



**7**

*Trade and Investment Opportunities  
Between ASEAN and RCEP Countries*

*Chapter*

# Chapter 7 Trade and Investment Opportunities Between ASEAN and RCEP Countries

## Section 1 Trade in Goods

This section will introduce the preferential tariffs imposed by ASEAN and other RCEP contracting parties on each category of products from directions of export and import by industry. Through analysis, enterprises can understand the extent of tariff preferences for various goods from ASEAN and other RCEP contracting parties.

### **I. The Situation of Trade in Goods Between ASEAN and Other RCEP Contracting Parties**

ASEAN's import and export trade volume with other RCEP contracting parties from 2015 to 2020 is generally relatively stable. In 2020, ASEAN's exports to other RCEP contracting parties reached USD 415.212 billion, accounting for 29.80% of ASEAN's total exports; imports amounted to USD 523.946 billion, accounting for 41.28% of ASEAN's total imports. Affected by COVID-19, the overall trade volume between ASEAN and other RCEP contracting parties decreased by 2.48% compared with 2019, and the overall trade development has slowed down. In the same year, ASEAN's imports from and exports to its top three trading partners (China, the United States, and the European Union) were USD 517.474 billion, USD 385.229 billion and USD 226.244 billion, respectively, collectively accounting for 42.40% of its total imports and exports.

As a whole, ASEAN has a trade deficit with other RCEP contracting parties. Its import dependence is higher than its export

dependence, which highlights its resource endowments and industrial division of labor that are different from other RCEP contracting parties. In recent years, ASEAN's import and export volume with China, Japan, South Korea, Australia and Singapore, five RECP contracting parties, accounted for about 30%-40% of the total import and export volume between ASEAN and RCEP. In 2020, ASEAN's exports to China and Japan were USD 218.665 billion and USD 102.218 billion, accounting for 77.28% of ASEAN's total exports to RCEP. In the same year, ASEAN's imports from China and Japan were USD 298.809 billion and USD 101.661 billion, accounting for 76.43% of ASEAN's total imports from RCEP. At the same time, ASEAN has a large trade deficit with China and South Korea. It can be seen that ASEAN's import concentration with other RCEP contracting parties is higher than its export concentration. In 2020, a trade deficit of USD 108.734 billion was generated. The realization of RCEP will help ASEAN continue to expand its export market and meet the import demand in the region, and will help ASEAN's regional industrial chain and supply chain to further upgrade. Establishing a common framework of rules of origin has greatly expanded the scope of trade and investment liberalization and significantly increased the value of the ASEAN FTA network.

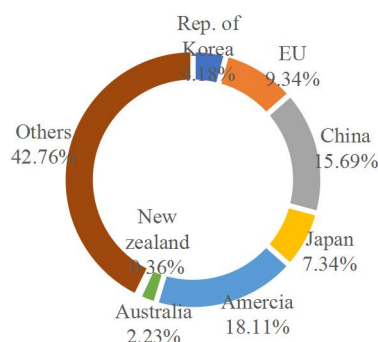


Figure 7.1.1 The Export Mix of ASEAN in 2020

Source: Compiled according to the Trade-Map database.

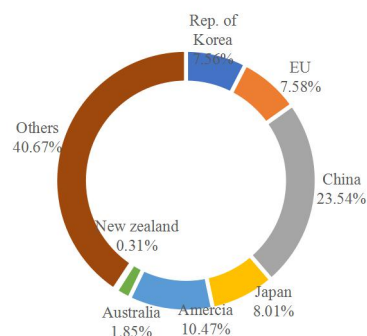


Figure 7.1.2 The Import Mix of ASEAN in 2020

Source: Compiled according to the Trade-Map database.

Table 7.1.1 Value of Trade in Goods between ASEAN and Other RCEP Contracting Parties in 2020  
Unit: US Dollar million

| Country or Region    | Imports | year-on-year growth | Exports | year-on-year growth | Trade Value | year-on-year growth |
|----------------------|---------|---------------------|---------|---------------------|-------------|---------------------|
| <b>China</b>         | 2988.09 | -2.04               | 2186.65 | 8.13                | 5174.74     | 2.01                |
| <b>Rep. of Korea</b> | 960.12  | -0.99               | 581.73  | -1.95               | 1541.85     | -1.36               |
| <b>Japan</b>         | 1016.61 | -12.39              | 1022.18 | -7.08               | 2038.80     | -9.81               |
| <b>Australia</b>     | 234.72  | -15.15              | 311.38  | -12.06              | 546.10      | -13.42              |
| <b>New Zealand</b>   | 39.92   | -8.14               | 50.18   | -16.28              | 90.10       | -12.86              |

Source: Compiled according to the Trade-Map database.

In 2020, China and ASEAN were each other's largest trading partners. In 2020, under the influence of COVID-19, ASEAN replaced the EU as China's largest trading partner, and became China's third-largest export market and largest source of imports. In 2020, the China-ASEAN bilateral trade in goods was USD 300.88 billion, a year-on-year increase of 6.7%, which is about four times that in 2005 when China-ASEAN Trade in Goods Agreement took effect.

ASEAN is currently South Korea's second-largest trading partner. According to the Trade-Map database, in 2020, the bilateral import and export volume of goods between South Korea and ASEAN was USD 143.886 billion, a year-on-year decrease of 4.86%; among them, the total value of South Korea's exports to ASEAN was USD 89.051 billion, and its total value of imports from ASEAN was USD 54.836 billion. The trade surplus between South Korea and ASEAN was USD 34.215 billion, maintaining a large trade surplus compared to other RCEP contracting parties.

ASEAN is Australia's second-largest trading partner, second only to China. Statistics show that in 2019, the bilateral import and export volume of goods between ASEAN and Australia was USD 63.071 billion, of which ASEAN's imports from Australia were USD 27.662 billion and its exports to Australia were USD 35.409 billion, forming a trade surplus of USD 7.747 billion. In 2020, the value of trade in goods between Australia and ASEAN fell to USD 54.610

billion, a decrease of 13.42%, of which exports were USD 31.138 billion, a decrease of 12.06%, and imports were USD 23.472 billion, a decrease of 15.15%.

Bilateral trade in goods between ASEAN and New Zealand. According to the Trade-Map database, the bilateral import and export volume of goods between ASEAN and New Zealand in 2020 was USD 9.01 billion, a year-on-year decrease of 12.86%; among them, ASEAN's trade in goods exports to New Zealand reached USD 5.018 billion, and the total value of imports from New Zealand was USD 3.992 billion. ASEAN and New Zealand have a trade surplus of USD 1.026 billion.

Bilateral trade in goods between ASEAN and Japan. According to statistics, the total value of ASEAN's exports to Japan in 2020 was about USD 102.218 billion, a year-on-year decrease of 7.08% and accounting for about 7.34% of ASEAN's total exports of goods. The total value of ASEAN's imports from Japan dropped by 12.39% year-on-year to USD 101.661 billion, about 8.01% of the total imports of ASEAN during the same period. In 2020, the bilateral trade volume between ASEAN and Japan was about USD 226.045 billion, and the trade surplus was rather small of USD 557 million.

## **II. Opportunities of Trade in Goods Brought by RCEP to ASEAN**

### **(1) Trade in Goods Exported by ASEAN to Other RCEP Contracting Parties and Tariff Concessions**

The tax reduction models under RCEP mainly include four types, namely, dropping to zero immediately when the agreement enters into force, dropping to zero during the transition period, partial tax reductions, and products with exception. The transition period is mainly 10 years, 15 years and 20 years. The following Table 6.1.2 shows the overall tax reduction commitments of other RCEP contracting parties to ASEAN under RCEP:

Table 7.1.2 List of Tax Reductions for ASEAN by Other Contracting Parties under RCEP

| Lower taxes mode                        | China                        | Rep. of Korea | Japan | Australia | New Zealand |       |
|---|------------------------------|---------------|-------|-----------|-------------|-------|
| Immediate zero tariff percentage (%)    | 67.91                        | 64.32         | 74.11 | 75.47     | 65.48       |       |
| Transitional zero tariff ratio (%)      | Zero tariff for 10 years (%) | 80.62         | 80.47 | 74.11     | 90.19       | 81.36 |
|   | Zero tariff for 15 years (%) | 83.62         | 90.42 | 74.11     | 92.14       | 91.81 |
|   | Zero tariff for 20 years (%) | 90.50         | 91.06 | 74.11     | 98.30       | 91.81 |
| Final zero tariff percentage (%)        | 90.50                        | 91.06         | 74.11 | 98.30     | 91.81       |       |
| Percentage of Partial tax reduction (%) | 5.39                         | 5.74          | 17.93 | 1.07      | 8.19        |       |
| Percentage of exceptional products (%)  | 4.11                         | 3.20          | 7.96  | 0.63      | 0.00        |       |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

China, South Korea, Australia, and New Zealand will grant zero-tariff treatment to more than 90% of ASEAN's products, and Australia's final zero-tariff ratio will be as high as 98.30%. This shows that the signing of RCEP will enable the world's largest free trade zone to obtain a high level of tariff concessions and an ultra-high level of trade liberalization. From the first year of the agreement's entry into force to the tenth year, other contracting parties except Japan will have achieved zero tariff for 80%-90% of products. Among them, South Korea has the largest tax cut, and the zero-tariff ratio will have risen from 64.32% in the first year to 80.47% in the tenth year; Japan's tax reduction commitment to ASEAN shows that Japan will gradually reduce tariffs after the RCEP is signed, but the number of zero-tariff products will remain unchanged, and the final zero-tariff ratio will stay at 74.11%.

### 1. Electromechanical Industry

Electromechanical products belong to the sixteenth category of the customs trade product classification, including Chapters 84-85.

7.1.3 Sub-categories of the Electromechanical Industry

| HS Code | Product Description   |
|---------|---|
| 84      | Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof   |
| 85      | Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, And Parts and Accessories of |

|  |               |
|--|---------------|
|  | Such Articles |
|--|---------------|

Source: www.hs.e-to-china.com.cn.

In the export trade of the electromechanical industry, the export trade between other RCEP contracting parties (except Australia) and ASEAN has maintained a steady upward trend in recent years, indicating that ASEAN's electromechanical products have good market prospects in other RCEP contracting parties. Among them, ASEAN's export value of electromechanical products to China and Japan far exceeds that to other RCEP contracting parties, making China and Japan the main trading partner countries of ASEAN's electromechanical products trade. In the import trade of the electromechanical industry, ASEAN's import of electromechanical products from other RCEP contracting parties demonstrates an average annual growth of 6.28%, which is steady.

Table 7.1.4 2015-2020 ASEAN's Trade Volume of Electromechanical Products with Other RCEP Contracting Parties and Their Average Growth

| Country       | ASEAN exports to the country (Million Dollars) |           |                        | ASEAN imports from the country (Million Dollars) |           |                        |
|---------------|--|-----------|------------------------|--|-----------|------------------------|
|               | 2015   | 2020      | Annual Growth rate (%) | 2015   | 2020      | Annual Growth rate (%) |
| Japan         | 30800.00                                       | 34700.00  | 2.41                   | 42500.00   | 45300.00  | 1.28                   |
| Rep. of Korea | 16600.00                                       | 26900.00  | 10.14                  | 35900.00   | 52100.00  | 7.73                   |
| China         | 54300.00                                       | 81800.00  | 8.54                   | 105000.00  | 152000.00 | 7.68                   |
| Australia     | 7733.88  | 6708.27   | -2.81                  | 1051.71  | 684.07    | -8.24                  |
| New Zealand   | 1056.21  | 1521.48   | 7.57                   | 170.47   | 213.09    | 4.56                   |
| Total         | 110490.09                                      | 151629.75 | 6.53                   | 184622.18  | 250297.16 | 6.28                   |

Source: Compiled according to UN Comtrade Database.

Japan will achieve zero tariff and complete trade liberalization on all electromechanical products of ASEAN. Although other RCEP contracting parties have not completely reduced or exempted ASEAN's tariffs on electromechanical products to zero, from the perspective of the tax reduction in the tenth year, the number of products with FTA=0 accounted for almost 70% of the total number

of products in the 11th category. New Zealand has the largest rate of tax cuts in the past decades. Electromechanical products with zero tariff in ten years will reach 69.58%, while the zero-tariff ratio in Australia will rise to 92.48% in ten years. Overall, the potential tariff preferences for signing RCEP are relatively strong.

Table 7.1.5 FTA Status of Other RCEP Contracting Parties on ASEAN Electromechanical Products (HS 6)

| Country       | Number of electromechanical products | The first year                 |                                      | The ten year                   |                              |
|---------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |                                      | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 771                                  | 430                            | 55.77                                | 559                            | 72.5                         |
| Rep. of Korea | 771                                  | 456                            | 59.14                                | 568                            | 73.67                        |
| Japan         | 771                                  | 771                            | 100.00                               | 771                            | 100.00                       |
| Australia     | 771                                  | 639                            | 82.88                                | 713                            | 92.48                        |
| New Zealand   | 766                                  | 328                            | 42.82                                | 533                            | 69.58                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

## 2. Non-precious Metals and Its Products Industry

Non-precious metals and their products belong to the fifteenth category of the customs trade product classification, including chapters 72-83.

Table 7.1.6 Sub-categories of Non-precious Metals and Products

| HS Code | Product Description  |
|---------|--|
| 72      | Iron and steel   |
| 73      | Articles of iron or steel  |
| 74      | Copper and articles thereof  |
| 75      | Nickel and articles thereof  |
| 76      | Aluminium and articles thereof   |
| 78      | Lead and articles thereof  |
| 79      | Zinc and articles thereof  |
| 80      | Tin and articles thereof   |
| 81      | Other base metals; cermets; articles thereof   |
| 82      | Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal |
| 83      | Miscellaneous articles of base metal   |



Source: www.hs.e-to-china.com.cn.

In the export trade, the export growth of non-precious metals and their products was 13.98%, and the overall growth was relatively high. ASEAN's export trade to Australia has declined significantly, while its trade volume with top contracting parties, such as China and Japan, has maintained an upward trend. The two countries are important export markets for ASEAN's non-precious metals and their products. In the import trade, the growth of non-precious metals and their trade in products between ASEAN and other RCEP contracting parties has fluctuated greatly, with an average annual growth of -0.80%. The overall growth is not favorable. China and Japan have always been ASEAN's largest trading partners, but the trade with many countries including these two contracting parties has registered negative growth in recent years.

Table 7.1.7 2015-2020 ASEAN's Trade Volume with Other RCEP Contracting Parties in Non-precious Metals and Its Products and the Average Growth Rate

| Country       | ASEAN exports to the country (Million Dollars) |        |                        | ASEAN imports from the country (Million Dollars) |        |                        |
|---------------|--|--------|------------------------|--|--------|------------------------|
|               | 2015   | 2020   | Annual Growth rate (%) | 2015   | 2020   | Annual Growth rate (%) |
| China         | 41.37  | 198.00 | 36.77                  | 296.00   | 289.00 | -0.48                  |
| Japan         | 53.84  | 56.81  | 1.08                   | 167.00   | 159.00 | -0.98                  |
| Rep. of Korea | 21.78  | 30.19  | 6.75                   | 92.00  | 94.20  | 0.47                   |
| Australia     | 36.32  | 10.91  | -21.38                 | 36.50  | 25.67  | -6.80                  |
| New Zealand   | 1.36   | 1.58   | 3.05                   | 0.57   | 0.78   | 6.52                   |
| Total         | 154.67   | 297.49 | 13.98                  | 592.06   | 568.65 | -0.80                  |

Source: Compiled according to UN Comtrade Database.

From the perspective of tax reduction, other RCEP contracting parties will implement zero tariffs on over 80% of non-precious metals and products in ASEAN. Although China, Japan, and Australia have not yet completely cut taxes for ASEAN to zero, from the perspective of the tax reduction in the tenth year, the number of products with FTA=0 accounts for more than 80% of the total

number of products in this category, with a relatively high degree of trade liberalization. Australia will have had the biggest tax cut in ten years. The proportion of non-precious metals and their products with zero tariffs in ten years will have reached 86.50%; while Japan will not have achieved more zero-tariff products within ten years of the agreement's entry into force. Overall, there is a huge potential for tariff preferences as a result of signing RCEP.

Table 7.1.8 FTA Situation of Other RCEP Contracting Parties on ASEAN Non-precious Metals and Products (HS 6)

| Country       | Number of Base metals and their products | Year1                          |                                      | Year10                         |                              |
|---------------|--|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |  | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 563                                      | 374                            | 66.43                                | 462                            | 82.06                        |
| Rep. of Korea | 563                                      | 335                            | 59.50                                | 396                            | 70.34                        |
| Japan         | 562                                      | 531                            | 94.48                                | 531                            | 94.48                        |
| Australia     | 563                                      | 341                            | 60.57                                | 487                            | 86.50                        |
| New Zealand   | 563                                      | 292                            | 51.87                                | 415                            | 73.71                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

### 3. Chemical Industry

Chemical products belong to the 6th category of the customs trade product classification, including chapters 28-38.

Table 7.1.9 Sub-categories of Chemical Industry

| HS Code | Product Description   |
|---------|---|
| 28      | Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Of Radioactive Elements or Of Isotopes                      |
| 29      | Organic Chemicals   |
| 30      | Pharmaceutical Products   |
| 31      | Fertilizers   |
| 32      | Tanning Or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks |
| 33      | Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations  |
| 34      | Soap, Organic Surfactants, Washing Preparations, Lubricating Preparations   |
| 35      | Albuminoidal substances; modified starches; glues;  |
| 36      | Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations  |
| 37      | Photographic Or Cinematographic Goods   |

Source: www.hs.e-to-china.com.cn.

In export trade, the growth of ASEAN's chemical products exports to other RCEP contracting parties is positive, indicating that ASEAN chemical products enjoy bright market prospects in other RCEP contracting parties. Among them, China and Japan are key export target countries of ASEAN chemical products. In import trade, trade between multiple contracting parties and ASEAN shows an upward trend, and the average annual growth of chemical product import trade was 5.97%. In the import trade of the chemical industry, China and Japan have been ASEAN's largest trading partners in recent years, with their trade volume growing rapidly. In comparison, the trade volume between Australia and New Zealand and ASEAN has demonstrated a slight downward trend in recent years.

Table 7.1.10 2015-2020 Trade Volume and Average Growth Rate of ASEAN Chemical Products with Other RCEP Contracting Parties

| Country       | ASEAN exports to the country (Million Dollars) |          |                        | ASEAN imports from the country (Million Dollars) |          |                        |
|---------------|--|----------|------------------------|--|----------|------------------------|
|               | 2015   | 2020     | Annual Growth rate (%) | 2015   | 2020     | Annual Growth rate (%) |
| China         | 9726.28  | 14700.00 | 8.61                   | 14600.00   | 20200.00 | 6.71                   |
| Rep. of Korea | 3077.36  | 4873.59  | 9.63                   | 3746.03  | 5289.93  | 7.15                   |
| Japan         | 4684.86  | 6014.73  | 5.12                   | 6023.82  | 7823.10  | 5.37                   |
| Australia     | 1500.39  | 1609.75  | 1.42                   | 1380.98  | 1145.92  | -3.66                  |
| New Zealand   | 209.15   | 250.37   | 3.66                   | 130.10   | 129.54   | -0.09                  |
| Total         | 19198.04                                       | 27448.44 | 7.41                   | 25880.93   | 34588.49 | 5.97                   |

Source: Compiled according to UN Comtrade Database.

The tax reduction in the chemical industry is considerable, and most contracting parties will implement zero tariff on more than 88% of ASEAN's chemical products. In the chemical industry, Japan, Australia, and New Zealand's immediate zero-tariff ratio to ASEAN is over 90%, and the zero-tariff ratio in the tenth year will

further increase to over 94%. Australia will achieve 99.36% trade liberalization. On the other hand, South Korea has the largest increase in zero-tariff ratio within ten years after the agreement's entry into force, and the zero-tariff ratio in the tenth year will reach 78.85%. On the whole, the potential tariff preferences for signing RCEP are very strong, and the degree of trade liberalization is relatively high.

Table 7.1.11 FTA Status of Other RCEP Contracting Parties on ASEAN Chemical Products (HS 6)

| Country       | Number of Chemical products | Year1                          |                                      | Year10                         |                              |
|---------------|-----------------------------|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |                             | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 787                         | 579                            | 73.57                                | 697                            | 88.56                        |
| Rep. of Korea | 785                         | 451                            | 57.45                                | 619                            | 78.85                        |
| Japan         | 784                         | 740                            | 94.39                                | 740                            | 94.39                        |
| Australia     | 787                         | 710                            | 90.22                                | 782                            | 99.36                        |
| New Zealand   | 787                         | 713                            | 90.60                                | 753                            | 95.68                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

#### 4. Textile and Raw Material Industry

Textiles and raw materials belong to the 11th category in the customs trade product classification, including chapters 50-63.

Table 7.1.12 Sub-categories of Textiles and Raw Materials

| HS Code | Product Description   |
|---------|---|
| 50      | silk  |
| 51      | wool, fine or coarse animal hair; horsehair yarn and woven fabric   |
| 52      | cotton  |
| 53      | other vegetable textile fibres; paper yarn and woven fabrics of paper yarn                                    |
| 54      | man-made filaments; strip and the like of man-made textile materials  |
| 55      | man-made staple fibres  |
| 56      | wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof             |
| 57      | carpets and other textile floor coverings   |
| 58      | special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery                        |
| 59      | impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial |
| 60      | knitted or crocheted fabrics  |

|    |   |
|----|---|
| 61 | articles of apparel and clothing accessories, knitted or crocheted                  |
| 62 | articles of apparel and clothing accessories, not knitted or crocheted              |
| 63 | other made up textile articles; sets; worn clothing and worn textile articles; rags |

Source: www.hs.e-to-china.com.cn.

In export trade, ASEAN's trade volume with major trading partners, i.e. Japan, China, and South Korea, has maintained a steady upward trend in recent years, with an average annual growth of 5.92% in recent years. In the import trade, the average annual growth of ASEAN imports of textiles and raw materials from other RCEP contracting parties was 3.94%, and the overall growth was relatively steady. China is ASEAN's largest trading partner in this industry, and its trade volume has been rising steadily, while South Korea, Australia and New Zealand have all shown a decline in trade in recent years. Due to their small trade volume, though, the decline has not significantly influenced the overall trade growth.

