



社会经济研究中心
SOCIO-ECONOMIC
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Bank of China Malaysia (BOCM) Webinar

Malaysia and RCEP: Gain or Pain?

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12 out of 15 members has ratified RCEP

Regional Comprehensive Economic Partnership (RCEP) consists of 10 ASEAN member countries and 5 ASEAN FTA Partner countries.

Global GDP



US\$25.2 trn;
30.8% of
global GDP

Global Trade



US\$10.1 trn;
28.4% 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 for 8 years

Ratified countries (with effective date):

- | | |
|--------------|----------------|
| 1. Australia | 6. Lao PDR |
| 2. Brunei | 7. New Zealand |
| 3. Cambodia | 8. Singapore |
| 4. China | 9. Thailand |
| 5. Japan | 10. Vietnam |

Entered into force on 1 January 2022

11. Korea → 1 February 2022

12. Malaysia → 18 March 2022

*India has withdrawn from RCEP negotiations in
2019

RCEP member's total trade with its respective RCEP partners

Total trade with respective RCEP partners in 2020

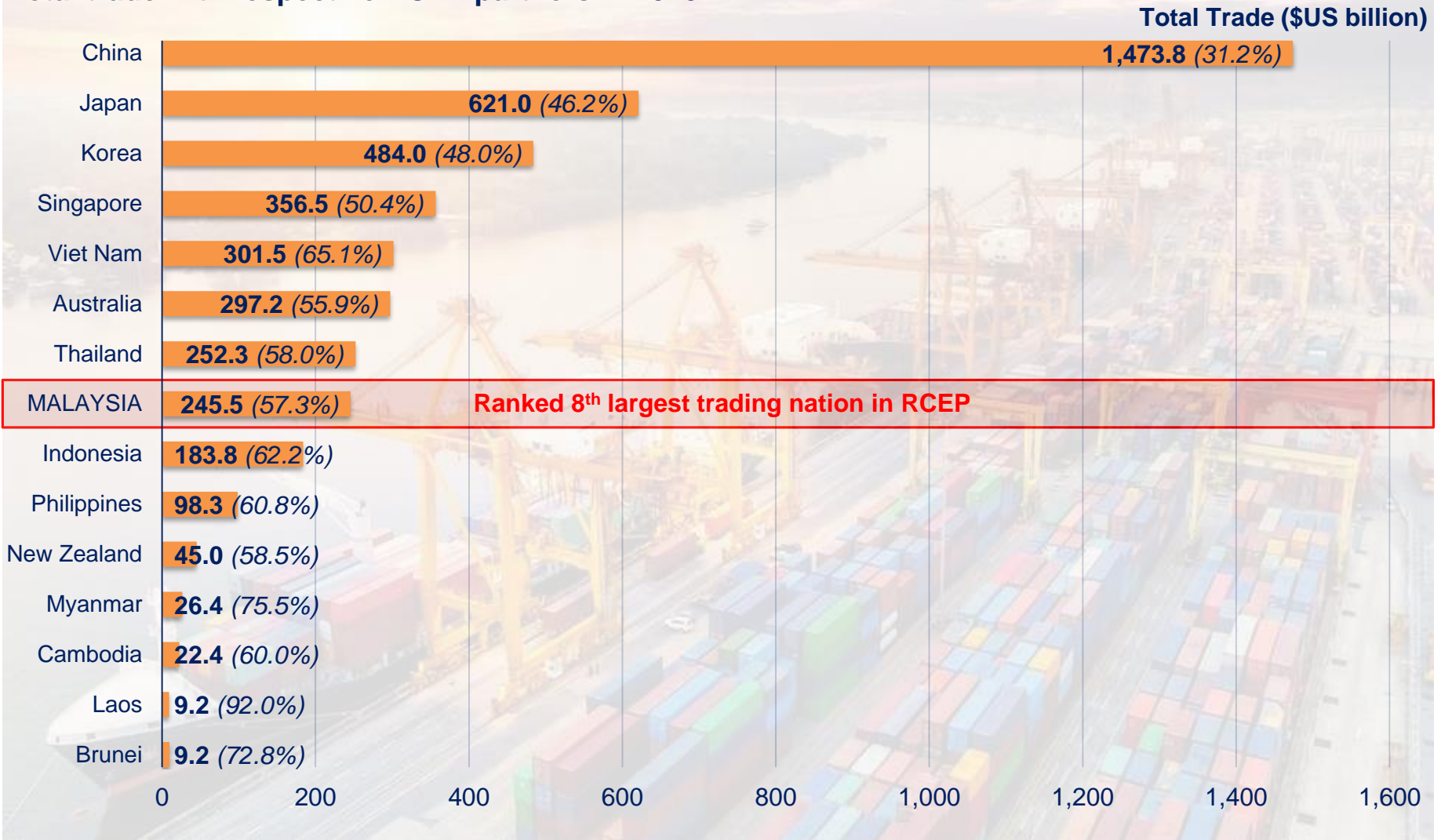


Figure in parenthesis indicates % share to total trade with world

Source: UN Comtrade;

Malaysia's trade with RCEP partners (cont.)

