



**Socio-Economic
Research Centre**

社会经济研究中心

2024 “EXPLORING RCEP OPPORTUNITIES” SEMINAR

Capitalising on RCEP Opportunities: Survey on Malaysian Firms

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16 April 2024



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Snapshot Overview of RCEP

02

Malaysia's Position in RCEP

03

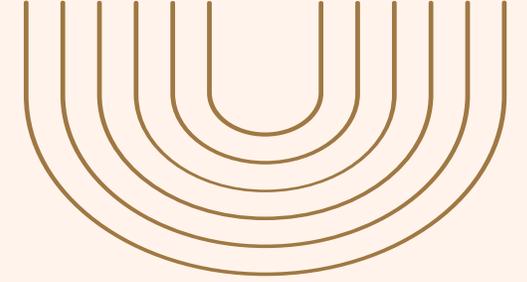
Latest RCEP Utilisation in Malaysia

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05

Conclusion



01 Snapshot Overview of RCEP



Snapshot overview of RCEP – Effective 1 January 2022

Regional Comprehensive Economic Partnership (RCEP)
15 Members

 BRUNEI	 MYANMAR	 AUSTRALIA
 CAMBODIA	 PHILIPPINES	 CHINA
 INDONESIA	 SINGAPORE	 JAPAN
 LAOS	 THAILAND	 NEW ZEALAND
 MALAYSIA	 VIETNAM	 SOUTH KOREA

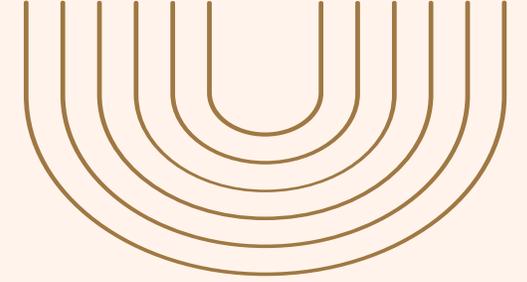
10 ASEAN Members + 5 ASEAN's FTA Partners



Source: World Bank Data as at 2022

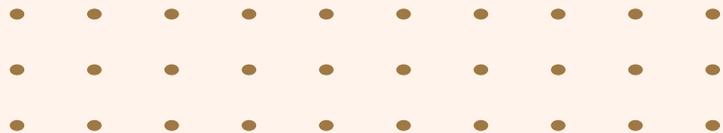
Objectives of RCEP

- 1 Elimination or reduction of import duties
- 2 Promotion, facilitation, protection and investment liberalisation
- 3 Protection of intellectual property rights, facilitation in e-commerce
- 4 Economic and technical cooperation



02 Malaysia's Position in RCEP

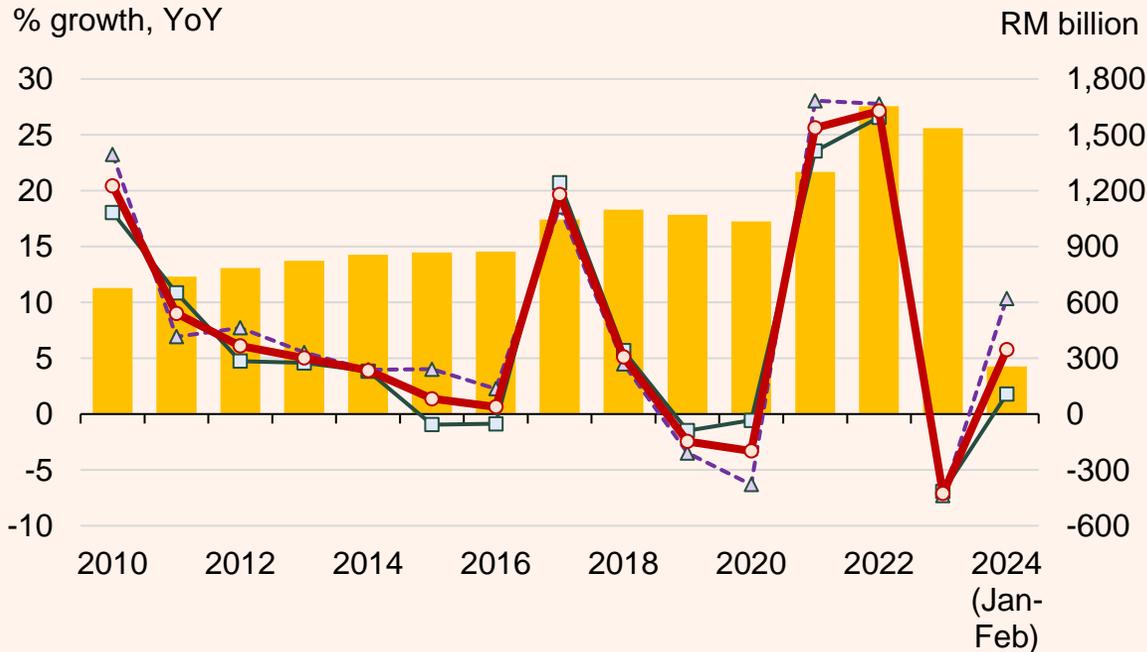
Malaysia ratified the RCEP Agreement on 17 January 2022 and entered into force on 18 March 2022



RCEP markets constitute more than half of Malaysia's external trade

Malaysia's trade performance with the RCEP partners

	Exports	Imports	Total Trade
Total Trade Value (RHS)			
<i>RCEP as % of Malaysia (2023)</i>	56.9%	59.8%	58.2%
<i>CAGR (2010-2023)</i>	+7.2%	+7.7%	+7.4%
<i>% Growth (2023)</i>	-6.9%	-7.3%	-7.1%



Among the RCEP members, Malaysia ranked the seventh (7) largest trading partner in terms of total value of external trade with respective RCEP partners.

Total trade (US\$ billion) – 2022

	1	China	2,064.0
	2	Japan	784.7
	3	South Korea	672.1
...			
	7	Malaysia	375.6

Total exports (US\$ billion)

	1	China	990.8
	2	Japan	336.3
	3	South Korea	333.5
...			
	6	Malaysia	198.1

Total imports (US\$ billion)

	1	China	1,073.2
	2	Japan	448.4
	3	South Korea	338.6
...			
	8	Malaysia	177.5

Source: Bank Negara Malaysia (BNM); Department of Statistics, Malaysia (DOSM); UN Comtrade