Table 7.1.13 2015-2020 ASEAN Textiles and Raw Materials Trade Volume with Other RCEP Contracting Parties and Their Average Growth Rate

| Country       | ASEAN exports to the country (Million Dollars) |          |                        | ASEAN imports from the country (Million Dollars) |          |                        |
|---------------|--|----------|------------------------|--|----------|------------------------|
|               | 2015   | 2020     | Annual Growth rate (%) | 2015   | 2020     | Annual Growth rate (%) |
| Japan         | 6194.43  | 8269.15  | 5.95                   | 1860.60  | 1911.94  | 0.55                   |
| Rep. of Korea | 3698.17  | 4767.11  | 5.21                   | 4300.40  | 3311.05  | -5.09                  |
| China         | 3751.83  | 5318.72  | 7.23                   | 17100.00   | 23300.00 | 6.38                   |
| Australia     | 804.92   | 896.84   | 2.19                   | 374.40   | 159.85   | -15.65                 |
| New Zealand   | 77.86  | 114.79   | 8.07                   | 16.35  | 7.39     | -14.69                 |
| Total         | 14527.21                                       | 19366.61 | 5.92                   | 23651.75   | 28690.23 | 3.94                   |

Source: Compiled according to UN Comtrade Database.

In the textile and raw materials industry, China, Japan and South Korea will implement zero tariffs on over 80% of ASEAN's products. Japan and South Korea's immediate zero-tariff ratios both exceeded 80%, and the zero-tariff ratio in the tenth year of other RCEP contracting parties except Australia and New Zealand all exceed 80%. Australia has the largest tax cut in ten years. In the

tenth year, its number of textiles and raw material products with FTA=0 has been 32% higher than that in the first year; while Japan has not realized more zero-tariff products within ten years of the agreement's entry into force. Generally, the tariff preferences for signing RCEP still have a good prospect.

Table 7.1.14 FTA Status of Other RCEP Contracting Parties on ASEAN Textiles and Their Raw Materials (HS 6)

| Country       | Number of Textiles and Raw Materials | Year1                          |                                      | Year10                         |                              |
|---------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |                                      | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 796                                  | 599                            | 75.25                                | 693                            | 87.06                        |
| Rep. of Korea | 795                                  | 717                            | 90.19                                | 718                            | 90.31                        |
| Japan         | 795                                  | 666                            | 83.77                                | 666                            | 83.77                        |
| Australia     | 796                                  | 352                            | 44.22                                | 607                            | 76.26                        |
| New Zealand   | 794                                  | 378                            | 47.61                                | 493                            | 62.09                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

## 5. Optical, Clock, and Medical Equipment Industry

Optical, clock and medical equipment products belong to the 18th category in the customs trade product classification, including chapters 90-92.

Table 7.1.15 Sub-categories of optical, clock and medical equipment industries

| HS Code | Product Description  |
|---------|--|
| 90      | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof |
| 91      | Clocks and watches and parts thereof   |
| 92      | Musical instruments; parts and accessories of such articles  |

Source: [www.hs.e-to-china.com.cn](http://www.hs.e-to-china.com.cn).

In the export trade of optical, clocks, and medical equipment, China and Japan are the major trading partners of ASEAN's optical, clocks, and medical equipment, and their trades have been growing steadily; while Australia and New Zealand have relatively small

trade volumes, with negative trade growths in recent years. Overall, ASEAN's export trade performance is relatively favorable. In the import trade, ASEAN's import trade volume from other RCEP contracting parties has shown an overall upward trend, with an average annual growth of 8.33%. China and Japan have always accounted for a large proportion of their exports to ASEAN in recent years, while Australia's trade with ASEAN has shown a negative growth in recent years. Due to Australia's relatively low share of trade, though, the negative growth has not significantly impacted the overall growth of its import trade.

Table 7.1.16 2015-2020 ASEAN's Trade Volume of Optical, Watches, Medical Equipment with Other RCEP Contracting Parties and Its Average Growth Rate

| Country       | ASEAN exports to the country (Million Dollars) |          |                        | ASEAN imports from the country (Million Dollars) |          |                        |
|---------------|--|----------|------------------------|--|----------|------------------------|
|               | 2015   | 2020     | Annual Growth rate (%) | 2015   | 2020     | Annual Growth rate (%) |
| Japan         | 3412.31  | 4062.13  | 3.55                   | 3893.47  | 4765.89  | 4.13                   |
| Rep. of Korea | 1350.72  | 2292.07  | 11.16                  | 1601.81  | 3609.68  | 17.64                  |
| China         | 5529.22  | 7245.37  | 5.56                   | 4614.71  | 6817.85  | 8.12                   |
| Australia     | 981.20   | 893.88   | -1.85                  | 201.66   | 184.44   | -1.77                  |
| New Zealand   | 101.02   | 95.80    | -1.06                  | 17.36  | 33.07    | 13.76                  |
| Total         | 11374.47                                       | 14589.25 | 5.10                   | 10329.01   | 15410.93 | 8.33                   |

Source: Compiled according to UN Comtrade Database.

From the perspective of tax reduction, contracting parties have reduced their taxes on ASEAN's optical, watches, and medical equipment products by a large margin, and will achieve a zero tariff on over 90% of the products. From the perspective of the proportion of immediate zero tariffs, the proportion of the products enjoying a zero tariff of contracting parties except China will reach more than 80%, and that of Japan will even reach 97.63%, showing great tariff concessions for ASEAN. From the perspective of the zero-tariff ratio in the tenth year, the proportion of the products enjoying a zero tariff of the three contracting parties of South Korea,

Australia, and New Zealand will further grow to over 92% in ten years, while Japan will not have achieved more zero-tariff products within ten years of the agreement's entry into force. China has the largest tax cut in ten years, and ten years after the agreement came into effect, its proportion of products with FTA=0 has increased by 21.33% compared to the first year. On the whole, the potential of tariff preferences for signing RCEP is great, indicating that the degree of trade liberalization will greatly increase in the future.

Table 7.1.17 FTA Status of Other RCEP Contracting Parties on ASEAN Optical, Clocks and Medical Equipment Products (HS 6)

| Country       | Number of Optical Equipment, Watches and Clocks, and Medical Equipment | Year1                          |                                      | Year10                         |                              |
|---------------|--|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |  | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 211  | 132                            | 62.56                                | 177                            | 83.89                        |
| Rep. of Korea | 211  | 179                            | 84.83                                | 209                            | 99.05                        |
| Japan         | 211  | 206                            | 97.63                                | 206                            | 97.63                        |
| Australia     | 211  | 192                            | 91.00                                | 204                            | 96.68                        |
| New Zealand   | 203  | 171                            | 84.24                                | 188                            | 92.61                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

## 6. Plastic and Rubber Industry

Plastics and rubber belong to the 7th category in the customs trade product classification, including chapters 39-40.

Table 7.1.18 Sub-categories of plastics and rubber industries

| HS Code | Product Description           |
|---------|-------------------------------|
| 39      | Plastics and articles thereof |
| 40      | Rubber and articles thereof   |

Source: [www.hs.e-to-china.com.cn](http://www.hs.e-to-china.com.cn).

In export trade, China is ASEAN's most important export market of plastic and rubber. In 2020, the volume of plastics and rubber exports from ASEAN to China accounted for 66.30% of the



total exports to RCEP, with an average annual growth of 4.73%. New Zealand, which has a small trade volume, maintains a negative growth trend, but its impact on the overall export growth is not apparent. In import trade, the average annual growth of ASEAN imports of plastic and rubber products from other RCEP contracting parties is 7.43%, and the prospects are relatively favorable. China is ASEAN's largest trading partner, and its export volume to ASEAN is more than twice that of Japan. In recent years, the growth of trade has also been relatively high, indicating that the demand for plastic and rubber products in ASEAN can be steadily supplied in the long term.

Table 7.1.19 2015-2020 ASEAN's Trade Volume of Plastics and Rubber with Other RCEP Contracting Parties and Their Average Growth Rate

| Country       | ASEAN exports to the country (Million Dollars) |          |                        | ASEAN imports from the country (Million Dollars) |          |                        |
|---------------|--|----------|------------------------|--|----------|------------------------|
|               | 2015   | 2020     | Annual Growth rate (%) | 2015   | 2020     | Annual Growth rate (%) |
| Japan         | 5377.00  | 6633.37  | 4.29                   | 6524.67  | 7059.01  | 1.59                   |
| Rep. of Korea | 1768.02  | 1938.45  | 1.86                   | 5359.50  | 6755.72  | 4.74                   |
| China         | 16000.00                                       | 21100.00 | 5.69                   | 8217.20  | 15100.00 | 12.94                  |
| Australia     | 1751.14  | 1820.04  | 0.77                   | 235.01   | 196.01   | -3.56                  |
| New Zealand   | 364.65   | 333.49   | -1.77                  | 21.25  | 24.85    | 3.18                   |
| Total         | 25260.81                                       | 31825.35 | 4.73                   | 20357.63   | 29135.59 | 7.43                   |

Source: Compiled according to UN Comtrade Database.

In the plastics and rubber industries, ASEAN will achieve zero tariffs on 70%-80% of its products. Other RCEP contracting parties impose relatively large tariff restrictions on ASEAN plastic and rubber products in the first year. Most contracting parties' immediate zero tariffs fluctuate between 40% and 50%, while South Korea's is only 17.54%. However, judging from the tax reduction in the tenth year, this situation has been greatly improved. The number of products enjoying zero tariffs in other RCEP contracting parties except Japan has almost doubled. In particular, the

proportion of products enjoying zero tariffs in South Korea increases from 17.54% in the first year to 86.73% in the tenth year, demonstrating the great potential of RCEP's future tariff preferences and the trend of trade liberalization. Overall, the tariff preferences for signing RCEP have a relatively good potential.

Table 7.1.20 FTA Situation of Other RCEP Contracting Parties on ASEAN Plastic and Rubber Products (HS 6)

| Country       | Number of Plastics and Rubber | Year1                          |                                      | Year10                         |                              |
|---------------|-------------------------------|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |                               | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 211                           | 91                             | 43.13                                | 150                            | 71.09                        |
| Rep. of Korea | 211                           | 37                             | 17.54                                | 183                            | 86.73                        |
| Japan         | 211                           | 177                            | 83.89                                | 177                            | 83.89                        |
| Australia     | 211                           | 111                            | 52.61                                | 168                            | 79.62                        |
| New Zealand   | 211                           | 94                             | 44.55                                | 149                            | 70.62                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

## 7. Furniture, Toys, and Miscellaneous Products

Furniture, toys, and miscellaneous products belong to the 20th category in the customs trade product classification, including chapters 94-96.

Table 7.1.21 Sub-categories of Furniture, Toys, and Miscellaneous Products Industry

| HS Code | Product Description   |
|---------|---|
| 94      | Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings |
| 95      | Toys, games and sports requisites; parts and accessories thereof  |
| 96      | Miscellaneous manufactured articles   |

Source: [www.hs.e-to-china.com.cn](http://www.hs.e-to-china.com.cn).

In export trade, Japan and Australia are the main trading partners of ASEAN's furniture, toys, and miscellaneous products. The trade volume of Australia and New Zealand has been declining in recent years, and the overall average annual growth is only 2.48%. Import trade is more stable. China is the main source

country of ASEAN's imports of furniture, toys, and miscellaneous products. In 2020, ASEAN's trade volume from China accounted for 85.72% of the total import volume from RCEP, and maintained a positive growth of 11.49%. In the future, the signing of RECP will continue to strengthen the trade exchanges between the two parties on furniture, toys, and miscellaneous products.

Table 7.1.22 2015-2020 ASEAN's Furniture, Toys, Miscellaneous Products and Other RCEP Contracting Parties Trade Volume and Its Average Growth Rate

| Country       | ASEAN exports to the country (Million Dollars) |         |                        | ASEAN imports from the country (Million Dollars) |         |                        |
|---------------|--|---------|------------------------|--|---------|------------------------|
|               | 2015   | 2020    | Annual Growth rate (%) | 2015   | 2020    | Annual Growth rate (%) |
| Japan         | 2060.05  | 2388.44 | 3.00                   | 711.70   | 772.76  | 1.66                   |
| Rep. of Korea | 521.84   | 669.16  | 5.10                   | 406.92   | 400.85  | -0.30                  |
| Australia     | 780.43   | 766.37  | -0.36                  | 70.50  | 57.22   | -4.09                  |
| China         | 557.72   | 618.43  | 2.09                   | 4296.25  | 7400.38 | 11.49                  |
| New Zealand   | 84.19  | 84.01   | -0.04                  | 3.63   | 2.49    | -7.26                  |
| Total         | 4004.23  | 4526.41 | 2.48                   | 5489.00  | 8633.70 | 9.48                   |

Source: Compiled according to UN Comtrade Database.

From the perspective of tax reduction, other RCEP contracting parties maintain a ratio of 60%-90% of ASEAN's furniture, toys, and miscellaneous products enjoying zero tariff. China and New Zealand have not greatly reduced tariffs on furniture, toys, and miscellaneous products to other RCEP contracting parties, but New Zealand has the largest tax cut in the ten years. In the tenth year, New Zealand has 90 furniture, toys, and miscellaneous products with FTA=0, accounting for 76.92% of the total number of products in this category; South Korea and Australia have the highest rates of the ratio of products enjoying zero tariff in ten years, both above 95%, which shows a very high degree of trade liberalization. In comparison, Japan has not achieved more zero-tariff products within ten years of the agreement's entry into force. On the whole, the potential tariff preferences for the furniture, toys, and

miscellaneous products industries with the signing of RCEP are acceptable.

Table 7.1.23 FTA Status of Other RCEP Contracting Parties on ASEAN's Furniture, Toys, and Miscellaneous Products (HS 6)

| Country       | Number of Furniture, Toys, and Miscellaneous Products | Year1                          |                                      | Year10                         |                              |
|---------------|---|--------------------------------|--------------------------------------|--------------------------------|------------------------------|
|               |   | Number of products where FTA=0 | Immediate zero tariff percentage (%) | Number of products where FTA=0 | Zero tariff for 10 years (%) |
| China         | 118   | 64                             | 54.24                                | 71                             | 60.17                        |
| Rep. of Korea | 118   | 71                             | 60.17                                | 115                            | 97.46                        |
| Japan         | 118   | 104                            | 88.14                                | 104                            | 88.14                        |
| Australia     | 118   | 104                            | 88.14                                | 113                            | 95.76                        |
| New Zealand   | 117   | 33                             | 28.21                                | 90                             | 76.92                        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

## (2) Tariff Concessions of ASEAN Imports from Other RCEP Contracting Parties

### 1. Some ASEAN Contracting Parties' (Cambodia, Laos, Malaysia, Myanmar, Brunei, Singapore) Tariffs on Other RCEP Contracting Parties

ASEAN contracting parties have different tariff reduction arrangements from other RCEP contracting parties. The six contracting parties of Cambodia, Laos, Malaysia, Myanmar, Brunei, and Singapore adopt the principle of equal treatment in terms of the tariff commitments for other RCEP contracting parties; while the four contracting parties of Vietnam, the Philippines, Indonesia, and Thailand adopt different tax reduction commitments for different other RCEP contracting parties. The following table summarizes the overall tax reduction commitments of six ASEAN contracting parties (Cambodia, Laos, Malaysia, Myanmar, Brunei, Singapore) to other RCEP contracting parties under RCEP:

Table 7.1.24 List of Tax Reductions for Some ASEAN Contracting Parties to Other RCEP Contracting Parties

| Lower taxes mode | Cambodia | Lao People's Dem. | Malaysia | Myanmar | Brunei Darussalam | Singapore |
|------------------|----------|-------------------|----------|---------|-------------------|-----------|
|                  |          |                   |          |         |                   |           |

|   |                              | <b>Rep.</b> |       |       |       |       |        |
|---|------------------------------|-------------|-------|-------|-------|-------|--------|
| Immediate zero tariff percentage (%)    |                              | 29.90       | 29.95 | 84.09 | 30.03 | 84.90 | 100.00 |
| Transitional zero tariff ratio (%)      | Zero tariff for 10 years (%) | 29.90       | 29.95 | 84.09 | 30.03 | 84.90 | 100.00 |
|   | Zero tariff for 15 years (%) | 80.57       | 79.89 | 90.24 | 80.03 | 92.94 | 100.00 |
|   | Zero tariff for 20 years (%) | 87.10       | 86.12 | 90.98 | 86.04 | 98.37 | 100.00 |
| Final zero tariff percentage (%)        |                              | 87.10       | 86.12 | 90.98 | 86.04 | 98.37 | 100.00 |
| Percentage of Partial tax reduction (%) |                              | 9.10        | 11.97 | 8.58  | 11.96 | 0.78  | 0.00   |
| Percentage of exceptional products (%)  |                              | 3.80        | 1.92  | 0.44  | 2.00  | 0.85  | 0.00   |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

These six contracting parties in ASEAN have a high degree of trade liberalization with other RCEP contracting parties, and the final zero-tariff ratio will exceed 86%. With the entry into force of RCEP and the gradual reduction of tariffs, Singapore will achieve 100% trade liberalization, Malaysia and Brunei will achieve zero tariffs on more than 90% of the products from other RCEP contracting parties, and the three contracting parties of Cambodia, Laos, and Myanmar will also achieve zero tariffs on more than 86% of the products from other RCEP contracting parties. During the ten years after RCEP took effect, the tax rates of Malaysia and Brunei will be gradually reduced in order to achieve a higher degree of opening up. On the whole, Cambodia has the biggest tax cut, with the zero-tariff ratio rising from 29.90% in the first year to 87.10% eventually. The above analysis demonstrates that the signing of RCEP will enable the world's largest free trade zone to obtain great tariff concessions and an ultra-high degree of trade liberalization.

Table 7.1.25 FTA Situation of Various Products of ASEAN Contracting Parties to Other RCEP Contracting Parties (HS 6)

| Industry categories | The name of the industry                         | Zero tariff Percentage (%) | Cambodia | Lao People's Dem. Rep. | Malaysia | Myanmar | Brunei Darussalam | Singapore |
|---------------------|--|----------------------------|----------|------------------------|----------|---------|-------------------|-----------|
| 16                  | Mechanical and electrical industry               | year 1                     | 9.08     | 21.79                  | 76.91    | 47.73   | 31.91             | 100.00    |
|                     |  | year 10                    | 9.08     | 21.79                  | 85.86    | 47.73   | 65.63             | 100.00    |
| 15                  | Base metals and products industry                | year 1                     | 27.89    | 24.69                  | 44.84    | 38.72   | 99.47             | 100.00    |
|                     |  | year 10                    | 27.89    | 24.69                  | 66.90    | 38.72   | 99.47             | 100.00    |
| 6                   | The chemical industry                            | year 1                     | 45.87    | 48.72                  | 91.35    | 62.26   | 94.00             | 100.00    |
|                     |  | year 10                    | 45.87    | 48.72                  | 91.86    | 62.26   | 95.27             | 100.00    |
| 11                  | Textile and raw material industry                | year 1                     | 45.73    | 26.76                  | 50.25    | 6.41    | 91.21             | 100.00    |
|                     |  | year 10                    | 45.73    | 26.76                  | 92.21    | 6.41    | 91.58             | 100.00    |
| 18                  | Optical, watch, medical equipment industry       | year 1                     | 6.16     | 31.75                  | 97.63    | 4.27    | 29.38             | 100.00    |
|                     |  | year 10                    | 6.16     | 31.75                  | 99.53    | 4.27    | 81.52             | 100.00    |
| 7                   | Plastic, rubber industry                         | year 1                     | 38.39    | 28.44                  | 25.59    | 9.48    | 90.52             | 100.00    |
|                     |  | year 10                    | 38.39    | 28.44                  | 38.86    | 9.48    | 90.52             | 100.00    |
| 20                  | Furniture, toys, miscellaneous products industry | year 1                     | 24.58    | 23.73                  | 56.78    | 0.00    | 58.47             | 100.00    |
|                     |  | year 10                    | 24.58    | 23.73                  | 90.68    | 0.00    | 76.27             | 100.00    |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Malaysia and Brunei will implement zero tariffs on more than 90% of products, and the development of trade liberalization in Cambodia, Laos, and Myanmar will be slow. On the whole, in the first year of RCEP's entry into force, these six contracting parties have the highest degree of trade liberalization in the chemical industry. Malaysia and Brunei have achieved a zero-tariff ratio of over 90%, while Cambodia, Laos, and Myanmar have a zero-tariff ratio fluctuating between 45% and 65%. In addition, with the exception of Singapore that has an immediate zero-tariff ratio of 100% in all industries, the remaining five contracting parties have a relatively small zero-tariff ratio in each industry. Brunei's immediate zero-tariff ratio for non-precious metals and products industry, chemical industry, textiles and raw materials industry, plastics and rubber industries are all above 90%, while Malaysia's zero-tariff

ratio for the chemical industry, optics, watches and medical equipment industries also exceed 90%. Ten years after the agreement came into effect, with the gradual reduction of tariffs, the zero-tariff ratio of the six contracting parties has increased. Malaysia and Brunei continue to go ahead of other contracting parties to achieve greater trade liberalization. Among them, Malaysia's zero-tariff ratio for textiles and raw materials industries, furniture, toys, and miscellaneous products have increased from about 50% in the first year to more than 90%. The number of zero-tariff products in Cambodia, Laos, and Myanmar remain unchanged for ten years.

## 2. Vietnam's Tariffs on Other RCEP Contracting Parties

The following table summarizes Vietnam's overall tariff commitments under RCEP to other contracting parties:

Table 7.1.26 List of Vietnam's Tax Reductions under RCEP for Other Contracting Parties

| Lower taxes mode                        | China                        | Rep. of Korea | Japan | Australia | New Zealand |       |
|---|------------------------------|---------------|-------|-----------|-------------|-------|
| Immediate zero tariff percentage (%)    | 66.12                        | 66.12         | 66.12 | 66.12     | 66.12       |       |
| Transitional zero tariff ratio (%)      | Zero tariff for 10 years (%) | 83.71         | 83.71 | 66.12     | 83.71       | 83.71 |
|   | Zero tariff for 15 years (%) | 83.71         | 87.74 | 83.71     | 90.72       | 90.72 |
|   | Zero tariff for 20 years (%) | 86.69         | 87.74 | 87.74     | 90.72       | 90.72 |
| Final zero tariff percentage (%)        | 86.69                        | 87.74         | 87.74 | 90.72     | 90.72       |       |
| Percentage of Partial tax reduction (%) | 7.62                         | 8.52          | 8.52  | 7.66      | 7.66        |       |
| Percentage of exceptional products (%)  | 5.70                         | 3.74          | 3.74  | 1.62      | 1.62        |       |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Vietnam has a high degree of trade liberalization with other RCEP contracting parties, and the final zero-tariff ratio will exceed 86%. Among them, its final zero-tariff ratio for Australia and New Zealand will be as high as 90.72%, indicating that the signing of RCEP will enable the world's largest free trade zone to obtain great tariff concessions and an ultra-high degree of trade liberalization.

