



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# The RCEP Advantage

## Part 2: New Trade Opportunities in Singapore

Webinar | May 11, 2022 | Wednesday | 4 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.



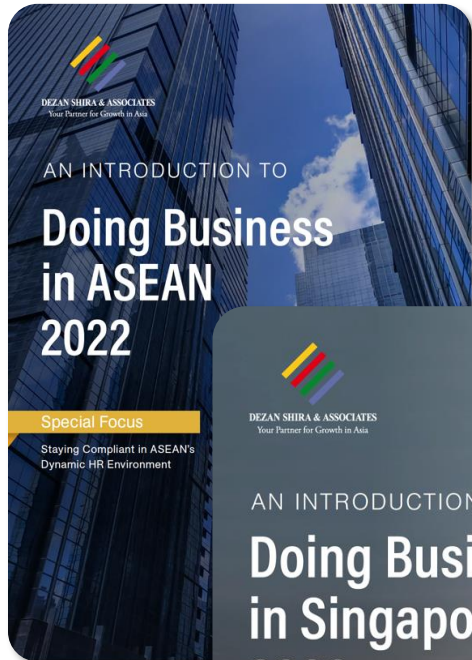
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Today's Speakers:

- **David Stepat**  
Senior Manager  
International Business Advisory  
Singapore
- **Marco Förster**  
Manager  
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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



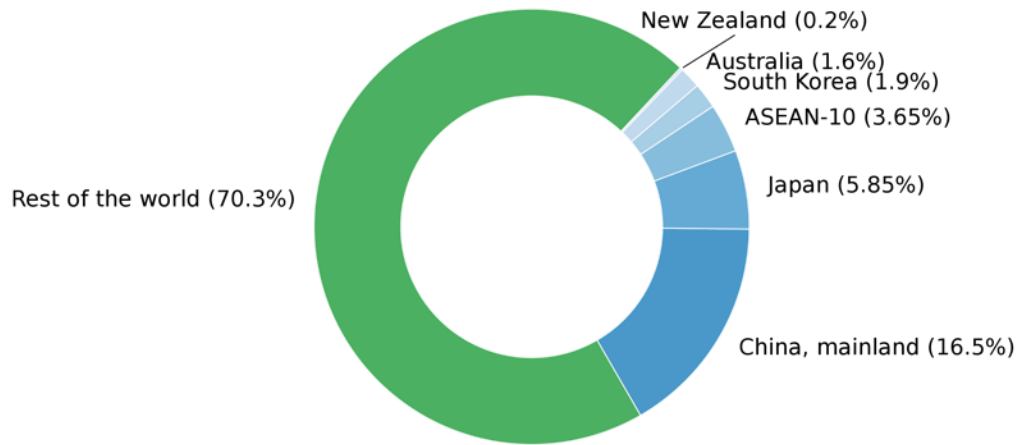
# RCEP – A Timeline

- 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?