Malaysia's trade with the RCEP partners

Total Trade with the RCEP partners in 2023

RM billion

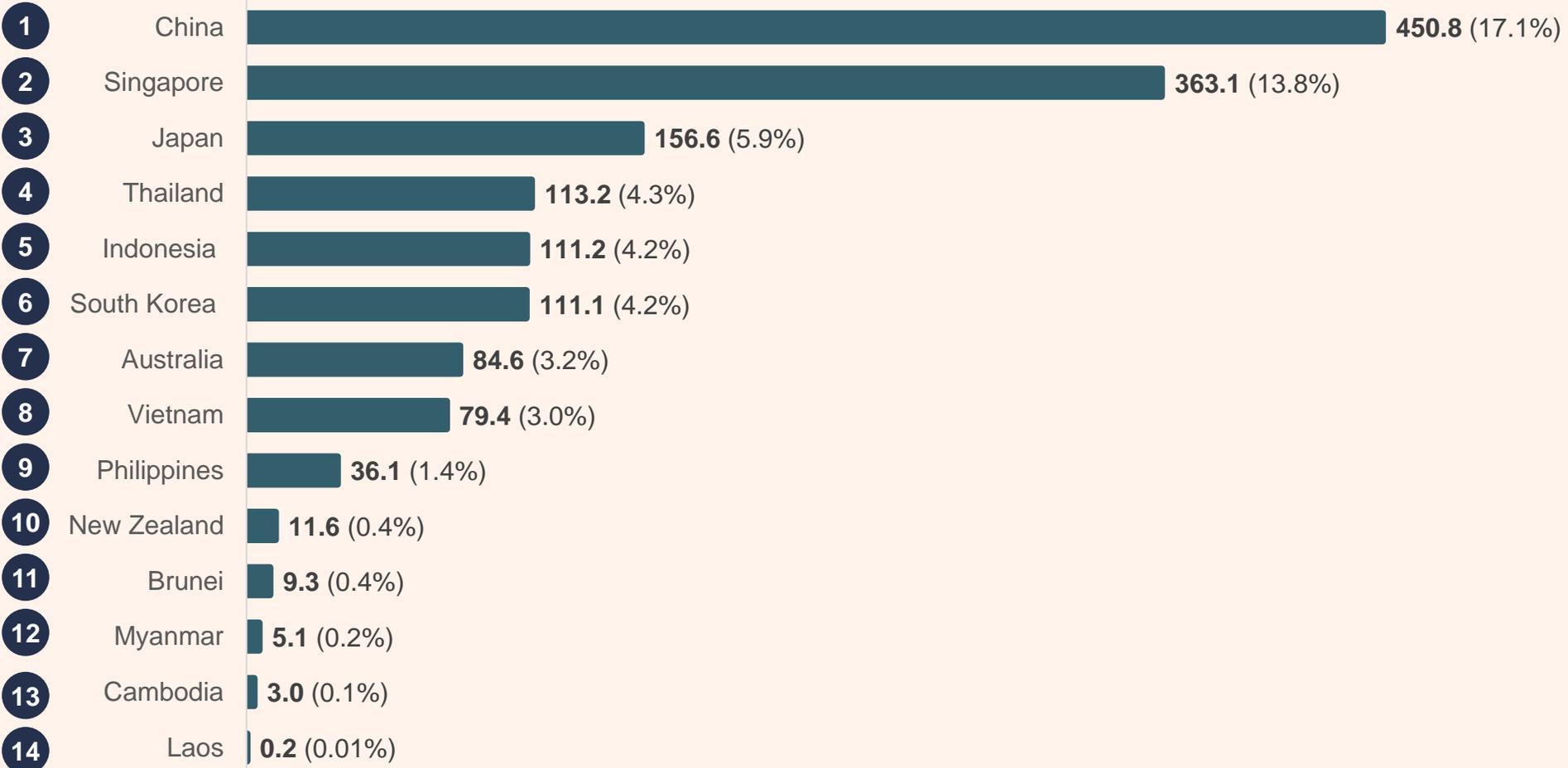
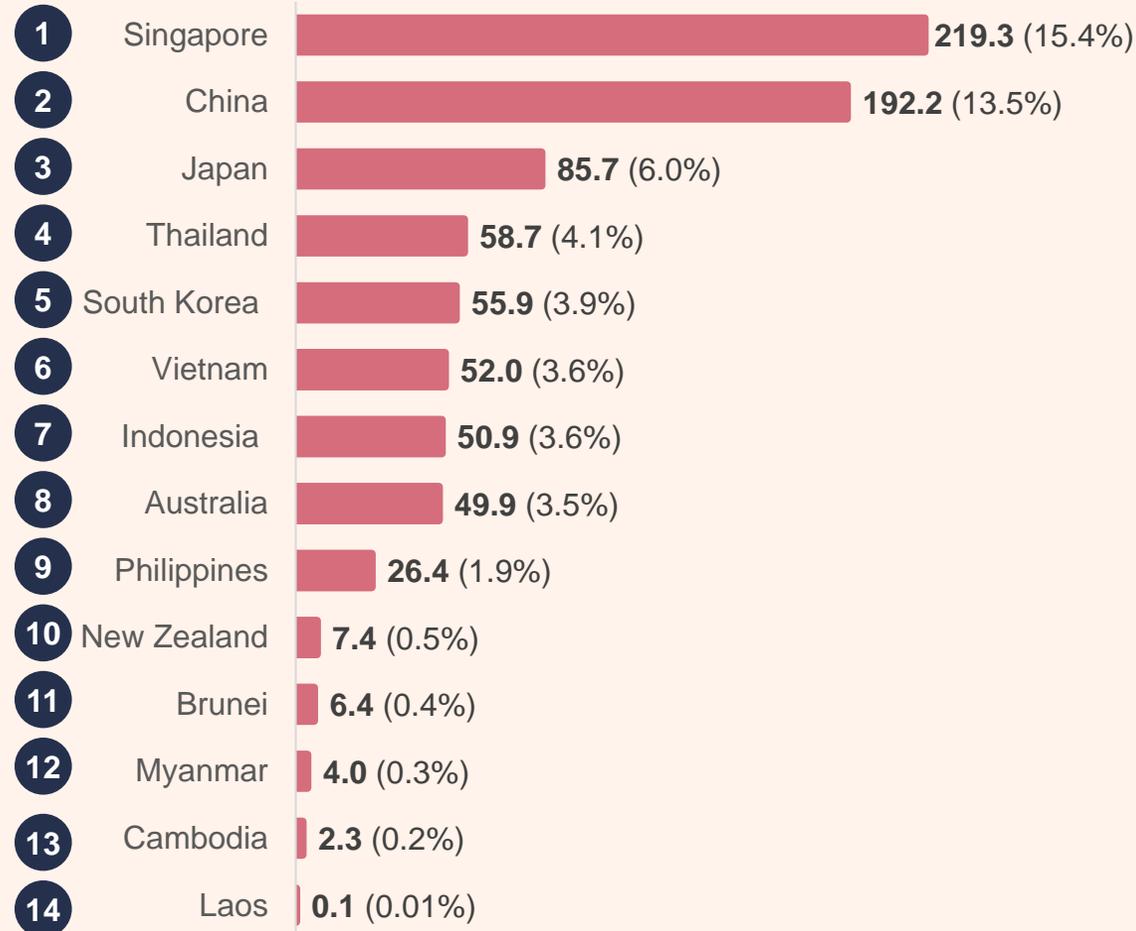


Figure in parenthesis indicates % share of Malaysia's total trade.

Source: DOSM

Malaysia's trade (exports and imports) with the RCEP partners

Total exports to the RCEP partners in 2023 RM billion



Total imports from the RCEP partners in 2023 RM billion

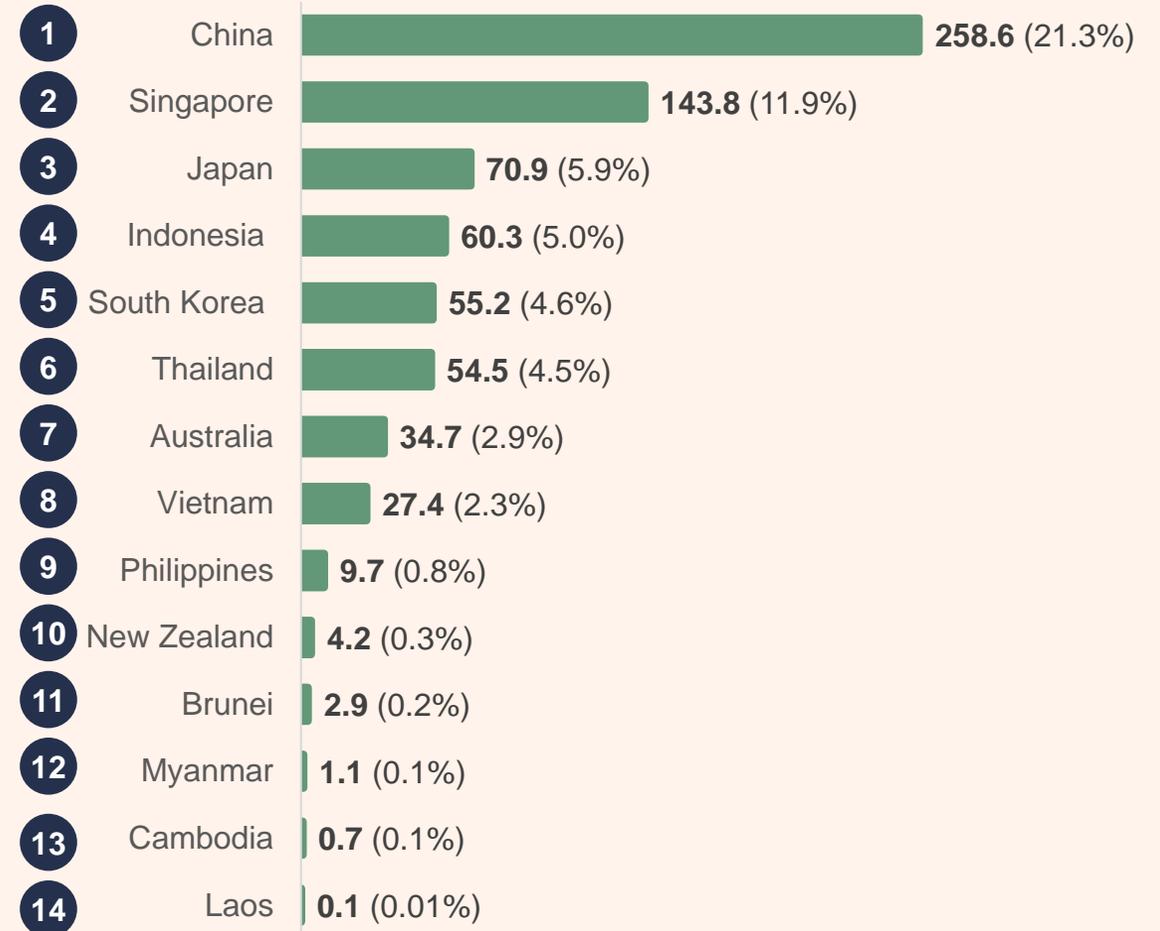


Figure in parenthesis indicates % share of Malaysia's total exports / imports.
Source: DOSM

Malaysia's major export products to the RCEP members in 2023

Australia		RM mil	% share
27	Mineral fuels and oils	28,184.6	56.5%
84	Machinery and equipment	3,783.2	7.6%
85	Electrical and electronic products	2,898.1	5.8%
39	Plastic products	1,544.0	3.1%
73	Iron or steel products	1,144.0	2.3%