From the first year to the tenth year of the agreement's entry into force, all contracting parties except Japan will achieve a zero tariff of 86%-90%. Vietnam's trade liberalization process with other contracting parties will be similar, and its zero-tariff ratio will change from the first year's 66.12% to 83.71% in the tenth year; Vietnam's tariff commitments to Japan indicate that Vietnam's tariffs for Japan will gradually decrease after the RCEP was signed, but the number of zero-tariff products will not change, and the zero-tariff ratio in the tenth year will remain at 66.12%.

Table 7.1.27 Vietnam's FTA Situation for Various Products from Other RCEP Contracting Parties (HS 6)

| Industry categories | The name of the industry                         | Zero tariff Percentage (%) | China  | Rep. of Korea | Japan | Australia | New Zealand |
|---------------------|--|----------------------------|--------|---------------|-------|-----------|-------------|
| 16                  | Mechanical and electrical industry               | year 1                     | 77.57  | 77.01         | 77.01 | 76.91     | 76.91       |
|                     |  | year 10                    | 87.22  | 86.62         | 77.01 | 86.38     | 86.38       |
| 15                  | Base metals and products industry                | year 1                     | 69.70  | 70.50         | 70.50 | 70.07     | 70.07       |
|                     |  | year 10                    | 88.06  | 89.75         | 70.50 | 88.89     | 88.89       |
| 6                   | The chemical industry                            | year 1                     | 91.33  | 91.23         | 91.23 | 90.98     | 90.98       |
|                     |  | year 10                    | 98.45  | 98.32         | 91.23 | 98.07     | 98.07       |
| 11                  | Textile and raw material industry                | year 1                     | 81.34  | 81.03         | 81.03 | 81.03     | 81.03       |
|                     |  | year 10                    | 86.13  | 85.80         | 81.03 | 85.80     | 85.80       |
| 18                  | Optical, watch, medical equipment industry       | year 1                     | 82.94  | 82.94         | 82.94 | 82.94     | 82.94       |
|                     |  | year 10                    | 100.00 | 100.00        | 82.94 | 100.00    | 100.00      |
| 7                   | Plastic, rubber industry                         | year 1                     | 71.36  | 70.15         | 70.15 | 68.78     | 68.78       |
|                     |  | year 10                    | 86.93  | 85.57         | 70.15 | 83.90     | 83.90       |
| 20                  | Furniture, toys, miscellaneous products industry | year 1                     | 44.07  | 44.07         | 44.07 | 44.07     | 44.07       |
|                     |  | year 10                    | 88.14  | 87.29         | 44.07 | 87.29     | 87.29       |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Vietnam has a relatively high degree of trade liberalization. In the next ten years, more than 90% of chemical products, optics, watches, and medical equipment products from other RCEP contracting parties will enjoy zero tariffs. In the first year of RCEP's entry into force, in general, Vietnam has the highest degree of trade liberalization in the chemical industry. Vietnam will achieve zero



tariffs of more than 90% chemical products of other RCEP contracting parties, while the proportion of products enjoying zero tariff in other industries is around 70% to 80%, and contracting parties enjoy relatively large tariff preferences. The furniture, toys, and miscellaneous products industries have the lowest degree of trade liberalization, with a zero-tariff ratio of only 44.07%. Ten years after the agreement came into effect, with the gradual reduction of tariffs, Vietnam's zero-tariff ratio for products from RCEP contracting parties except Japan will increase, and the proportion of products in the furniture, toys, and miscellaneous products industries enjoying zero tariff will rise to more than 87%. Its chemical industry will continue to maintain the greatest degree of trade liberalization, and Vietnam adopts zero tariff policy on more than 98% of products in this industry from China, South Korea, Australia, and New Zealand. In addition, Vietnam's zero-tariff ratio on optics, clocks, and medical equipment products from other RCEP contracting parties will increase from 82.94% in the first year to 100% in the tenth year, achieving complete trade liberalization and indicating that future tariff preferences in this industry will allow each contracting party to benefit from it.

### 3. The Philippines' Tariffs on Other RCEP Contracting Parties

The following table summarizes the Philippines' overall tariff commitments under RCEP to other contracting parties:

Table 7.1.28 List of the Philippines' Tax Reductions under RCEP for Other Contracting Parties

| Lower taxes mode                     |                              | China | Rep. of Korea | Japan | Australia & New Zealand |
|--------------------------------------|------------------------------|-------|---------------|-------|-------------------------|
| Immediate zero tariff percentage (%) |                              | 81.98 | 81.50         | 81.37 | 81.37                   |
| Transitional zero tariff ratio (%)   | Zero tariff for 10 years (%) | 81.98 | 81.50         | 81.37 | 81.37                   |
|                                      | Zero tariff for 15 years (%) | 90.54 | 90.70         | 90.70 | 90.74                   |
|                                      | Zero tariff for 20 years (%) | 90.97 | 91.11         | 91.12 | 91.16                   |
| Final zero tariff percentage (%)     |                              | 90.97 | 91.11         | 91.12 | 91.16                   |
| Percentage of Partial tax reduction  |                              | 6.81  | 6.96          | 6.92  | 6.92                    |

|  |      |      |      |      |
|--|------|------|------|------|
| (%)                                    |      |      |      |      |
| Percentage of exceptional products (%) | 2.22 | 1.92 | 1.96 | 1.91 |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

The Philippines will implement zero tariffs on more than 90% of the products of other RCEP contracting parties. Among them, the final zero-tariff ratio for New Zealand will be as high as 91.16%, indicating that the signing of RCEP will enable the Philippines to grant significant tariff concessions to other contracting parties and achieve an ultra-high degree of trade liberalization. From the first year of the agreement's entry into force to the tenth year, the Philippines' zero-tariff ratio for other RCEP contracting parties remains changed, but the zero-tariff ratio has been at a relatively high level, reaching more than 81%, and will be above 90% 15 years after the agreement came into effect. In general, the Philippines has a relatively high degree of trade liberalization after the RCEP took effect.

Table 7.1.29 The Philippines' FTA Situation for Various Products from Other RCEP Contracting Parties (HS 6)

| Industry categories | The name of the industry                         | China | Rep. of Korea | Japan | Australia & New Zealand |
|---------------------|--|-------|---------------|-------|-------------------------|
| 16                  | Mechanical and electrical industry               | 94.81 | 94.53         | 94.29 | 94.79                   |
| 15                  | Base metals and products industry                | 82.96 | 83.57         | 83.13 | 83.57                   |
| 6                   | The chemical industry                            | 97.08 | 96.57         | 97.06 | 97.08                   |
| 11                  | Textile and raw material industry                | 83.67 | 82.91         | 83.67 | 83.67                   |
| 18                  | Optical, watch, medical equipment industry       | 99.05 | 99.05         | 99.05 | 99.05                   |
| 7                   | Plastic, rubber industry                         | 65.40 | 62.09         | 65.40 | 65.40                   |
| 20                  | Furniture, toys, miscellaneous products industry | 94.07 | 94.07         | 94.07 | 94.07                   |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

The Philippines has a high degree of trade liberalization. More than 90% of products in many industries will enjoy zero tariffs. Among them, the zero-tariff ratio of optical, clock and medical

equipment industries will reach 99.05%. From the above analysis, it can be seen that the number of products enjoying zero tariffs from other RCEP contracting parties in the Philippines will remain unchanged for ten years, but this does not mean that the country's trade liberalization process is slow. In fact, in the first year of the RCEP's entry into force, the Philippines implements zero tariff for 94%-99% of products in many industries, such as the electromechanical industry, chemical industry, optical industry, clocks, medical equipment industry, furniture, toys, and miscellaneous products industries. The zero-tariff ratio of other industries fluctuates around 80%, and contracting parties enjoy larger tariff preferences. The plastics and rubber industries have the lowest degree of trade liberalization, with a zero-tariff ratio of only about 65%. Nevertheless, the Philippines' trade openness is still impressive.

#### 4. Indonesia's Tariffs on Other RCEP Contracting Parties

The following table summarizes Indonesia' overall tariff commitments under RCEP to other contracting parties:

Table 7.1.30 List of Indonesia's Tax Reductions under RCEP for Other Contracting Parties

| Lower taxes mode                        |                              | China | Rep. of Korea | Japan | Australia | New Zealand |
|---|------------------------------|-------|---------------|-------|-----------|-------------|
| Immediate zero tariff percentage (%)    |                              | 65.48 | 65.40         | 65.48 | 65.50     | 65.50       |
| Transitional zero tariff ratio (%)      | Zero tariff for 10 years (%) | 80.64 | 80.66         | 80.64 | 80.73     | 81.38       |
|   | Zero tariff for 15 years (%) | 88.08 | 87.63         | 88.08 | 89.98     | 90.66       |
|   | Zero tariff for 20 years (%) | 90.01 | 90.01         | 90.01 | 91.33     | 92.04       |
| Final zero tariff percentage (%)        |                              | 90.01 | 90.01         | 90.01 | 91.33     | 92.04       |
| Percentage of Partial tax reduction (%) |                              | 3.48  | 4.27          | 3.48  | 4.92      | 4.25        |
| Percentage of exceptional products (%)  |                              | 6.51  | 5.72          | 6.51  | 3.75      | 3.71        |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Indonesia has a relatively high degree of trade liberalization with other RCEP contracting parties, and the final zero-tariff ratio

will exceed 90%. Among them, the final zero-tariff ratio for New Zealand will be as high as 92.04%, showing that the signing of RCEP will greatly promote the development of liberalization of trade in goods. From the first year to the tenth year of the agreement's entry into force, it will achieve zero tariffs for more than 80% of all contracting parties' products, and the trade liberalization process of all contracting parties will be similar. The proportion of zero tariffs will rise from about 65% in the first year to over 80% in the tenth year, and although the growth of the number of products enjoying zero tariff slows down thereafter, the final degree of trade liberalization of above 90% is still considerable.

Table 7.1.31 Indonesia's FTA Situation for Various Products from Other RCEP Contracting Parties (HS 6)

| Industry categories | The name of the industry                         | Zero tariff Percentage (%) | China | Rep. of Korea | Japan | Australia | New Zealand |
|---------------------|--|----------------------------|-------|---------------|-------|-----------|-------------|
| 16                  | Mechanical and electrical industry               | year 1                     | 54.99 | 54.99         | 54.99 | 54.99     | 54.99       |
|                     |  | year 10                    | 54.99 | 91.96         | 91.96 | 91.96     | 91.96       |
| 15                  | Base metals and products industry                | year 1                     | 43.16 | 43.16         | 43.34 | 43.16     | 43.16       |
|                     |  | year 10                    | 43.16 | 67.67         | 67.85 | 68.21     | 68.21       |
| 6                   | The chemical industry                            | year 1                     | 68.74 | 68.87         | 68.87 | 68.87     | 68.87       |
|                     |  | year 10                    | 68.74 | 92.50         | 92.50 | 92.50     | 92.50       |
| 11                  | Textile and raw material industry                | year 1                     | 58.54 | 58.54         | 58.54 | 58.54     | 58.54       |
|                     |  | year 10                    | 58.54 | 59.67         | 59.67 | 59.67     | 59.67       |
| 18                  | Optical, watch, medical equipment industry       | year 1                     | 81.04 | 81.04         | 81.04 | 81.04     | 81.04       |
|                     |  | year 10                    | 81.04 | 93.84         | 93.84 | 93.84     | 93.84       |
| 7                   | Plastic, rubber industry                         | year 1                     | 40.28 | 40.28         | 40.28 | 40.28     | 40.28       |
|                     |  | year 10                    | 40.28 | 47.39         | 47.39 | 47.39     | 47.39       |
| 20                  | Furniture, toys, miscellaneous products industry | year 1                     | 62.71 | 62.71         | 62.71 | 62.71     | 62.71       |
|                     |  | year 10                    | 62.71 | 75.42         | 75.42 | 75.42     | 75.42       |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Indonesia's trade liberalization with China is developing slowly, and it has similar trade liberalization processes in the four contracting parties of Japan, South Korea, Australia, and New Zealand. In the first year of RCEP's entry into force, in general,

Indonesia has the highest degree of trade liberalization in the optical, clocks, and medical equipment industries. Indonesia will implement zero tariffs on 81.04% of optical, clocks, and medical equipment products from other contracting parties. The zero-tariff ratio of other industries fluctuates between 40% and 70%, and contracting parties enjoy lower tariff preferences. The plastics and rubber industries have the lowest degree of trade liberalization, with a zero-tariff ratio of only 40.28%. Ten years after the agreement came into effect, with the gradual reduction of tariffs, Indonesia's zero-tariff ratio for products from RCEP contracting parties other than China has increased, but the increase is not significant. The optical, clocks, and medical equipment industries will continue to maintain the greatest degree of trade liberalization. Indonesia's zero-tariff ratio on contracting parties other than China will reach 93.84%. In addition, Indonesia's zero-tariff ratio on electromechanical products from other contracting parties will increase from 54.99% in the first year to 91.96%, and the zero-tariff ratio for chemical products from other contracting parties will increase from 68.87% in the first year to 92.50%, thereby achieving a higher level of trade liberalization, which shows that future tariff preferences in these two industries will benefit every contracting party.

### 5. Thailand's Tariffs on Other RCEP Contracting Parties

The following table summarizes Thailand' overall tariff commitments under RCEP to other contracting parties:

Table 7.1.32 List of Thailand's Tax Reductions under RCEP for Other Contracting Parties

| Lower taxes mode                     |                              | China | Rep. of Korea | Japan | Australia & New Zealand |
|--------------------------------------|------------------------------|-------|---------------|-------|-------------------------|
| Immediate zero tariff percentage (%) |                              | 66.25 | 66.25         | 66.25 | 66.25                   |
| Transitional zero tariff ratio (%)   | Zero tariff for 10 years (%) | 77.63 | 79.61         | 77.59 | 79.70                   |
|                                      | Zero tariff for 15 years (%) | 88.65 | 88.20         | 88.65 | 88.65                   |
|                                      | Zero tariff for 20 years (%) | 91.24 | 90.24         | 91.24 | 91.24                   |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Final zero tariff percentage (%)        | 91.24 | 90.24 | 91.24 | 91.24 |
| Percentage of Partial tax reduction (%) | 4.14  | 5.14  | 4.14  | 4.14  |
| Percentage of exceptional products (%)  | 4.62  | 4.62  | 4.62  | 4.62  |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Thailand has a relatively high degree of trade liberalization with other RCEP contracting parties, and the final zero-tariff ratio will exceed 90%. Among them, the final zero-tariff ratio for the four contracting parties of China, Japan, Australia, and New Zealand will be 91.24%, showing that the degree of trade liberalization will increase significantly. From the first year to the tenth year of the agreement's entry into force, Thailand will achieve a zero-tariff ratio of more than 77% for the products from other contracting parties. Its trade liberalization process for all contracting parties will be similar, and the zero-tariff ratio will increase from 66.25% in the first year to above 77% in the tenth year, and since then, the rate of tax reduction in Thailand has continued to change, and the zero-tariff ratio has been increasing. Indeed, the prospects for future trade openings are favorable.

Table 7.1.33 Thailand's FTA Situation for Various Products from Other RCEP Contracting Parties (HS 6)

| Industry categories | The name of the industry                   | Zero tariff Percentage (%) | China | Rep. of Korea | Japan | Australia & New Zealand |
|---------------------|--|----------------------------|-------|---------------|-------|-------------------------|
| 16                  | Mechanical and electrical industry         | year 1                     | 85.05 | 85.16         | 85.05 | 85.05                   |
|                     |  | year 10                    | 88.69 | 89.06         | 88.95 | 89.21                   |
| 15                  | Base metals and products industry          | year 1                     | 63.70 | 63.70         | 63.70 | 63.70                   |
|                     |  | year 10                    | 70.28 | 70.46         | 70.46 | 70.46                   |
| 6                   | The chemical industry                      | year 1                     | 92.74 | 92.74         | 92.74 | 92.74                   |
|                     |  | year 10                    | 95.29 | 96.69         | 96.43 | 96.69                   |
| 11                  | Textile and raw material industry          | year 1                     | 67.17 | 67.17         | 67.17 | 67.17                   |
|                     |  | year 10                    | 98.49 | 99.37         | 99.87 | 99.87                   |
| 18                  | Optical, watch, medical equipment industry | year 1                     | 97.63 | 97.63         | 97.63 | 97.63                   |

|    |  |         |       |       |       |       |
|----|--|---------|-------|-------|-------|-------|
|    |  | year 10 | 98.58 | 98.58 | 98.58 | 98.58 |
| 7  | Plastic, rubber industry                         | year 1  | 43.13 | 43.13 | 43.13 | 43.13 |
|    |  | year 10 | 91.00 | 91.00 | 91.00 | 91.00 |
| 20 | Furniture, toys, miscellaneous products industry | year 1  | 90.60 | 90.60 | 90.60 | 90.60 |
|    |  | year 10 | 90.60 | 90.60 | 90.60 | 90.60 |

Source: Compiled according to RCEP's Schedule of Tariff Commitments.

Chemical products, textiles and raw materials, optical, watches, medical equipment products, plastics, rubber products, furniture, toys, and miscellaneous products will achieve a zero-tariff ratio of above 90%. In the first year of RCEP's entry into force, in general, Thailand has the highest degree of trade liberalization in the chemical industry, optical, clocks, medical equipment, furniture, toys, and miscellaneous products. Thailand will have a zero-tariff ratio of above 90% in these industries for other contracting parties, while the zero-tariff ratio of other industries fluctuates around 60%-80%, thus the contracting parties enjoy large tariff preferences. The plastic and rubber industries have the lowest degree of trade liberalization, with a zero-tariff ratio of only 43.13%. Ten years after the agreement came into effect, with the gradual reduction of tariffs, Thailand's zero-tariff ratio for products from other contracting parties will be increased. The zero-tariff ratio of the plastics and rubber industries will increase to 91.00%, and that for the chemical industry, optical, clocks and watches, medical equipment industries, furniture, toys, and miscellaneous products industries will continue to maintain a trade liberalization level of 95%-98%. In addition, Thailand's zero-tariff ratio for textiles and raw materials from other contracting parties will increase from 67.17% in the first year to over 98%, and that for plastic and rubber products will increase from 43.13% to over 91%, thus realizing a super high degree of trade liberalization. Thailand's zero-tariff ratio for textiles and raw

materials from Japan, Australia, and New Zealand is the largest compared to other tax rates, reaching 99.87%, showing that future tariff preferences in this industry will benefit contracting parties.

## **Section 2 Trade in Services**

ASEAN contracting parties are the initiators of RCEP, and their trade mix and volume have an important influence on the service trade exchanges between other RCEP contracting parties. The signing of RCEP has brought more opportunities for ASEAN contracting parties, provided unified rules of trade in service, and promoted its freer and faster development in financial, tourism and other trade in service. This section analyzes the status quo of trade in service between ASEAN and other RCEP contracting parties, which is conducive to understanding the trade in service pattern of ASEAN and promoting further cooperation in trade in service in the RCEP region.

### **I. Status Quo of ASEAN's Trade in Service to Other RCEP Contracting Parties**

Other RCEP contracting parties are important destinations for ASEAN contracting parties' external trade in service. The trade in service exports to other RCEP contracting parties account for a large proportion of ASEAN's total trade in service and the growth is high. In 2019, ASEAN's total import and export value of trade in service with other RCEP contracting parties was USD 192.195 billion, accounting for 22.9% of ASEAN's imports and exports of trade in service with the rest of the world (USD 840.194 billion). Among them, ASEAN's total exports of trade in service to other RCEP contracting parties was USD 114.665 billion, accounting for 25.9% of ASEAN's total exports of trade in service of USD 442.967 billion in 2019; ASEAN's total imports of trade in service from other RCEP contracting parties was USD 77.53 billion, accounting for



19.5% of the total imports of USD 397.227 billion in 2019. This section will analyze the status quo of ASEAN's trade in service with other RCEP contracting parties in combination with ASEAN's import and export data of trade in service with other RCEP contracting parties.

From the perspective of ASEAN's export stock of trade in service from 2014 to 2019, Japan is the region receiving the biggest total export of trade in service from ASEAN, with a total stock of USD 174.997 billion, higher than ASEAN's export of trade in service to China (USD 170.936 billion) and that to Australia (USD 125.944 billion). ASEAN's exports of trade in service to South Korea and New Zealand are relatively small, at USD 46.802 billion and USD 17.332 billion respectively.

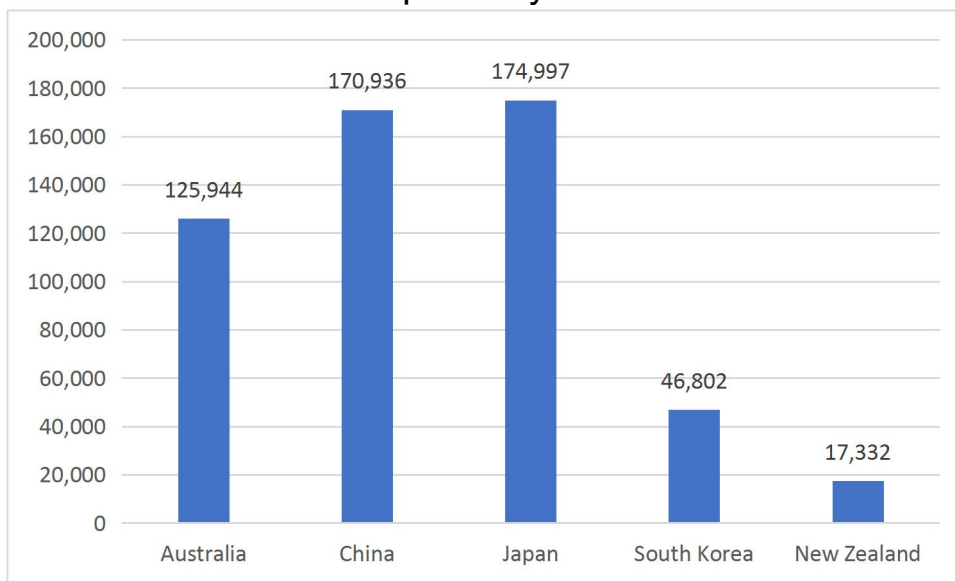


Figure 7.2.1 The Stock of Exports of ASEAN to Other RCEP Contracting Parties from 2014 to 2019  
(Unit: USD 100 Million)

Source: World Trade Organization Database Trade in Services.

From the perspective of the dynamic changes in ASEAN's exports of trade in service from 2014 to 2019, ASEAN's export value to other RCEP contracting parties differs greatly, and the export of trade in service to China, Japan, and Australia is much bigger than that to South Korea and New Zealand. Among them, ASEAN's exports of trade in service to China have been growing

steadily, and China surpassed Japan around 2017 as the biggest importer of trade in service among the other RCEP contracting parties of ASEAN. Japan is also an important destination of the export of trade in service from RCEP, and its overall size of import of trade in service from ASEAN is similar to that of China. ASEAN's exports to Australia have also shown steady growth, and its exports of trade in service to South Korea and New Zealand have remained relatively steady.