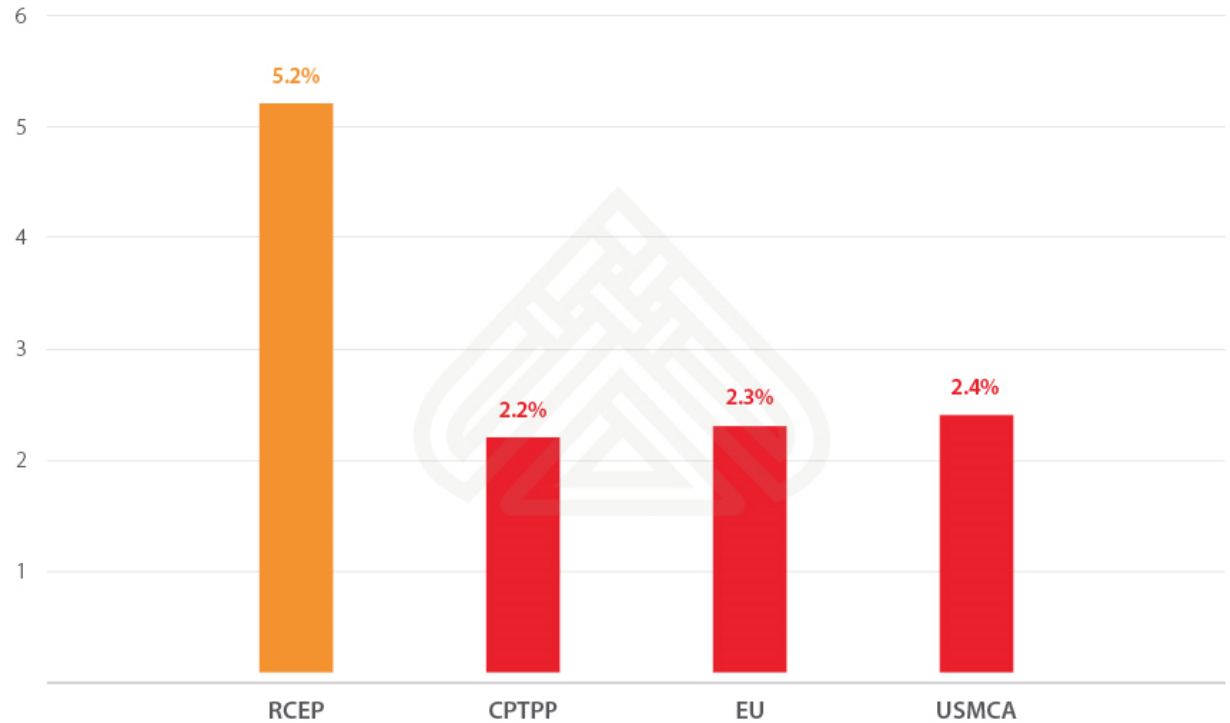
The 15 member countries account for about **30% of the world's population** (2.2 billion people) and **30% of global GDP** (\$29.7 trillion), making it the largest trade bloc in history.



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 |



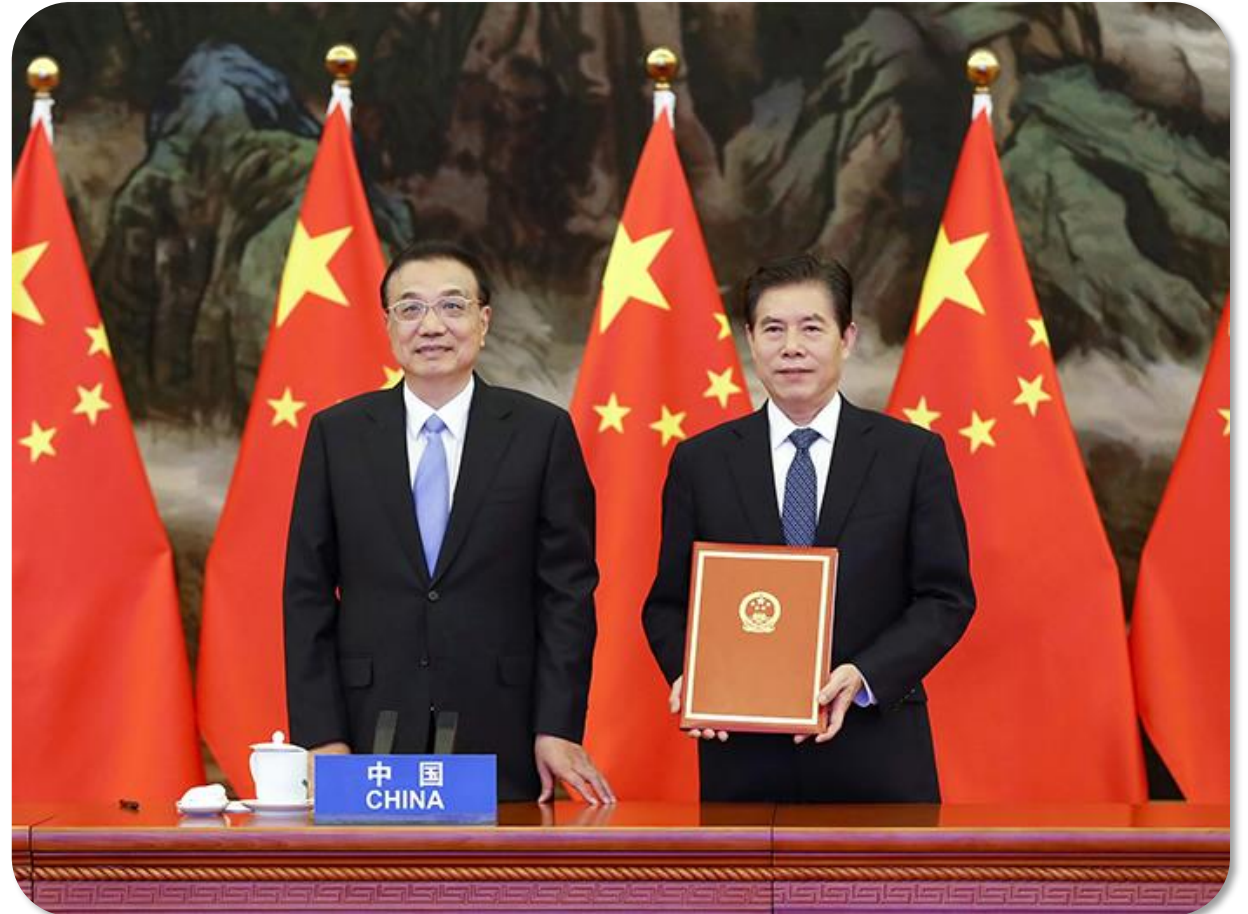
## 43 of the World's 100 Most Populous Cities are in RCEP