Brunei		RM mil	% share
27	Mineral fuels and oils	3,907.5	61.0%
39	Plastic products	264.8	4.1%
84	Machinery and equipment	210.5	3.3%
19	Preparations of cereals, etc.	189.4	3.0%
30	Pharmaceutical products	175.8	2.7%

Cambodia		RM mil	% share
27	Mineral fuels and oils	772.8	32.9%
60	Knitted or crocheted fabrics	367.0	15.6%
76	Aluminium products	343.5	14.6%
26	Ores, slag and ash	94.9	4.0%
84	Machinery and equipment	74.7	3.2%

China		RM mil	% share
85	Electrical and electronic products	82,694.7	43.0%
27	Mineral fuels and oils	20,097.4	10.5%
39	Plastic products	9,889.5	5.1%
90	Optical and medical equipment	8,085.4	4.2%
84	Machinery and equipment	7,464.2	3.9%

Indonesia		RM mil	% share
27	Mineral fuels and oils	20,062.7	39.4%
84	Machinery and equipment	4,796.6	9.4%
39	Plastic products	4,252.3	8.4%
85	Electrical and electronic products	3,995.2	7.8%
29	Organic chemicals	2,260.9	4.4%

Japan		RM mil	% share
27	Mineral fuels and oils	32,440.2	37.9%
85	Electrical and electronic products	21,475.1	25.1%
90	Optical and medical equipment	3,893.1	4.5%
15	Animal or vegetable fats and oils	2,750.5	3.2%
39	Plastic products	2,542.4	3.0%

Laos		RM mil	% share
27	Mineral fuels and oils	55.0	40.7%
84	Machinery and equipment	23.0	17.0%
55	Man-made staple fibres	19.0	14.1%
87	Vehicles	9.2	6.8%
52	Cotton	6.0	4.4%

Myanmar		RM mil	% share
27	Mineral fuels and oils	1,930.2	48.2%
72	Iron and steel	567.0	14.2%
15	Animal or vegetable fats and oils	269.8	6.7%
39	Plastic products	173.5	4.3%
31	Fertilisers	148.5	3.7%

New Zealand		RM mil	% share
27	Mineral fuels and oils	3,922.4	53.1%
84	Machinery and equipment	448.2	6.1%
23	Residues from food industries	426.2	5.8%
85	Electrical and electronic products	383.2	5.2%
15	Animal or vegetable fats and oils	376.7	5.1%

Philippines		RM mil	% share
27	Mineral fuels and oils	6,292.9	23.8%
85	Electrical and electronic products	5,420.0	20.5%
15	Animal or vegetable fats and oils	2,285.3	8.6%
39	Plastic products	1,505.3	5.7%
84	Machinery and equipment	1,445.9	5.5%

Singapore		RM mil	% share
85	Electrical and electronic products	101,250.0	46.2%
27	Mineral fuels and oils	35,649.4	16.3%
84	Machinery and equipment	21,373.7	9.7%
90	Optical and medical equipment	7,462.3	3.4%
71	Pearls, precious stones & metals	4,073.6	1.9%

South Korea		RM mil	% share
27	Mineral fuels and oils	21,788.3	39.0%
85	Electrical and electronic products	17,354.9	31.1%
84	Machinery and equipment	1,967.1	3.5%
90	Optical and medical equipment	1,934.4	3.5%
15	Animal or vegetable fats and oils	1,586.8	2.8%

Thailand		RM mil	% share
85	Electrical and electronic products	15,319.4	26.1%
27	Mineral fuels and oils	14,057.9	23.9%
84	Machinery and equipment	4,663.2	7.9%
39	Plastic products	2,816.6	4.8%
90	Optical and medical equipment	2,193.6	3.7%

Vietnam		RM mil	% share
85	Electrical and electronic products	23,979.7	46.1%
27	Mineral fuels and oils	8,315.4	16.0%
84	Machinery and equipment	2,844.3	5.5%
39	Plastic products	2,460.3	4.7%
15	Animal or vegetable fats and oils	2,093.9	4.0%

Note: Classification based on HS code Source: DOSM

Malaysia's major import products from the RCEP members in 2023

Australia		RM mil	% share
27	Mineral fuels and oils	16,169.5	46.5%
74	Copper products	3,799.4	10.9%
26	Ores, slag and ash	2,103.9	6.1%
10	Cereals	1,719.0	4.9%
28	Inorganic chemicals	1,538.4	4.4%

Brunei		RM mil	% share
27	Mineral fuels and oils	2,438.6	83.8%
29	Organic chemicals	303.2	10.4%
31	Fertilizers	35.4	1.2%
39	Plastic products	25.2	0.9%
84	Machinery and equipment	16.8	0.6%

Cambodia		RM mil	% share
61	Knitted / crocheted apparel & clothing accs.	187.4	27.8%
10	Cereals	176.5	26.2%
62	Not knitted / crocheted apparel & clothing accs.	81.5	12.1%
42	Leather products	71.0	10.5%
64	Footwear	46.4	6.9%

China		RM mil	% share
85	Electrical and electronic products	87,424.6	33.8%
84	Machinery and equipment	41,924.1	16.2%
27	Mineral fuels and oils	20,428.9	7.9%
39	Plastic products	9,985.2	3.9%
38	Miscellaneous chemical products	9,356.3	3.6%

Indonesia		RM mil	% share
27	Mineral fuels and oils	18,401.8	30.5%
15	Animal or vegetable fats and oils	6,618.0	11.0%
38	Miscellaneous chemical products	5,141.7	8.5%
72	Iron and steel	2,770.7	4.6%
87	Vehicles	2,695.1	4.5%

Japan		RM mil	% share
85	Electrical and electronic products	24,017.0	33.9%
84	Machinery and equipment	10,465.6	14.8%
87	Vehicles	7,297.9	10.3%
39	Plastic products	3,490.7	4.9%
72	Iron and steel	3,389.2	4.8%

Laos		RM mil	% share
31	Fertilisers	57.4	76.0%
26	Ores, slag and ash	9.4	12.5%
85	Electrical and electronic products	3.0	3.9%
24	Tobacco products	2.2	2.9%
47	Wood pulp, paper and paperboard	0.9	1.2%

Myanmar		RM mil	% share
07	Edible vegetables	219.1	20.8%
40	Rubber products	185.3	17.6%
03	Fish and other aquatic invertebrates	137.1	13.0%
61	Knitted / crocheted apparel & clothing accs.	129.5	12.3%
10	Cereals	113.0	10.7%

New Zealand		RM mil	% share
04	Dairy products, eggs, honey, etc.	2,410.8	57.8%
19	Preparations of cereals, etc.	217.2	5.2%
02	Meat and edible meat offal	210.8	5.1%
47	Wood pulp, paper and paperboard	142.4	3.4%
76	Aluminium products	111.5	2.7%

Philippines		RM mil	% share
85	Electrical and electronic products	5,967.6	61.7%
84	Machinery and equipment	489.6	5.1%
74	Copper products	394.9	4.1%
40	Rubber products	381.1	3.9%
90	Optical and medical equipment	371.5	3.8%

Singapore		RM mil	% share
85	Electrical and electronic products	44,850.5	31.2%
27	Mineral fuels and oils	44,378.7	30.9%
84	Machinery and equipment	12,119.0	8.4%
71	Pearls, precious stones & metals	7,656.6	5.3%
39	Plastic products	4,968.6	3.5%

South Korea		RM mil	% share
27	Mineral fuels and oils	15,646.8	28.3%
85	Electrical and electronic products	15,556.5	28.2%
84	Machinery and equipment	5,659.0	10.3%
72	Iron and steel	3,093.3	5.6%
28	Inorganic chemicals	2,761.6	5.0%