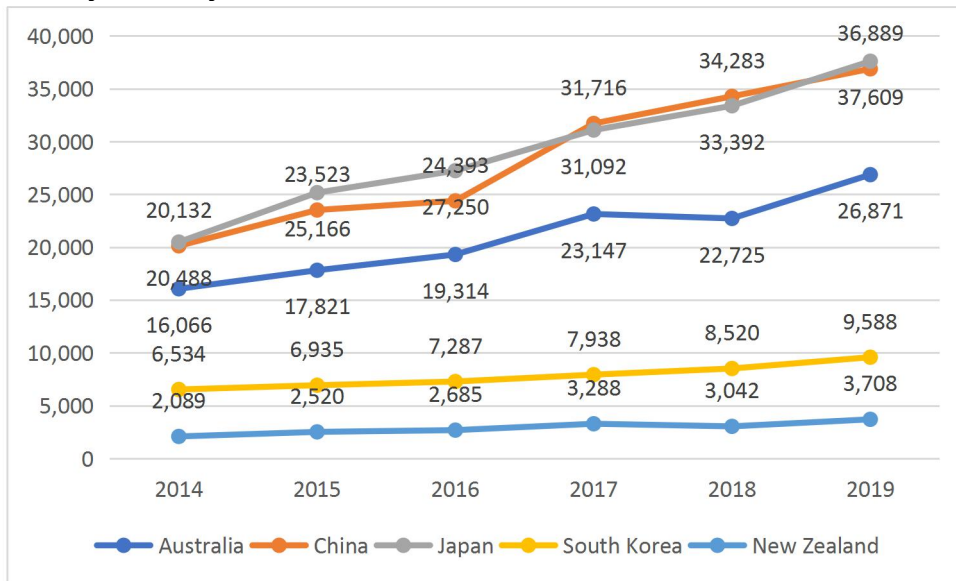


Figure 7.2.2 2014-2019 ASEAN's Exports to RCEP (Unit: USD 1 Million)  
Source: World Trade Organization Database Trade in Services.

From the perspective of the static changes in ASEAN's exports of trade in service, ASEAN's exports of trade in service to Japan totaled USD 37.61 billion in 2019. Japan was a RCEP contracting party that received the biggest ASEAN's exports of trade in service in 2019, accounting for 32.8% of ASEAN's total exports of trade in service that year. Singapore is the largest ASEAN exporter of trade in service to Japan, with an export value of USD 20.762 billion, which is higher than its USD 19.269 billion worth of exports to other ASEAN contracting parties and USD 17.255 billion worth of exports to China. ASEAN's exports to China amounted to USD 36.889 billion, accounting for 32.2% of ASEAN's total exports of trade in service to other RCEP contracting parties.

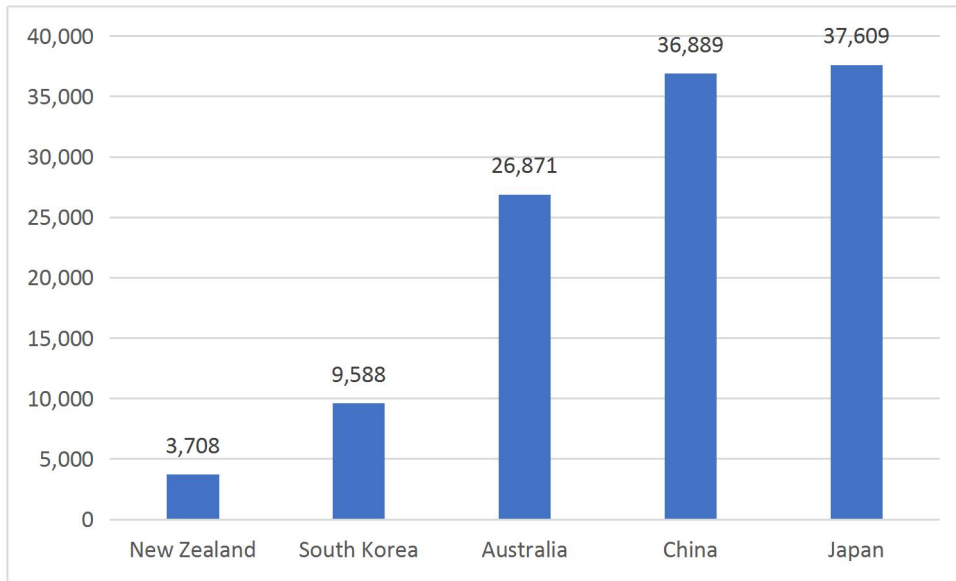


Figure 7.2.3 Export Value of ASEAN to Other RCEP Contracting Parties in 2019 (USD million)  
Source: World Trade Organization Database Trade in Services.

From the perspective of specific industries, ASEAN's exports of trade in service to other RCEP contracting parties mainly come from tourism and transportation. Among them, tourism exports accounted for 34% of the total exports of trade in service in 2019. The unique tropical scenery of Southeast Asia in ASEAN contracting parties gives tourism exports an advantageous position in the exports of trade in service. In addition to other service industries, the transportation industry accounted for 22.5% of ASEAN's exports of trade in service to other RCEP contracting parties in 2019, ranking second. The computer information service industry ranked third, accounting for 7%. This is closely related to the booming electronics industry and the complete supply chain network of ASEAN contracting parties, especially Singapore, the Philippines, Malaysia and Indonesia. The financial industry ranked fourth, accounting for 6.4% of ASEAN's exports of trade in service to other RCEP contracting parties in 2019.

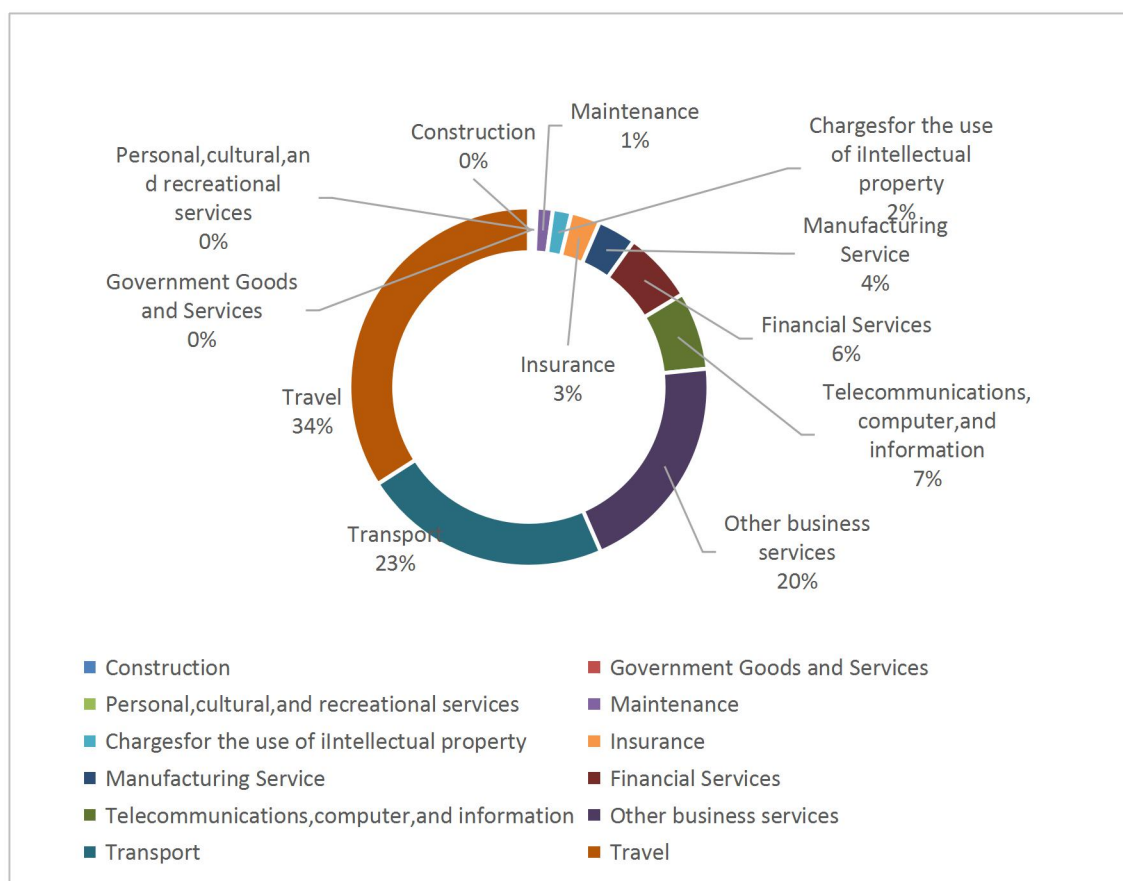


Figure 7.2.4 Mix of ASEAN's Exports of Trade in Service to Other RCEP Contracting Parties in 2019 (%)  
 Source: World Trade Organization Database Trade in Services.

Table 7.2.1 Export Value of Trade in Service of ASEAN to other RCEP Contracting Parties in 2019 (USD million)

|   | Australia | China  | Japan  | South Korea | New Zealand |
|---|-----------|--------|--------|-------------|-------------|
| Manufacturing services                        | 198       | 696    | 1,790  | 1,272       | 16          |
| Maintenance                                   | 272       | 508    | 669    | 120         | 85          |
| Transport                                     | 8,203     | 8,426  | 6,381  | 1,637       | 1,132       |
| Travel  | 6,574     | 18,221 | 9,277  | 3,787       | 1,204       |
| Construction                                  | 38        | 86     | 57     | 30          | 10          |
| Insurance                                     | 719       | 686    | 1,148  | 278         | 191         |
| Financial services                            | 2,583     | 1,937  | 2,070  | 469         | 305         |
| Use of intellectual property                  | 303       | 724    | 713    | 115         | 65          |
| Telecommunications, computer, and information | 2,963     | 766    | 3,802  | 338         | 176         |
| Other business                                | 4,892     | 4,695  | 11,473 | 1,460       | 502         |
| Personal, cultural, and recreational services | 89        | 74     | 132    | 48          | 16          |
| Government goods and services                 | 31        | 66     | 91     | 37          | 3           |

Source: World Trade Organization Database Trade in Services.

From the perspective of the annual growth trend of industries, from 2014 to 2019, the tourism industry was the biggest compared to other industries in ASEAN’s exports of trade in service to other RECP contracting parties, and this industry grew rapidly with the volume of tourism exports continuing to rise from USD 25.685 billion in 2014 to USD 39.063 billion in 2019, registering an average annual growth of 11%. At the same time, the tourism industry is also the main source of ASEAN’s trade surplus of trade in service with other RCEP contracting parties, increasing from USD 13.115 billion in 2014 to USD 22.565 billion in 2019. Transportation is the second biggest industry of ASEAN's exports of trade in service, with the export volume steadily increasing from USD 16.986 billion in 2014 to USD 25.779 billion in 2019 and registering an average annual growth of 11%. In recent years, the export volume of ASEAN’s computer and information services grew rapidly, from USD 2.853 billion in 2014 to USD 8.044 billion in 2019 and registering an average annual growth of 29.3%. As countries are paying closer attention to the export of knowledge-intensive trade in services, the industry of computer and information services will gain more importance in ASEAN's total exports of trade in service to other RECP contracting parties.

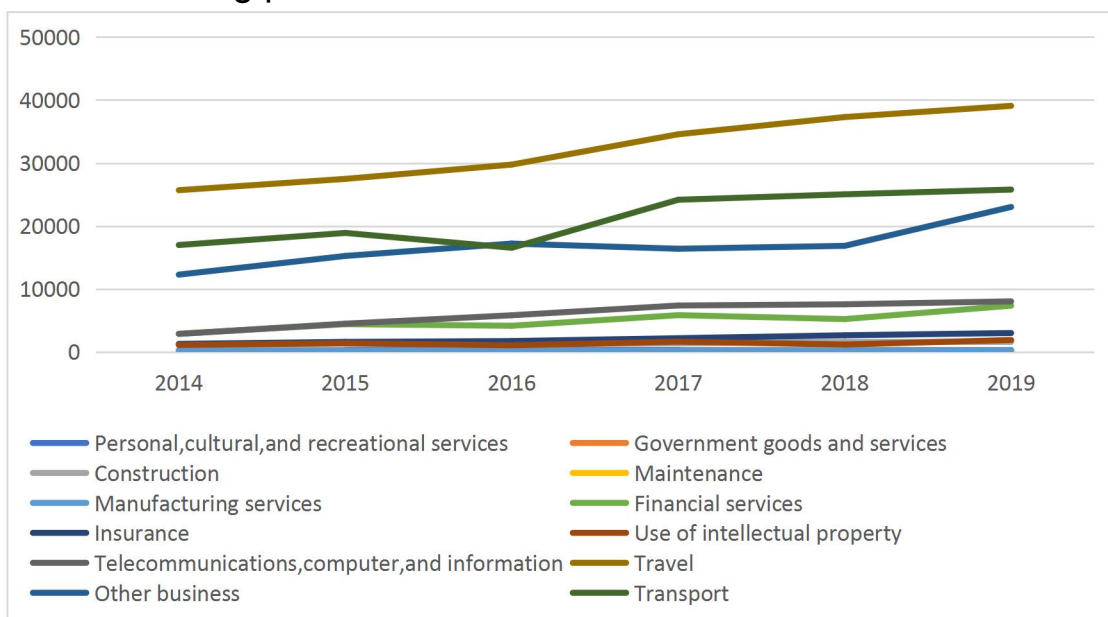


Figure 7.2.5 Trend of Export of Trade in Service of ASEAN to Other RCEP Contracting Parties from 2014 to 2019 (USD million)

Source: World Trade Organization Database Trade in Services.

From the perspective of specific contracting parties, in 2019, ASEAN exported USD 18.22 billion worth of tourism services to China, accounting for 49.4% of its total exports of trade in service to China, followed by transportation (USD 8.426 billion), which accounted for 22.8%. The use of intellectual property rights services that ASEAN exported to China were larger than that to any other RCEP contracting parties, reaching USD 724 million. ASEAN's biggest exports to Australia were in the transportation industry (USD 8.203 billion) that accounted for 30.5% of its total export value of trade in service to Australia, followed by the exports of tourism (USD 6.574 billion) that accounted for 24%. From the perspective of other contracting parties, in 2019, ASEAN's biggest exports to Japan, South Korea and New Zealand were all in the tourism industry (USD 9.277 billion, USD 3.787 billion and USD 1.204 billion respectively) that accounted for 24%, 39% and 32% of the total exports to these countries respectively, followed by the exports of transportation (USD 6.381 billion, USD 1.637 billion and USD 1.132 billion respectively) that accounted for 16%, 17% and 30.5% respectively.

## **II. Status Quo of Trade in Service of Other RCEP Contracting Parties to ASEAN**

From the perspective of the dynamic changes in ASEAN's imports of trade in service from 2014 to 2019, ASEAN's overall imports from other RCEP contracting parties have shown an upward trend, with the volume of imports changing from USD 62.26 billion in 2014 to USD 77.53 billion in 2019. China is the largest exporter of trade in service to ASEAN, and China's exports to ASEAN have reached more than 35% of RCEP's overall exports to ASEAN, and it constantly has a trade deficit of trade in service with

ASEAN. Australia's and South Korea's exports of trade in service to ASEAN are similar in volume and grow at a relatively steady pace. Due to the small economic size of New Zealand and the geographical distance from ASEAN contracting parties, the volume of trade in service between the two parts is also small.

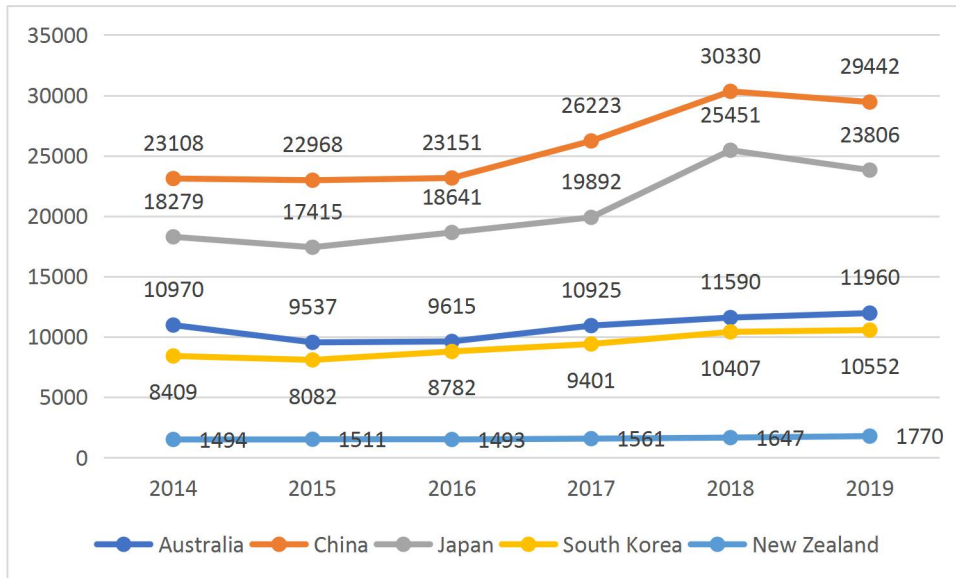


Figure 7.2.6 ASEAN's Imports from Other RCEP Contracting Parties 2014-2019 (USD Million)  
Source: World Trade Organization Database Trade in Services.

From the static perspective of ASEAN's imports of trade in service, ASEAN's import of trade in service from China in 2019 totaled USD 29.442 billion, accounting for 38% of ASEAN's total imports from other RCEP contracting parties in the same year. Due to China's large economic volume and its close proximity to ASEAN, China has become the largest RCEP importer for ASEAN. Japan is the second-largest RCEP importer for ASEAN (USD 23.806 billion), followed by Australia, South Korea and New Zealand.

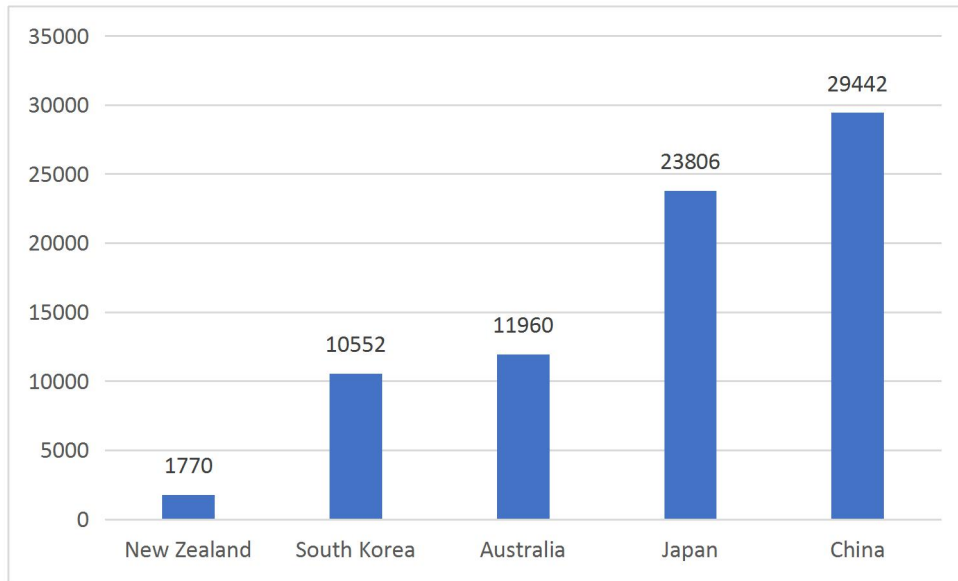


Figure 7.2.7 ASEAN's Imports from Other RCEP Contracting Parties 2019 (USD Million)  
 Source: World Trade Organization Database Trade in Services.

From the perspective of specific industries, other RCEP contracting parties' exports of trade in service to ASEAN are mainly in transportation and tourism. Among them, except for other service industries, the exports in the transportation industry accounted for 37% of RCEP's total exports of trade in service in 2019, while that in the tourism industry accounted for 21%. ASEAN's imports of trade in service from other RCEP contracting parties also focused on computer and information services (3.8%), intellectual property (3.3%) and financial services (1.9%).



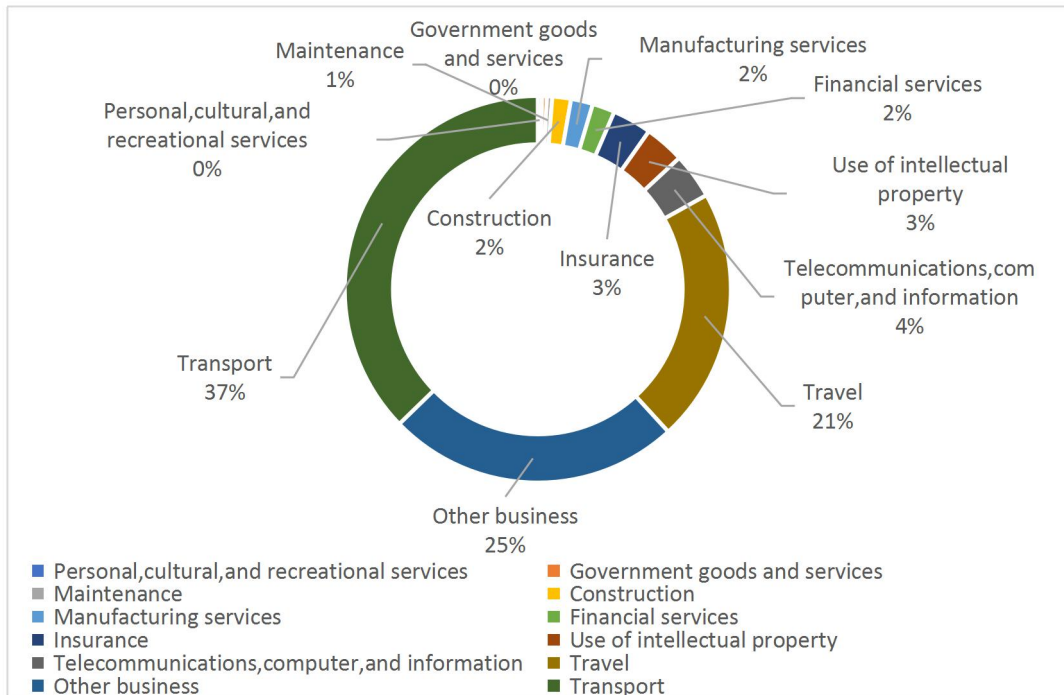


Figure 7.2.8 ASEAN's Import Mix from Other RCEP Contracting Parties 2019 (Overall)  
Source: World Trade Organization Database Trade in Services.