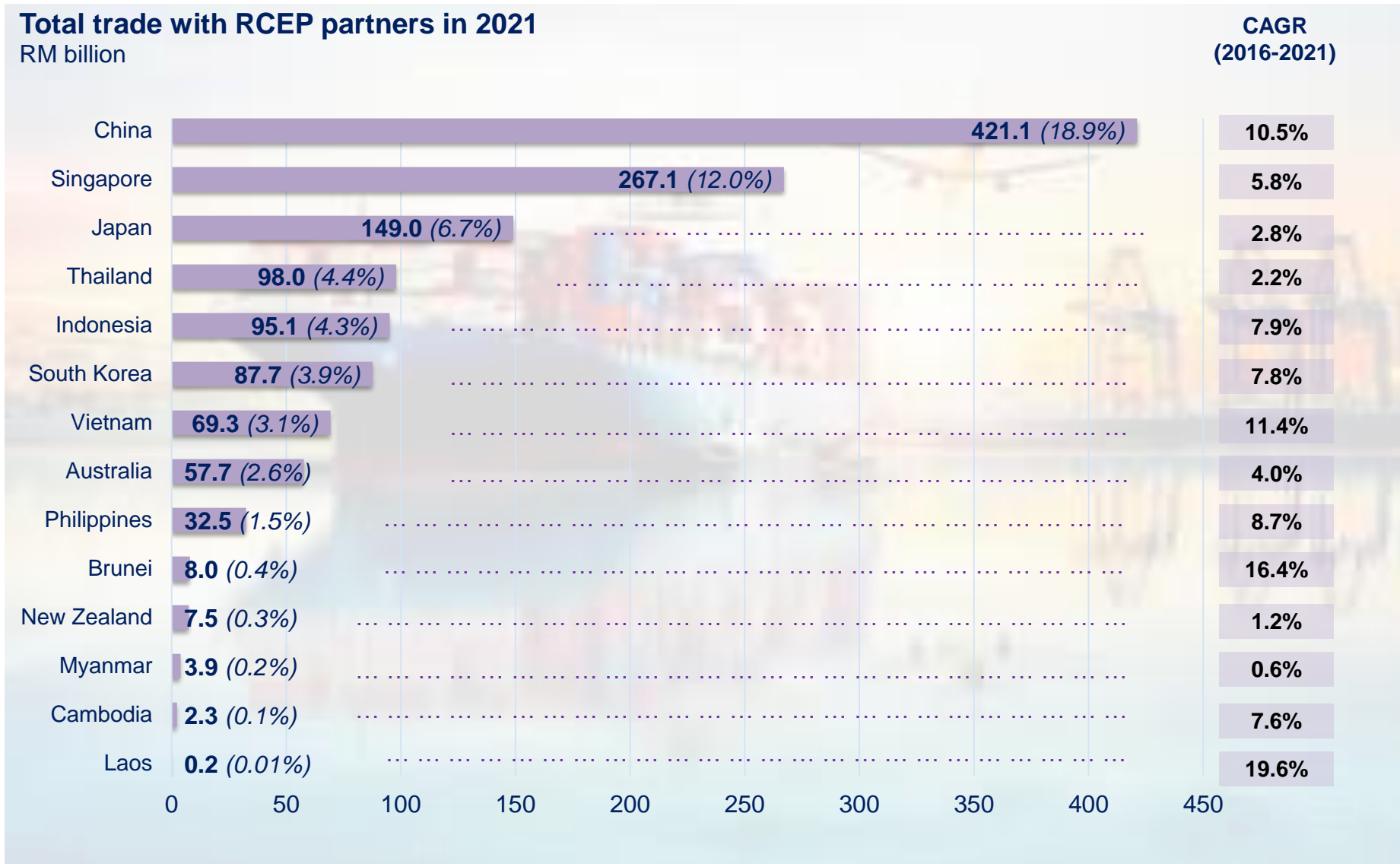


Figure in parenthesis indicates % share of total trade

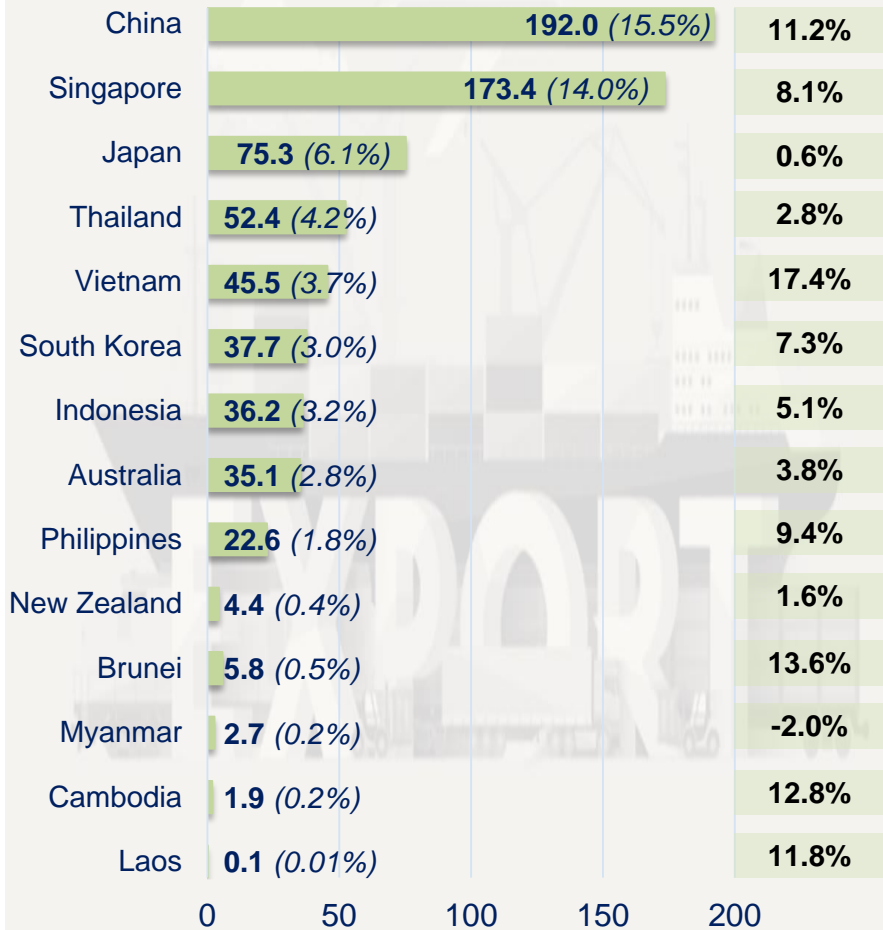
Source: DOSM

Malaysia's trade with RCEP partners

Exports to RCEP partners in 2021

RM billion

CAGR
(2016-2021)



Imports from RCEP partners in 2021

RM billion

CAGR
(2016-2021)