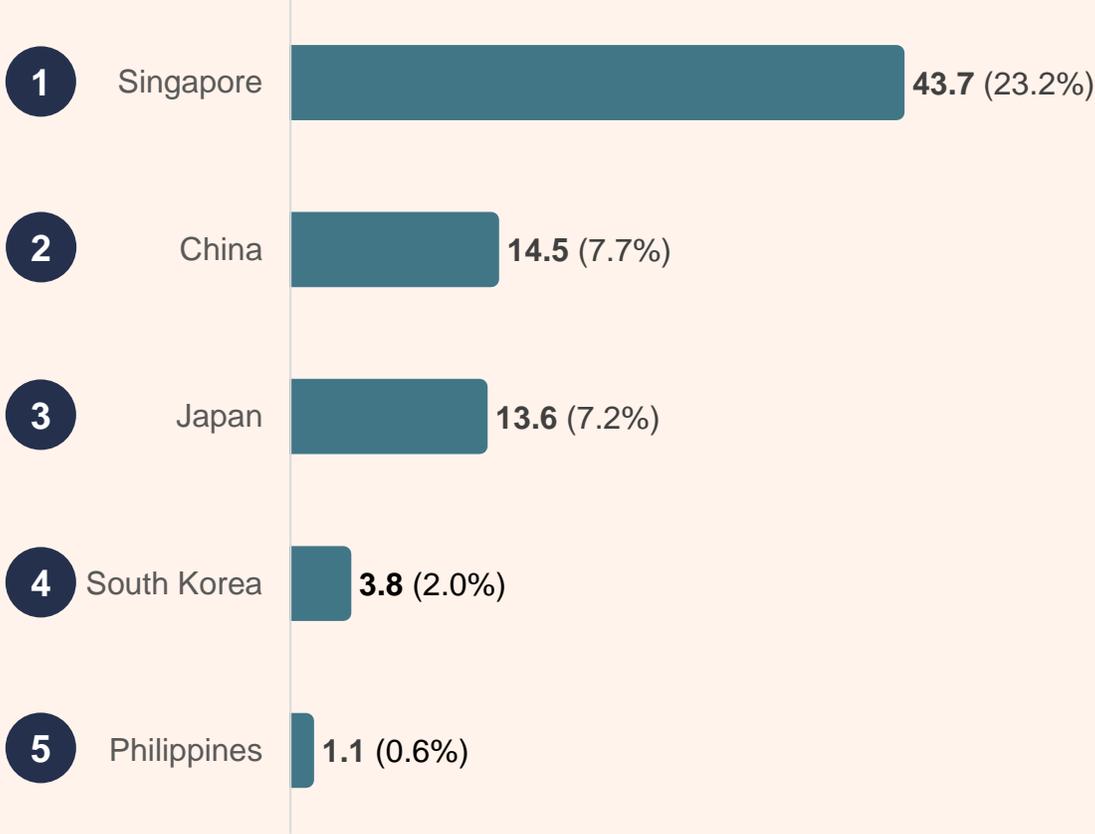
Thailand		RM mil	% share
87	Vehicles	9,803.3	18.0%
85	Electrical and electronic products	9,317.9	17.1%
84	Machinery and equipment	5,116.9	9.4%
40	Rubber products	4,258.5	7.8%
27	Mineral fuels and oils	4,062.8	7.5%

Vietnam		RM mil	% share
85	Electrical and electronic products	8,753.1	31.9%
72	Iron and steel	2,723.2	9.9%
38	Miscellaneous chemical products	2,481.6	9.1%
84	Machinery and equipment	1,847.3	6.7%
10	Cereals	988.2	3.6%

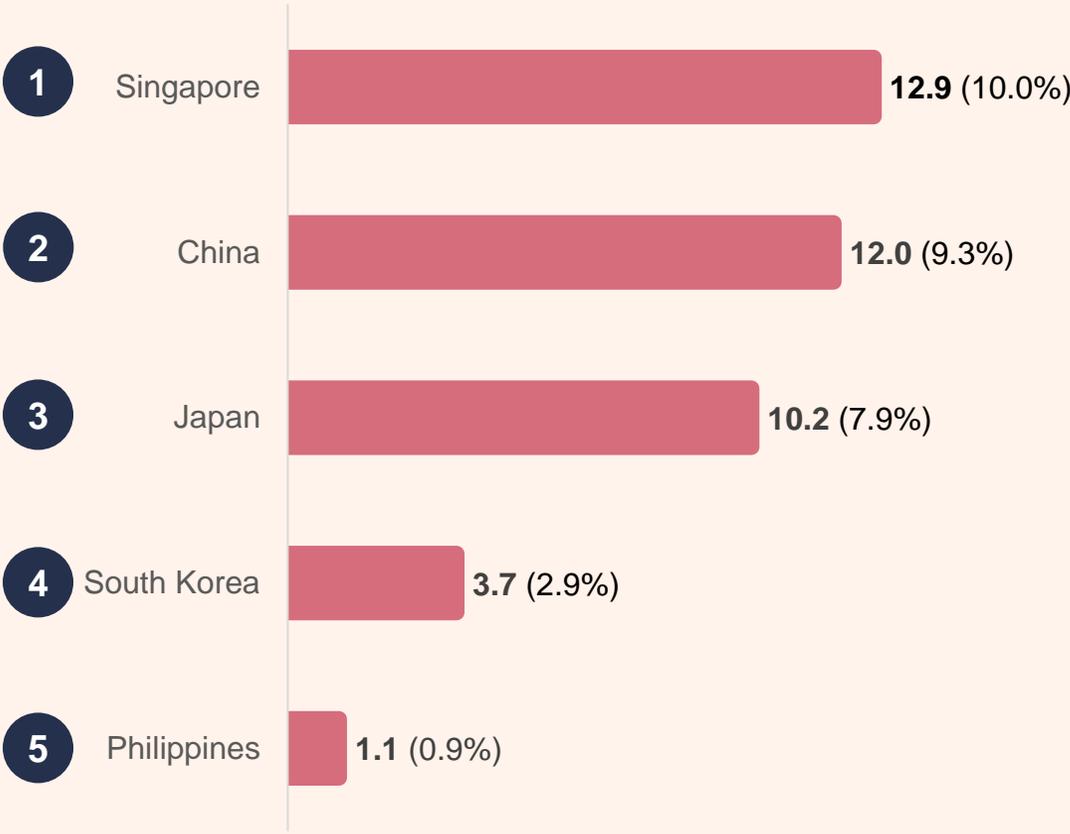
Note: Classification based on HS code Source: DOSM

Selected RCEP partners' approved investments in Malaysia

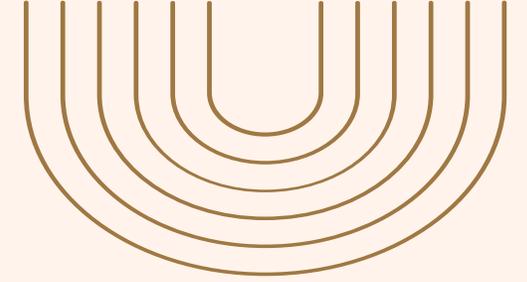
Approved investment for all sectors with foreign participation
RM billion, 2023



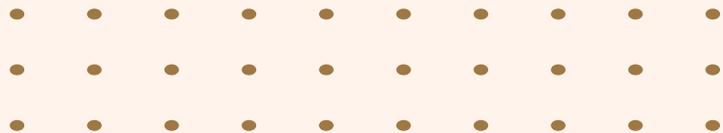
Approved manufacturing investment with foreign participation
RM billion, 2023



Note: Figure in parenthesis indicates % share of total approved foreign investment for all sectors / manufacturing sector.
Source: Malaysian Investment Development Authority (MIDA)



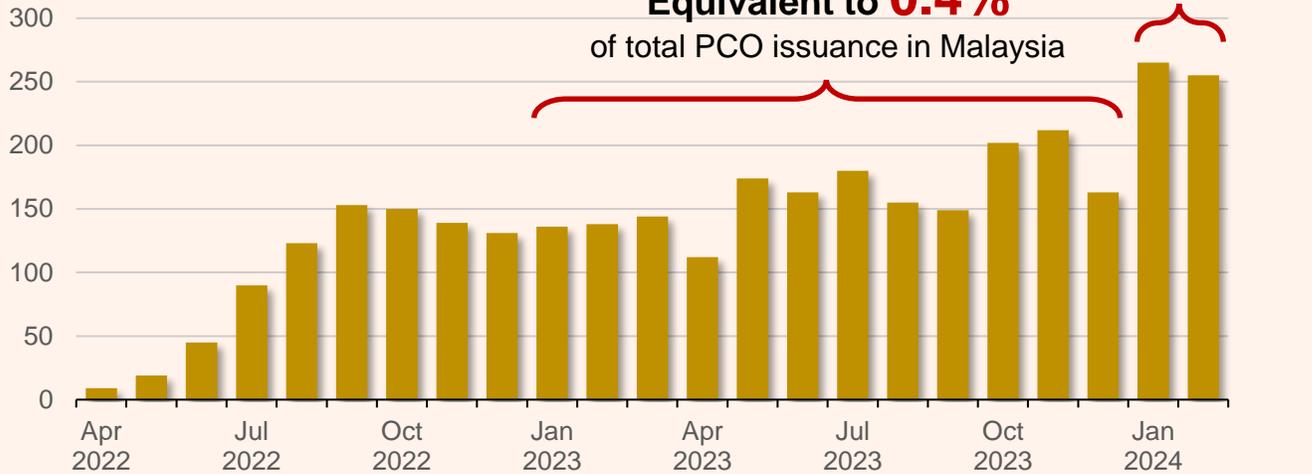
03 Latest RCEP Utilisation in Malaysia



Low RCEP utilisation in Malaysia

Preferential Certificates of Origin (PCO) issuance under RCEP

Number



Compared to other selected FTAs (Jan-Feb 2024)

ATIGA (ASEAN)	35.5%
ACFTA (ASEAN-China)	23.3%
AANZFTA (ASEAN-AU-NZ)	8.2%
AIFTA (ASEAN-India)	6.5%
AKFTA (ASEAN-South Korea)	6.0%
MJCEP (Malaysia-Japan)	5.5%
CPTPP	1.8%

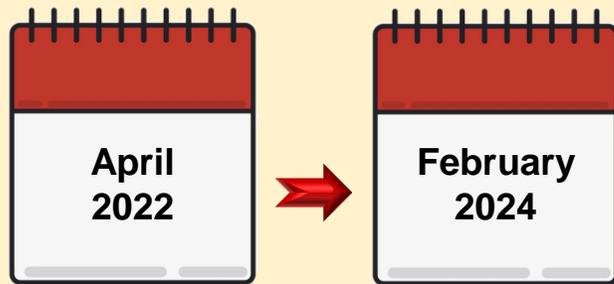
Top 3 Markets via RCEP

April 2022 – February 2024

by export value



By export value ...