Table 7.2.2 ASEAN's Import Value of Trade in Service from Other RCEP Contracting Parties 2019 (USD Million)

|   | Australia | China  | Japan | South Korea | New Zealand |
|---|-----------|--------|-------|-------------|-------------|
| Manufacturing services                        | 25        | 942    | 277   | 184         | 1           |
| Maintenance                                   | 55        | 159    | 85    | 40          | 9           |
| Transport                                     | 3,617     | 11,187 | 8,998 | 4,528       | 556         |
| Travel  | 3,333     | 7,631  | 3,115 | 1,507       | 912         |
| Construction                                  | 44        | 425    | 319   | 416         | 7           |
| Insurance                                     | 330       | 706    | 1,134 | 344         | 26          |
| Financial services                            | 368       | 195    | 680   | 198         | 16          |
| Charges for the use of intellectual property  | 274       | 82     | 1,968 | 250         | 12          |
| Telecommunications, computer, and information | 561       | 1,172  | 760   | 417         | 42          |
| Personal, cultural, and recreational services | 106       | 75     | 32    | 52          | 7           |
| Government goods and services                 | 29        | 29     | 141   | 110         | 2           |

Source: World Trade Organization Database Trade in Services.

From the perspective of the annual growth trend of industries, from 2014 to 2019, other RCEP contracting parties' exports in the transportation industry to ASEAN grew steadily from USD 23.615 billion in 2014 to USD 28.886 billion in 2019, registering an average

annual increase of 5%. It was one of the industries in which ASEAN had a large external trade surplus (USD 3.107 billion in 2019). In addition, other RCEP contracting parties also had large exports of trade in service to ASEAN in the tourism industry, which increased from USD 13.115 billion in 2014 to USD 22.565 billion in 2019, registering an average annual increase of 11.8%.

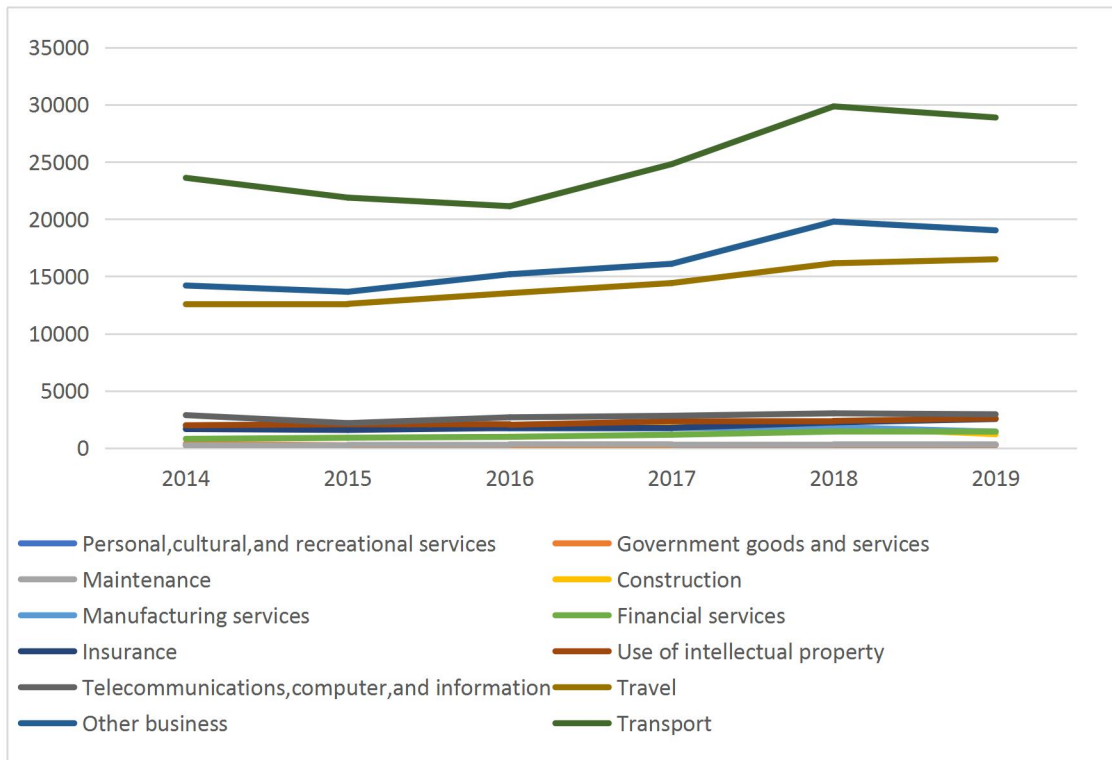


Figure 7.2.9 ASEAN's Import Mix of Trade in Service from Other RCEP Contracting Parties 2014-2019 (USD Million)

Source: World Trade Organization Database Trade in Services.

From the perspective of specific contracting parties, in 2019, the transportation industry accounted for the biggest part of ASEAN's imports of trade in service to other RCEP contracting parties, followed by the tourism industry. In 2019, ASEAN imported USD 11.187 billion worth of tourism services from China, accounting for 38% of its total import value of USD 29.442 billion worth of trade in service from China, followed by tourism (USD 7.631 billion). In finance, insurance and other industries, Japan was the largest importer for ASEAN. In 2019, the imports of financial

trade in service were USD 680 million, accounting for 46.7% of the imports of financial trade in service from other RCEP contracting parties. The imports of trade in service of insurance were USD 1.134 billion, accounting for 44.7% of the financial imports from other RCEP contracting parties.

### **III. Interpretation of ASEAN's Commitment to RCEP in Terms of Trade in Service**

There are six contracting parties in ASEAN that use a positive list to make commitments about trade in service to RCEP, namely Vietnam, the Philippines, Thailand, Myanmar, Laos and Cambodia; the remaining four contracting parties use a negative list to make commitments about trade in service to RCEP: Singapore, Malaysia, Indonesia and Brunei. This section will interpret the ASEAN contracting parties' opening up commitments to other RCEP contracting parties' trade in service based on the different ways of commitment.

#### **(I) Contracting Parties That Make Commitments about Trade in Service to Other RCEP Contracting Parties Using a Positive List Method**

##### **1. Vietnam**

Vietnam has made a positive list for other RCEP contracting parties, and provides a list of specific commitments of trade in service. Only when the listed conditions are met can entering the corresponding market be allowed. The details are as follows:

##### **(1) Business Services**

① Legal services, excluding participating in formal legal proceedings as a defense lawyer or entrusted agent or participating in Vietnam's courts related to the drafting and certification services of legal documents involving Vietnamese laws. Foreign lawyer organizations can only establish a commercial presence in the following forms: branches, subsidiaries, law firms, and partnership

organizations established in cooperation with Vietnamese law firms. The consulting services on Vietnamese law through a commercial presence model can only be provided when the following conditions are met: the consulting lawyer has graduated from a Vietnam university majoring in law and has met the requirements similar to Vietnam's requirements for legal practitioners. ②Accounting, auditing and bookkeeping services and taxation services. ③ Architectural design services: Commercial existence requires that foreign companies be legal entities from other RCEP contracting parties. ④Engineering and centralized engineering services: according to national treatment regulations on commercial presence, anyone providing engineering services related to topography, earth survey, hydrogeology and environmental research as well as urban and rural development planning and sectoral development planning technical research and other aspects must obtain the approval of the Vietnamese government. ⑤Urban planning and garden construction services: According to national treatment regulations on cross-border supply, this type of service can only be provided by architects with a license. In some areas, subject to Vietnamese laws and regulations and national security regulations for the purpose of social stability, foreign service providers are not allowed to provide such services; market access regulations on commercial presence requires that foreign companies be legal entities from other contracting partner countries. According to national treatment regulations: foreign architects employed by foreign companies must have professional qualifications granted or recognized by the Vietnamese government. ⑥Veterinary services: excluding the cultivation of bacterial populations used for veterinary treatment. Natural persons who provide such services are subject to specific assessment of their personal experience and the approval of competent veterinary

authorities. ⑦Computer and related services: the establishment of branches is allowed and the branch director must be a Vietnamese resident. ⑧Research and development services and real estate services. ⑨Leasing service without operators: no commitment has been made for commercial existence in the area of aircraft leasing and other machinery and equipment leasing. In terms of other machinery and equipment leasing, no commitment for cross-border supply has been made for industrial machinery and equipment. ⑩Other business services: Vietnam opens up the following services: advertising, market research, management consulting services and services related to management consulting, food packaging, equipment cleaning, technical testing and analysis services, services related to agriculture, hunting, forestry, mining, and manufacturing, relevant scientific and technical consulting, equipment maintenance and repairs (excluding marine vessels, aircraft or other transportation equipment).

### (2) Communication Service

The following services are opened: express delivery services and telecommunications services (including basic telecommunications and value-added telecommunications), audiovisual services [including film production (excluding video), film distribution (excluding videotapes), film projection and recording services]. There are restrictions on the proportion of foreign investment.

### (3) Construction Services

No commitment is made for cross-border supply. A foreign-invested enterprise must be a legal person of one of the contracting parties of this agreement, and the foreign-invested enterprise is allowed to set up branches, and the director of the agency must be a Vietnamese resident.

#### (4) Distribution Services

Vietnam opens the area of commission agency, wholesale and retail services for all legally imported and domestically produced products, and retail service outlets (except for the first one) can be established, but an economic demand test should be done. Franchise services are open, and foreign-invested enterprises are allowed to set up branches, and the director of the agency must be a Vietnamese resident.

#### (5) Education Services

Involving educational services in the fields of technology and skills, natural sciences and technology, business management and research, economics, accounting, international law and language training. Including secondary, higher, adult and other education (including foreign language training services). Among the three sub-sectors of higher education, adult education, and other education, relevant education content must be approved by the Ministry of Education and Training of Vietnam. No commitment is made for cross-border supply; except for secondary education, there are no restrictions on commercial presence. Foreign teachers working in foreign-invested schools must have at least five years of experience in teaching and be recognized by the competent authority.

#### (6) Environmental Services

Including sewage, solid waste treatment, sanitation, natural landscape protection, and other services. Other services include exhaust gas cleaning, noise reduction and environmental impact assessment services. Vietnam's law prohibits the import of waste, and the disposal and destruction of hazardous waste must comply with relevant laws. Except for related consulting services, there is no commitment for cross-border supply, and the environmental impact assessment service poses no restrictions on market access.

The services provided by government agencies can be government-monopolized or provided by authorized private companies. Separate provisions for solid waste treatment: To ensure public interest, foreign-invested enterprises can only collect solid waste directly from households and can only provide services at waste collection locations designated by local provincial and municipal governments. Additional commitments for sewage services and solid waste treatment services allow foreign companies to conduct business in Vietnam through BOT and BTO.

#### (7) Financial Services

All insurance and related service sectors that are open include direct insurance, reinsurance services, auxiliary services of insurance and ancillary services of insurance. At the same time, Vietnam is also opening up to banks and other financial services and securities sectors.

#### (8) Health Services

Hospital services and medical and dental services have been opened, and foreign service providers are allowed to provide services by setting up 100% wholly-owned hospitals, establishing joint ventures with Vietnamese partners, or signing commercial cooperation contracts. For the commercial presence of hospital services established in Vietnam, the minimum investment for hospitals is USD 20 million, the minimum investment for outpatient departments is USD 2 million, and the minimum investment for specialty clinics is USD 200,000. Care services for patients at home and maternity care are also opened.

#### (9) Tourism Services

Hotel and restaurant services have been opened, including accommodation and catering. Services of travel agencies and tour operators have been opened, and foreign service providers are allowed to establish joint ventures with Vietnamese partners, and

there is no restriction on the proportion of foreign investment. Foreign-invested enterprises can only engage in domestic tourism services or tourism services in the country for inbound tourists as part of domestic tourism. The tour guide must be a Vietnamese citizen.

#### (10) Entertainment, Cultural and Sports Services

Including entertainment services (including theater, live band and circus services) and other services (electronic game business). No commitment is made for cross-border supply. In entertainment services, foreign investors are allowed to establish joint ventures in Vietnam, but the proportion of investment cannot exceed 49%. Otherwise, no commitment is made. In the electronic game business, it is stipulated that this service must be provided through the signing of a commercial cooperation contract or the establishment of a joint venture with a specially authorized Vietnamese partner. The proportion of foreign investment in joint ventures cannot exceed 49%.

#### (11) Transportation Service

Marine transportation services include passenger and cargo transportation and ancillary services of marine transportation. The latter includes container handling, customs clearance and container yard services. Inland waterway, railway and road transportation services also include passenger and cargo transportation. Air transportation services include sales and marketing of air transportation services, computer reservation system services, and maintenance and repair of aircraft. Auxiliary services for all modes of transportation include container handling services, warehousing services and freight agency services.

In the RCEP, Vietnam has opened up the following services: 1. business services, including accounting, auditing, bookkeeping, taxation, natural resource R&D, and aircraft dry lease; 2.



communication service: partial express delivery; 3. environmental services: environmental impact assessment; 4. tourism services: comprehensive liberalization of services in hotels, catering and other sub-sectors. In other words, there are no restrictions on service modes such as cross-border supply, overseas consumption, and commercial presence. At the same time, the country promises most-favored-nation treatment for environmental impact assessment, food supply services, and beverage supply services.

## 2. The Philippines

The Philippines has made a positive list for other RCEP contracting parties, and provided a list of specific commitments of trade in service. The Philippines has stipulated concession standards for opening up sectors in accordance with the service model of cross-border supply, overseas consumption, commercial presence, and movement of natural persons as required by the General Agreement on Trade in Service (GATS). Only when the listed conditions are met can entering the corresponding market be allowed. The details are as follows:

### (1) Business Services

The following services have been opened: ① Accounting, auditing, bookkeeping services, civil engineering, metallurgy, sanitary engineering services, integrated engineering services, urban planning and gardening services, medical and dental services, veterinary medicine, services provided by midwives and nurses, interior design, customs brokers and other services; ② computer-related services: Consultation related to computer hardware installation, software implementation, data processing, including game development, database services, and other computer-related services, including online games other than betting or gambling; ③ R&D services: agricultural technology, economics and interdisciplinary research and development; ④ real

estate services: leasing and leasing services involving self-owned or leased residential properties (excluding hotels and accommodation services), providing residential property management services on the basis of charging fees or signing a contract (excluding the services provided by real estate consultants, appraisers, evaluators, brokers, or sales staff and developers); ⑤ advertising, market research, management consulting in other business services, services related to management consulting, technical testing and analysis, services related to manufacturing and energy, home appliance repair, photography, packaging, binding of printed publications, translation and interpretation services, etc.

#### (2) Communication Service

It has opened: express delivery services, basic and value-added telecommunications services, including voice calls, telex, fax, and data and information transmission services; audiovisual services, such as animation production, radio and television services, recording, etc. Local broadcast, distribution, or the distribution of radio usage are not open.

#### (3) Construction Services

The following services are opened: Civil construction work: construction of long-distance pipelines, communications and power lines; construction installation and assembly: gas fittings construction; demolition work.

#### (4) Distribution Services

The distribution services of commission agency, wholesale and retail services are opened except for high-end or luxury goods other than tobacco, chemical and pharmaceutical products, firearms, ammunition, weapons, ordnance and equipment, explosives, pyrotechnics and similar materials.

#### (5) Education Services

Higher education and adult education services have been opened up. If the control and management of educational institutions belong to Filipino citizens, foreign equity participation is allowed to be up to 40%.

#### (6) Environmental Services

The following services are opened: sewage discharge, stationary waste treatment, sanitation or similar services, such as hail removal, and other services, such as services for factories to reduce exhaust gas and other emissions.

#### (7) Health Services

The following services are opened: hospital services and ambulance services attached to private hospitals. In the former services, the foreign investment ratio should be no more than 40%; in the latter, the foreign investment ratio is allowed to reach 51%.

#### (8) Financial Services

The following services are opened: banking and other financial services, including commercial banks, financial advisory services, currency brokerage and foreign exchange brokerage services and credit card services, representative offices and investment companies, agency and financial leasing services, and securities agency/brokerage and securities issuance. At the same time, all insurance and related services are opened. Financial services should comply with the provisions of the General Agreement on Trade in Services and its annexes on financial services.

#### (9) Tourism Services

The following services are opened: catering and accommodation services of hotel and restaurant, and travel agency and professional conference organization services. There are restrictions on the market access and national treatment of the commercial presence of restaurants, including preliminary review of qualification, minimum paid-in capital, investment in each store and

branch, etc.

#### (10) Entertainment, Cultural and Sports Services

The following services are opened: dance teachers' services of registering as ballroom dance coaches or obtaining a degree, and providing news and photo services for printing book companies. The maximum foreign equity participation allowed is 51%.

#### (11) Transportation Service

Including marine, aviation, road, railway and pipeline transportation services. Marine services include international passenger and cargo transportation, unmanned ship leasing, ship maintenance, shipbuilding and pushing and towing services; air transportation services include aircraft leasing, aircraft maintenance, and sales and marketing of aviation transportation services, ground services limited to passengers and baggage handling; railway and road transportation services include passenger and cargo transportation and equipment repair and maintenance; road transportation also includes road transportation supporting services; auxiliary services for all modes of transportation are not restricted, except for the cross-border supply of cargo services and warehousing services that enjoy no commitment.

#### (12) Energy Services

For services related to energy supply, the initial public offering of 10% of common stock may be offered by the refinery in the initial stage of operation.

In the China-ASEAN FTA, the Philippines has opened the five sectors of commerce, communications, construction, environment and entertainment in the first batch, and the three sectors of distribution, finance and transportation in the second batch. In the RCEP, Thailand has opened up four sectors: environment, education, health and others. Among them, partial shipping

services/partial air transport services, freight agency services, and other sub-sector services are fully liberalized. In other words, there are no restrictions on service modes such as cross-border supply, overseas consumption, and commercial presence.

### 3. Thailand

Thailand has made a positive list for other RCEP contracting parties, and provided a list of specific commitments of trade in service. Thailand has stipulated concession standards for opening up sectors in accordance with the service model of cross-border supply, overseas consumption, commercial presence, and movement of natural persons as required by the General Agreement of Trade in Service (GATS). Only when the listed conditions are met can entering the corresponding market be allowed. The details are as follows:

#### (1) Business Services

The following services are opened: ① professional services: legal, accounting, auditing and bookkeeping, taxation, architectural design, engineering, integrated engineering, urban planning and gardening, veterinarians, midwives and nurse services and other services. ② computer services: consultation related to computer hardware installation, software implementation, data processing, database services, and other computer-related services. ③ R&D services; ④ Real estate services; ⑤ dry rental services including leasing services of transportation equipment, mechanical equipment, and entertainment equipment; ⑥ other business services: advertising, market research, management consulting in other commercial services, services related to management consulting, technical testing and analysis, services related to agriculture, hunting and forestry, fishery, oil and gas field energy, manufacturing, etc., survey and safety services, related technology consulting, equipment maintenance and safety management,

building cleaning, photography, packaging, printing and publishing, conference services, translation and interpretation, etc.

#### (2) Communication Service

The following services are opened: basic and value-added telecommunications services, including voice calls, telex, fax, and data and information transmission services; audiovisual services, including film and videotape production and distribution, film projection, radio and television, sound recording and other services, such as electronic educational game service.

#### (3) Construction Services

Including building construction, civil engineering construction, installation and assembly, building completion and finishing, and other services such as demolition work.

#### (4) Distribution Services

Services that are open include commission agency, wholesale and retail services, franchising and other services such as magazines, stationery, books, newspapers, mail order purchase and other services.

#### (5) Education Services

Services that are open include elementary, secondary, advanced, adult education and other educational services.

#### (6) Environmental Services

Services that are open include sewage, fixed waste disposal, sanitation or similar services, such as beach cleaning, and other services, such as noise abatement.

#### (7) Health Services

Services that are open include hospital services, other human health services, social services, such as daycare services for children with disabilities, and other services such as X-rays, ultrasound, and magnetic resonance.

#### (8) Financial Services

Services that are open include insurance (including reinsurance and reinsurance services), and banking and other financial services (including commercial banks, financial advisory services, currency brokerage and foreign exchange brokerage services, credit card services, representative offices and investment companies, agency and financing leasing services and securities agency/brokerage and securities issuance).

#### (9) Tourism Services

Services that are open include hotel and restaurant services, such as catering, hotel accommodation, travel agency and travel operator services, and other services such as hotel management.

#### (10) Entertainment, Cultural and Sports Services

Services that are open include amusement park entertainment, image supply and other news agency services, libraries, archives, museums and other cultural services, and sports services and other services (such as leisure parks and beach services).

#### (11) Transportation Service

Services that are open include ocean, aviation, road, and railway transportation services. Ocean transportation services include international passenger and cargo transportation, ship maintenance, international towing, and marine ancillary services. Air transportation services include aircraft leasing, aircraft maintenance, and sales and marketing of air transportation services without crewmembers. Railway transportation services include equipment repair and maintenance and ancillary services, such as cleaning services of passenger and freight vehicles. Road transportation includes cargo transportation, rental of vehicles with operators, repair and maintenance of transportation equipment. Ancillary services for all modes of transportation include loading, unloading and warehousing services.

Thailand opened the four sectors of business, education,

tourism and transportation in the China-ASEAN FTA in the first batch, and added six sectors of communications, construction, distribution, environment, finance and entertainment in the second batch. In the RCEP, Thailand has opened up health services and opened up a large number of sub-sectors at the same time, but has not opened up sub-sectors serving the full liberalization, i.e., there are restrictions in market access and national treatment for service models such as cross-border supply, overseas consumption, and commercial presence. The country has committed most-favored-nation treatment for consulting related to computer software installation, software implementation, engineering and basic research, operation management and supply chain management, and services related to manufacturing.

#### 4. Myanmar

The three sectors of education, environment and entertainment have been opened, and distribution services have not been opened. The services in the following sectors are fully liberalized: 1. commercial services: architectural design, engineering and centralized engineering, urban planning, garden construction, aircraft leasing without operators, audio and video recording, equipment leasing, and advertising; 2. communication services: some audio-visual services; 3. construction services: overall construction, installation and assembly of construction and civil engineering, and building decoration; 4. financial services: ancillary services of insurance; 5. tourism services: restaurants and catering, travel agencies and tour operator services; 6. sports and entertainment services: library service; 7. transportation service: part of the shipping service/part of the air service/part of the auxiliary service of all modes of transportation. In other words, there are no restrictions on service modes such as cross-border supply, overseas consumption, and commercial presence.