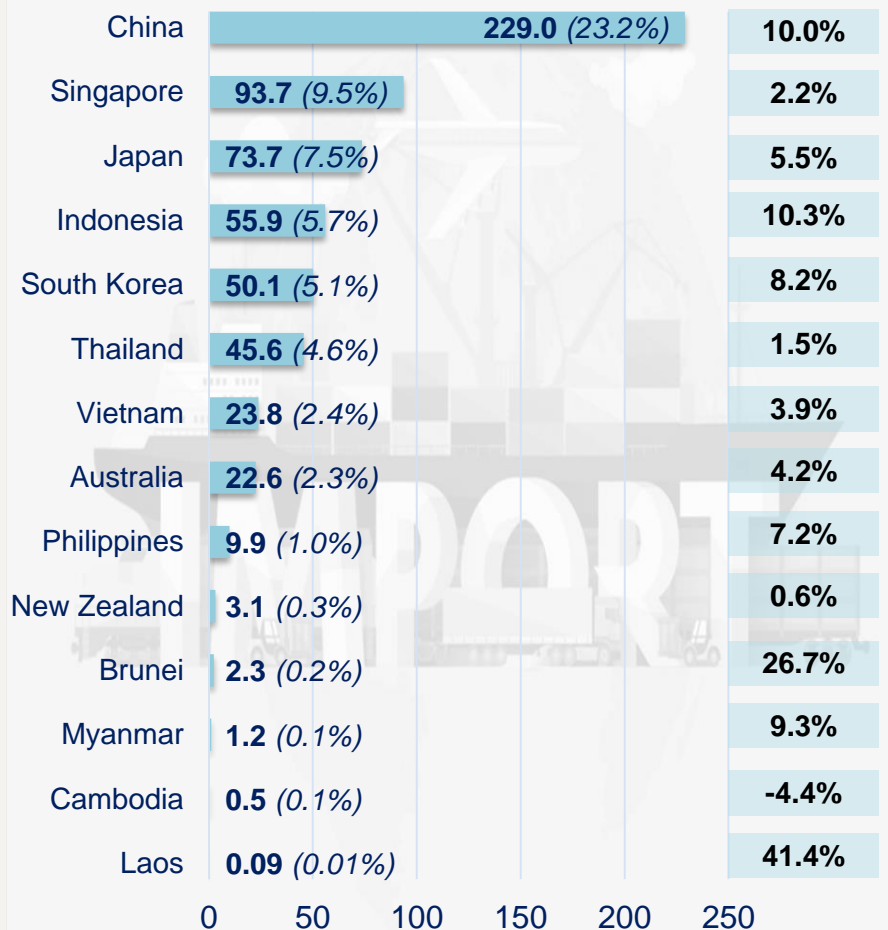


Figure in parenthesis indicates % share of total exports/imports

Source: DOSM

Malaysia's major export products to RCEP members*

Brunei		RM mil	% share
27	Mineral fuels and oils	3,260	56.4%
19	Preparations of cereals, etc.	270	4.7%
84	Machinery and equipment	251	4.3%
30	Pharmaceutical products	179	3.1%
21	Miscellaneous edible preparations	165	2.9%

Laos		RM mil	% share
85	Electrical and electronic products	46	40.9%
55	Man-made staple fibres	28	25.0%
30	Pharmaceutical products	10	8.5%
52	Cotton	6	4.9%
84	Machinery and equipment	5	4.0%

Singapore		RM mil	% share
85	Electrical and electronic products	80,341	46.3%
27	Mineral fuels and oils	23,786	13.7%
84	Machinery and equipment	19,448	11.2%
90	Optical and medical equipment	7,105	4.1%
39	Plastics products	3,878	2.2%

Australia		RM mil	% share
27	Mineral fuels and oils	15,729	44.8%
84	Machinery and equipment	3,301	9.4%
85	Electrical and electronic products	2,789	7.9%
39	Plastics products	1,757	5.0%
40	Rubber products	1,347	3.8%

Cambodia		RM mil	% share
27	Mineral fuels and oils	421	22.2%
60	Knitted or crocheted fabrics	406	21.4%
76	Aluminium products	272	14.4%
84	Machinery and equipment	82	4.3%
29	Organic chemicals	76	4.0%

Myanmar		RM mil	% share
27	Mineral fuels and oils	1,248	46.0%
39	Plastics products	247	9.1%
31	Fertilisers	212	7.8%
15	Animal or vegetable fats and oils	127	4.7%
19	Preparations of cereals, etc.	124	4.6%

Thailand		RM mil	% share
85	Electrical and electronic products	16,102	30.7%
27	Mineral fuels and oils	6,883	13.1%
84	Machinery and equipment	5,320	10.2%
39	Plastics products	3,069	5.9%
90	Optical and medical equipment	1,871	3.6%

China		RM mil	% share
85	Electrical and electronic products	66,020	34.4%
27	Mineral fuels and oils	22,243	11.6%
72	Iron and steel	12,762	6.6%
39	Plastics products	10,033	5.2%
15	Animal or vegetable fats and oils	8,883	4.3%

New Zealand		RM mil	% share
27	Mineral fuels and oils	641	14.5%
31	Fertilisers	460	10.4%
15	Animal or vegetable fats and oils	417	9.4%
85	Electrical and electronic products	389	8.8%
84	Machinery and equipment	372	8.4%

Indonesia		RM mil	% share
27	Mineral fuels and oils	14,810	37.8%
39	Plastics products	3,884	9.9%
29	Organic chemicals	2,849	7.3%
84	Machinery and equipment	2,713	6.9%
85	Electrical and electronic products	2,249	5.7%

Philippines		RM mil	% share
85	Electrical and electronic products	4,091	18.1%
27	Mineral fuels and oils	3,274	14.5%
15	Animal or vegetable fats and oils	3,091	13.7%
39	Plastics products	1,826	8.1%
90	Optical and medical equipment	1,586	7.0%

Vietnam		RM mil	% share
85	Electrical and electronic products	18,665	41.0%
27	Mineral fuels and oils	5,767	12.7%
84	Machinery and equipment	3,211	7.1%
39	Plastics products	3,090	6.8%
76	Aluminium products	1,933	4.2%

Japan		RM mil	% share
85	Electrical and electronic products	22,083	29.3%
27	Mineral fuels and oils	19,458	25.9%
40	Rubber products	3,227	4.3%
39	Plastics products	3,030	4.0%
90	Optical and medical equipment	3,004	4.0%

South Korea		RM mil	% share
85	Electrical and electronic products	12,514	33.2%
27	Mineral fuels and oils	8,087	21.5%
72	Iron and steel	1,827	4.9%
76	Aluminium products	1,606	4.3%
90	Optical and medical equipment	1,525	4.0%

* By HS code; data as at 2021

Source: DOSM

Malaysia's major import products from RCEP members*

Brunei		RM mil	% share
27	Mineral fuels and oils	1,932	85.6%
89	Ships, boats & floating structures	131	5.8%
29	Organic chemicals	59	2.6%
84	Machinery and equipment	31	1.4%
23	Residues from food industries	18	0.8%

Laos		RM mil	% share
70	Glass and glassware	51	57.6%
85	Electrical and electronic products	23	25.9%
31	Fertilisers	4	4.9%
71	Pearls, precious stones and metals	2	2.6%
40	Rubber products	2	2.5%

Singapore		RM mil	% share
85	Electrical and electronic products	27,424	29.3%
27	Mineral fuels and oils	26,890	28.7%
71	Pearls, precious stones and metals	10,378	11.1%
84	Machinery and equipment	5,941	6.3%
39	Plastics products	4,278	4.6%

Australia		RM mil	% share
27	Mineral fuels and oils	6,518	28.9%
74	Copper products	3,134	13.9%
26	Ores, slag and ash	2,315	10.3%
28	Inorganic chemicals	2,097	9.3%
10	Cereals	1,228	5.4%

New Zealand		RM mil	% share
04	Dairy products, eggs, honey and edible products of animal origin	1,767	56.6%
02	Meat and edible meat offal	150	4.8%
19	Preparations of cereals, etc.	150	4.8%
44	Wood and wood products	136	4.4%
08	Fruits and nuts	125	4.0%

Cambodia		RM mil	% share
10	Cereals	129	28.4%
61	Knitted or crocheted apparel and clothing accessories	107	23.6%
64	Footwear	37	8.2%
42	Leather products	35	7.6%
85	Electrical and electronic products	32	7.1%