23 months

PCO issuance for RCEP

3,307
worth
RM1,101.2 million
of export value

Equivalent to merely
0.07%
of total export value to RCEP markets
in April 2022 to February 2024

Source: Ministry of Investment, Trade and Industry (MITI), Malaysia

Top 3 markets collectively accounted for 90.3% of total exports that via RCEP.

Low RCEP utilisation in Malaysia – channel checks with business players

01

Not in export-import business

Most businesses are domestic-market orientation, and hence, the RCEP or other trade agreements are not applicable to them.

02

Continued utilisation of other FTAs

Some importers and exporters continue to utilise the long-existence Free Trade Agreements (FTAs) such as ATIGA (Intra-ASEAN), ACFTA (ASEAN-China), AANZFTA (ASEAN-Australia-New Zealand), etc.. These agreements offer similar tariff concessions, or better tariffs structure and there are no differences with that of RCEP.

01

03

02

04

Unfamiliar with RCEP benefits

As Malaysia ratified RCEP in March 2022, and also just recovered from from the COVID-19 pandemic, rendering it relatively new to the business community. Some businesses still need time to familiarise with it.

03

Lack of guidance from government departments

Lack of understanding of how RCEP works coupled with a lack of guidance from government agencies throughout the application process.

04

The Schedule of Tariff Commitments under RCEP is no better off compared to existing FTAs for a number of products: Fact check

Trade with China: Selected products

HS Code	Description	Export value to China in 2023 (RM million)	Import tariffs by China under RCEP (Year 2024=Year 3)	Import tariffs by China under ACFTA
081190	Fruit, edible; fruit and nuts not classified in heading 0811	1,191.0	25.5%; reduce over the years to 0% in Year 20	0%
190531	Sweet biscuits	117.7	12.0%; reduce over the years to 0% in Year 15	0%
210111	Extracts, essences and concentrates of coffee	84.4	13.6%; reduce over the years to 0% in Year 15	0%
441231	Plywood with at least one outer ply of tropical wood, each ply ≤6mm	9.4	11.1%; reduce over the years to 9.0% in Year 10	5%
722090	Flat-rolled stainless steel, width <600mm; others thickness	46.7	7.0%; reduce over the years to 0% in Year 15	0%
722611	Flat-rolled silicon-electrical steel, grain-oriented, width <600mm	311.4	2.8%; reduce over the years to 2.3% in Year 10	0%

Trade with Australia

Malaysia-Australia Free Trade Agreement (MAFTA)

100%
tariff elimination
by Australia
beginning 1 January 2013

RCEP
A list of tariff lines with import tariffs, including a list of unbounded tariff lines.

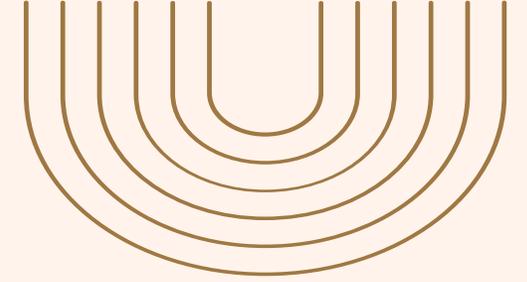
For examples:

HS721420 (A kind of hot-rolled steel bar): RM172.2 million exports in 2023

5% tariff rate in Year 3; gradually reduce to 0% in Year 20

HS830170 (Padlocks and lock: Keys presented separately): RM1.4 million exports in 2023

Unbounded with 5% import tariff



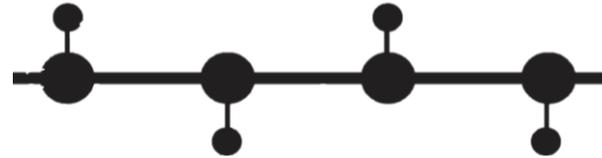
04 Summary of the RCEP Survey Results



ACCCIM, in collaboration with the Embassy of the People's Republic of China in Malaysia (China Embassy) has conducted a Quick-Take Survey (QTS) to gauge the utilisation of RCEP in Malaysia. The survey respondents were ACCCIM members.

Survey period

29/11/2023



30/12/2023

Number of respondents



156

By sector



Services

68.6%

(107)



Manufacturing

17.9%

(28)



Construction

9.6%

(15)



Agriculture

3.8%

(6)

By size of operations



Micro

18.6%

(29)



Small

48.1%

(75)



Medium

27.6%

(43)



Large

5.8%

(9)

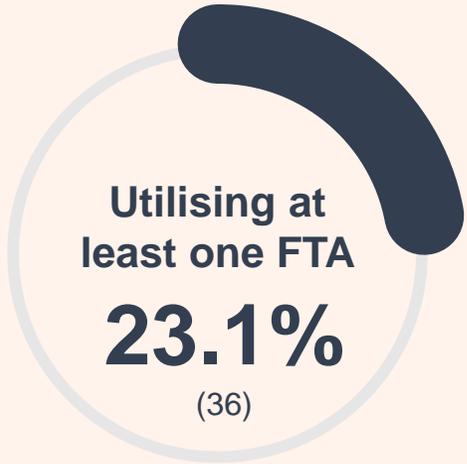
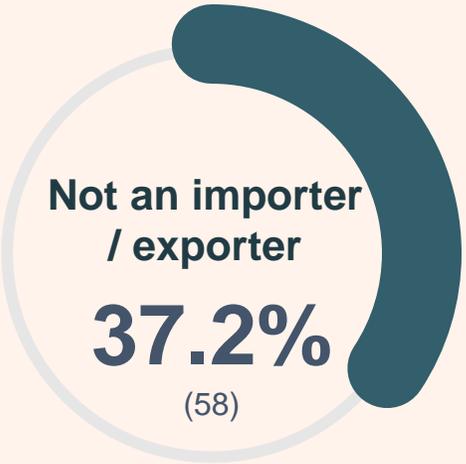
SMEs: 94.2%

Note Number in parenthesis indicates the number of respondents.

The low use of RCEP by the Malaysian firms

76.9% of respondents were not utilising any FTA

n=156



Which FTAs are they using?



77.8%
(28)

ACFTA (ASEAN-China)



41.7%
(15)

ATIGA (Intra-ASEAN)

Aligned with MITI's CO issuance



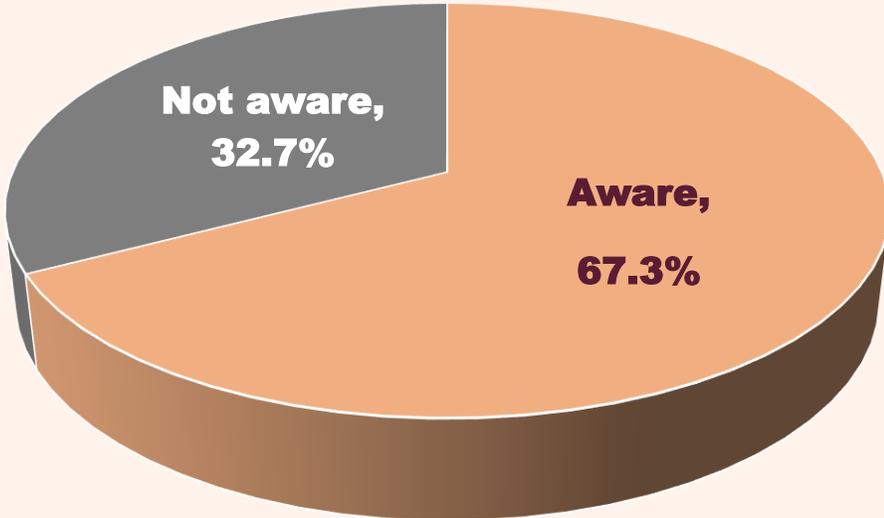
1.3%
(2)

Note Number in parenthesis indicates the number of respondents.