| 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 Singapore

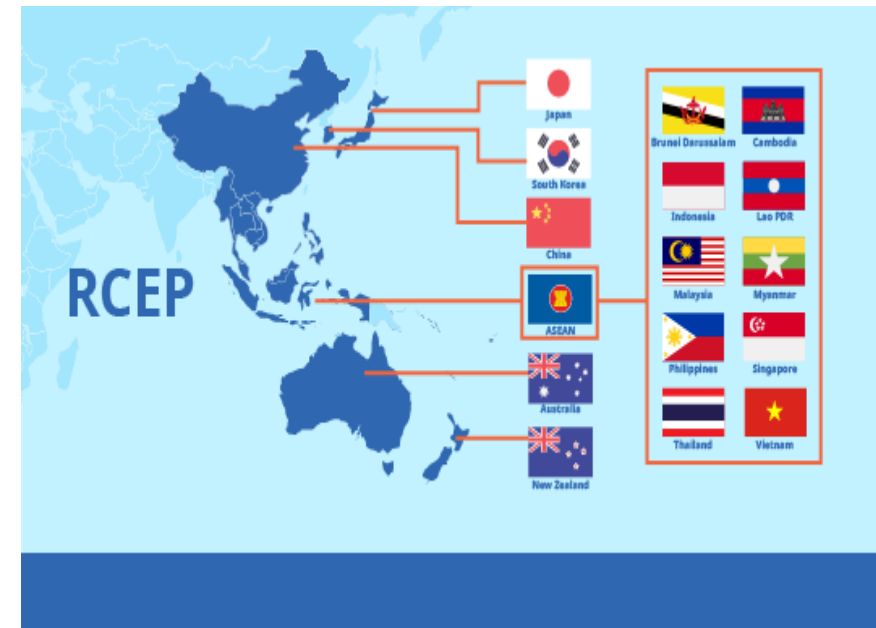


# A Glance at Singapore and RCEP

Singapore is signatory to a large number of free trade agreements, 27 in total, with RCEP being the most recent addition , having come into force on January 1, 2022.