## 5. Laos

Eight sectors of education, environment, communication, distribution, construction, health, transportation, and tourism have been opened. Entertainment services have not been opened. The services in the following sectors are fully liberalized: 1. business services: tax consulting, computer and related market research, management consulting; 2. telecommunications services: part of the express delivery service and added value communication services; 3. construction services: overall construction, installation and assembly of construction and civil engineering, and building decoration; 4. financial services: insurance ancillary service; 5. tourism services: tourism consulting services; 6. sports and entertainment services: library services; 7. transportation services: sales and marketing of aviation services, and computer reservation system. In other words, there are no restrictions on service modes such as cross-border supply, overseas consumption, and commercial presence.

## 6. Cambodia

The services in the following sectors are fully liberalized: 1. commercial services: foreign legal consulting, taxation services, engineering services, computers, R&D service advertising, market research, management consulting technology testing, services related to mining and energy distribution, placement of service personnel, technology consulting, packaging; 2. distribution services: commissions agency, wholesale sales, partial retail, franchising; 3. communication services: express delivery, value-added telecommunications, mobile phones; 4. construction services: overall construction, installation and assembly of construction and civil engineering, and building decoration; 5. education services: higher education and adult education; 6. environmental services: sewage discharge, waste treatment,

sanitation and similar parts; 7. financial services: ancillary services of insurance; 8. tourism services: tour guide services; 9. sports and entertainment services: cinema service; 10. transportation service: aircraft repair and maintenance, and computer reservation system. In other words, there are no restrictions on service modes such as cross-border supply, overseas consumption, and commercial presence.

## (II) Contracting Parties That Make Commitments About Trade in Service to Other RCEP Contracting Parties Using a Negative List Method

### 1. Singapore

Singapore is the first RECP contracting party in Asia to use a negative list in the field of services and investment. In the RCEP, Singapore lists a total of 32 sectors or activities that implement non-conforming measures and 44 sectors or activities that may implement restrictive measures. Contracting parties can enter all markets not on the non-conforming measures list. Singapore's financial services sector separately lists opened areas in the form of a positive list in the appendix, and there are also clauses on non-conforming measures. For all sectors not listed in the negative list, contracting parties will have market access opportunities. The main contents are as follows:

#### (1) Business Services

In business services, Singapore has specified specific reservations and restrictions in this field in the form of a Negative List. Besides this, Parties will enjoy the same treatment as local service suppliers.

① Singapore residents are prohibited from renting private cars, cargo transportation vehicles and other land transportation equipment without an operator across the border, with the intention of using these vehicles in Singapore. ② Singapore reserves the

right to take or maintain any measures that affect the supply of unarmed security services, private investigation services, and security services. These services are regulated by the Private Security Industry Act, so as to protect important security interests.

③ Only the Sentosa Development Corporation is allowed to engage in the business related to the resort and waterway of Sentosa Island, and only the Bureau of Land Management and the National Park Commission can be engaged in the development and management of the southern islands of Singapore.

④ There are local presence requirements for personnel placement and supply services, and patent agency services, local presence and approval requirements for construction services, land surveying, and professional engineering services, and local presence and qualification requirements for public accounting services.

#### (2) Telecommunications Services

Singapore's telecommunications service: Due to the scarcity of resources such as lines and radio frequencies, the number of licenses to be issued may be limited. Facility operators and service operators must comply with relevant telecommunications laws.

#### (3) Distribution Services

Except for all distribution of energy and hazardous materials, contracting parties can engage in such business in Singapore as commission agency, wholesale, retail, and franchising, etc. Wholesale, and retail and distribution services are provided for medical and healthcare-related products and materials, and there are local requirements for them.

#### (4) Environmental Services

Foreign service providers must be registered locally in Singapore. Public waste collectors who provide services for residential and trading premises are appointed through open bidding. The number of PWC is limited by the geographical

departments in Singapore. For industrial and commercial waste, the market is open to any licensed general waste collector (GWC). Contracting parties can engage in exhaust gas cleaning and noise reduction services, and sewage and sanitation services are fully opened up.

#### (5) Health Services

Health and social services: only people living in Singapore can provide the following services: medical services, drugstore services, childbirth and related services, nursing services, quasi-medical services and related health services, as well as optometry and eyewear services.

#### (6) Financial Services

Singapore has opened insurance and related services and banking and other financial services. All commitments in the appendix to the list of non-conforming measures in Singapore are also subject to the entry requirements, domestic laws, guidelines, rules, regulations, terms and conditions of the Monetary Authority of Singapore (MAS) or any other relevant authorities in Singapore (depending on the case), and should be in line with Article 6 of the GATS and Article 2 of the Financial Services Appendix of the GATS. Singapore restricts financial institutions from providing credit services exceeding SGD 5 million to non-resident financial institutions.

#### (7) Education Services

For higher education services related to doctor training in Singapore, only local higher education institutions established in accordance with parliamentary bills or designated by the Ministry of Education can offer undergraduate or postgraduate courses for the purpose of doctoral training in Singapore. At present, only the National University of Singapore and Nanyang Technological University are allowed to offer undergraduate or postgraduate

courses for the purpose of doctoral training in Singapore.

#### (8) Tourism Services

Only Singaporean citizens or permanent residents can apply for the license to operate stalls in government-operated markets or hawker centers as individuals, and can apply to operate stalls in hawker centers managed by the National Environment Agency or its designated management agencies. In order to provide catering services in Singapore, foreign service providers must establish a limited company in Singapore and apply for a food business license in the name of the limited company to operate food or beverage shops in non-government-operated catering facilities. Singapore is fully open to hotel services, travel agencies and tour guide services.

#### (9) Entertainment, Cultural and Sports Services

In the area of entertainment and cultural services, Singapore has listed specific reservations and restrictive measures in a negative list. In addition, contracting parties enjoy the same treatment as local providers. The National Parks Board (NParks) or its successor agency is the only agency authorized by the National Park Board Act to control and manage national parks, nature reserves and park lands. Singapore has opened park services but not including national parks, nature reserves, and park lands specified in the National Parks Act. There are reservation measures for the services and gambling services stipulated in the National Cultural Heritage Administration Act.

#### (10) Transportation Service

In the field of transportation, Singapore has listed specific reservations and restrictive measures in the field of maritime services in the form of a negative list. The total foreign shareholding of PSA is subject to a 49% limit. PSA and Singapore Airlines impose a 5% limit on individual shareholding.

Maritime transportation services: Only local service providers are allowed to operate and manage cruise ships and ferry terminals. Local service providers should be Singaporean citizens or legal persons whose more than 50% of shares are held by Singaporean citizens. Only Singaporean citizens and permanent residents can register as Singaporean seafarers under the Act of Maritime and Port Authority of Singapore. Only Singapore citizens, permanent residents or Singapore legal persons can register ships. The legal person shall appoint a ship manager that resides in Singapore. Ships owned by Singaporean legal persons whose not more than 50% of shares are held by Singaporean citizens or permanent residents should have a gross tonnage of at least 1,600 and should be self-propelled before the registration.

Maritime transportation ancillary services: Only PSA is allowed to provide cargo handling services, piloting services and supply of desalted water for ships anchored at ports of Singapore or Singaporean territorial waters.

Only service providers with local presence can provide pipeline-based transportation services for goods such as chemical and petroleum products, petroleum and other related products.

## 2. Malaysia

The service industry is an important pillar of the Malaysian economy. The Malaysian government has continuously adjusted the industrial mix, further liberalized its policies, and actively promoted the service industry to go global. Under RCEP, Malaysia lists a total of 20 sectors or activities that implement non-conforming measures and 50 sectors or activities that may impose restrictive measures. The financial services sector in Malaysia lists open areas in the appendix in the form of a positive list, and there are also non-conforming measures clauses. In addition, some sectors face market access restrictions in the form

of a positive list. The main contents are as follows:

### (1) Business Services

In the business sector, Malaysia has listed specific reservations and restrictions in this area in the form of a negative list. At the same time, in the non-conforming measures list B, the sub-sectors of specific commitments are listed in a positive list.

① Services that need to be registered and certified by relevant institutions: real estate services, engineering surveying services, and lawyer services ② Services with a limit of investment ratio: accounting auditing, taxation services, landscaping, advertising, market research and development, management consulting, technical testing and analysis, services ancillary to agricultural, fishery and manufacturing industries, maintenance and repair, research and development services, packaging services, etc. ③ Services that are subject to the above-mentioned restrictions: engineering services, construction services, and veterinary services. ④ Services faced with requirements of local presence: dry rental services.

### (2) Construction Services

Only limited to representative offices, regional offices, and local joint ventures established with Malaysian citizens or/and Malaysian holding companies with the total foreign shares not exceeding 30%. Market access; foreign construction companies established outside of Malaysia can complete construction projects in cooperation with local partners.

### (3) Communication Service

Telecommunications services: foreigners are not allowed to apply for satellite broadcasting, subscription broadcasting, free TV or radio broadcasting services. Malaysia has opened up delivery services for documents and parcels, but excluding letters and postcards. The country has also opened film, videotape and sound

recording distribution services, but there are limits on the ratio of foreign investment.

#### (4) Distribution Services

The negative list stipulates that foreigners engaging in wholesale and retail services are not allowed to operate supermarkets, small markets, food stores or general suppliers, permanent wet markets, permanent pavement markets, gas stations, news agencies, medical halls, Malaysian gourmet restaurants, pubs and textile shops. In List B of non-conformance measures, Malaysia lists the sub-sectors that distribution services have made commitments to in a positive list, and stipulates the proportion limit and minimum capital requirements for joint ventures.

#### (5) Environmental Services

Contracting parties that provide environmental services should have a local presence in Malaysia and that the total shareholding of foreign capital in joint ventures shall not exceed 51%. In the non-conforming measure list B, the environmental service department lists the sub-sectors with specific commitments in a positive list.

#### (6) Financial Services

In the financial sector, Malaysia separately lists the financial service trade chapters in the form of a positive list, and strictly restricts its market access according to the two major contents of insurance and related services and banking financial services. Residents purchasing financial services from overseas financial service providers shall comply with the requirements, restrictions and conditions of the foreign exchange notice.

#### (7) Education Services

Educational services, skills training centers and vocational institutions can only be provided by authorized educational service



providers registered and established in Malaysia. Private medical facilities and medical services can only be provided by authorized service providers incorporated in Malaysia or acquired through acquisitions, mergers or acquisitions.

#### (8) Health Services

Foreigners can only provide professional medical services and professional dental services if they have obtained temporary practicing certificates issued by relevant institutions in Malaysia and registered as experts. Only when they are registered and authorized can they provide joint medical services and preparation, dispensing, assembly or sale of pharmaceutical services and traditional and complementary medical services.

#### (9) Entertainment, Cultural and Sports Services

Malaysia has the right to censor books, magazines, periodicals, newspapers, artworks, movies, and programs licensed to be broadcast on TV, cable networks and satellite TV stations to ensure that they meet Malaysia's etiquette standards. In addition, any act of art, photography and performance by foreign artists can only be carried out with prior approval. Contracting parties can engage in sports services and gaming services that only cover the Internet and mobile network.

#### (10) Tourism Services

Without approval, foreigners are not allowed to provide tour operator services and tour guide services, and the service travel agencies provide are limited to inbound tourism. The total shareholding of foreign capital in a joint venture shall not exceed 51%.

#### (11) Transportation Service

In the negative list, Malaysia has listed specific reservations and restrictive measures in the field of railway freight transport services and international maritime services.

Road freight transport service: Only entities registered and established in Malaysia are allowed to provide road freight transport services. The foreign capital contribution should not exceed 49%, including containerized freight transport services based on fees or contracts.

International maritime services: Foreigners can only provide international maritime services in domestic waters through representative offices, regional offices, joint ventures or companies. The total shareholding of foreign investors in a joint venture or company shall be a majority of shares including voting shares. Only registered ships can provide domestic maritime services.

Freight assistance: Foreigners are not allowed to serve as customs agents and customs brokers. Foreigners are not allowed to own more than 49% of the shares in any entity that provides customs agency and brokerage services.

### 3. Indonesia

Indonesia is the world's fourth most populous country, and the service industry is an important pillar of its economy. With the growth of the service industry, its contribution to the country's employment is increasing. Under RCEP, Indonesia lists a total of 4 sectors or activities that implement non-conforming measures and 94 sectors or activities that may impose restrictive measures. Indonesia's opened areas of the financial services sector are listed in the appendix in the form of a positive list. In terms of market access in all sectors, the measures that Indonesia reserves to adopt or maintain are: the commercial presence of foreign service providers should exist in the form of joint ventures or representative offices, the joint ventures should exist in the form of limited liability companies, and no more than 49% of the equity of limited liability companies can be held by foreign partners, unless the contribution ratio is otherwise stipulated by the non-compliance list. The details

are as follows:

#### (1) Business Services

Legal services are only applicable to foreign law and international law consulting services. Indonesia prohibits the commercial presence of foreign law firms.

#### (2) Communication Service

Indonesia opens postal and express services, but not intercity express delivery services and universal postal services. Only joint ventures with foreign investment of no more than 49% can be established, and Indonesian joint venture partners must be wholly owned by Indonesian nationals. Joint ventures can only operate in provincial capitals with international airports or seaports.

#### (3) Freight Services

Foreign service providers are not allowed to establish a commercial presence of international passenger or cargo shipping in Indonesia, unless they establish a joint venture with no more than 49% of the shares held by foreigners. The joint venture must operate at least one Indonesian ship with a gross tonnage of at least 5,000 tons and be crewed by Indonesian nationals. Foreign shipping companies can only provide international passenger transport services to and from seaports and special ports that are open to foreign trade, and must designate an Indonesian shipping company or shipping agency as their general agent.

#### 4. Brunei

Brunei is a resource-based country dominated by oil and gas resources, and the oil and gas extraction industry was once a pillar industry of the economy. However, the monotonous economic mix makes the country subject to international oil prices. The Brunei government vigorously promotes a strategy of economic diversification and endeavors to attract foreign investment. Under the RCEP, Brunei has adopted a negative list for the service and

investment sector, and it lists a total of 40 sectors or activities that implement non-conforming measures and 61 sectors or activities that may impose restrictive measures. The general requirement of non-conforming measures is: foreign nationals or enterprises can only set up a partnership or joint venture while holding no more than 51% equity before they can provide services in Brunei, unless otherwise stipulated on the capital contribution ratio by the non-conforming list or restrictive measures. Contracting parties can enter all markets that are not on the list of non-conforming measures. The main contents are as follows:

#### (1) Business Services

In the business field, Brunei has listed a few specific reservations and restrictions in this field in the form of a negative list. In addition, contracting parties will enjoy the same treatment as local service providers. ①There are local presence requirements: computer and related services; ②There is a requirement for equity restriction: industrial design; ③There is a requirement for local presence and equity requirement: veterinarian; ④There is a requirement for local presence and authorization: public audit; ⑤The persons concerned should live in Brunei for at least 90 days a year, have professional qualifications, establish partnerships or joint ventures with no more than 51% foreign equity: architecture, engineering, comprehensive engineering, quantity surveying, related technology consulting, surveying, urban planning and landscape services

#### (2) Construction Services

Foreign nationals or foreign enterprises can engage in construction services such as general construction projects; civil engineering; installation and assembly projects; construction completion and decoration projects other than mining; and mechanical engineering, but they must set up enterprises and

obtain qualifications for contractors and suppliers. They must comply with any requirements for transferring technology or other know-how to people in Brunei without prejudice to the legitimate interests of the owner of the technology or know-how, and at the same time limit the proportion of foreign investment in contracting qualifications according to grades and different projects.

### (3) Communication Service

For express delivery services and audiovisual services, including recording services and audiovisual post-production support services, as mentioned above, there are requirements about local presence and equity restrictions (for express delivery service, 49%). Telecommunications services must first be licensed, and there must be an actual business presence or commercial arrangements or commercial presence of operators in Brunei, and if necessary, the transmission equipment of public telecommunications networks or services should be established in Brunei.

### (4) Environmental Services

Foreign nationals or enterprises may be engaged in providing services in the following field: environmental protection and management consulting, waste management, landscape design management and maintenance, cleaning, roadside and cleaning engineering. Such services are subject to restrictions, the same as the regulations on construction services.

### (5) Financial Services

In the field of financial services, Brunei uses a negative list to specify specific reservations and restrictions in the banking and insurance fields, requiring the establishment of entities and obtaining permits. In addition, the financial institutions of the contracting parties will enjoy the same treatment as the local financial service providers. Banking industry: foreign nationals or

companies are not allowed to provide any outsourcing activities unless approved by the Brunei Monetary Bureau and meet the following conditions: the outsourcing activities have nothing to do with credit evaluation, processing, management or any related core banking activities; it will not affect the financial institutions' human capital and will not lay off local employees. Foreign citizens shall not register as insurance agents in Brunei.

#### (6) Education Services

Adult education: the maximum length of courses may be up to three months (private education), and the number of foreign employees shall not exceed 10% of the total labor force. As for other educational services (foreign language training centers), most senior managers are required to be Brunei nationals in any such enterprises. As mentioned above, there is a requirement of local presence and 49% shareholding.

#### (7) Entertainment and Cultural Services

Foreign nationals or enterprises can engage in services such as news agencies, libraries, archives, sports event promotion, organization, sports facilities operation, and computer reservation system. As mentioned above, there is a requirement for local presence and shareholding (40% for computer reservation system).

#### (8) Tourism Services

Foreign nationals or enterprises can engage in services such as travel agencies, tour guide services (bird watching) or other tourism and tourism-related services. As mentioned above, there are local presence and equity restrictions. They can be engaged in services such as hotels, restaurants (including catering), hotels, boarding houses or lodging services. There are such requirements as local presence and 51% shareholding; the senior executives should be Brunei nationals; priority should be given to buying, using or giving preferential treatment to goods produced in Brunei, or

purchasing goods from local suppliers.

#### (9) Health Services

Foreign nationals are not allowed to provide general medical, specialist medical or dental services unless they have worked as a doctor in such fields in Brunei for six years, which should include three years of clinical services in public hospitals, health centers or clinics under the Ministry of Health; ambulance services and children's daycare services, including daycare services for people with disabilities, as mentioned above, are subject to requirements of local presence and equity restriction; there is a 49% shareholding restriction for pharmaceutical services or nurse services.

#### (10) Transportation Service

In the field of transportation services, Brunei uses a negative list to specify specific reservations and restrictive measures for railway transportation and maritime passenger and freight (excluding energy). There are requirements of establishing commercial presence, foreign investment not exceeding 40%, and senior executives being Brunei nationals.

On the whole, the ASEAN contracting parties have made opening-up commitments higher than the previous ASEAN "10+1" FTA, which has greatly increased the level of service trade liberalization among the parties. Except for the three least developed contracting parties of Laos, Cambodia and Myanmar, the number of service sectors that other contracting parties have committed to open has reached more than 100. In terms of specific industries and sectors, Thailand has not made a commitment to fully open up any sector or sub-sector, that is, there are no restrictions on service models such as cross-border supply, overseas consumption, and commercial presence; the remaining parties have fully opened up some sectors and some of its services.

Specific conditions about the opening up are shown in Table 7.2.3:

| Countries        | Business  | Distribution  | Communication   | Architecture                    | Education  | Environment           | Finance | Health | Travel                               | Entertainment            | Transport  | Others |
|------------------|---|---|---|---------------------------------|--|-----------------------|---------|--------|--------------------------------------|--------------------------|--|--------|
| <b>Singapore</b> | Law, auditing, taxation, urban planning, computer and R & D                                       | All distribution of hazardous materials except energy | Post, express and audio-visualization                             | --                              | Primary, intermediate and tertiary adult education | Sewage and sanitation | --      | --     | Hotels, travel agency and tour guide | Entertainment and sports | --   | --     |
| <b>Vietnam</b>   | Accounting auditing, book keeping taxation, natural resources R & D services and aircraft leasing | --  | Partial express   | Environmental impact assessment | --   | --                    | --      | --     | Restaurants and catering             | --                       | --   | --     |
| <b>Laos</b>      | Tax consulting, computer and related market research  | --  | Some express services and value-added telecommunications services | --                              | --   | --                    | --      | --     | Tourism consulting services          | --                       | Sales and marketing of aviation services, computer reser | --     |



|                           |   |  |  |  |  |   |  |    |           |                            |   |    |
|---------------------------|---|--|--|--|--|---|--|----|-----------|----------------------------|---|----|
|                           | rch<br>and<br>mana<br>geme<br>nt<br>cons<br>ulting  |  |  |  |  |   |  |    |           |                            | vation<br>syste<br>m  |    |
| <b>Cam<br/>bodi<br/>a</b> | Forei<br>gn<br>legal<br>cons<br>ulting<br>, tax<br>servi<br>ces,<br>engin<br>eerin<br>g<br>servi<br>ces,<br>comp<br>uters,<br>R &<br>D<br>servi<br>ces,<br>adver<br>tising<br>, mark<br>et<br>resea<br>rch,<br>mana<br>geme<br>nt<br>cons<br>ulting<br>, techn<br>ical<br>testin<br>g,<br>perso<br>nnel<br>place<br>ment<br>relate<br>d to<br>minin<br>g and<br>ener<br>gy<br>distri<br>butio<br>n<br>servi | Com<br>missi<br>on<br>agen<br>cy,<br>whol<br>esale<br>, parts<br>of<br>sales<br>, retail<br>and<br>franc<br>hise | Express<br>, value-ad<br>ded<br>telecom<br>municati<br>ons and<br>mobile<br>phones | Overa<br>ll<br>constr<br>uction<br>, install<br>ation<br>and<br>asse<br>mblly<br>of<br>buildi<br>ngs<br>and<br>civil<br>engin<br>eering<br>and<br>buildi<br>ng<br>decor<br>ation | Terti<br>ary<br>educ<br>ation<br>and<br>adult<br>educ<br>ation | Sewa<br>ge,<br>waste<br>treat<br>ment,<br>sanita<br>tion<br>and<br>simila<br>r<br>servic<br>e and<br>other<br>enviro<br>nmen<br>tal<br>servic<br>es | Insu<br>ran<br>ce<br>anci<br>llary<br>serv<br>ices | -- | Guid<br>e | Cinem<br>a<br>servic<br>es | Aircra<br>ft<br>repair<br>and<br>maint<br>enan<br>ce,<br>comp<br>uter<br>reser<br>vation<br>syste<br>m<br>and<br>highw<br>ay<br>trans<br>portat<br>ion<br>servic<br>e | -- |

|                                      |  |    |                                      |   |    |    |  |    |   |                         |  |    |
|--------------------------------------|--|----|--------------------------------------|---|----|----|--|----|---|-------------------------|--|----|
|                                      | ces,<br>scien<br>tific<br>and<br>techn<br>ologi<br>cal<br>cons<br>ultati<br>on<br>and<br>pack<br>aging   |    |                                      |   |    |    |  |    |   |                         |  |    |
| <b>Mya<br/>nma<br/>r</b>             | Archi<br>tectura<br>l desig<br>n,<br>engin<br>eerin<br>g and,<br>urba<br>n plann<br>ing,<br>gard<br>en archi<br>tecture,<br>aircra<br>ft leasi<br>ng with<br>out op<br>erators,<br>audio<br>-visu<br>al recor<br>ding eq<br>uipmen<br>t leasi<br>ng and<br>adver<br>tising | -- | Some<br>audio-vi<br>sual<br>services | Overa<br>ll constr<br>uction<br>, install<br>ation<br>and asse<br>mblly<br>of buildi<br>ngs and<br>civil engi<br>neering<br>and buildi<br>ng decor<br>ation | -- | -- | Insu<br>ran<br>ce<br>anci<br>llary<br>serv<br>ices | -- | Hotel<br>and cater<br>ing,<br>trave<br>l agen<br>cy and<br>touri<br>sm op<br>erator<br>servi<br>ces | library<br>servic<br>es | Some<br>mariti<br>me<br>servic<br>es,<br>some<br>air<br>servic<br>es,<br>some<br>ancill<br>ary<br>servic<br>es for<br>all<br>mode<br>s of<br>trans<br>port | -- |
| <b>Thai<br/>land</b>                 | --   | -- | --                                   | --  | -- | -- | --   | -- | --  | --                      | --   | -- |
| <b>the<br/>Phili<br/>ppin<br/>es</b> | --   | -- | --                                   | --  | -- | -- | --   | -- | --  | --                      | Partia<br>l sea<br>trans<br>portat   | -- |

|  |  |  |  |  |  |  |  |  |  |   |  |
|--|--|--|--|--|--|--|--|--|--|---|--|
|  |  |  |  |  |  |  |  |  |  | ion<br>servic<br>e,<br>partia<br>l air<br>trans<br>portat<br>ion<br>servic<br>e and<br>freigh<br>t<br>forwa<br>rding<br>servic<br>e |  |
|--|--|--|--|--|--|--|--|--|--|---|--|

Table 7.2.3: The Opening Up Situation of ASEAN Contracting Parties' Fully Liberalized Sectors in Terms of Trade in Service

#### IV. Opportunities of Trade in Service Brought by RCEP to ASEAN

RCEP is an FTA that ASEAN signed for maintaining its dominant position. It aims to rebuild ASEAN's political confidence and leadership in the process of regional integration in the context of increasingly complex interests in the Asia-Pacific region. The signing of RCEP provides a unified new framework for ASEAN's service trade integration within the region, integrating the advantageous resources of four bilateral FTAs: ASEAN-China FTA, ASEAN-Japan FTA, ASEAN-Korea FTA, ASEAN-Australia-New Zealand FTA, thus providing a bigger platform that deepens the trade in service between ASEAN and other RCEP contracting parties.