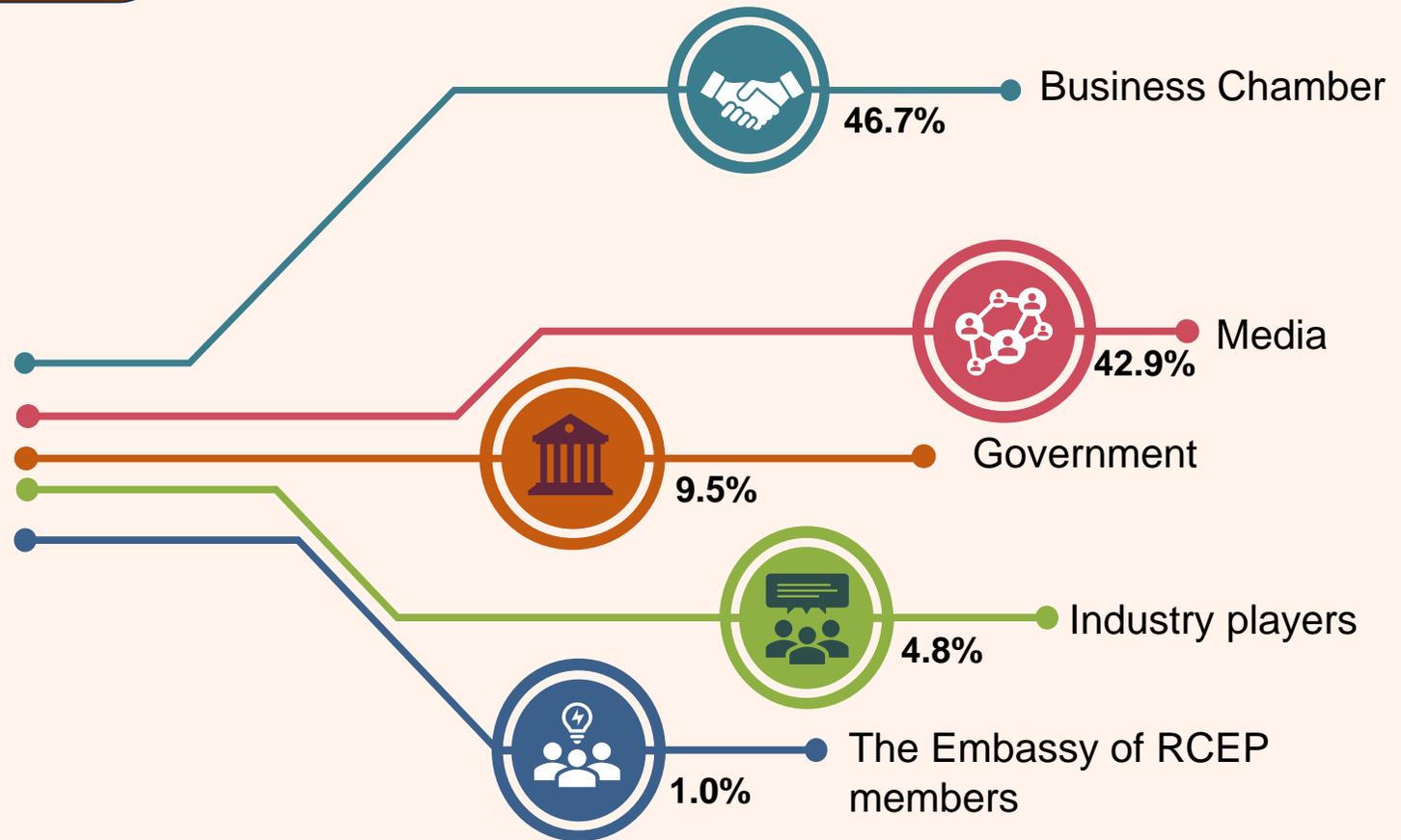
Low awareness of RCEP

Close to one-third of the respondents were not aware of RCEP

n=156



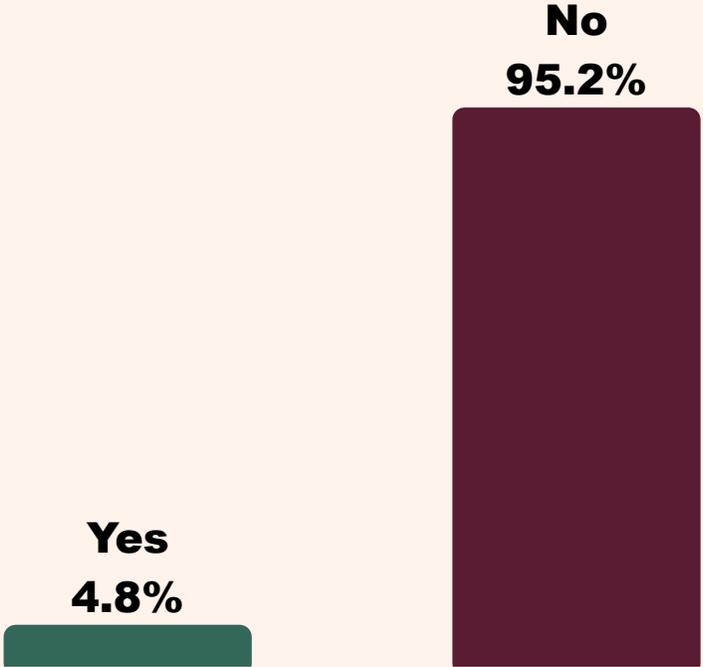
How did you first hear about RCEP?



The low utilisation of RCEP is in line with the official data and other surveys

Have you utilised RCEP before?

n=105

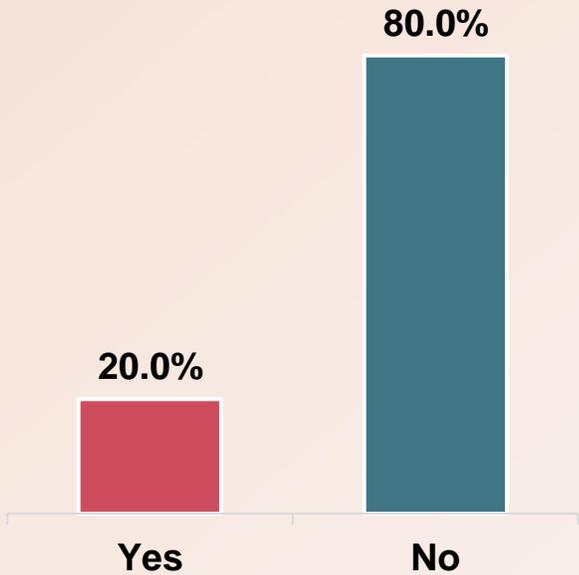


The majority of respondents are SMEs; and the Malaysian SMEs are mainly domestic market-oriented.

... other surveys also indicated low utilisation of RCEP

FMM's Survey

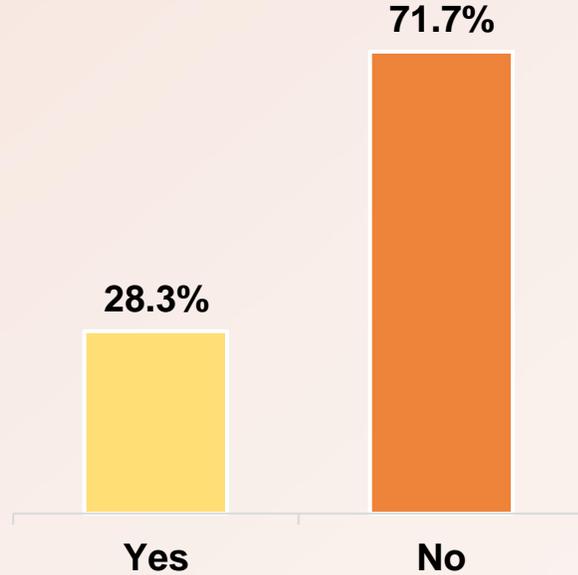
n=745



35.3% of total respondents are large manufacturing enterprises and they are largely exporters by nature.