Myanmar		RM mil	% share
40	Rubber products	529	45.2%
03	Fish and other aquatic invertebrates	136	11.7%
07	Edible vegetables	117	10.0%
74	Copper products	110	9.4%
61	Knitted or crocheted apparel and clothing accessories	73	6.3%

Thailand		RM mil	% share
85	Electrical and electronic products	8,334	18.3%
40	Rubber products	6,034	13.2%
87	Vehicles	5,881	12.9%
84	Machinery and equipment	4,215	9.2%
39	Plastics products	2,634	5.8%

China		RM mil	% share
85	Electrical and electronic products	78,167	34.1%
84	Machinery and equipment	37,744	16.5%
27	Mineral fuels and oils	13,399	5.9%
39	Plastics products	9,486	4.1%
73	Iron or steel products	6,234	2.7%

Indonesia		RM mil	% share
27	Mineral fuels and oils	15,951	28.5%
15	Animal or vegetable fats and oils	8,385	15.0%
38	Miscellaneous chemical products	4,091	7.3%
74	Copper products	3,694	6.6%
72	Iron and steel	3,400	6.1%

Philippines		RM mil	% share
85	Electrical and electronic products	5,974	60.3%
40	Rubber products	649	6.6%
84	Machinery and equipment	618	6.2%
15	Animal or vegetable fats and oils	589	5.9%
90	Optical and medical equipment	310	3.1%

Vietnam		RM mil	% share
85	Electrical and electronic products	8,844	37.2%
72	Iron and steel	2,855	12.0%
84	Machinery and equipment	1,557	6.6%
27	Mineral fuels and oils	1,202	5.1%
70	Glass and glassware	722	3.0%

Japan		RM mil	% share
85	Electrical and electronic products	25,293	34.3%
84	Machinery and equipment	8,178	11.1%
72	Iron and steel	5,340	7.2%
87	Vehicles	5,333	7.2%
71	Pearls, precious stones and metals	4,440	6.0%

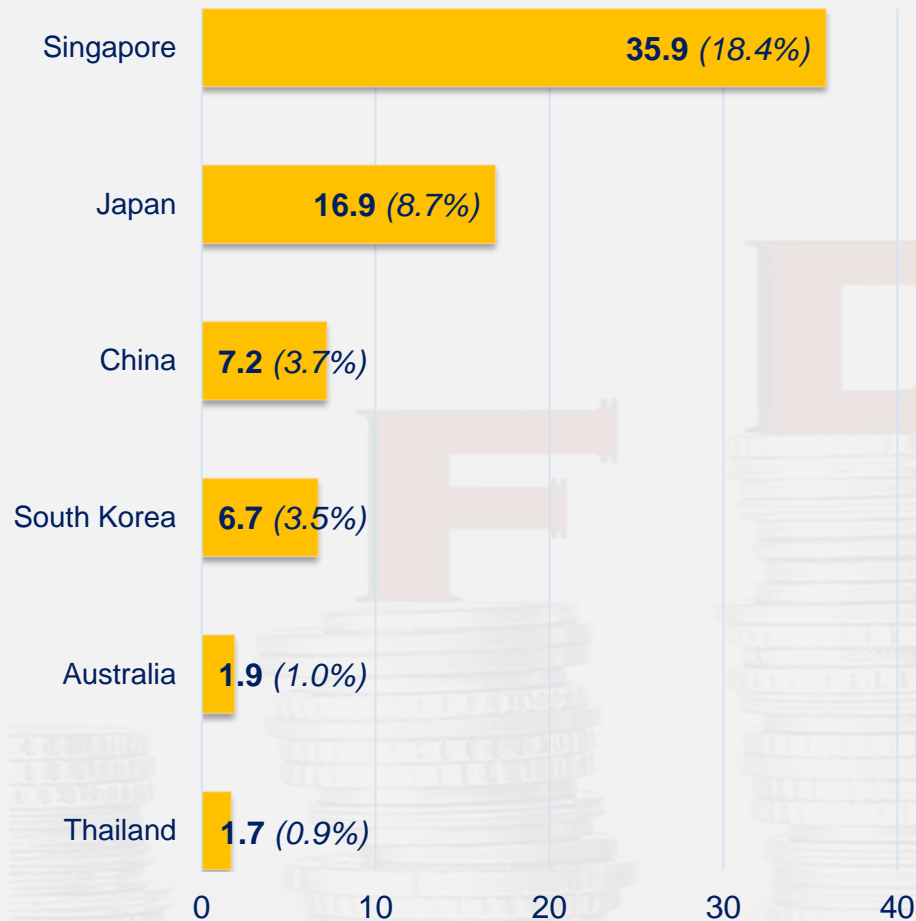
South Korea		RM mil	% share
85	Electrical and electronic products	14,079	28.1%
27	Mineral fuels and oils	11,181	22.3%
40	Rubber products	4,578	9.1%
84	Machinery and equipment	3,938	7.9%
72	Iron and steel	3,250	6.5%

* By HS code; data as at 2021

Source: DOSM

RCEP partners' gross FDI flows into Malaysia

Gross FDI in Malaysia by selected RCEP partners
RM billion, 2021



Gross FDI in Malaysia by selected RCEP partners
RM billion, average per year 2015-2021

