

Webinar: Regional Comprehensive Economic Partnership

Decoding the Free Trade Agreement signed between 15 countries of the Asia Pacific Zone

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Speakers



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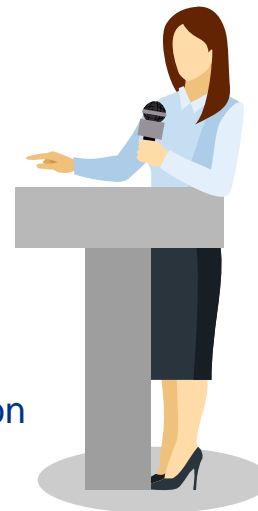
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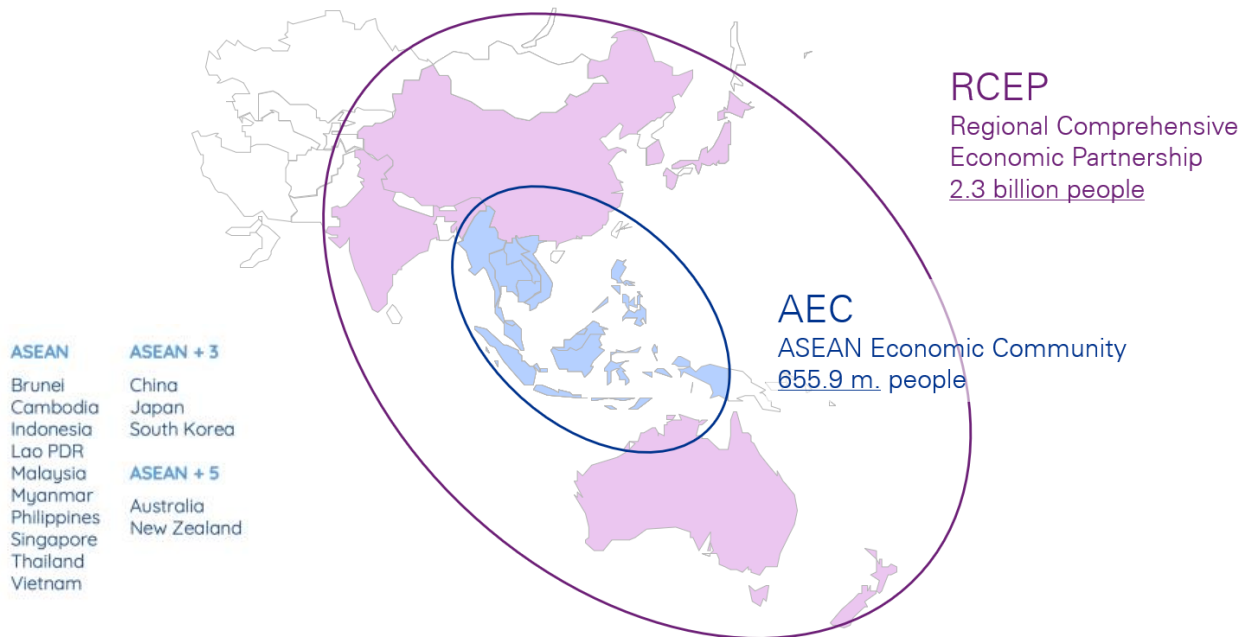
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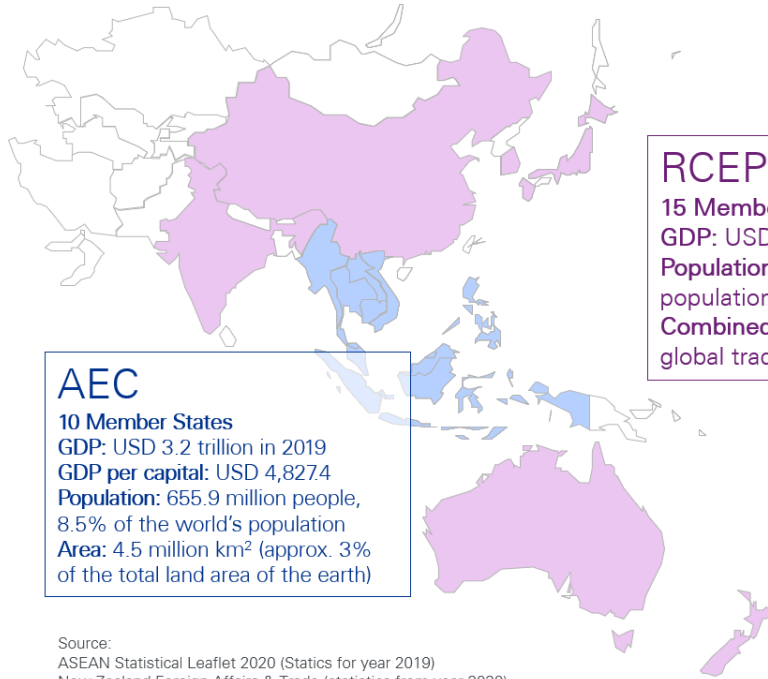
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Q&A

RCEP GENERAL PRESENTATION



FROM AEC TO RCEP



AEC

10 Member States
GDP: USD 3.2 trillion in 2019
GDP per capital: USD 4,827.4
Population: 655.9 million people,
 8.5% of the world's population
Area: 4.5 million km² (approx. 3%
 of the total land area of the earth)

Source:
 ASEAN Statistical Leaflet 2020 (Statics for year 2019)
 New Zealand Foreign Affairs & Trade (statistics from year 2020)

RCEP

15 Member States (ASEAN+5)
GDP: USD 24.2 trillion, 28% of global GDP
Population: 2.3 billion, 30% of the world's
 population
Combined trade: US\$9.5 trillion, 28% of
 global trade in goods