Survey on China's enterprises in Malaysia

n=99



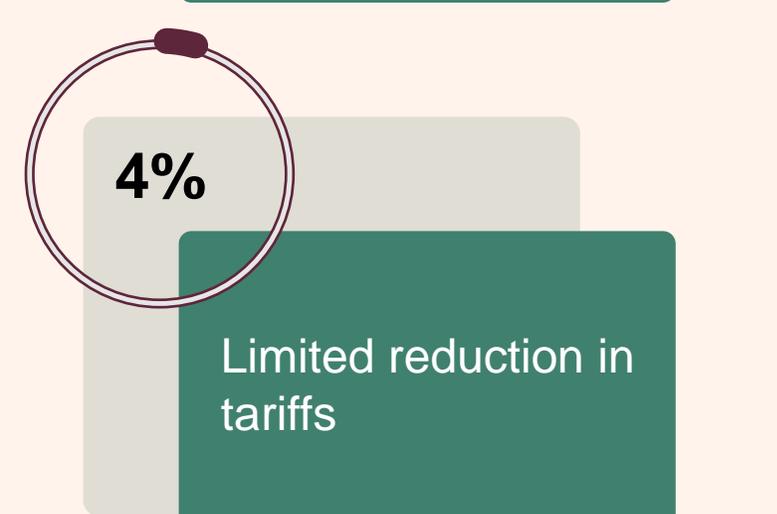
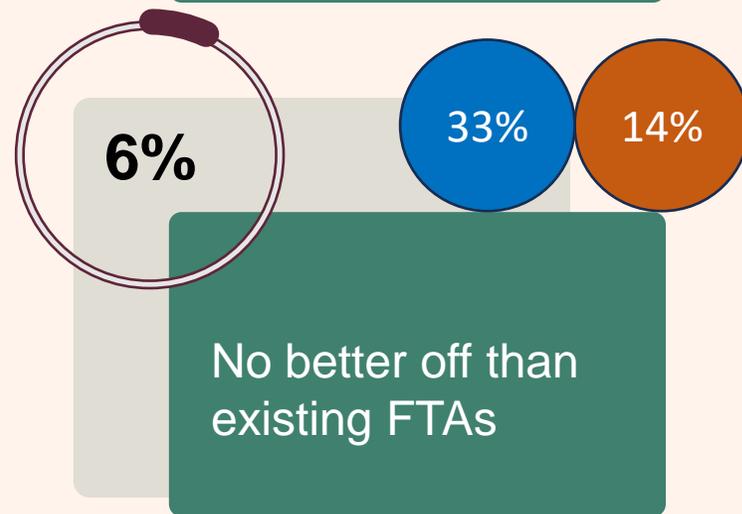
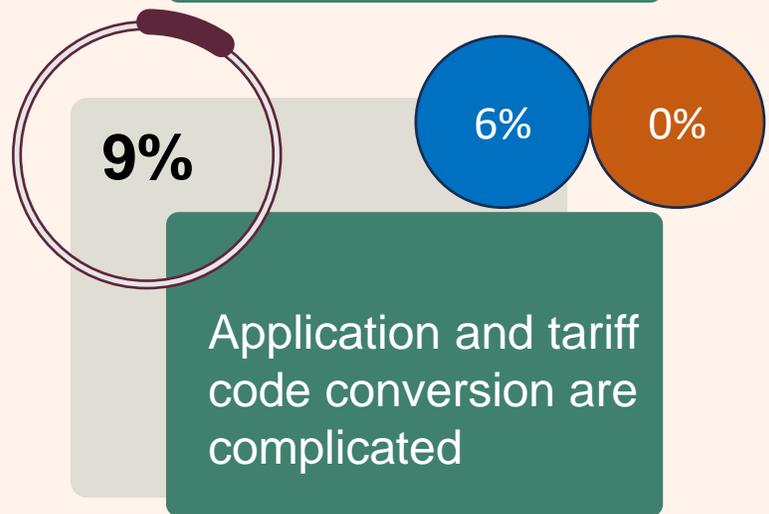
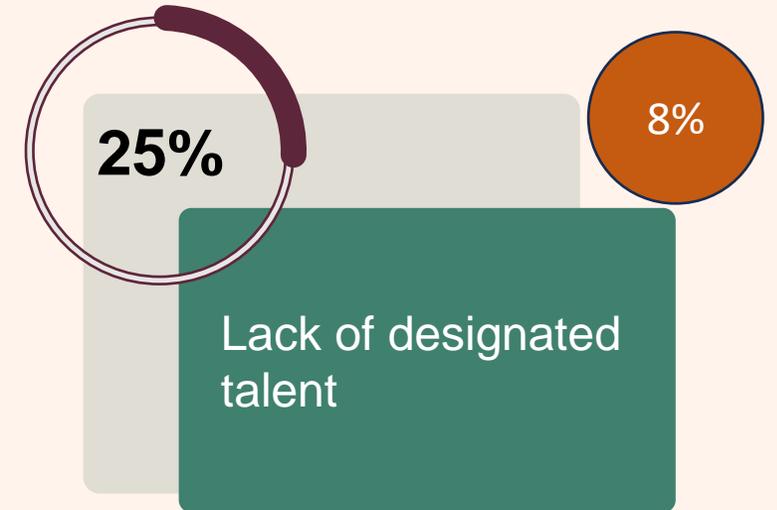
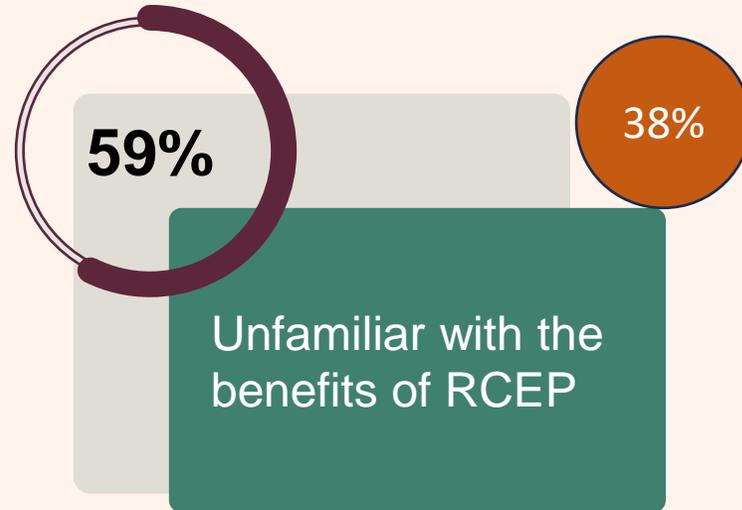
China enterprises in Malaysia are largely MNCs and have larger size of operations.

Reasons for not utilising RCEP

ACCCIM's survey (n=100)

FMM's survey (n=754)

Survey on China's Enterprises in Malaysia (n=71)



Potential concerns for domestic industries

n=105

1

63.8%

Commitment in tariff reductions

Increased competition from imports could potentially impact the revenue of domestic industries, leading to reduced profit margins or a loss in market share.

2

54.3%

Customs procedure and trade facilitation

Cumbersome customs procedures, layers in decision making and inadequate use of IT could impede trade, causing delays, increased transaction costs, and disrupting supply chains.

3

42.9%

E-commerce

Lack of a standardised and transparent framework that fosters a level-playing field among RCEP partners in the realm of e-commerce.

4

30.5%

Investment

Further liberalisation of investment opportunities serve as a double-edged sword for businesses.

5

30.5%

Non-tariff barriers

Non-tariff barriers constraining trade are import bans, quota, sanitary and phytosanitary measures, technical requirements, unreasonable packaging or labelling.