As a small country with no natural resources, Singapore is highly-dependent on free trade agreements to develop its industries and exports. The country's network of FTAs have transformed its supply chains since the 1990s, RCEP will further enhance this trend by adding :

- A common rule of origin
- Expansion of services market access
- Tapping into regional industrial supply chains
- Liberalization of financial services
- A framework for e-commerce, digital services, and digital trade



# What Benefits Does RCEP Bring to Singapore?



# A Glance at Singapore and RCEP



## A Common Rule of Origin

- Regional Value Content
- Harmonized Procedures
- Reduced Cost
- Diversification of supply chains for multinational companies

# What Benefits Does RCEP Bring to Singapore?

## Expansion of Services Market Access

Negative List Approach



Liberalization of Service Sector





# A Glance at Singapore and RCEP



## Manufacturing

- Singapore already has a strong high-tech manufacturing base
- RCEP benefits high-tech electronics value chains in Singapore
- Singapore benefit from increased imports and exports of electronic integrated circuits
- Chemical and petroleum production is also projected to grow as the industry continues to enjoy improved access to trade and energy links along the Chinese Belt and Road Initiative (BRI) under the RCEP.

# A Glance at Singapore and RCEP



## Financial Services

- Singapore is already a global financial hub with a sophisticated financial services industry
- Surge of demand for financial services expected with growing trade under RCEP
- Financial Services Liberalization

