

Competition & Antitrust and Trade

# Regional Comprehensive Economic Partnership Agreement Enters into Force

## Introduction

The Regional Comprehensive Economic Partnership ("**RCEP**") Agreement has entered into force on 1 January 2022, following the ratification of the Agreement by 10 Parties – Australia, Brunei, Cambodia, China, Japan, Laos, New Zealand, Singapore, Thailand, and Vietnam.

The RCEP Agreement is a comprehensive and mutually beneficial economic partnership that builds on existing bilateral agreements between ASEAN and its Free Trade Agreement ("**FTA**") partners. The RCEP Agreement is the largest FTA to date, covering about 30% of global Gross Domestic Product (US\$26 trillion) and 30% of the world's population.

The RCEP Agreement includes new areas such as Intellectual Property, Competition Policy, e-Commerce, Government Procurement and SMEs. In this Update, we highlight the key benefits of the RCEP Agreement.

Singapore had earlier ratified the RCEP Agreement on 9 April 2021, being the first country to do so. For our earlier Client Update on "Singapore Ratifies the Regional Comprehensive Economic Partnership Agreement", please click [here](#).

## Key Benefits

The RCEP Agreement aims to aid businesses through benefits such as tariff elimination, additional preferential market access, streamlined rules of origin and regional cumulation provisions.

The key benefits of the RCEP Agreement include the following:

**(a) Trade in goods**

- Tariff elimination of around an average of 92% of goods traded amongst RCEP Parties
- Additional preferential market access for specific products including mineral fuels, plastics, other chemical products, miscellaneous food preparations and beverages in selected RCEP markets such as China and Japan

**(b) Non-tariff measures provisions**

- Enhanced provisions that aim to bring down trade transaction costs

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**(c) Rules of origin**

- Streamlined rules for greater flexibility to tap on preferential market access benefits
- With regional cumulation, businesses can take advantage of regional supply chains

**(d) Customs procedures and trade facilitation**

- Simplified procedures for more efficient clearance of goods, including release of express consignments and perishables within six hours

**(e) Trade in services**

- Enhanced commitments above existing ASEAN Plus One FTAs in selected sectors
- More transparent approach for greater business certainty

**(f) Investment**

- Commitments to prohibit performance requirements on investors
- Provisions to lock in future relaxation of measures and mitigate backtracking

**(g) Electronic commerce**

- More conducive digital trade environment
- Enhancements in areas such as online consumer protection, online personal information protection, transparency, paperless trading and acceptance of electronic signatures

**(h) Intellectual property**

- Greater protection when venturing into RCEP markets
- A single trademark or patent application to be accepted across RCEP participating countries

**(i) Competition**

- Protection from anti-competitive activities through competition law regimes and cross-border enforcement cooperation

**(j) Government procurement**

- Increased transparency through publication of laws, regulations and procedures

### Concluding Words

The entry into force of the RCEP Agreement is expected to provide a boost to the trade and business ties between Singapore and the RCEP Parties, which includes all the ASEAN countries and key trading partners such as China, Japan, South Korea, Australia and New Zealand. It basically opens up a much larger market within which to do business. Even as there may appear to be a sense of protectionism creeping in, FTAs such as the RCEP continue to have an important role to play. Global trade continues

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to be important given just how interwoven the world is. Given this, businesses should explore the avenues available to utilise the RCEP Agreement so as to capitalise on the benefits and measures contained therein.

As noted by the Minister for Trade and Industry, the speed with which the RCEP Agreement has entered into force after signing shows the region's determination and commitment to deepening economic integration amidst difficult times. The fact that many Singapore businesses have indicated their interest to explore utilising the RCEP Agreement also shows that businesses recognise it as a source of competitive advantage.

As we highlighted previously, knowing how to complement the RCEP Agreement with a combination of other trade agreements and carefully planning production and supply chains will allow businesses to reap real benefits. At the same time, businesses must exercise due diligence to ensure they fully understand the rules of origin and calculation of regional value content, and follow the correct procedures to obtain the relevant Certificate of Origin, as well as comply with other operational requirements such as the record-keeping requirements. A failure to comply with the latter can create considerable inconveniences, and more importantly regulatory investigations and penal consequences.

If you wish to find more out more about the RCEP Agreement and how your business might benefit from it, please feel free to approach our team below.

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