6

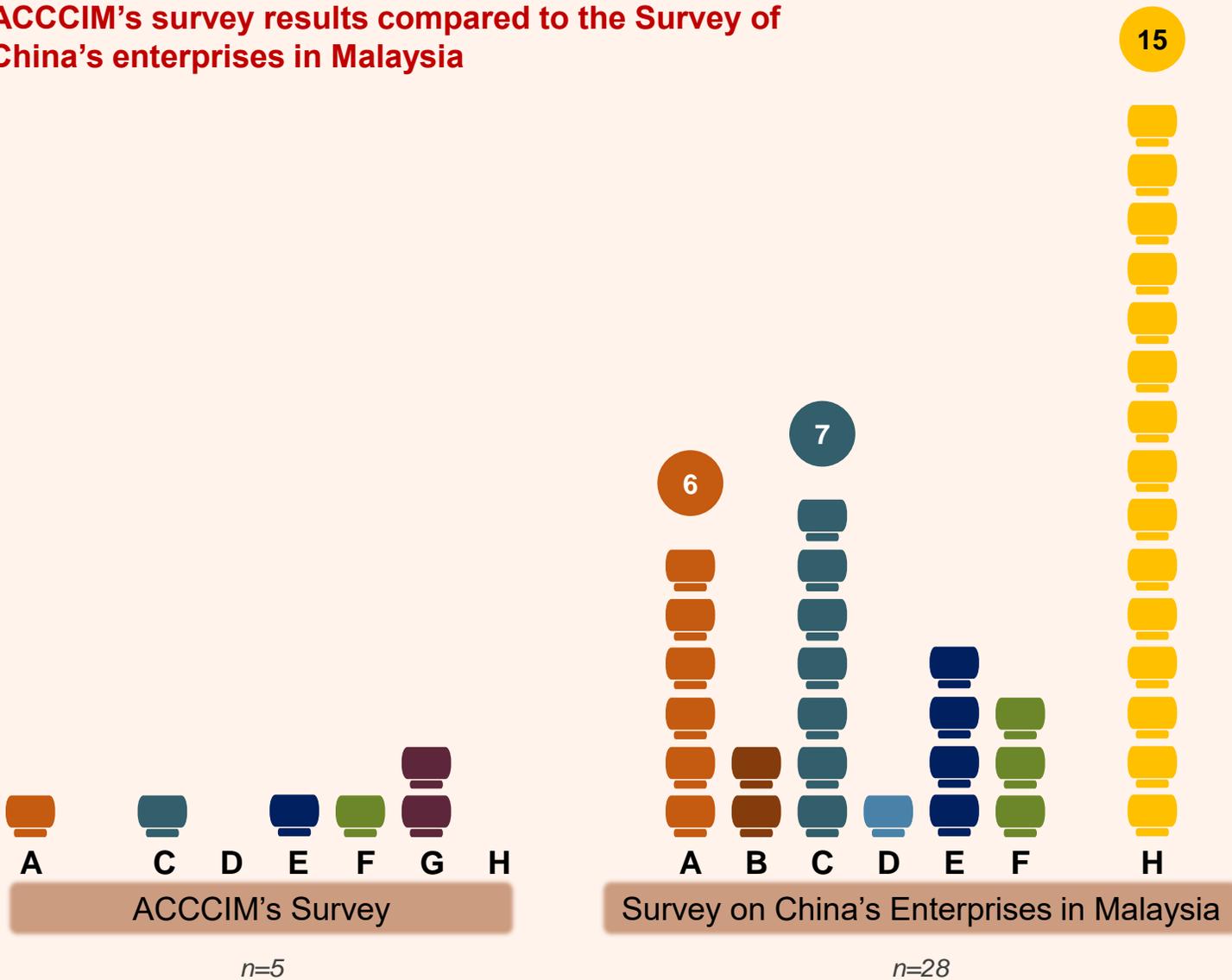
25.7%

Rules of Origin (ROO)

Complexity and strictness in obtaining and verifying the origin of materials or components could result in delays in shipments, increased paperwork, and additional costs associated with compliance.

Challenges faced in utilising RCEP

ACCCIM's survey results compared to the Survey of China's enterprises in Malaysia

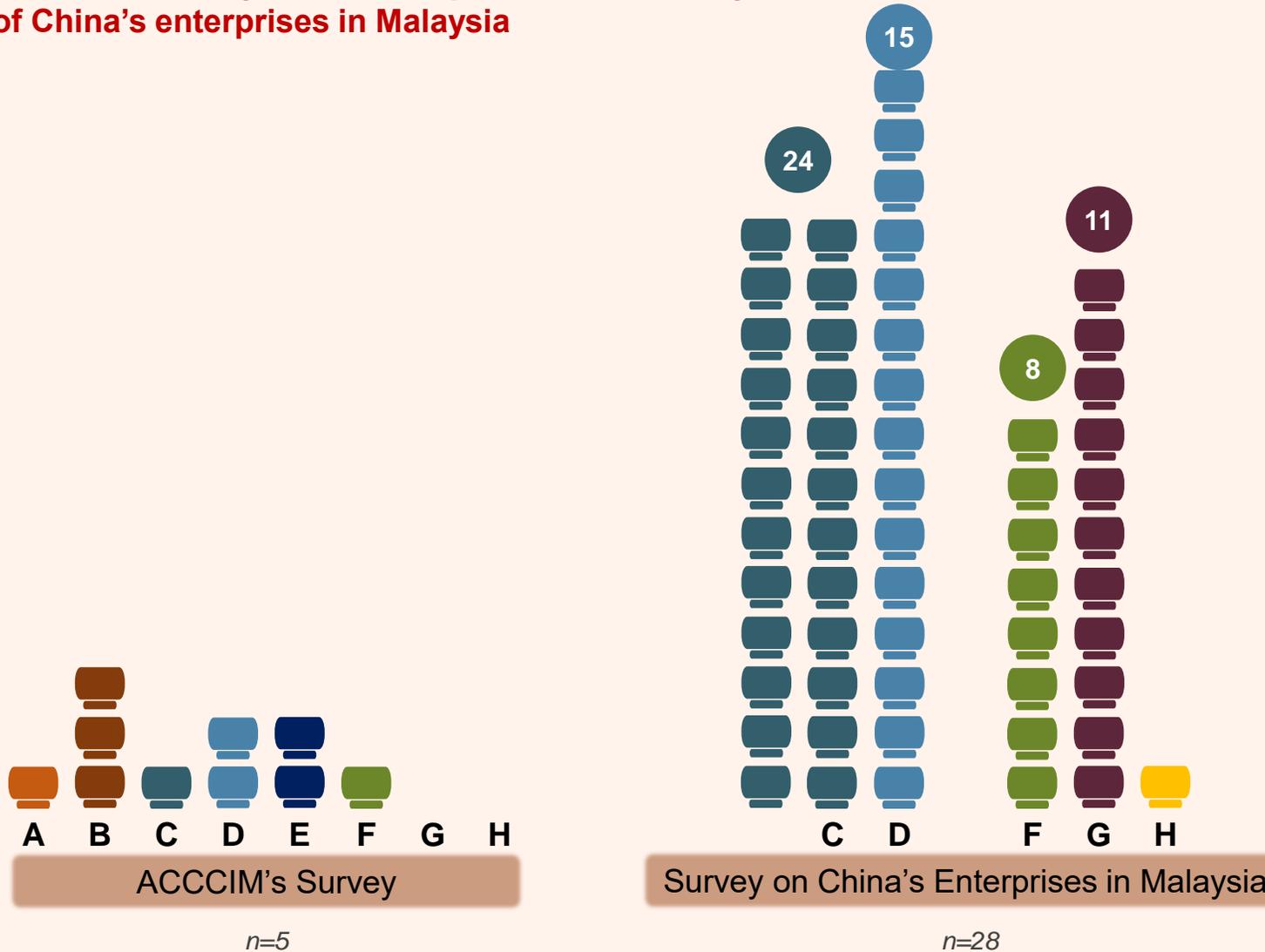


- = 1 person
- A Problems in applying Rules Of Origin (ROO)
 - B Tariff reduction not aligned with RCEP agreement
 - C Constraints in custom clearance
 - D Constraints in investment
 - E Immigration entry permit for staffs and their spouse proves difficult
 - F Non-tariff barriers
 - G Lack of government's facilitation and guidance
 - H None of the above

Note: Multiple-answer allowed

Benefits in utilising RCEP

ACCCIM's survey results compared to the Survey of China's enterprises in Malaysia



= 1 person

- A Increased sales
- B Enhance product quality via competition
- C Lower tariffs on goods
- D Fast and reliable customs clearance
- E Facilitation of trading in services
- F Better facilitation in investment activities
- G Ease of personal mobilisation
- H No significant benefits

Note: Multiple-answer allowed

Feedback from businesses to increase the RCEP utilisation

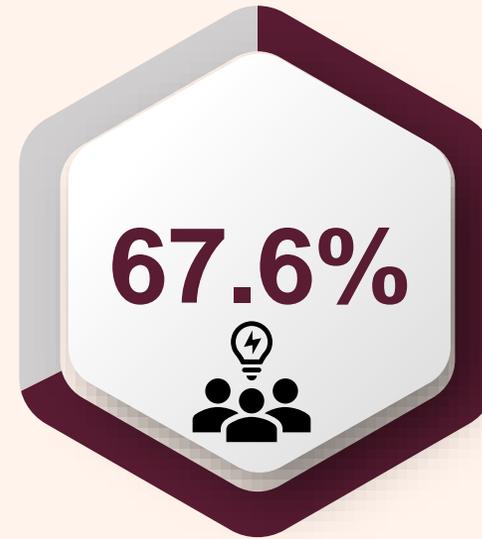
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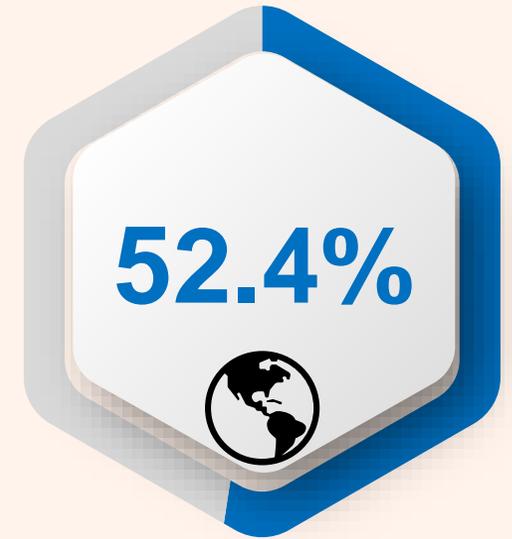
Facilitation support
and consultation
services



Industry-specific
promotion
for RCEP



Engagement and
experience from
relevant industry
stakeholders



Greater trade
liberalisation and
tariff reductions

Conclusion

01

Malaysian firms have low awareness and utilisation of RCEP.

02

Businesses concerned over the time consuming exercise of adapting to the guidelines and trading rules of RCEP.

03

Firms face challenges in understanding the RCEP amid facing competitions from RCEP members.

04

RCEP reduces/eliminates tariffs and facilitate trade, inducing a stimulating business environment.

05

The utilisation of RCEP can be enhanced through a more effective promotion and facilitation support.



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