its industries would be unable to compete with China and Chinese goods would flood Indian markets
- How could India have gained from signing the RCEP? - A section of Indian industry felt that being part of RCEP would have allowed the country to tap into a huge market.



# RCEP and Vietnam

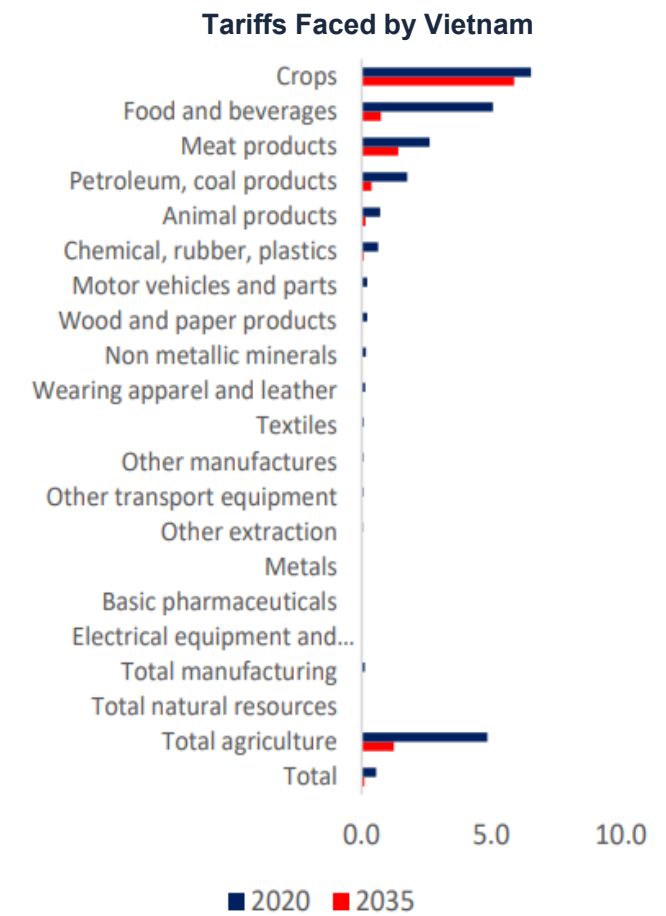
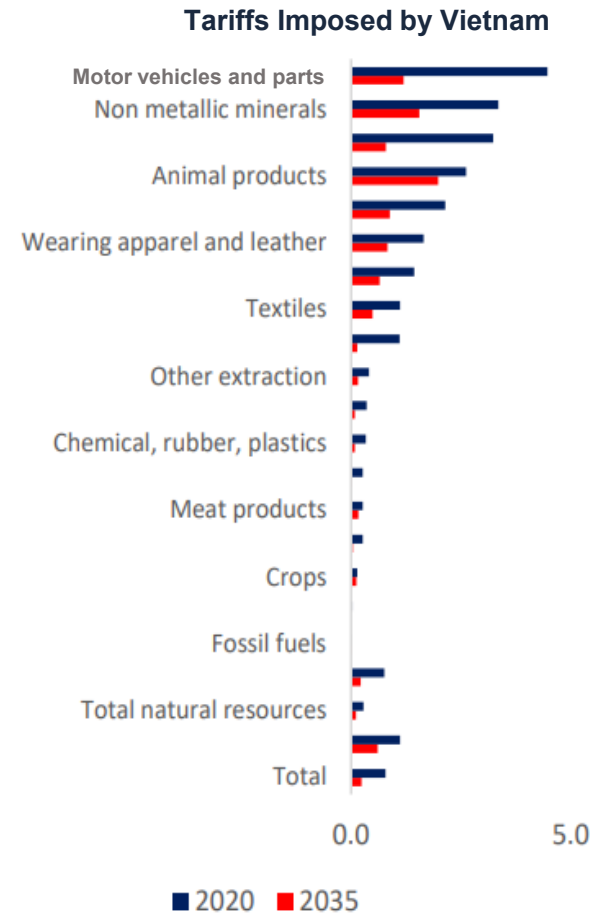


# A glance at Vietnam and RCEP

**RCEP is Vietnam's most recent free trade agreement that goes into effect in addition to UKVFTA, EUVFTA, etc.**

The tariff reductions follow the official RCEP tariff reduction schedules which consist of specific schedules according to the source and destination of trade flows:

- Under RCEP, Vietnam has **imposed tariffs against other member countries**, with the highest reductions in sectors, which had high initial levels of tariffs in 2020.
- Regarding tariffs faced by Vietnam, **the sectors with the highest reductions** are food and beverages (-4.3 percent), petroleum, and coal products (-1.4 percent), and meat products (-1.2 percent).



Source: The World Bank 2022

# What Benefits Does RCEP Bring to Vietnam?

## 1. Development and Trade Opportunities for Vietnam

- a. An integrated market for Vietnamese goods
- b. RCEP as fuel added to Vietnam's FDI-driven development model
- c. Which industries will most benefit from RCEP?