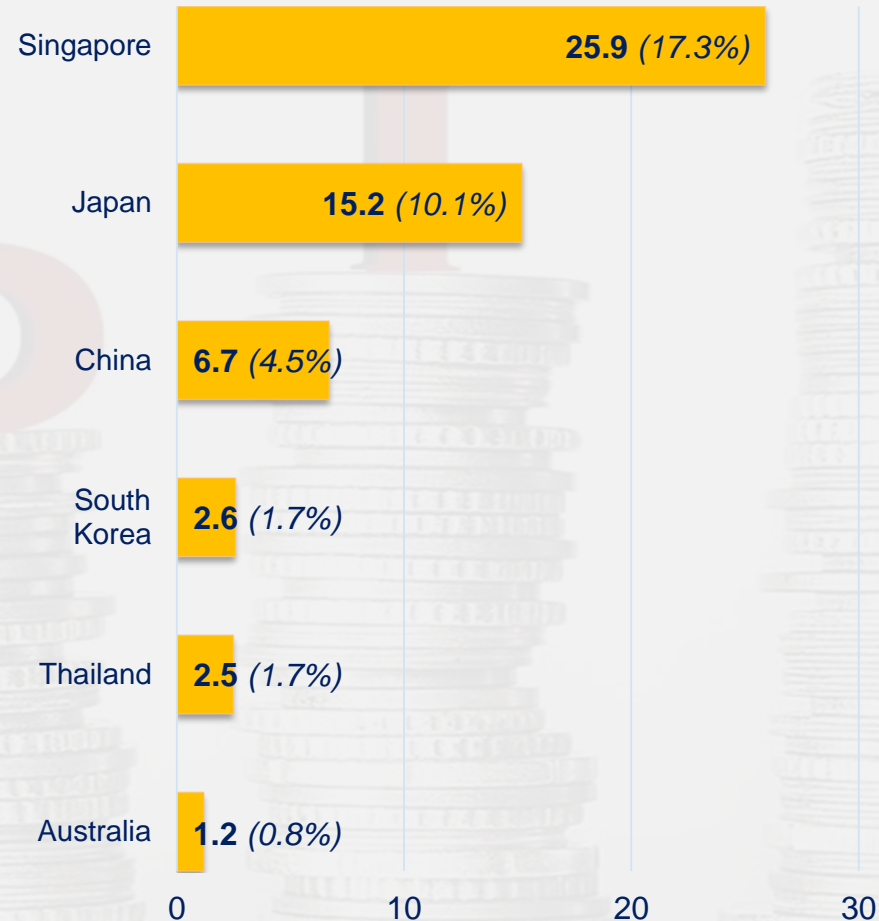
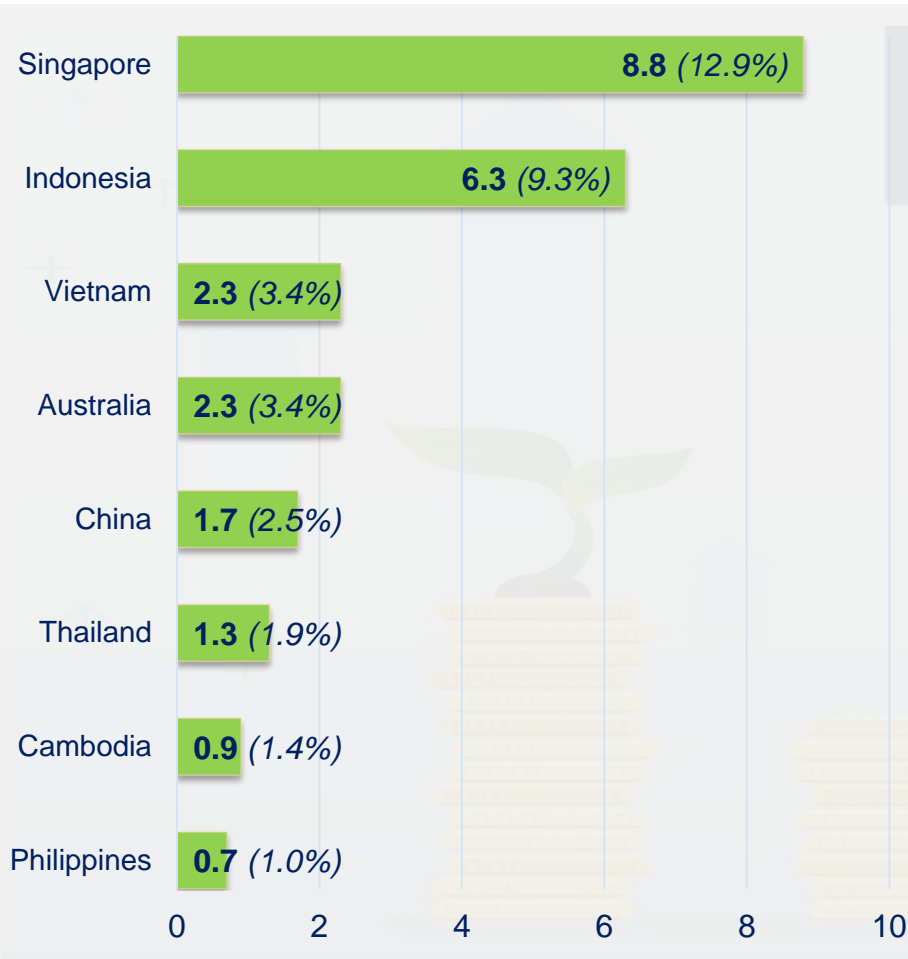


Figure in parenthesis indicates % share of total gross FDI flow

Source: BNM

Malaysia's gross outward investment flow to RCEP partners

Gross DIA from Malaysia to selected RCEP partners
RM billion, 2021



Gross DIA from Malaysia to selected RCEP partners
RM billion, average per year 2015-2021