The signing of RCEP will effectively reduce trade barriers between ASEAN and other contracting parties, and improve the convenience of access to service market and the transparency of trade in service. At the same time, due to Southeast Asia's booming electronics sector and relatively complete supply chain network, RCEP will provide a larger platform and market for the development of the ASEAN telecommunications industry. In addition, due to the large differences in the economic development level of ASEAN

Parties, the signing of RCEP will also help ASEAN contracting parties to exert their comparative advantages to promote economic development, and promote the participation of ASEAN contracting parties in regional and global value chain activities. ASEAN SMEs are thus included in global and regional supply chains.

Not only that, the signing of RCEP also provides a platform for the recovery of the ASEAN economy in the post-pandemic era. On the one hand, the COVID-19 has accelerated the pace of digital transformation and provided a framework for the structural transformation of digital trade, digital innovation and automated management in the service trade of ASEAN contracting parties, which will relieve, to some extent, the ASEAN contracting parties' dependence on traditional trade in service and relieve the impact of COVID on tourism, aviation, and logistics. On the other hand, RCEP will also provide technical assistance and economic cooperation framework for the economic reform of key service sectors of ASEAN Parties, provide an important cooperation platform for health infrastructure, vaccination, virus testing and other service areas, and accelerate economic recovery after the epidemic.

### **Section 3 Bilateral Investments**

RCEP is the most ambitious FTA proposed by ASEAN, which strengthens ASEAN's central position in the regional framework and promotes cooperation between ASEAN and its regional partners. As a modern, comprehensive, high-level and reciprocal agreement, RCEP covers areas and disciplines not covered by the previous FTAs between ASEAN and RCEP non-ASEAN parties. In general, the content of the RCEP investment chapter covers the "Framework Agreement on China-ASEAN Comprehensive Economic Cooperation" and is more refined, which helps protect

the interests of investors.

## **I. Status of Investment in ASEAN by Other RCEP Contracting Parties**

From the perspective of investment stock, ASEAN contracting parties are still the main source of investment for other RCEP contracting parties. Among the ASEAN contracting parties, Singapore is the country that receives the largest amount of FDI. In 2019, it received FDI stock of USD 1419.444 billion, of which the investment stock from other RCEP contracting parties in 2019 was USD 208.267 billion, followed by Indonesia, Vietnam, and Thailand. In 2019, the top five major foreign investment sources invested USD 74.526 billion in ASEAN contracting parties: the United States (USD 24.458 billion), Japan (USD 20.356), the EU (USD 16.172 billion), Hong Kong SAR (USD 11.306 billion), and China (USD 9.109 billion). They account for about 50.7% of total foreign investment in ASEAN. Due to Brexit, the EU has turned from ASEAN's largest source of foreign investment to the third one in 2018. As for the investments in Brunei, Cambodia, Indonesia, Malaysia, Singapore and Thailand, Japan had, among other RCEP contracting parties, the largest investment stock from 2012 to 2019. In 2019, Japan's investment stock in Singapore reached USD 97.301 billion, USD 93.496 billion in Thailand, with an upward year-on-year trend. From 2012 to 2020, China had, among other RCEP contracting parties, the largest investment stock in Cambodia and Myanmar from 2012 to 2020. In 2020, China's investment stock in Cambodia reached USD 10.839 billion, and China's investment stock in Myanmar reached USD 7.12 billion in 2019.

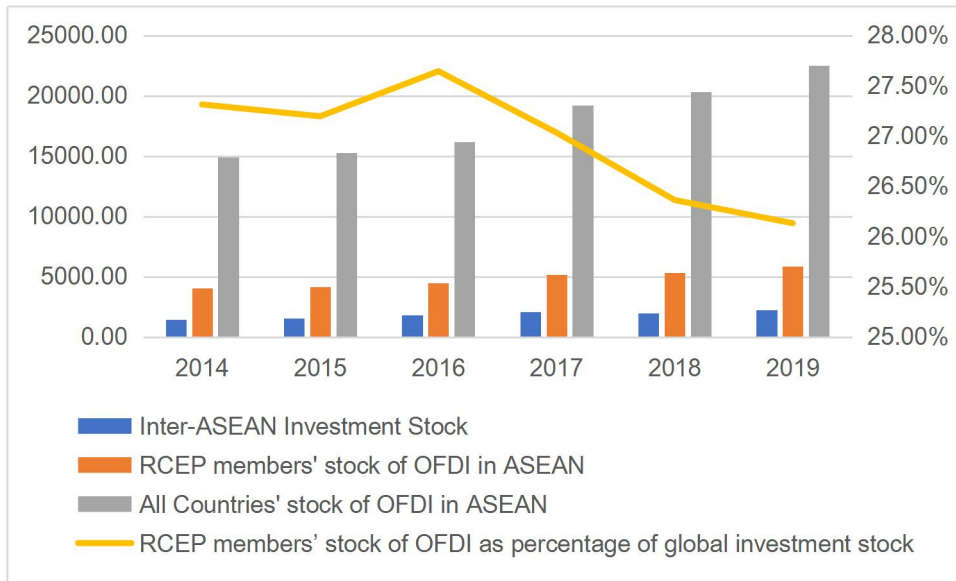


Figure 7.3.1 Stock of Direct Investment in ASEAN by Other RCEP Contracting Parties from 2012 to 2019 (Unit: USD 100 million)<sup>13</sup>  
Source: ASEAN Stats.

From the perspective of investment flow, the FDI received by the ASEAN contracting parties showed a trend of first rising and then falling during 2012-2016, with the fluctuation being slight. In 2017 and 2019, there was a relatively violent increase, and in 2020, it fell back to USD 137.341 billion. Among them, the investment of other RCEP contracting parties in ASEAN in 2012-2020 accounted for more than 30%, with an overall fluctuating trend. In 2018, other RCEP contracting parties invested USD 68.022 billion in ASEAN, reaching a peak in 2012-2020. In 2020, the investment amount from other RCEP contracting parties fell to as low as only USD 46.806 billion, accounting for 35.01%.

<sup>13</sup>Data for some years of the four countries of Myanmar, Laos, Vietnam, and the Philippines are missing.

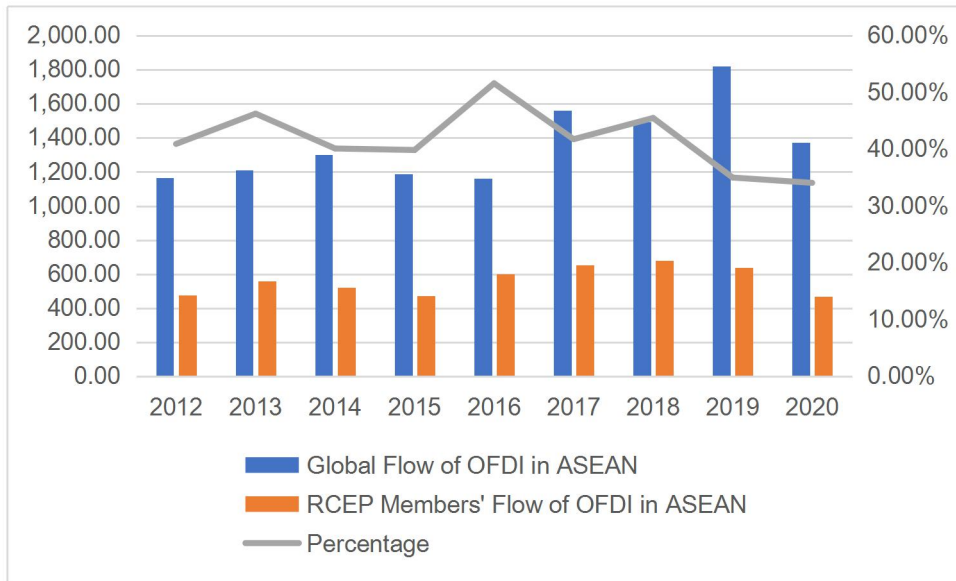


Figure 7.3.2 Flow of Direct Investment in ASEAN by Other RCEP Contracting Parties from 2012 to 2020 (Unit: USD 100 million)<sup>14</sup>  
Source: ASEAN Stats.

From the perspective of specific contracting parties, ASEAN contracting parties have the largest amount of mutual investment, and Japan's investment flow to ASEAN contracting parties ranks second, reaching USD 23.885 billion in 2019 and falling back to USD 8.5 billion in 2020. Ranked third was China, with investment flows to ASEAN parties exceeding USD 10 billion from 2017 to 2018, and the investment amount in 2020 was USD 76.2 billion. Japan has been making large-scale investments in ASEAN contracting parties since the 1960s. After entering the 21st century, due to the impact of the 2008 financial crisis, Japan's investment has been greatly reduced, but since 2012, there has been a significant increase. On the other hand, China and ASEAN have long shown a situation of huge trade and small investment. In the first few years after entering the 21st century, the economic relationship between the two sides shifted from being dominated by bilateral trade to the rapid development of two-way investment, and from being dominated by China attracting ASEAN investment to a substantial increase in China's direct investment in ASEAN. After

<sup>14</sup>Data of Laos, Cambodia, and Myanmar are missing.

2005, China's investment in ASEAN increased rapidly. After the China-ASEAN Free Trade Agreement (CAFTA) took effect in 2010, the growth was more prominent.

In terms of specific industries, Japan's investment in ASEAN is mainly concentrated in the manufacturing sector, involving industries such as automobiles, electronics, machinery, and chemicals. The relatively high proportion of manufacturing investment is due to the industrial transfer relationship between Japan and ASEAN. With its geographic proximity to Japan and its advantages in resources and labor costs, ASEAN has become an ideal place to undertake the transfer of Japanese industries. Multinational companies from Japan have established branches in ASEAN contracting parties through mergers and acquisitions to realize the transfer of production from Japan to ASEAN and incorporate ASEAN into Japan's global production chain. China's early large-scale investment in ASEAN was mainly concentrated in energy-related industries, with obvious characteristics of resource acquisition. After 2010, China's investment gradually shifted to infrastructure construction, real estate, mining, and finance. China has formed an international advantage in infrastructure construction and Chinese companies are the most active investors in ASEAN's infrastructure construction, with a continuously expanding volume of investment.

Due to the impact of COVID-19, ASEAN contracting parties had different performances in attracting investment in 2020. The Philippines, Vietnam, and Indonesia performed better, while foreign investment in Malaysia and Thailand dropped. Although the Philippines said it was hit by the 2020 pandemic and suffered the worst economic recession in history, its FDI still increased by 29%. Because of the proper control of COVID-19 in Vietnam, coupled with the relocation of supply chains and infrastructure, Vietnam's



FDI fell less. Indonesia's FDI fell "relatively moderately" by 24% to USD 18 billion. Among the ASEAN contracting parties, Malaysia and Thailand have experienced the most severe reductions in foreign investment. The decline in foreign investment in Malaysia is partly due to the unstable political environment and restrictions on the movement of people during the pandemic. According to the United Nations Conference on Trade and Development, the reduction in foreign investment in Thailand is attributable to the withdrawal of a foreign-funded supermarket chain by Thai investment groups in 2020.

## **II. Status of Investment in Other RCEP Contracting Parties by ASEAN**

The unfolding of ASEAN integration predated the signing of the RCEP, and the deepening of economic cooperation within the ASEAN region may also potentially affect the flow of foreign capital of other RCEP contracting parties.

In terms of the overall investment stock, the stock of direct investment from ASEAN contracting parties to other RCEP contracting parties continued to rise from 2014 to 2018. In 2014, the stock of ASEAN investment in other RCEP contracting parties reached USD 411.35 billion, and in 2018, it reached USD 564.82 billion, with an overall upward trend. China is an important investment place for ASEAN contracting parties. According to statistics from the Ministry of Commerce of China, as of the end of 2018, the total two-way investment between China and ASEAN reached USD 205.71 billion, of which China's cumulative investment in ASEAN was USD 89.01 billion, and ASEAN's cumulative investment in China was USD 116.7 billion. The stock of two-way investment increased 22 times in 15 years. The second is Australia, for which ASEAN countries' investment stock reached USD 39.71 billion in 2019.

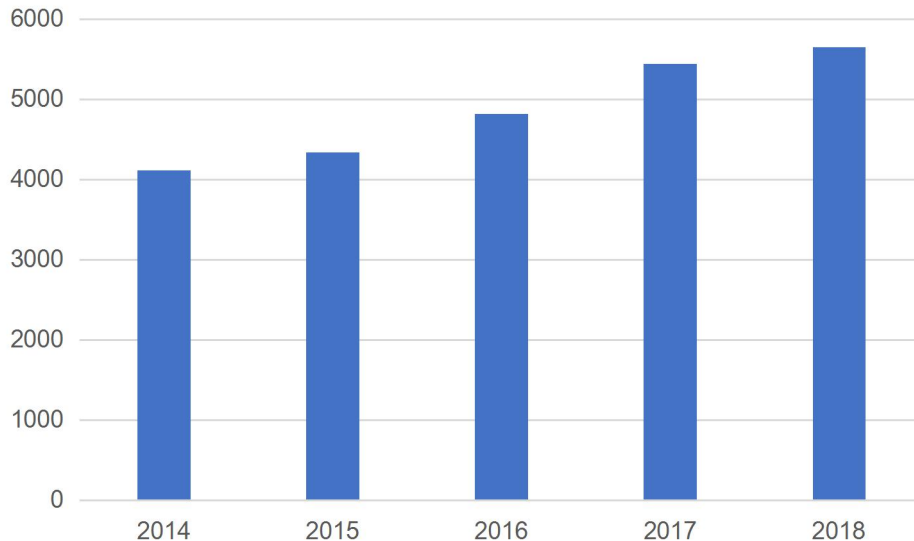


Figure 7.3.3 The Stock of FDI of ASEAN to Other RCEP Contracting Parties from 2014 to 2018  
(Unit: USD 100 Million)<sup>15</sup>

Source: ASEANStats, OECD, China Foreign Investment Database.

From the perspective of investment flow, investment in the ASEAN region is still the main source. In 2020, the investment flow in the ASEAN region reached USD 23.29 billion. Excluding investment within ASEAN, among other RCEP contracting parties, China is the largest recipient of ASEAN investment. In 2019, ASEAN established 2,148 newly established foreign-invested enterprises in China, a year-on-year increase of 25.7%, accounting for 5.3% of the number of newly established foreign-invested enterprises in China. The actual invested foreign capital was USD 7.88 billion, a year-on-year increase of 37.7%, accounting for 5.6% of China's actual use of foreign capital.

<sup>15</sup>Data of ASEAN contracting parties and New Zealand are missing.

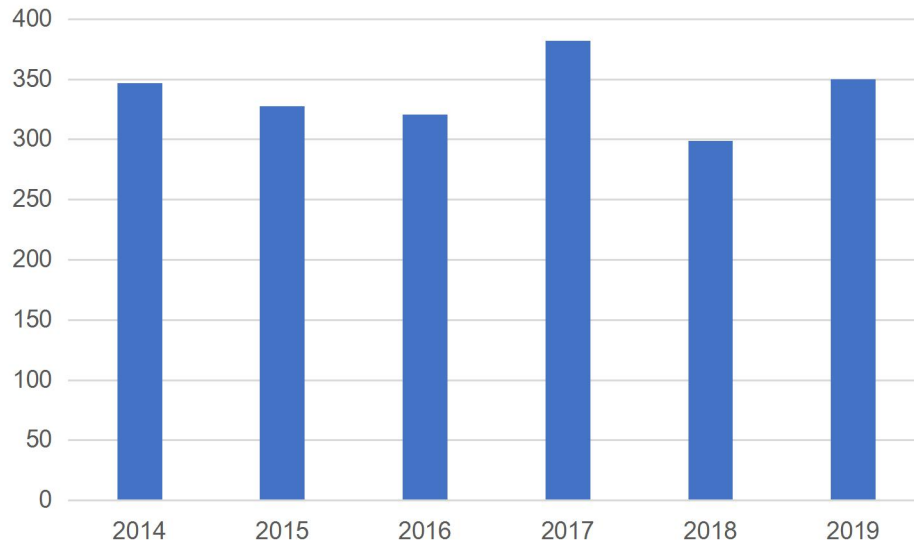


Figure 7.3.4 The Stock of FDI of ASEAN to Other RCEP Contracting Parties from 2014 to 2019  
(Unit: USD 100 Million)<sup>16</sup>

Source: ASEANStats, OECD, Ministry of Commerce of China.

In terms of countries, China and the ASEAN contracting parties have a good foundation of trade and investment. In 2018, China-ASEAN trade volume increased by 14% year-on-year, and China had been ASEAN's largest trading partner for 11 consecutive years. China imports a large amount of raw material for manufacturing from ASEAN contracting parties. The ASEAN contracting parties are an important source of China's traditional processing trade and resource imports. The cumulative two-way investment stock between China and ASEAN has increased by more than 20 times in the past 15 years. China's investment in ASEAN is mainly based on the development of natural resources such as mineral oil and gas. The South Korean government formally proposed to promote the "New Southern Policy" in 2017, with the aim to increase the level of cooperation between South Korea and the ASEAN contracting parties and make ASEAN the fifth key diplomatic target after China, the United States, Japan, and Russia. Since then, with the rise of international trade protectionism, in particular, the United States proposed to

<sup>16</sup>Data of ASEAN contracting parties and New Zealand are missing.

re-negotiate the US-South Korea FTA with South Korea and Japan has strengthened its export control to South Korea, South Korea's promotion of the "New Southern Policy" has been further accelerated.

### **III. The Status Quo of ASEAN's Opening up to Foreign Investment**

ASEAN is a hot spot for multinational companies to invest, and it has always been a major attraction for foreign investment in the global economy. According to the World Economic Forum's "Global Competitiveness Report 2019", among the 141 economies participating in the global ranking, 7 of the ASEAN contracting parties ranked within 100, of which Singapore ranked first. According to the World Bank's "Doing Business 2020" report, among the 190 economies in the world, 7 of the ASEAN contracting parties ranked within 100, of which Singapore ranked second, and the Philippines jumped from 124 in the previous year to 95, which shows that the country had a significantly improved business environment. According to data from the ASEAN Secretariat on June 30, 2020, the total foreign investment absorbed by ASEAN in 2019 (preliminary data) was USD 160.562 billion, an increase of 4.87% compared to 2018; of which the investment in the region of contracting parties was USD 22.36 billion, accounting for 13.9% of the total foreign investment absorbed by ASEAN that year (the proportion in 2018 was 15.9%).

The distribution of foreign investment in ASEAN is uneven, and nearly half of the foreign investment flows to Singapore. According to statistics from ASEAN, in 2018, the proportion of Singapore's total foreign investment to ASEAN's total increased from 45.3% in 2017 to 50.2%, followed by Indonesia (14.2%), Vietnam (10%), Thailand (8.6%), the Philippines (6.3%), Malaysia (5.2%), Myanmar (2.3%), Cambodia (2.0%), Laos (0.9%) and Brunei

(0.3%).

In 2019, the top five major sources of foreign investment invested USD 74.526 billion in ASEAN contracting parties. The United States (USD 24.458 billion), Japan (USD 20.356 billion), EU (USD 16.172 billion), Hong Kong SAR (USD 11.306 billion), and China (USD 9.109 billion) accounted for about 50.7% of the total foreign investment in ASEAN. Due to Brexit, the EU has changed from ASEAN's largest source of foreign investment to the third in 2018.

According to statistics from the ASEAN Secretariat, the ASEAN industry sectors receiving foreign investment in 2019 were mainly concentrated in manufacturing (USD 56.24 billion), financial and insurance services (USD 51.31 billion), wholesale and retail (USD 18.28 billion), and real estate (USD 9.87 billion). Foreign investment in the above four industries accounted for 84.5% of the total. In 2019, US investors mainly invested in finance and insurance, manufacturing, retail and other service industries. Japanese investment was mainly directed to financial and insurance services, manufacturing, wholesale and retail, and human health industries. Chinese investors mainly invested in manufacturing, real estate and financial services.