## 2. Solidifying Vietnam's Status As a Rising Manufacturing Powerhouse in Asia



# What Benefits Does RCEP Bring to Vietnam?

## Development and Trade Opportunities for Vietnam

### AN INTEGRATED MARKET



Simplification of customs procedures and a common rule of origin for all goods traded within the bloc



Greater access to high-end markets within the bloc for Vietnamese products

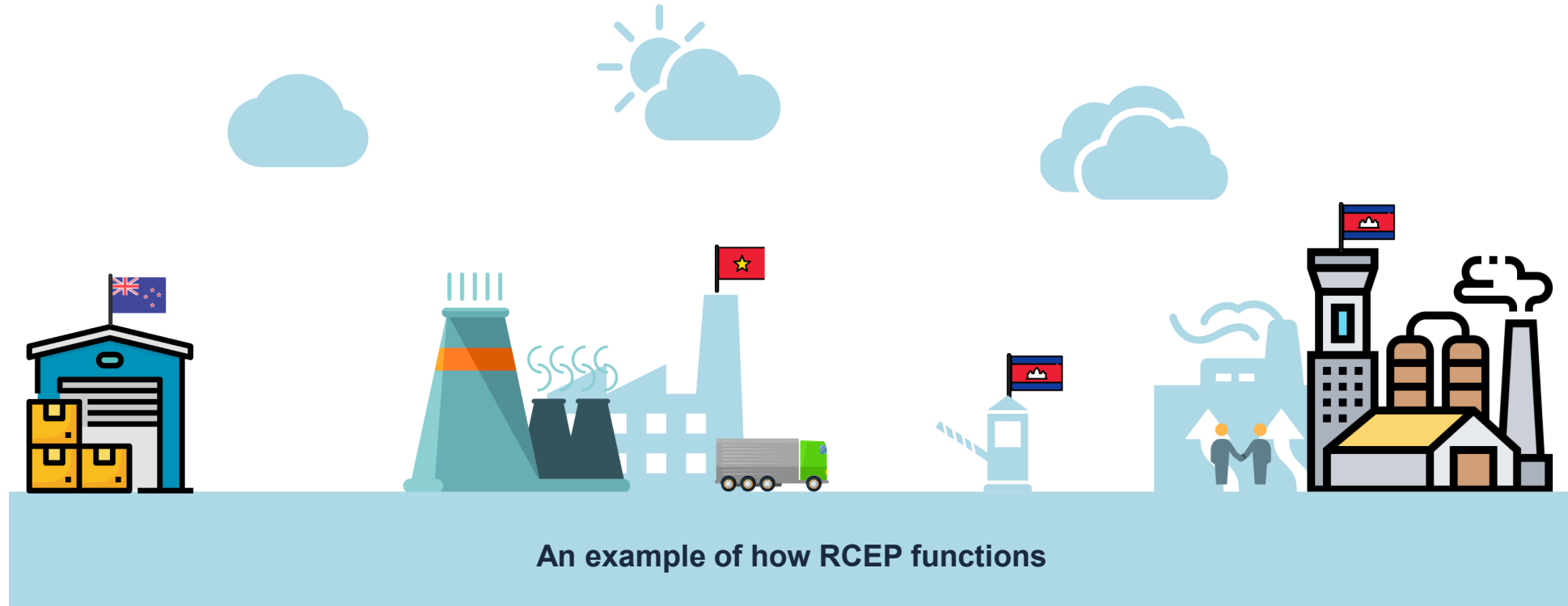


Existing trade ties deepened





# What Benefits Does RCEP Bring to Vietnam?



# What Benefits Does RCEP Bring to Vietnam?

## Development Opportunities for Vietnam

- RCEP as fuel added to Vietnam's FDI-driven development model
  - Vietnam, in light of favorable incentives brought about by the RCEP, becomes **more attractive to foreign investors**, particularly from within the region, resulting in potentially even higher trade and income gains.
  - FDI will be poured **into already successful sectors** to capitalize on preferential treatments.
  - **Wages, jobs in sectors with high shares of female workers** will grow faster thanks to RCEP.



# What Benefits Does RCEP Bring to Vietnam?

## Which industries will most benefit from RCEP?

- As the deal remains highly focused on trade facilitation especially physical trade and manufacturing, this results in making **blue-collar sectors as the most beneficial ones.**
- RCEP will also benefit consumer sectors like **tourism, education, entertainment, healthcare, and retail** due to a massively integrated market with a huge purchasing power of the middle class.



Source: Fitch Solutions

# Solidifying Vietnam's Status as A Rising Manufacturing Hub in Asia



Possibilities for Vietnam to gain from lower-cost imported commodities, resulting in facilitating the competitiveness of local production linked to the sectors of comparative advantages.

With this deeper implementation of RCEP, Vietnam has the potential to become a hub in attracting foreign investment, particularly from within the region, potentially leading to even higher trade and income gains



# Challenges posed by RCEP



## A higher level of competition

Increased competition in not only manufacturing industry but also the services sector as a result of enhanced market access conditions and decreased level of protection in goods traded within the bloc

## Lack of essential commitments

As RCEP does not include any provisions on the environment or labor, it thus, from a 'Western' perspective, falls short on ensuring climate change commitments and labour rights protection



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