Global GDP



Global Trade



Global Population

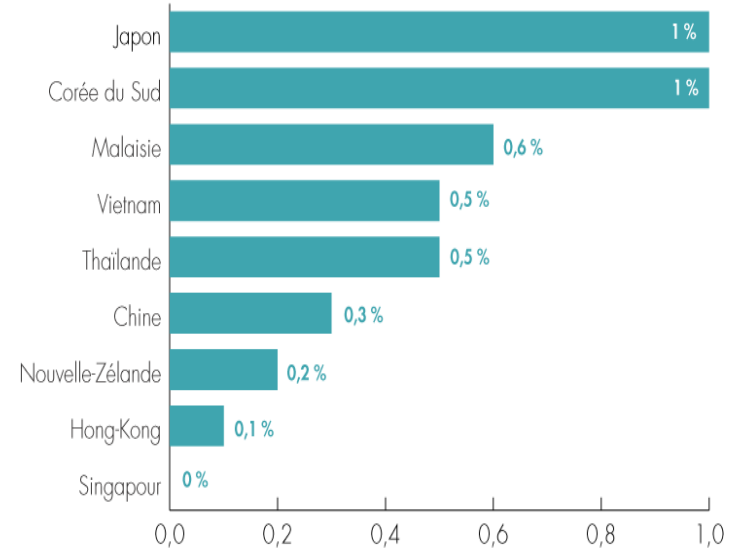


RCEP main objectifs

- **Facilitate trade and investment**
- **Enhance transparency in trade and investment relations between member countries**
- **Facilitate countries' engagement in global and regional supply chain**
- **Create a liberal, facilitative and competitive environment in the region**

IMPACT ATTENDU DU RCEP SUR LE REVENU RÉEL À L'HORIZON 2030

EN %



Source: lafinancepourtous d'après la banque mondiale

Why RCEP since already several FTA in force

	ASEAN	AUSTRALIA	CHINA	JAPAN	NEW ZEALAND	SOUTH KOREA
ASEAN	N.A	Yes, with New Zealand	Yes	Yes	Yes, with Australia	Yes
AUSTRALIA	Yes, with New Zealand	N.A	Yes	Yes	Yes	Yes
CHINA	Yes	Yes	N.A	No	Yes	Yes
JAPAN	Yes	Yes	No	N.A	No	No
NEW ZEALAND	Yes, with New Zealand	Yes	Yes	No	N.A	Yes
SOUTH KOREA	Yes	Yes	Yes	No	Yes	N.A

FTA

- Different FTAs = different conditions
- Not available for all business transactions
- Certificate of origin by FTA
- Not all the products are covered

RCEP

- Same rules of origin for exporting to 16 countries
- 40 % added value
- Administrative burden harmonization
- Most of the products are covered

What do we know



To be effective

60 days after 6 ASEAN Member States and 3 non-ASEAN members ratification in domestic law

Between 6 month and 2 years



Single Origin Document

Simplification of the administrative burden for transactions



Customs duties reduction

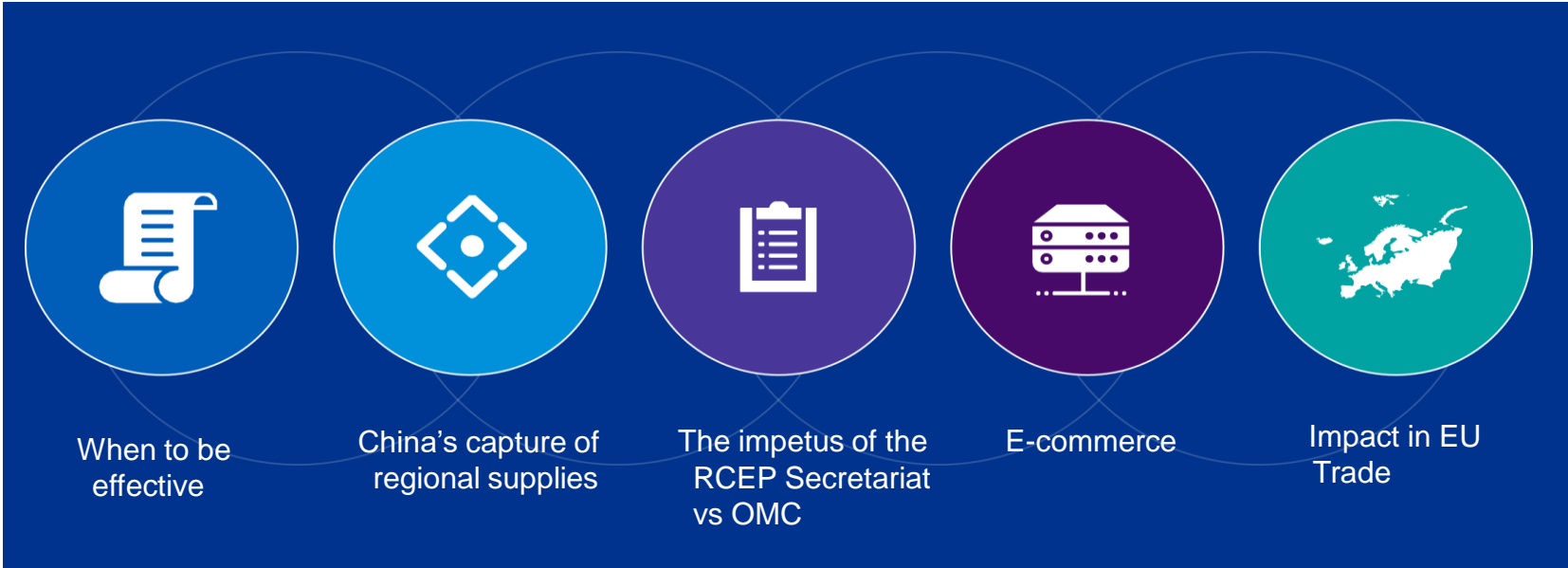
- Reduction in more than 80 % of the flows
- Reduction to 90% in next 20 years
- 96% of the flows between China and Japan exempted



Not covered

- Social rules
- Environmental rules
- State aids restrictions
- Some agricultural products by Country

We must keep an eye on



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RCEP overview on trade of goods