# A Glance at Singapore and RCEP



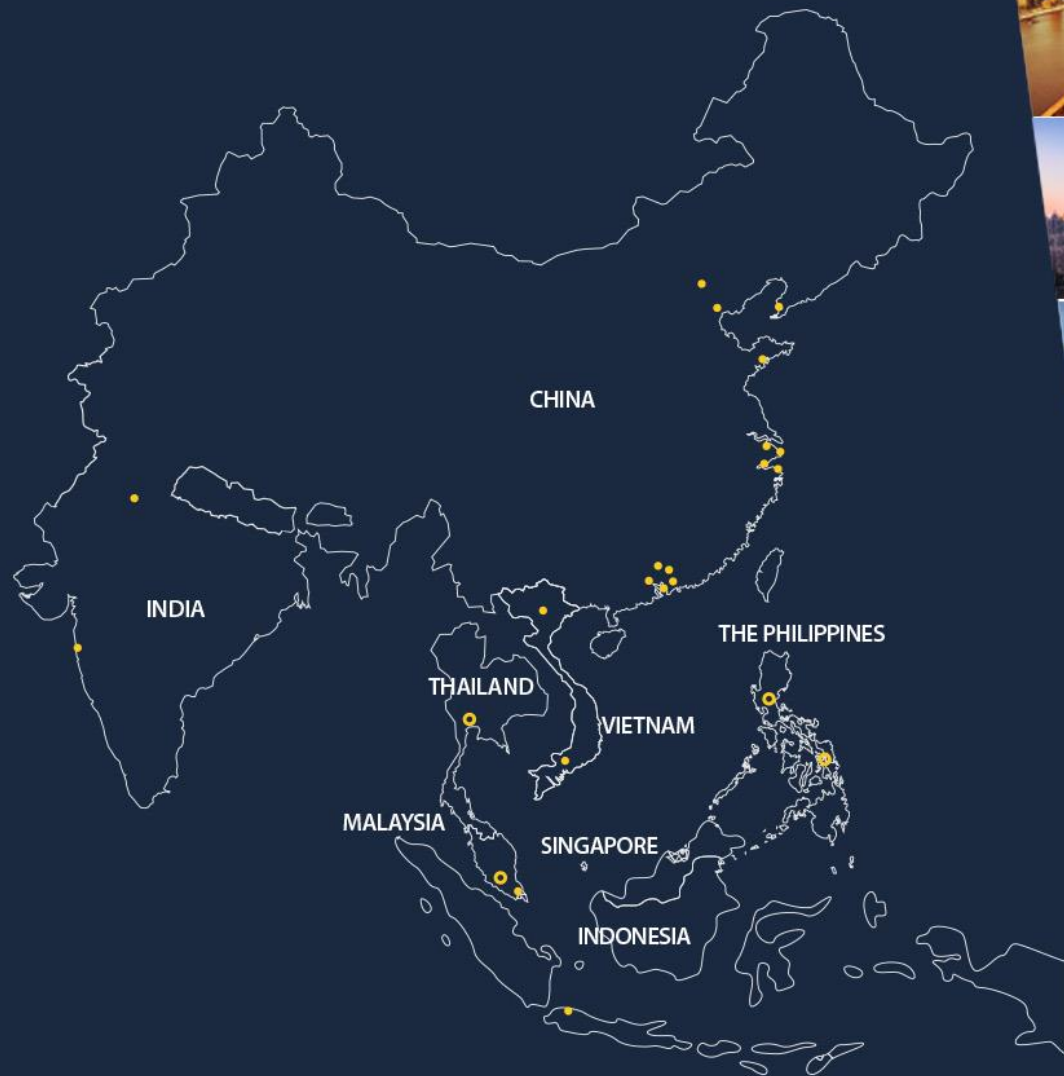
## Digital Economy

- Strong e-commerce, digital services and digital trade framework
- Singapore is already the most digitized economy in ASEAN
- Singapore signed the world's first digitally trade agreement in 2021 with New Zealand, Chile and the UK

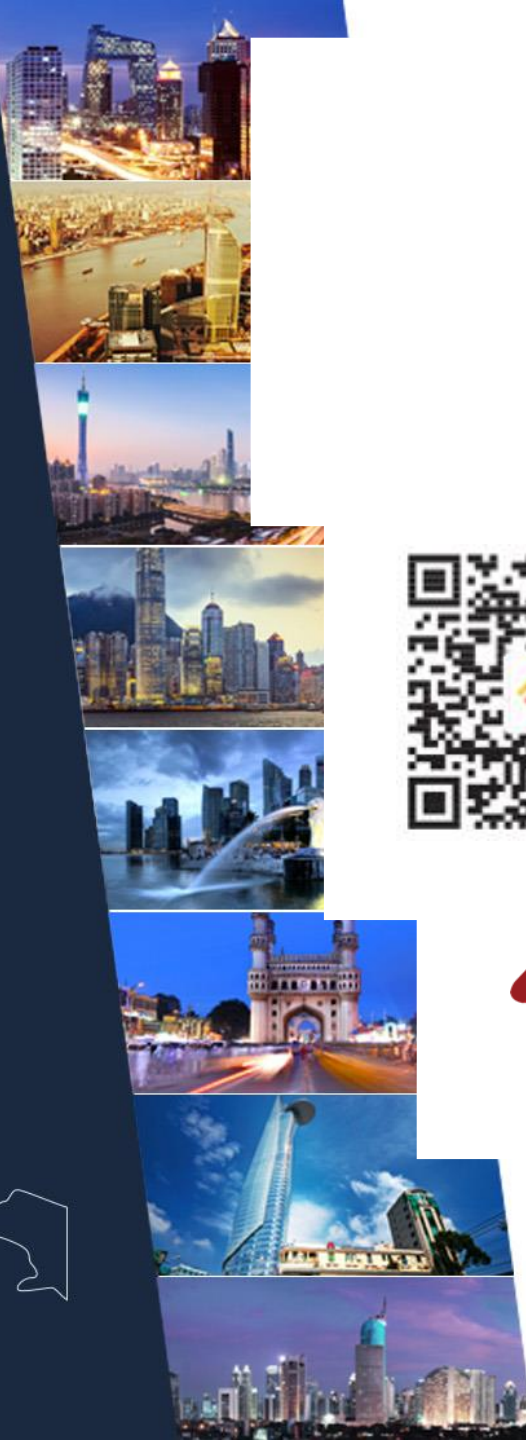


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