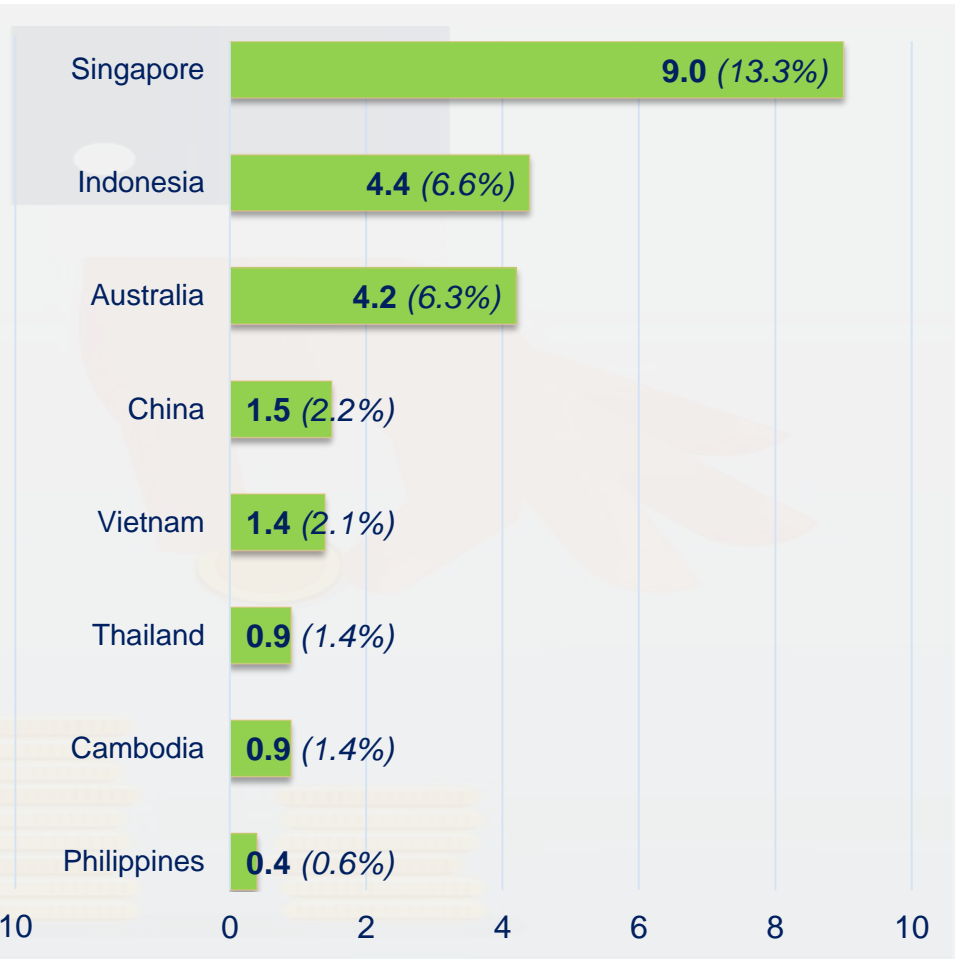
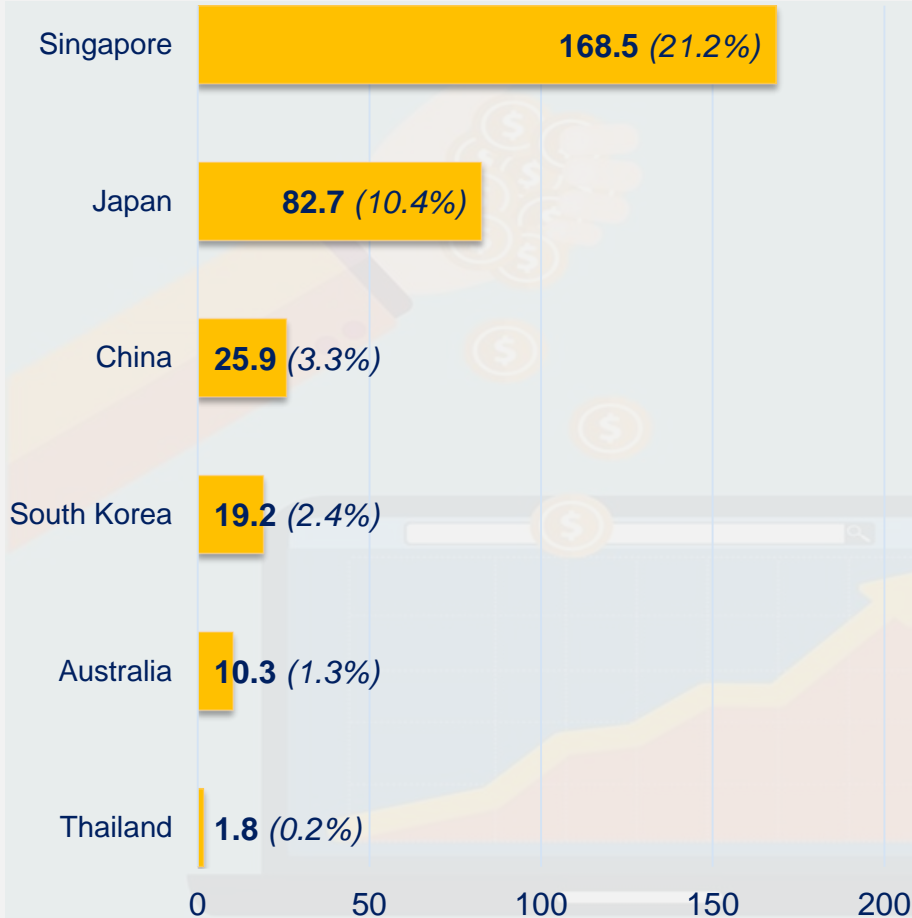


Figure in parenthesis indicates % share of total gross DIA flow
Source: BNM

RCEP partners' stock of FDI in Malaysia and Malaysia's outward investment stock in RCEP partners

FDI stock in Malaysia by selected RCEP partners
RM billion, 2021



DIA stock of Malaysia in selected RCEP partners
RM billion, 2021

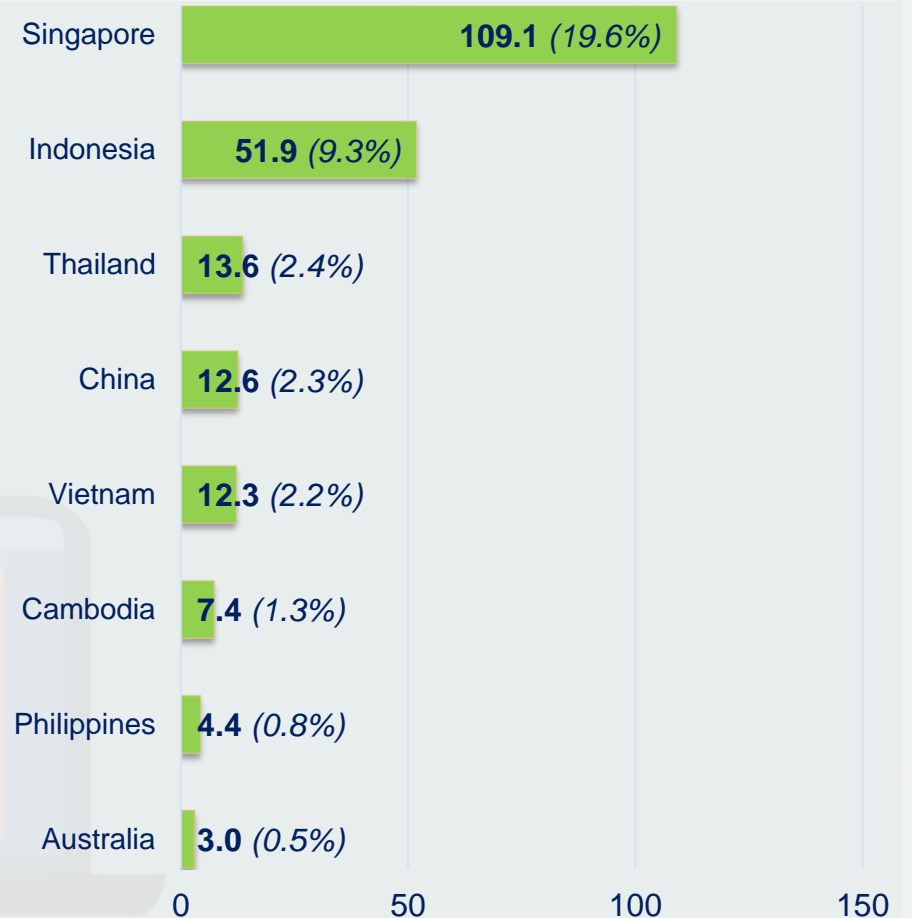
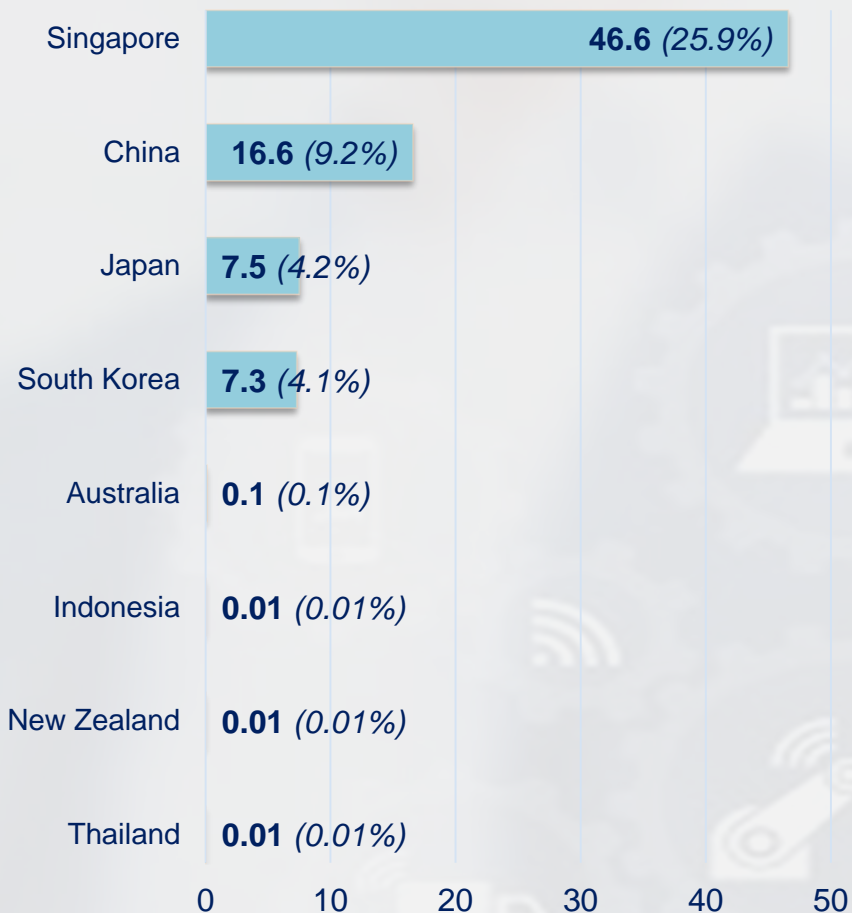