RCEP - Quick overview

1. Trade in goods

2. Trade in Services

3. Investment

4. Economic and technical cooperation

5. Intellectual property

6. Dispute settlement

RCEP - Trade on goods

Principles

- Single set of rules and procedures for accessing preferential tariffs
- A common Rule of Origin (RoO): Reduce transaction costs for trading with multiple countries and create a more stable environment for trade. Investors will only **require one certificate of origin** for trading in the region and **can bypass processes of checking and adjusting to the specific rule** of origin criteria in each country.
- **National Treatment on Internal Taxation and Regulation:** Each country shall accord national treatment to the goods of the other countries.
- **Reduction or Elimination of Customs Duties on Originating Goods**
- Provide additional avenue for tackling non-tariff barriers

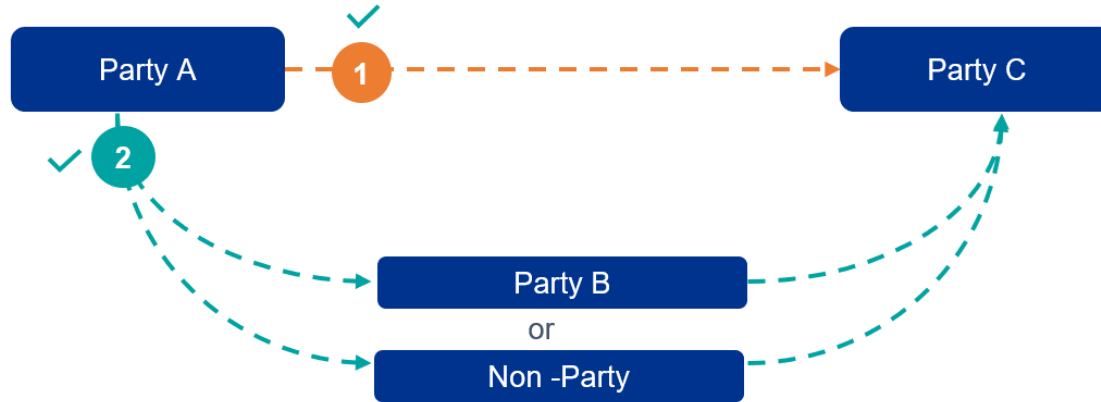
RCEP – Rules of origin

AEC	RCEP
1. Wholly produced or obtained in exporting Party	1. Wholly obtained or produced in a Party
2. Products not wholly produced or obtained <ul style="list-style-type: none"> (a) <u>Product Specific Rule</u> (b) <u>General Rules:</u> <ul style="list-style-type: none"> • RVC of at least 40% is applied; or • CTC at 4-digit level of Harmonized System 	2. Produced in a Party using <i>originating materials</i> of one or more Parties; or 3. Produced in a Party using <i>non-originating materials</i> and the goods must satisfy Product-Specific Rules: <ul style="list-style-type: none"> • RVC40; • CC (2-digit level) • CTH (4-digit level) • CTSH (6-digit level) • WO • CR (Chemical Reaction) • Combination of the above rule e.g. <i>CC or RVC40</i>
Based on HS 2017	Based on HS 2012

RCEP – Rules of origin

AEC	RCEP
<p>De Minimis</p> <p>1. A good that does not undergo a change in tariff classification shall be considered as originating if the <u>value</u> of all non-originating materials used in its production that do not undergo the required change in tariff classification does not exceed 10% of the FOB value of the good and the good meets all other applicable criteria set forth in this Agreement for qualifying as an originating good.</p>	<p>De Minimis</p> <p>1. A good that does not satisfy a change in tariff classification pursuant to PSR is nonetheless an originating good if the good meets all of the other applicable requirements and:</p> <p>(a) for a good under Chapters 01-97, the <u>value</u> of non-originating materials that have been used in the production of the good and did not undergo the applicable change in tariff classification does not exceed 10% of the FOB value of that good.; or</p> <p>(b) for a good under Chapters 50-63, the <u>weight</u> of all non-originating materials used in its production that did not undergo the required change in tariff classification does not exceed 10% of the total weight of the good.</p>
<p>2. The value of non-originating materials referred to in paragraph 1 of this Article shall, however, be included in the value of non-originating materials for any applicable RVC requirement for the good.</p>	<p>2. The value of non-originating materials referred to in paragraph 1 shall, however, be included in the value of non-originating materials for any applicable regional value content requirement.</p>

RCEP: Direct Consignment



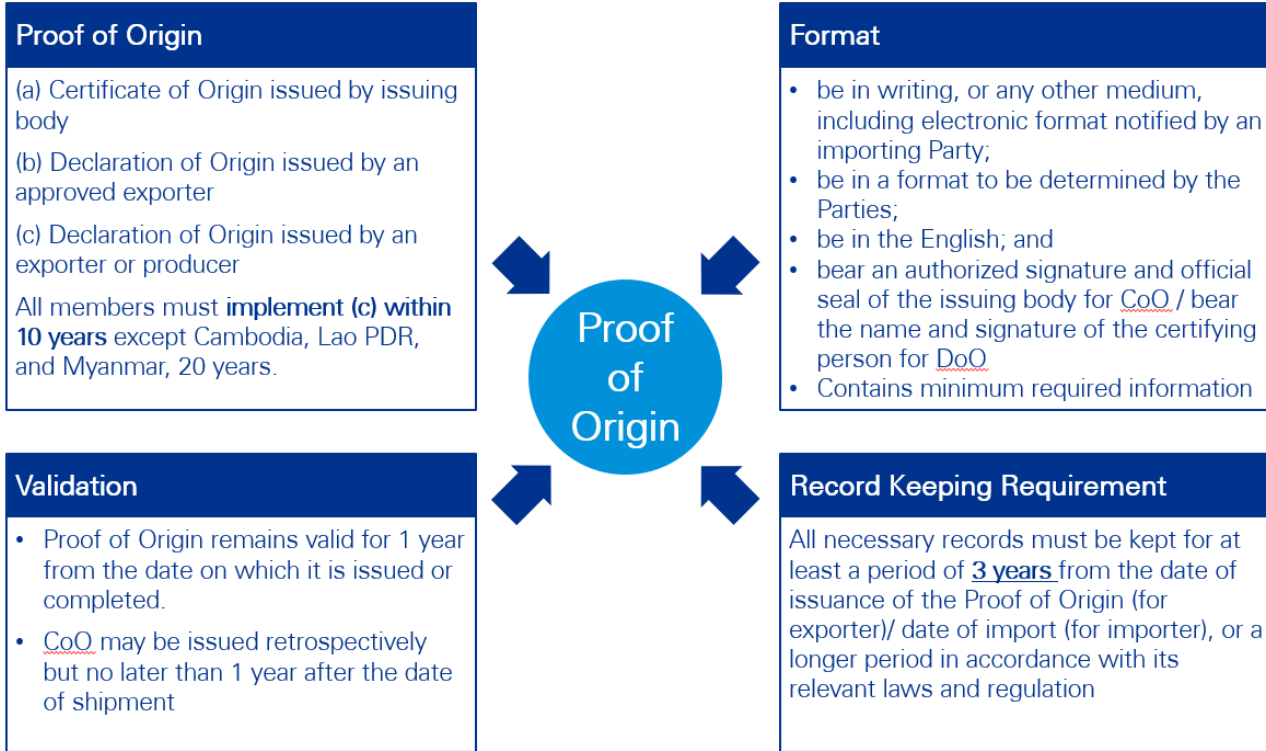
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can be done provide the goods:

- has not undergone any further processing in the intermediate Parties or the non-Parties, except for logistics activities such as unloading, reloading, storing, or any other operations necessary to preserve it in good condition or to transport it to the importing Party; and
- remains under the control of the customs authorities in the intermediate Parties or the non-Parties.



RCEP: Proof of origin



RCEP: Operational Certification Procedures

Back-to-back Proof of Origin



- ✓ Back-to-back Proof of Origin for **re-export of whole shipments/ partial shipment** is allowed;
- ✓ The consignment does not undergo any further processing in the intermediate Party, except for repacking or logistics activities e.g. unloading, reloading, storing, splitting up, etc.
- ✓ Back-to-back Proof of Origin could be issued provided that
 - a valid original Proof of Origin or its certified true copy is presented;
 - the period of validity does not exceed the period of validity of the original Proof of Origin;
 - the back-to-back Proof of Origin contains relevant information from the original Proof of Origin in accordance Minimum Information Requirements; and
 - information on the back-to-back Proof of Origin includes the date of issuance and reference number of the original Proof of Origin.

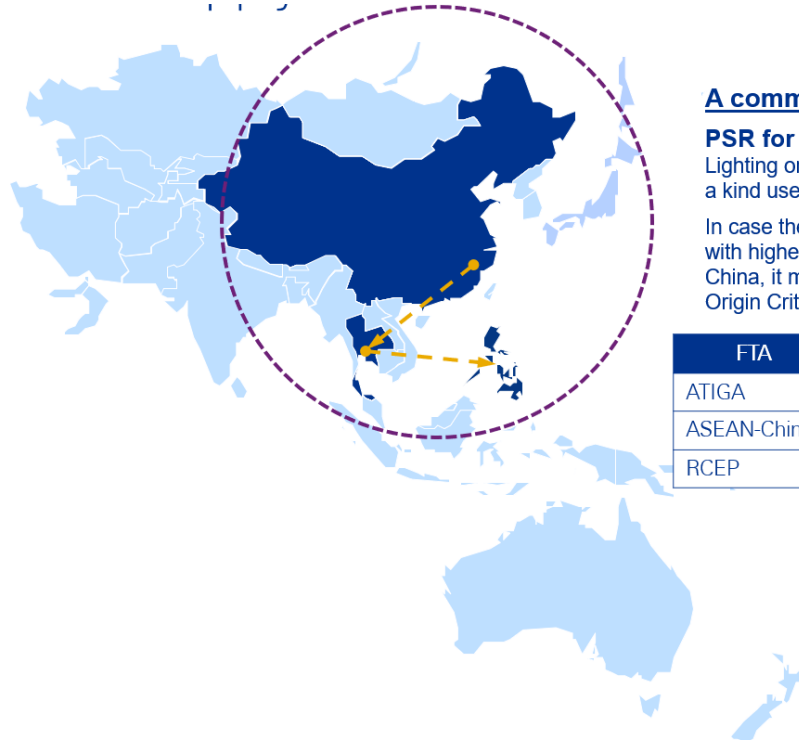
RCEP: Operational Certification Procedures



Third-Party Invoicing

An importing Party shall not deny a claim for preferential tariff treatment for the sole reason that an invoice was not issued by the exporter or producer of a good provided that the good meets the requirements under RCEP RoO.

-  Flow of payment/ invoice
-  Flow of goods



A common ROO

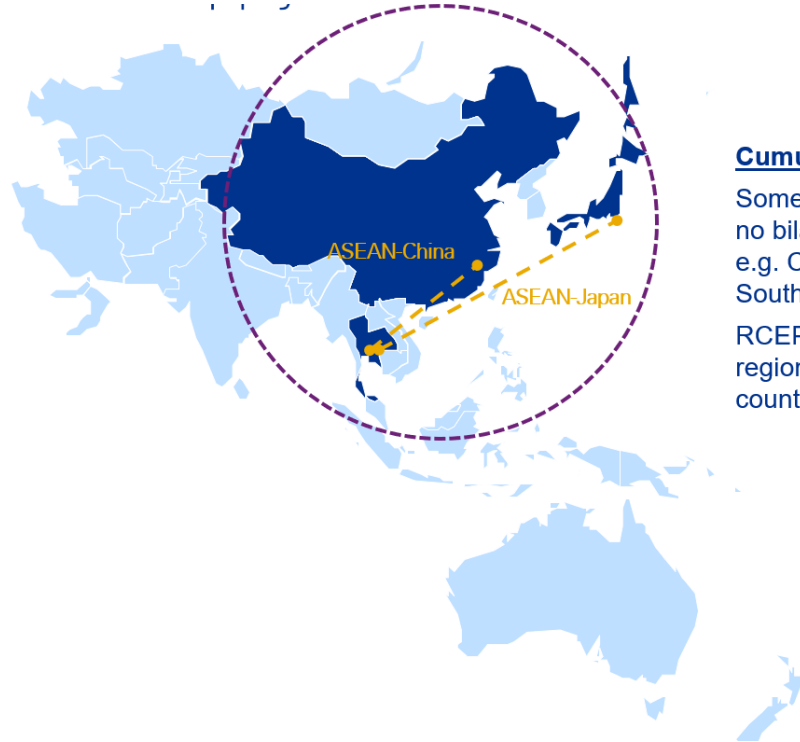
PSR for HS 8512.10

Lighting or visual signaling equipment of a kind used on bicycles

In case the main material of HS8512.90 with highest value is originated from China, it may only be qualified under Origin Criteria of RCEP.