Figure in parenthesis indicates % share of total FDI/DIA stock
Source: BNM

Approved RCEP partners' manufacturing investment in Malaysia

Approved manufacturing investment in Malaysia by selected RCEP partners

RM billion, 2021



Approved manufacturing investment in Malaysia by selected RCEP partners

RM billion, average per year 2015-2020

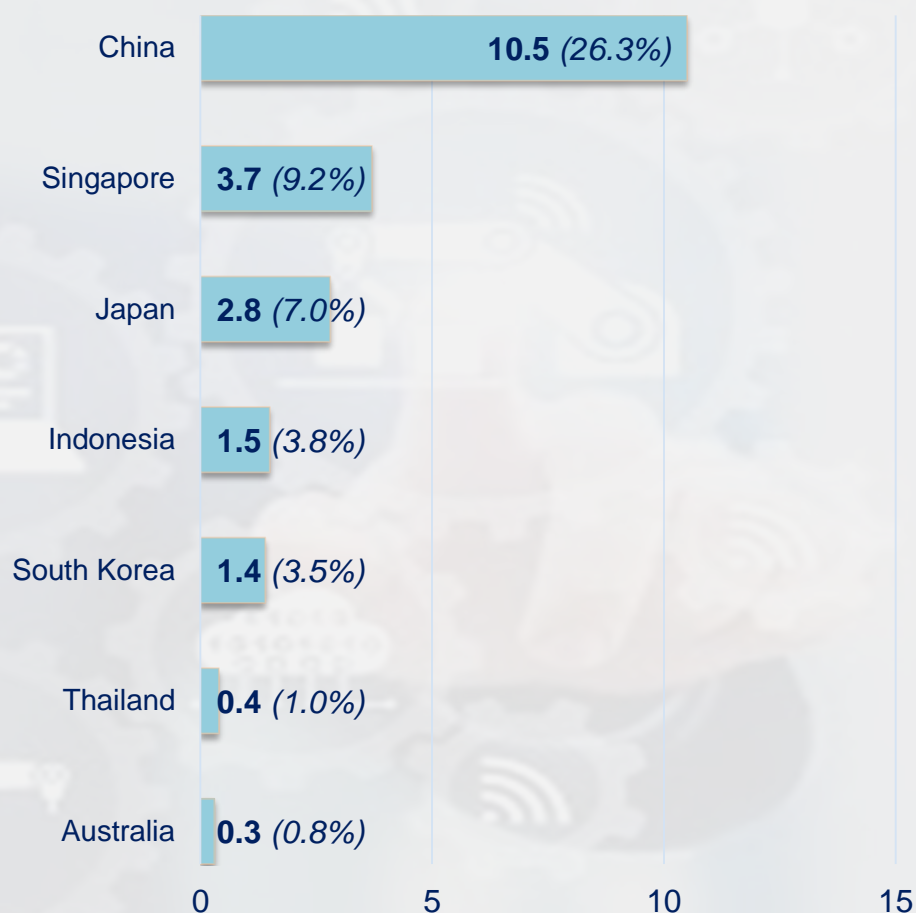


Figure in parenthesis indicates % share of total approved manufacturing investment

Source: MIDA

Malaysia's schedule of tariff commitments

- **Currently, 9,425 tariff lines in Malaysia's schedule of Tariff Commitments. Before the implementation of RCEP, 64.6% of tariff lines are enjoying zero tariff with the RCEP parties.***
- **20.0% of tariff lines will reduce to zero tariff rate either in Year 10, Year 15 or Year 20.**
- **Ultimately, 90% of tariff lines will not impose any tariff rate in year 20 and subsequent years.**

By category		Share of tariff lines
Tariff lines are enjoying zero tariff rate*		64.6%
After implementation of RCEP,		
	Tariff lines will immediately enjoy zero tariff rate	5.3%
	Tariff lines will reduce to zero tariff rate in Year 10	13.2%
	Tariff lines will reduce to zero tariff rate in Year 15	6.1%
	Tariff lines will reduce to zero tariff rate in Year 20	0.7%
Tariff rate will be reduced but not to be zero-rated		2.7%
Tariff lines will be excluded from any commitment of tariff reduction or elimination		7.3%
Total =		100.0%

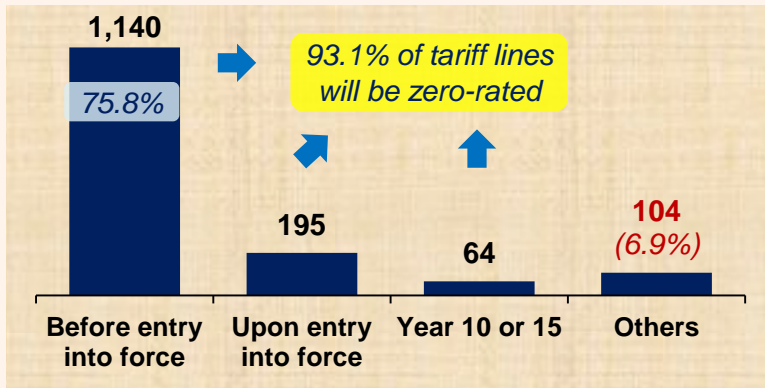
* Malaysia's Most Favoured-Nation (MFN) rates of duty in effect on 1 January 2014.