FTA	PSR	
ATIGA	RVC40	✗
ASEAN-China	RVC 40 or CTH (4-digit)	✗
RCEP	RVC 40 or CTSH (6-digit)	✓

RCEP: Supply Chain



Cumulation

Some RCEP countries have no bilateral FTA in place e.g. China-Japan, Japan-South Korea, etc.

RCEP allows cumulative of regional content in those countries.

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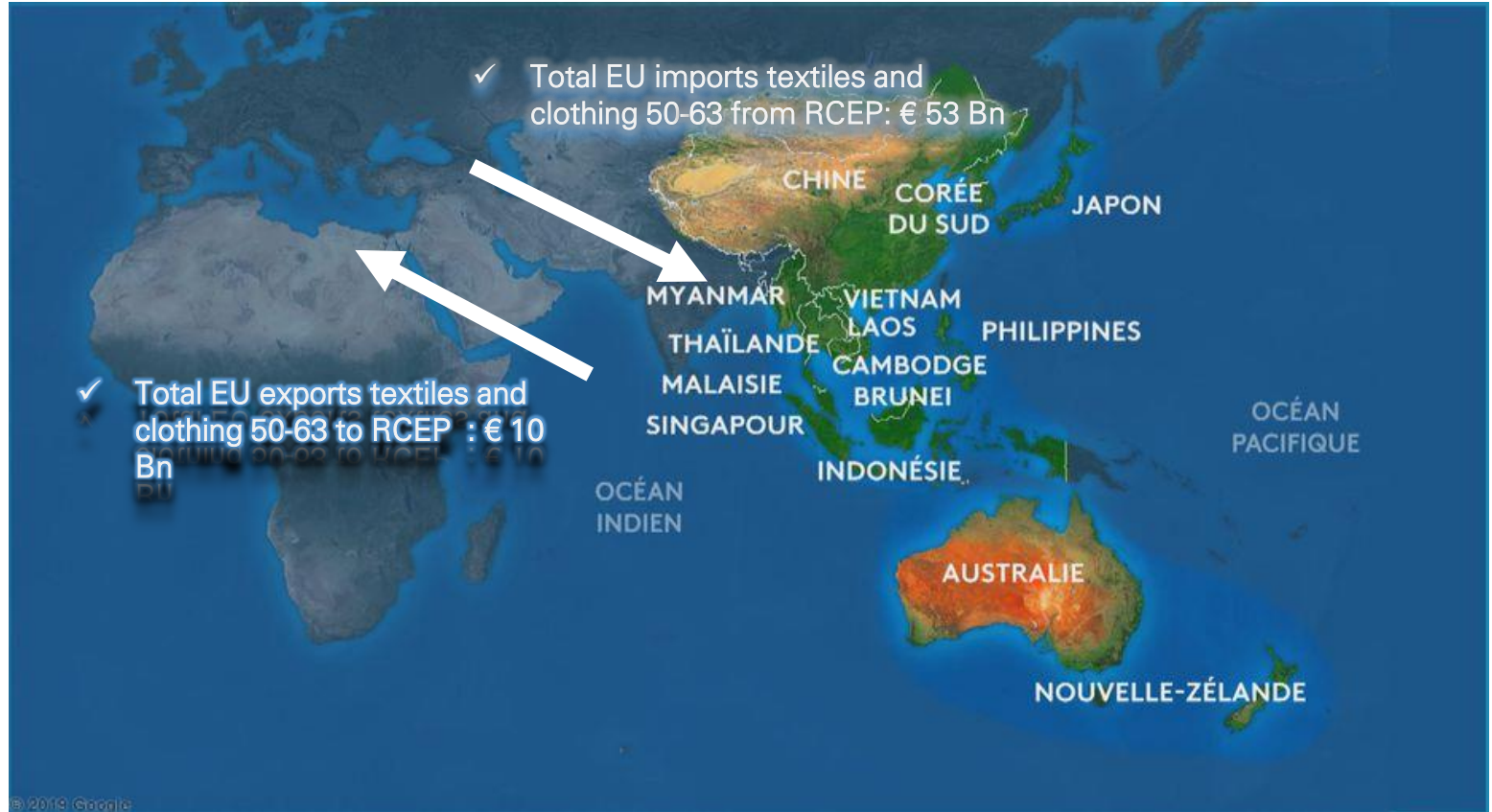
Focus on textile



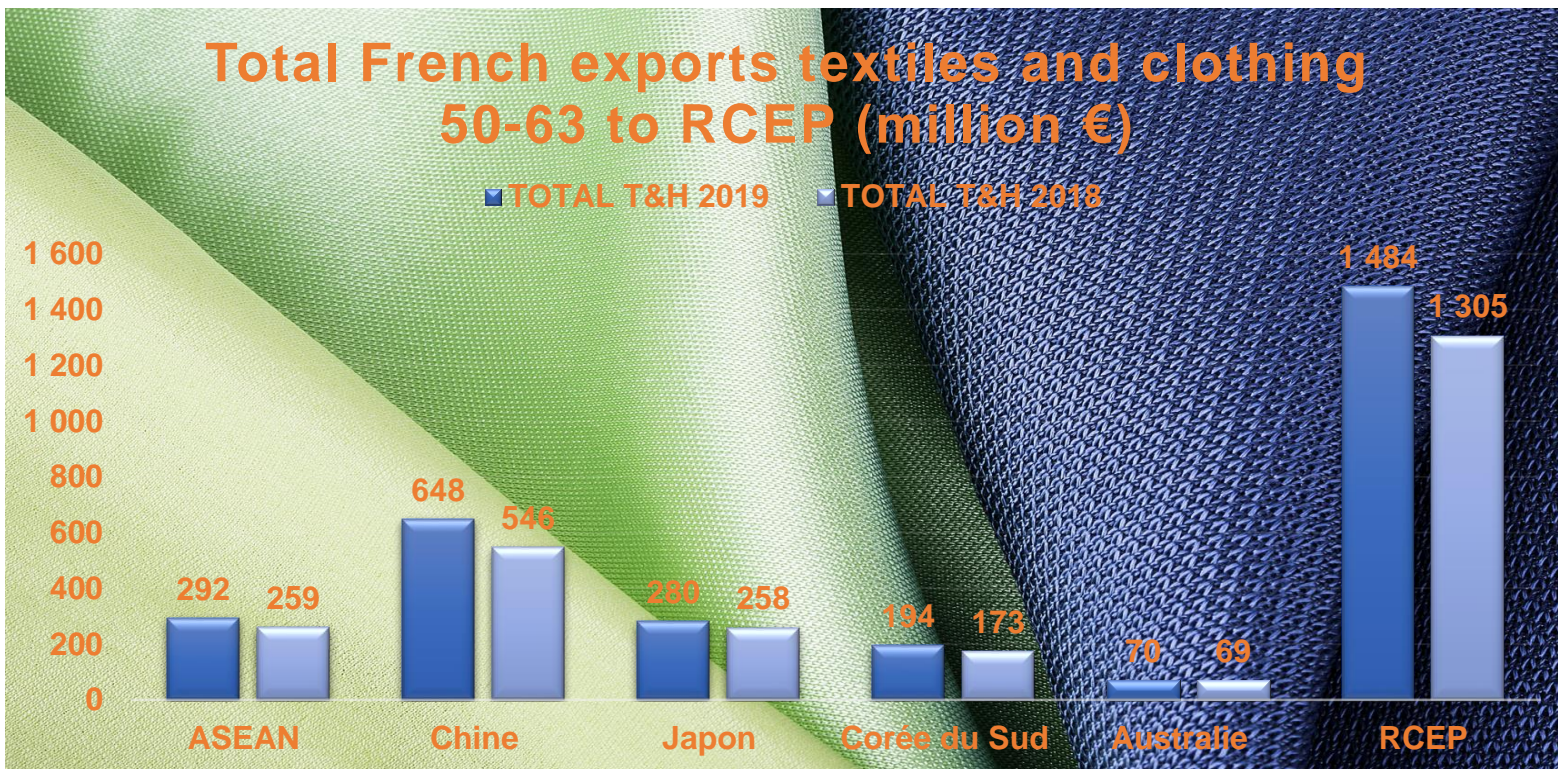
EU relationship with ASEAN – RCEP countries

- The ASEAN region is a dynamic market with some 640 million consumers and ranks as the eighth economy in the world. The countries as a group are the EU's third largest trading partner outside Europe, after the US and China.
- Bilateral Free Trade Agreements (FTAs) between the EU and ASEAN countries will serve as building blocks towards a future EU-ASEAN agreement, which remains the EU's ultimate objective.
- EU has launched negotiations for a comprehensive and ambitious trade agreement with **New Zealand and Australia** (start 22 May 2018).
- Recent FTA by the EU:
 - **South Korea** had applied since July 2011
 - **Japan** in force since 1 February 2019
 - **Singapore** entered into force on 21 November 2019
 - **Vietnam** entered into force on 1 August 2020