Source: SERC calculates

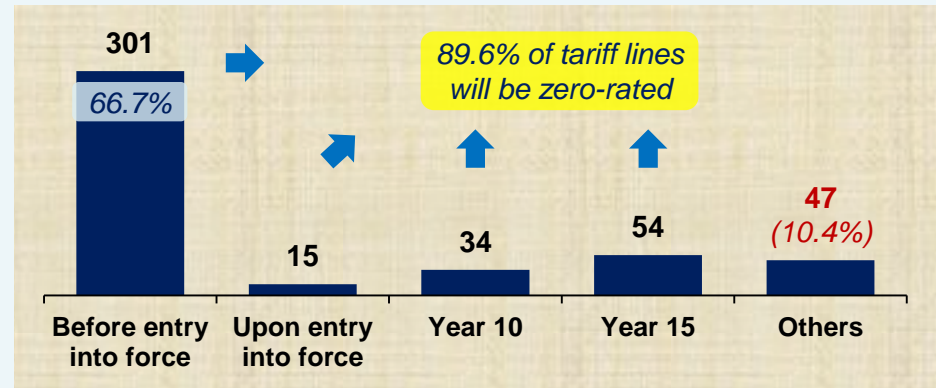
Malaysia's schedule of tariff commitments by selected products



Food and beverages
(HS code 01-23)
Total tariff lines: 1,503



Electronics and electrical products
(HS code 85)
Total tariff lines: 451



Silk and cotton
(HS code 50 and 52)
Total tariff lines: 177

Zero-rated tariff lines	
Before entry into force	14 or 7.9%
By Year 10	177 or 100.0%



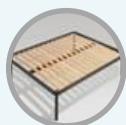
Imported passenger cars
(HS code 8703)
Total tariff lines: 182

Zero-rated tariff lines	
Before entry into force	6 or 3.3%
By Year 20	92 or 50.5%
Not subject to commitment of any tariff reduction or elimination	90 or 49.5%

Note: Tariff lines before entry into force refers to Malaysia's MFN rate as at 1 January 2014.

Malaysia's selected imported goods from RCEP members

Malaysia's selected imported goods from RCEP members "immediately enjoying zero tariffs"



BR=20%

Mattress supports



BR=15%

Kiwifruits



BR=15%

Upright piano



BR=7%

Smoked pacific salmon



BR=6%

Sweet biscuits



BR=5%

Liquid dielectric
transformers



BR=5%

Ballasts for discharge
lamps or tubes



BR=5%

Railway or tramway sleepers
(cross-ties) of wood



BR=5%

Pears



BR=5%

Dolomite



BR=5%

Theodolites and
tachymeters



BR=5%

Hand saws

Note: BR=Base rate*; *Base tariff rate of imported products before the RCEP coming into force.

Source: Malaysia's Schedule of RCEP's Tariff Commitments

Malaysia's selected imported goods from RCEP members (cont.)

Malaysia's selected imported goods from RCEP members "excluding from any commitment of tariff reduction or elimination"

 <p>TR=30% Persimmons</p>	 <p>TR=30% Mata Kuching (including longan)</p>	 <p>TR=25% White cement, whether or not artificially coloured</p>	 <p>TR=20% Flat-rolled products of iron or non-alloy steel</p>
 <p>TR=20% Kettles</p>	 <p>TR=20% Rice cookers</p>	 <p>TR=20% Microwave ovens</p>	 <p>TR=20% Bridge cranes</p>
 <p>TR=15-40% Cereals "Rice"</p>	 <p>TR= 5% and RM1.32277 Bananas, including plantains, fresh or dried</p>	 <p>TR=5% and RM0.3307 Durian</p>	 <p>TR=5% Black Tea</p>

Note: BR=Base rate*; *Base tariff rate of imported products before the RCEP coming into force.

Source: Malaysia's Schedule of RCEP's Tariff Commitments

China's selected imported goods from ASEAN members

China's selected imported goods from ASEAN members "immediately enjoying zero tariffs"



Durians

BR=20%



Rambutans

BR=20%



Dragon fruit

BR=20%



Upright pianos

BR=17.5%



Black Tea

BR=15%



Green Tea

BR=15%



Ginger

BR=15%



Guavas

BR=15%



Cocoa powder

BR=15%



Tableware

BR=15%



Slotting machines

BR=15%



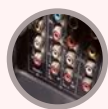
Shaping machines

BR=15%



Padlocks

BR=14%



Audio-frequency electric amplifiers

BR=12%



Tufted textile fabrics

BR=10%

Note: BR=Base rate*; *Base tariff rate of imported products before the RCEP coming into force.

Source: Malaysia's Schedule of RCEP's Tariff Commitments

China's selected imported goods from ASEAN members (cont.)

China's selected imported goods from ASEAN members (cont.) "immediately enjoying zero tariffs"



BR=10% Walking-sticks,
seat-sticks,
whips, riding-
crops



BR=10% Safety
pins



BR=10% Liquid
filled
heaters



BR=10% Sealed
beam
lamp
unit



BR=10% Electrical
storage
water
heaters



BR=10% Sparking
plug



BR=10% Vacuum
cleaners



BR=8.4% Hand
saws



BR=8% Tin bars,
rods,
profiles
and wire



BR=8% Surgical
gloves



BR=8% Spades and
shovels



BR=6-7% Aluminium powders
and flakes



BR=3-10% Pharmace-utical Products
(HS Code 30)**

Note: BR=Base rate*; *Base tariff rate of imported products before the RCEP coming into force.

Source: Malaysia's Schedule of RCEP's Tariff Commitments

RCEP's impact on Malaysia – Gain or Pain?



GDP

0.8% - 1.7%



Exports

24.4%

Malaysia's trade with RCEP members make up **58.3%** of total trade in 2021 (Exports: 55.5%; Imports: 61.9%). ASEAN's investment of RM43.1 billion made up 22.1% of total investment in Malaysia; Japan (8.7%) and China (3.7%)



Increased commercial opportunities and partnerships



Mixed impact on economic sectors and industries (manufacturing, services, SMEs, consumer, agriculture)



Better market access



Growing Opportunities



Attract Investment



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.

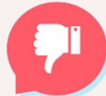


Television

Refrigerator

Air conditioner

- 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.

1



Less competitive (Domestic Businesses, SMEs)

2




Maintaining **product brand trust, good quality and standard products** are important

3




Competitive advantage - Innovation and Advance technology development

5



Adoption of digital technology and e-commerce platform

4



A company's and businesses' competitiveness depends on **the capacity of its industry to innovate and upgrade**





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