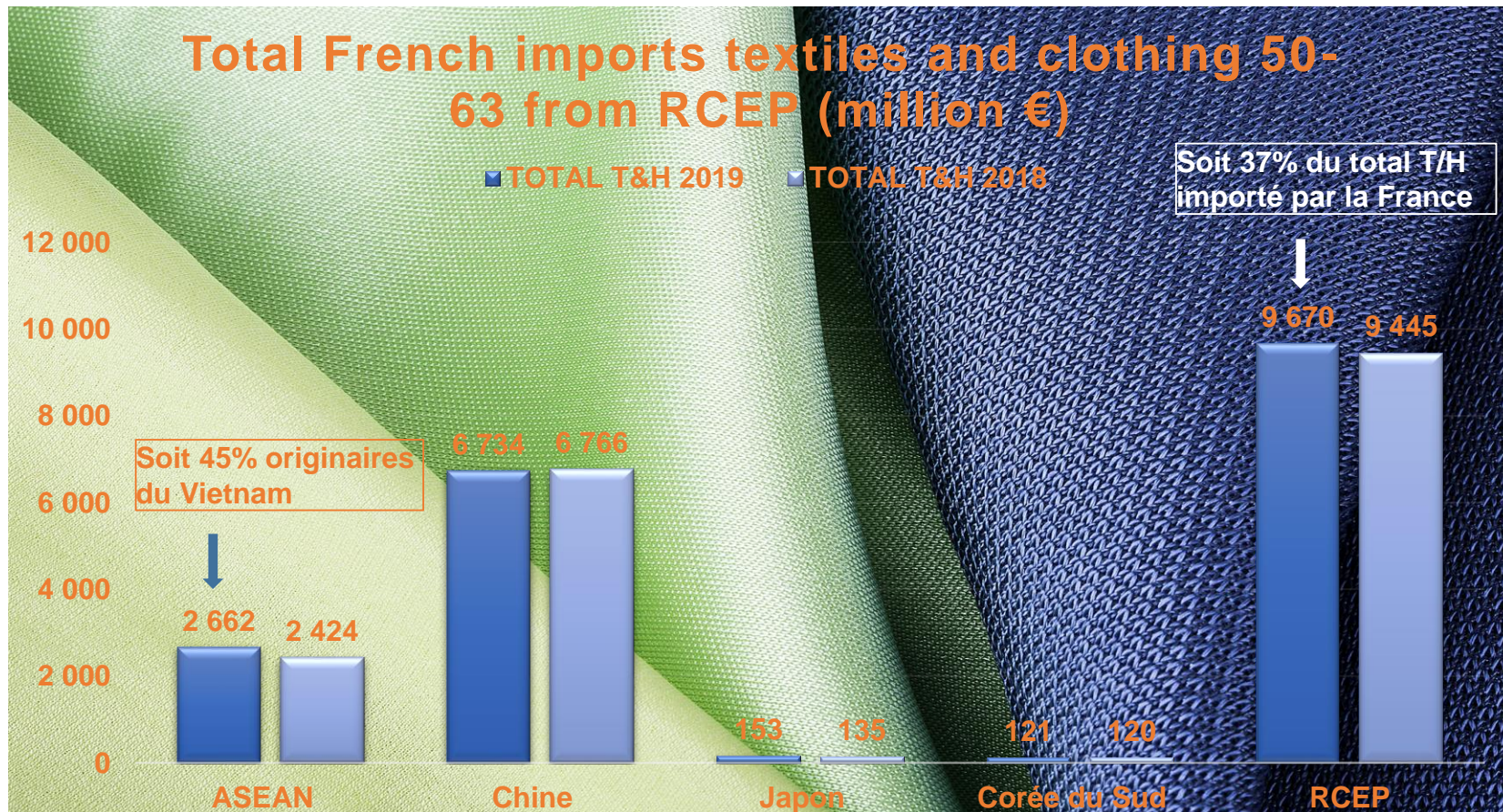
European Union trade with RCEP 2019



French trade with RCEP : Exports by countries

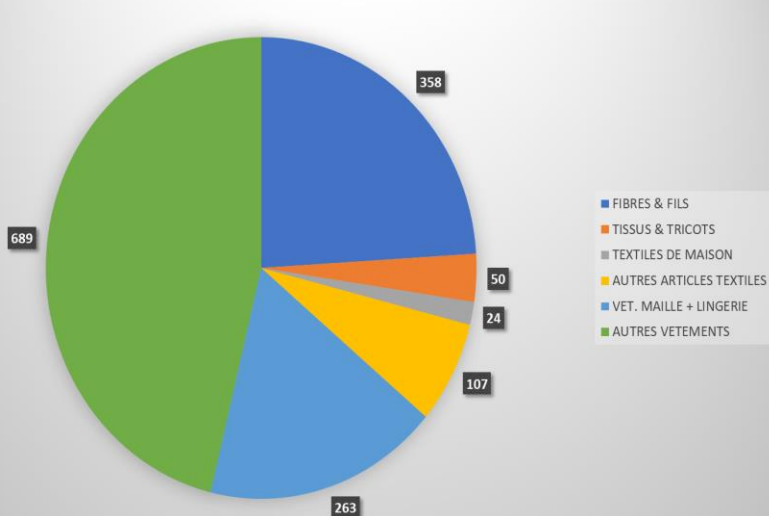


French trade with RCEP : Imports by countries

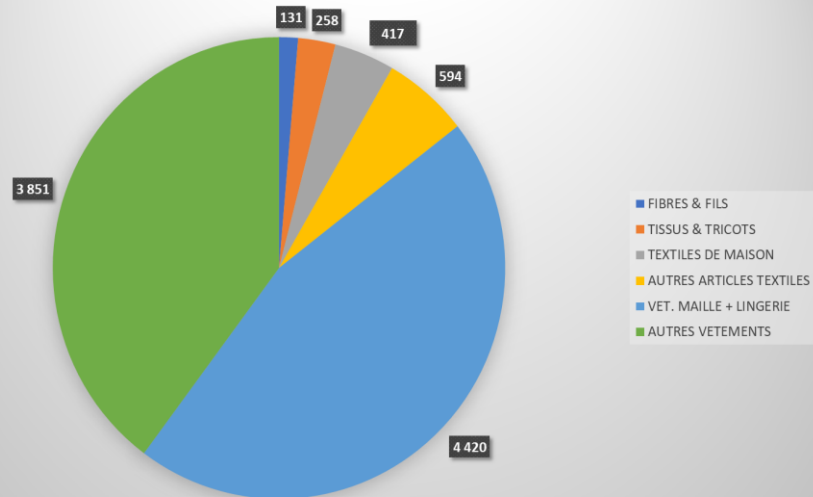


French trade with RCEP by products

FRENCH EXPORTS TO RCEP BY PRODUCTS IN 2019 - (Million €)



FRENCH IMPORTS FROM RCEP BY PRODUCTS IN 2019 - (Million €)



Vietnam to benefit from GSP till 31/12/2022

■ GSP-regulation:

- A country that benefits from a FTA with the EU, is removed from the list of beneficiary countries of the GSP. This removal “shall apply as from two years after the date of application” of the FTA.
- Vietnam could have been removed from 1/8/2022.
- Decision European Commission: Vietnam will benefit from GSP until 31/12/2022 “for reasons of administration and statistics consistency”.

■ Rules of origin: cumulation possibilities

Comparison under GSP and under FTA :

GSP	FTA	Fabric main import market/ Thị trường NK vải chính	11 months of 2018 (USD)/ 11 tháng 2018	Percentage 11 months 2018 (%)/ tỷ lệ %
<ul style="list-style-type: none"> • Bilateral cumulation. • Cumulation with Norway, Switzerland and Turkey. • Regional cumulation within group I. <p>To produce woven clothing of preferential origin, Vietnam can use:</p> <ul style="list-style-type: none"> • Fabrics woven in Vietnam; • Fabrics of origin of the EU; • Fabrics of origin of Norway, Switzerland or Turkey; • Fabrics of origin of Indonesia, Laos, Myanmar/Burma, the Philippines (and Cambodia*). <p><small>* At present probably not possible (See art. 55(2) Commission Delegated Regulation (EU) 2015/2446)</small></p>	<ul style="list-style-type: none"> • Bilateral cumulation; • For clothing of chapters 61 and 62, cumulation for fabrics of origin of South Korea. <p>To produce woven clothing of preferential origin, Vietnam can use:</p> <ul style="list-style-type: none"> • Fabrics woven in Vietnam; • Fabrics of origin of the EU; • Fabrics of origin of South Korea. 	China	6.506.388	55,55
		Korea	1.970.530	16,82
		Taiwan	1.491.748	12,74
		Japan	681.950	5,82
		Thailand	269.111	2,30
		Hong Kong	204.252	1,74
		Malaysia	94.798	0,81
		Italy	89.764	0,77
		India	61.916	0,53
		Indonesia	56.944	0,49
		Turkey	36.870	0,31
		Germany	36.327	0,31
		Pakistan	33.412	0,29

Source: Presentation of 11 April 2019 of Mr. Vu Duc Giang, Chairman of VITAS (Vietnam Textile and Apparel Association) at the Global Textile & Apparel Supply Chain Conference in Hanoi.

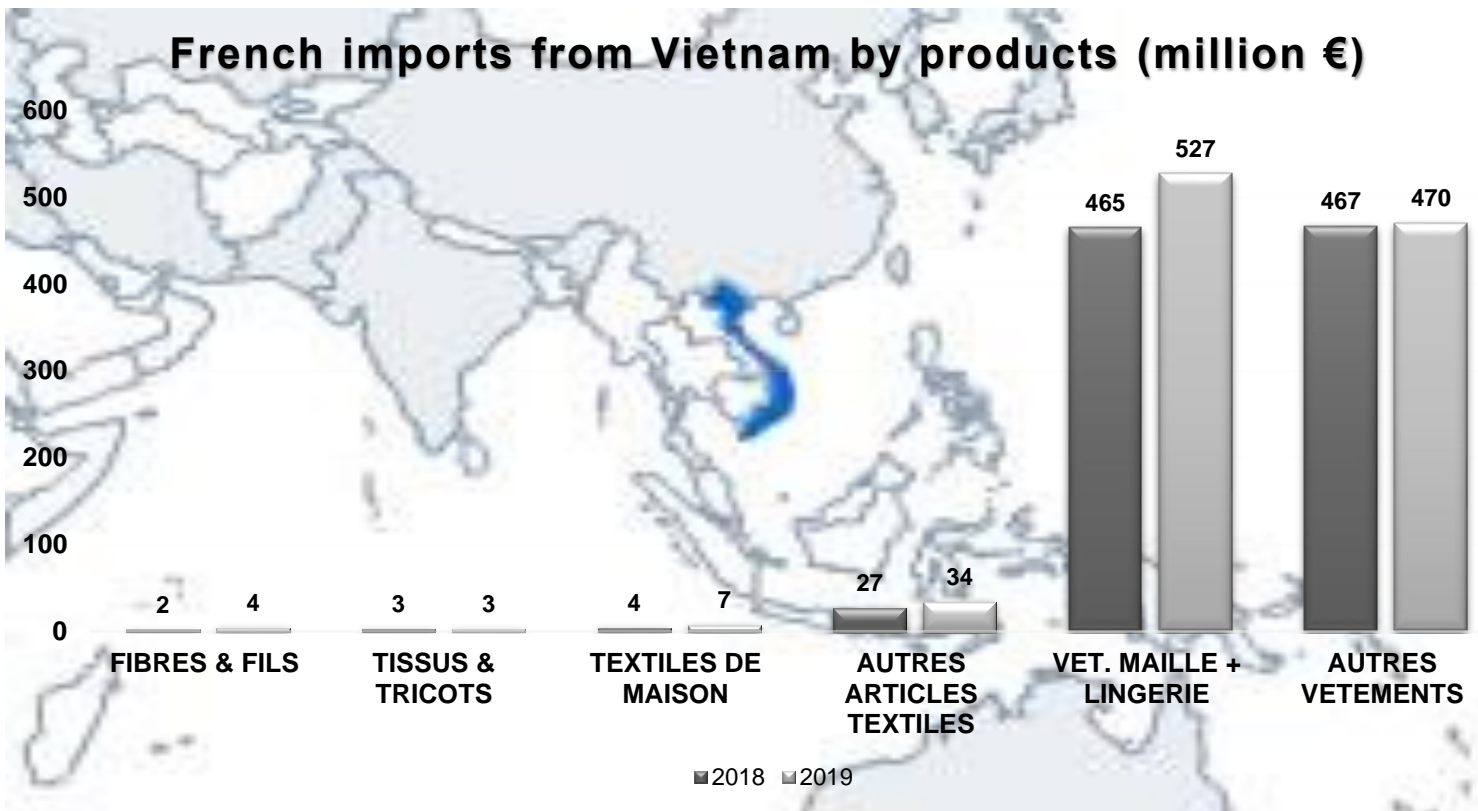
=> Cumulation possibilities under FTA seem to be more interesting for Vietnam than under GSP.

- The agreement:
 - Textiles of chapters 50 till 60: zero duties at entry into force.
 - Clothing (61-62) and made-up textiles (63): entry into force / 4 stages / 6 stages / 8 stages.

	EIF: 1/8/2020	<u>A</u> (no stages) Example: women's or girls ensembles of cotton (including industrial and occupational) (6204 22)	<u>B3</u> (4 stages; each stage: -3%) Example: women's or girls blouses, shirts and shirt-blouses of cotton (6206 30 00)	<u>B5</u> (6 stages; each stage: -2%) Example: men's of boy's trousers of cotton industrial and occupational (6203 42 11)	<u>B7</u> (8 stages; each stage: -1,5%) Example: women's trousers of cotton (including industrial and occupational) (6204 62)
1st reduction	1/8/2020	0%	9%	10% 9,6%*	10,5% 9,6%*
2nd reduction	1/1/2021		6%	8%	9%
3rd reduction	1/1/2022		3%	6%	7,5%
4th reduction	1/1/2023		0%	4%	6%
5th reduction	1/1/2024			2%	4,5%
6th reduction	1/1/2025			0%	3%
7th reduction	1/1/2026				1,5%
8th reduction	1/1/2027				0%

* See art. 3 of Section A of Annex 2-A of the agreement.

French imports from Vietnam by products



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Threats and opportunities

“Spaghetti bowl effect, This effect is detrimental to SMEs. As a result, all attention is focused on whether the "spaghetti bowl" effects can be reduced with the conclusion of the RCEP, the gigantic free trade agreement that many countries in the Asia-Pacific region have just signed ?

RCEP could consolidate China's position as an economic partner of Southeast Asia, Japan and Korea and could help Beijing reduce its dependence on foreign markets and technology.

Firms, both in terms of their means of production and in terms of their commercial development or their search for growth, will have to adapt their strategies to these new geographical, political and economic blocks, which must therefore be well understood.

Q&A



Thank you!



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