In 2020, Singapore and Thailand were the two largest investors among ASEAN contracting parties. Singapore's FDI fell by 36% to USD 32 billion. Singapore is not only the main source of investment for other ASEAN contracting parties, but also the main source of investment for other economies such as China and India. In 2020, 25% and 40% of FDI in Indonesia and Vietnam respectively came from Singapore. In 2020, direct investment from Thailand doubled to USD 17 billion. Approximately 85% of FDI from Thailand is distributed in financial services, manufacturing, real estate and construction, and it is mainly directed to the ASEAN

region.

#### **IV. Interpretation of ASEAN's RCEP Commitments of Investment**

ASEAN contracting parties have made specific commitments on trade in service investment and non-trade-in-service investment. Among them, sectors with commitments on trade in service investment are in section 2 of this chapter, and non-trade-in-service investment is as follows:

##### **(1) Cambodia**

Cambodia's industrial added value has accounted for about 30% of GDP over the years, and agriculture has accounted for about 25%. Non-service sector investment in Cambodia is restricted by a negative list.

**Manufacturing.** For the pharmaceutical industry, stipulations about national treatment, senior management and the board of directors do not apply to any measures related to the manufacturing of anesthesia and psychotropic substances. The production of anesthesia and psychotropic substances shall be carried out in accordance with the needs and plans of the local Ministry of Health. For the chemical industry, national treatment, most-favored-nation treatment, and senior management and board of directors should not apply to any measures related to the production of toxic chemicals, agricultural pesticides or pesticides. All investors are prohibited from using chemical substances prohibited by international regulations or the World Health Organization to produce other goods. Regarding the reservation of rights, Cambodia reserves the right to take or maintain any measures related to agro-industry, agricultural auxiliary industries, tourism and textile industries, culture, history or traditional handicrafts, and the ancillary services of all the above-mentioned sectors or industries.

**Agriculture.** For the planting industry, with the exception of Cambodian citizens and foreigners who have obtained permanent residency in the country, foreigners shall not enjoy the right to plant breeding.

**Fishing industry.** Foreigners are forbidden to engage in small-scale fishing, and their aquaculture and fisheries can only be operated after some of their agreements of agriculture, forestry and fishery have been approved by the government. In addition, all persons are prohibited from engaging in fishing activities during closed fishing seasons and in fishery-protected areas. Foreign fishing vessels approved to fish in the marine fisheries areas shall notify the fisheries administration before berthing at Cambodian ports of the marine fishery area.

**Forestry and hunting.** For forestry, stipulations about national treatment, senior management personnel and the board of directors should not apply to any measures related to the restriction or control of forestry and forestry-related industries. Foreigners are prohibited from engaging in all activities stipulated in Articles 28 to 39 of Chapter 8 of the "Forestry Law" (2002). Natural reserves shall be governed by the "Law on Environmental Protection and Natural Resources" (1996).

**Mining and quarrying.** For the mining industry, stipulations about national treatment, senior managers and the board of directors do not apply to any mining-related measures. In order to protect the natural environment of all areas within Cambodia's fresh water and sea waters, various sand mining activities for export to foreign countries should be prohibited. Any kind of sand export is prohibited. Investment in mining can only continue provided that an investment license is obtained and a series of conditions and terms are met.

**All sectors.** For land, stipulations about national treatment and

most-favored-nation treatment do not apply to any measures related to land ownership stipulated by the Constitution, Land Law and relevant laws and regulations. Foreign businessmen's ownership of public buildings only starts on the second floor, and, with the exception of the public buildings in Special Economic Zones, foreign businesses do not possess ownership over the areas within 30 kilometers surrounding such buildings which the Cambodian government has designated for holding important meetings. Land along the national border may not be leased to nationals or legal persons of the bordering country. For employment, according to Article 263 of the Cambodian "Labor Law" (1997), employers must give priority to Cambodians and are obliged to promote Cambodian employees to senior management. The maximum percentage of foreigners allowed to be employed by each enterprise shall not exceed 10% of the total number of Cambodian employees. For the establishment and operation of factories, factory owners should give priority to Cambodian engineers and technicians.

For investment, stipulations about national treatment, senior management and the board of directors should not be applied to any measures related to securities investment. For non-residents purchasing equity securities in the country, in the primary market, 20% of each share subscription is reserved for Cambodian investors, and the remaining 80% is for Cambodian and non-Cambodian investors. However, if the above distribution is not met, the Director General of the Securities and Exchange Commission of Cambodia (SECC) can make a decision on the redistribution. Foreign investors cannot purchase 100% subscription of publicly issued securities (up to 80%). The company secretary must be a Cambodian national, and independent directors should have working experience that is different from



Cambodian nationals.

For reserved rights, Cambodia reserves the right to adopt or maintain any measures concerning special preferences or treatment for micro-, small- and medium- enterprises (MSME). Cambodia reserves the right to adopt or maintain any relevant subsidy measures. Cambodia reserves the right to adopt or maintain measures to give differential treatment to the contracting parties in accordance with any bilateral or multilateral international agreement or arrangement that has entered into force or signed before the effective date of this agreement. Cambodia reserves the right to adopt or maintain measures to give different treatment to each contracting party according to any bilateral or multilateral international agreement or arrangement, which will enter into force or be signed after this agreement enters into effect. Cambodia reserves the right to take or maintain any measures related to national defense, public order and security. Cambodia reserves the right to take or maintain any measures that the central government has taken or will take or maintain. Cambodia reserves the right to take or maintain any measures related to land, including acquisition, ownership, lease, land use policy, land planning and land use period, and the rights and obligations of land users.

## (2) Laos

Laos is basically a purely agricultural country with almost no secondary industry. Given its weak industry and manufacturing, it will strengthen the protection of related industries. Non-service sector investment in Laos is subject to restrictions in the form of a negative list.

Manufacturing. Commercial activities that use Class I hazardous chemicals are prohibited from operating by foreign businesses, but they can engage in activities that are related and conducive to health, life, property, environment, national defense and public safety after obtaining the approval of the Lao government, and they can also carry out research and technology development. Hand-knitting, needlework and other textile industries with unique ethnic characteristics (not including industrial textiles and clothing manufacturing), small wood processing plants, wood carving and wicker manufacturing industries with unique ethnic sculptures, and jewelry processing industries with ethnic features are only open to Lao citizens.

For the food industry, foreign investors need to meet the following conditions before they can establish a joint venture:

- ① The domestic investor is the owner and holds a joint venture license
- ② The registered capital of the joint venture is at least LAK 1 billion
- ③ Foreign investors shall not hold more than 20% of the total shares

For the biological and pharmaceutical industries, the upper limit of shares needs to be raised to 49%.

Agriculture. Investment in guano business is only open to domestic investors. The pesticide industry is only open to Lao citizens.

Fishing industry. Any foreign businesses who want to engage in commercial ornamental fisheries, such as aquaculture, breeding, reproduction and import, should seek approval from competent authorities in accordance with the provisions of the "Investment Promotion Law". The Lao government reserves the right to take or maintain any measures for investors or any investment in

fisheries-related activities, including the operation of fishing in the Mekong River and its tributaries and reservoirs, but commercial aquaculture of fish and other aquatic products for trade and distribution shall obtain the approval and be registered in accordance with the "Investment Promotion Law".

Forestry and hunting. Investment in timber and non-timber forest products for the development of national forests is limited to domestic investors.

Mining and quarrying. The Lao government has identified reserved areas for exploration, planning, development and mining operations, and has protected some mineral resource areas. The following permits should be obtained before engaging in the mining industry: prospecting and exploration permits, and development and processing permits. The Lao government does not make commitments regarding investors' investment in the mining industry.

All sectors. For joint ventures, foreign shares must account for more than 10%; the registered capital of chartered companies should not be less than 30% of the total capital. Foreign employees working as technical experts engaged in manual labor or mental labor shall not exceed 15% of the total number of Lao workers in the enterprise. Foreign investors and their families have the right to reside in Laos in accordance with their investment conditions. Foreign technicians and experts have the right to reside in Laos in accordance with their employment contracts.

There is no restriction on the investment period of general business; the chartered investment period shall not exceed 55 years in accordance with relevant laws and regulations, but it can be extended with the approval of the Lao government.

The Lao government reserves the right to adopt or maintain any measures for investors or investments in activities related to

royalties and technology transfer.

The Lao government reserves the right to adopt or maintain any measures for any sector and new sectors or industries not identified in this table.

### (3) Myanmar

Agriculture is the foundation of Myanmar's national economy. The country has about 18 million hectares of arable land and more than 4 million hectares of idle land to be developed. The agricultural output value accounts for about 40% of the GNP. The main industries include oil and natural gas exploitation, small machinery manufacturing, textiles, printing and dyeing, rice milling, wood processing, sugar, paper, fertilizer and pharmaceuticals. Investments in non-service industry are subject to restrictions in the form of a negative list.

**Manufacturing.** In the negative list, Myanmar reserves the right to adopt or maintain any measures for the following investment activities: tobacco and tobacco-related products; the manufacturing and sale of malt and malt liquor and non-aerated products; distillation, blending, reorganization, bottling and sale of spirits, alcohol, alcoholic beverages and non-alcoholic beverages.

**Agriculture.** In the negative list, Myanmar reserves the right to adopt or maintain any measures related to the following agricultural activities: production and farming of seasonal crops; contract farming; production and export of oil seeds; production and planting of perennial crops; orchard production; the exploration, extraction and export of pearls.

**Fishing industry.** For the fishery resources and marine fishing industry, the investment activities of the above sub-sectors shall be carried out in accordance with the provisions of paragraph (D) of the No. 15/2017 notification of the Myanmar Investment Commission and approved by the relevant ministries and

commissions. Investors wanting to engage in fisheries in exclusive economic zones should apply to the Ministry of Fishing industry in the stipulated form. In the negative list, Myanmar reserves the right to adopt or maintain any measures for marine fishing, aquaculture, fish and shrimp production in freshwater and seawater.

Forestry and hunting. For forest plantations, timber-based industries, etc., the investment activities of the above sub-sectors shall be carried out after approval by relevant ministries and commissions in accordance with the provisions of paragraph (D) of No. 15/2017 notification of the Myanmar Investment Commission. In the negative list, Myanmar reserves the right to adopt or maintain any measures for any activity related to the logging of wood and teak, logging on woodland and land managed by the Myanmar government, the sale of grapefruit tree wood, timber and wood products at home and abroad, and the timber industry that uses raw materials extracted from natural forests.

Mining and quarrying. According to Article 3 of the 1989 "State-owned Economic Enterprise Law", the exploration and exploitation of natural gas and oil are restricted activities and can only be carried out by the Myanmar government. However, even if investors want to engage in these activities, they should complete the bidding at international bidding conferences. The management committee responsible for related matters consists of a total of seven members, four of whom are from Myanmar and one of them is the chairman, and the other three are from the investor side according to the agreement between the Ministry of Electricity and Energy and the investor. According to Article 3 of the "Law of State-owned Economic Enterprise" of 1989, the Myanmar government has the sole right as a state-owned economic enterprise to conduct oil and gas exploration, extraction and sales, and to produce its products. In the negative list, Myanmar reserves

the right to adopt or maintain any measures for prospecting, exploring, producing, purchasing, storing, processing, transporting, selling and transferring any minerals, gems, metallic minerals, industrial minerals or stones in accordance with the "Myanmar Mining Law" and its amendments.

All sectors. In the negative list, foreign investment is prohibited to enter the publication and distribution of periodicals in Myanmar minority languages, freshwater fishery-related services, quarantine stations, and a series of services, but is allowed to enter a series of industries such as fishery-related research services, veterinary clinics, and plastic products only in the form of joint ventures. In terms of land, the Myanmar government is the ultimate owner of all national lands and all natural resources on the ground, underground, water surface and atmosphere, and it should allow citizens to enjoy private property rights, inheritance rights, private initiative rights and patents in accordance with the laws specified in the 2008 Myanmar Constitution. Land owned by the government, land owned by governmental departments and organizations, and private land owned by citizens can initially be leased for 50 years according to different types of commerce, industry and value. If approved by the Myanmar Investment Commission, the lease can be extended for two consecutive 10 years. According to Article 76 of the "Myanmar Investment Law" (2016), Myanmar reserves the right to adopt or maintain measures toward activities that are not in compliance with the existing regulations, and Myanmar reserves the right to adopt or maintain any measures to give more favorable treatment to investors of non-contracting-parties in accordance with international agreements or arrangements that have entered into force or signed before this agreement enters into force. Myanmar reserves the right to adopt or maintain any measures related to national defense, public order and security.

#### (4) The Philippines

The tertiary industry in the Philippines is very developed, but the role of the primary and secondary industries cannot be overlooked. Explanation is given regarding the investment areas of the following non-service industry.

**Manufacturing.** Defense-related activities, such as manufacturing, repairing, storing or distributing guns, ammunition, lethal weapons, and a series of services, should be limited to Philippine citizens as well as companies, associations, or cooperatives formally established under the laws of the Philippines, 60% of whose capital should be owned by Filipino citizens. The ownership and management rights of the mass media should be limited to Filipino citizens, or companies or associations wholly owned and managed by Filipino citizens. The Philippines reserves the right to adopt and implement rationalization plans for certain manufacturing industries, for example, when the operation of these industries may lead to chaos, overcrowding or inefficient use of resources, thereby hindering economic growth.

**Agriculture.** Regarding foreign equity participation, at least 60% of the equity should be transferred to Filipino citizens within a 30-year divestment period, and the divestment period should begin with the actual operation of the company in the Philippines. Foreign businesses should fully develop the land leased to them for rice and corn production and culture within the time limit determined by their development plan, but the time limit shall not exceed four years; in addition, the Philippine government may grant a grace period according to specific circumstances.

**Fishing industry.** The Philippines protects waters in archipelago areas, so related industries are only open to citizens. Only Filipino citizens are allowed to use natural resources on a small volume and cooperate in raising fish. The Philippines

reserves the right to adopt or maintain any measures related to the export or import of fishery and aquaculture species. For foreign entities or individuals who will conduct scientific research on aquatic wildlife, Filipino citizens affiliated with foreign institutions or Filipino citizens owning foreign funds should determine on a local institution as a research partner or counterparty, and provide the written consent by the person(s) in charge of the local institution.

Forestry and hunting. The Philippines reserves the right to adopt or maintain measures related to any activities in any forests and pastures.

Mining and quarrying. Only Filipino citizens who have reached the legal age can establish a cooperative company in accordance with Philippine laws, and when 60% of the company's shares or more are owned by Filipino citizens, can they sign a salt production sharing agreement with the Philippine government. Small-scale mining is only open to citizens of the country.

All sectors. In the negative list, the Philippines lists a series of requirements, such as when establishing a domestic company, the number of natural persons should not be fewer than 5 and no more than 15, and all of them need to reach the legal age, and the company's secretary and directors should be Filipino residents. In the same method, requirements are stipulated for establishing cooperative enterprises, domestic export enterprises, and foreign-invested enterprises. The specific rate or amount of using royalties under the license contract must be approved by competent government authorities in accordance with the provisions of the Philippine law.

The Philippines reserves all rights to protect natural resources (water resources, mineral resources). According to economic and planning needs, the Philippines reserves the right to adopt any measures in the field of investment. Similarly, the Philippine



government will reserve rights in a series of key or necessary areas.

#### (5) Thailand

Thailand is the world's largest exporter of rice and natural rubber. Agriculture is Thailand's traditional economic industry, and agricultural products are one of Thailand's main sources of foreign exchange income. Thailand is also one of the main suppliers of fish products in the world market and the third-largest marine fishery country in Asia after Japan and China. With the rapid economic development, Thailand has witnessed its economic mix significantly changed. Although agriculture still occupies an important position in the national economy, the proportion of manufacturing in the national economy has been increasing. Thailand has become an automobile manufacturing base in the ASEAN market. Manufacturing has become the industry with the largest proportion and one of the main export industries. A major feature of Thailand's industrialization process is to make full use of its rich agricultural resources to develop food processing and related manufacturing industries. The main industrial sectors are: mining, textiles, electronics, plastics, food processing, toys, automobile assembly, construction materials, petrochemicals, etc. In the Schedule of Reservations and Non-conforming Measures for Investment in Annex III of RCEP, Thailand has listed relevant non-conforming measures in the description.

Manufacturing. For the manufacturing of poker cards, no natural or legal person may produce or import poker cards unless approved by the Director of the Department of Consumption Tax. For currency manufacturing, according to the laws of the Bank of Thailand, only the Bank of Thailand has the right to print, manage and issue Thai government bills. Only the Ministry of Finance has the right to mint coins and circulate them. Unless authorized by the

Minister of Finance, no one may create, issue, use or circulate any currency materials or tokens. For lottery ticket manufacturing, only the government lottery office has the authority to produce, manage and distribute lottery tickets in Thailand. For the manufacturing of tobacco products, only the Tobacco Administration of Thailand is allowed to produce tobacco products.

**Agriculture.** The foreign equity involved in the production of onion seeds shall not exceed 49% of the registered capital of the enterprise. The participation of foreign equity shall not exceed 49% of the registered capital of the cattle-raising enterprise.

**Fishing industry.** Foreign equity participation in deep-sea cage tuna farming and local spiny lobster farming shall not exceed 51% of the registered capital of a company. Foreigners or fishing boats with a flying foreign flag are not allowed to apply for fishing permits or to fish in Thai territorial waters, contiguous zones and exclusive economic zones.

**Mining and quarrying.** The participation of foreign equity must not exceed 49% of the registered capital of the marble mining enterprise, and must be subject to government's special permission right.

**Energy industry.** The participation of foreign equity must not exceed 49% of the registered capital of the oil- and gas-related mining business, and must be subject to government's special permission right.

**All sectors.** As for behavior happening within or outside Thailand that disrupts public peace, order, national security, monarchy, national economy or state affairs management, the head of the National Peace and Order Commission has the right to make any order against it.

An emergency can be announced by the Prime Minister with the approval of the ministers meeting when an emergency occurs

and the Prime Minister believes that the force of administrative officials or police, civilian personnel or military officials should be used appropriately to jointly provide assistance, prevention, remedy, suppression, and stopping the emergency to restore people's lives or provide assistance to the people. This condition applies to the entire country or certain regions or places, depending on the situation.

#### (6) Vietnam

Agriculture is the pillar industry of Vietnam's national economy. The agricultural population accounts for about 80% of the country's total population, and the agricultural output value accounts for about 30% of the Vietnamese GDP. The total industrial output value accounts for about 24% of the total output value of the national economy, and the output value of the light industry and handicraft industry accounts for more than half. Fisheries along rivers and coastal areas are relatively developed, with an average annual fishing capacity of about 1 million tons. There are many tropical fruits in Vietnam, and now there are a large number of farmers households in Vietnam planting fruit trees. In Annex III Schedule of Reservations and Non-conforming Measures for Investment of RCEP, Vietnam listed relevant non-conforming measures in the measure description.

Manufacturing. For the aircraft manufacturing industry: foreigners are not allowed to invest in aircraft manufacturing unless through a joint venture or the purchase of corporate shares. The foreign share capital shall not exceed 49% of the total share capital of the joint venture or enterprise. For the manufacture of locomotives, parts, freight cars and passenger cars: As mentioned above, foreign capital shall not exceed 49% of the total capital of the joint venture or enterprise.

All sectors. Requirements of national treatment, prohibitions on performance requirements, and senior management and the board of directors may not apply to the conditions specified in the investment license issued before the effective date of the RCEP.

(7) Brunei

Brunei's economic situation is very good. In 2014, its per capita GDP ranked 5th in Asia, and 2nd in Asia except the Gulf region (second to Singapore). The production and export of oil and natural gas accounted for approximately 67% of its GDP. The country has a sound social welfare system, and it is famous for not having to pay taxes. The oil and natural gas extraction industry is the backbone of Brunei's national economy. About half of its employed population are engaged in the oil and natural gas extraction industry. Crude oil and natural gas exports account for more than 80% of its total exports, and 70% of the country's revenue comes from oil and natural gas. Relying on oil exports, Brunei has accumulated USD 30 billion in foreign exchange reserves. At the highest level, Brunei's per capita oil production was second to Qatar, the United Arab Emirates, and Saudi Arabia, ranking fourth in the world. Brunei's economy is based on the oil and natural gas industry, while non-oil-and-gas industries (mainly including manufacturing, construction, finance, agriculture, forestry, and fishery) are not developed. The output value of agriculture, forestry and fishery accounts for nearly 3% of its total GDP. It has small areas for planting rice as well as tropical crops such as rubber, pepper, and coconut. 70% of its food is imported. Brunei has made an explanation for the following areas of investment in non-service industries:

**Manufacturing.** All foreign investments in this sector that use venues controlled by relevant governmental authorities to engage in manufacturing activities must have local shares. Foreign

investors are not allowed to use the above-mentioned venues unless they purchase, use or give priority to goods produced in Brunei, purchase goods from local suppliers, or reach a given percentage of domestic content.

**Agriculture.** Similar to restrictions for the manufacturing industry, all foreign investments in this sector that use venues controlled by relevant governmental authorities for agricultural activities and ancillary services of agricultural activities must have local shares. Foreign investors are allowed to use the aforementioned venues only if they purchase, use or prioritize goods produced in Brunei, purchase goods from local suppliers, or reach a given percentage of domestic content.

**Fishing industry.** Similar to situations mentioned above, all foreign investments in this sector that use venues controlled by relevant governmental authorities for fishery activities and their ancillary services must have local shares. Foreign investors are allowed to use the aforementioned venues only if they purchase or use goods produced in Brunei, or meet the requirements for purchasing goods from local suppliers.

**Forestry.** Foreign nationals or enterprises shall not establish enterprises to engage in activities or services related to forestry. Unless through joint venture operations with Brunei nationals or enterprises and any performance requirements that may be imposed, such foreign nationals or enterprises shall not have more than 70% of shares. However, this requirement does not apply to logging and sawing activities.

#### (8) Indonesia

COVID-19 has brought about a rapid decline in global demand. Although Indonesia's export revenue only accounts for 22% of its GDP, the decline in Chinese demand and low export prices may take a toll on Indonesian manufacturers and exporters in the mining

and energy industries. It is the manufacturing sector that makes a huge contribution to exports, including the food industry, basic metal industry, chemicals and chemical products, etc. The main export destinations of Indonesian manufacturing products are the United States, China, Japan, Singapore and India. At present, the Ministry of Industry of Indonesia has drawn up an all-round roadmap of "Making Indonesia 4.0" to promote the domestic manufacturing industry to use the 4.0 industrial technologies to create high-quality products and make Indonesian products more competitive in the global market. In Annex III of the RCEP, Indonesia uses the full negative list model of the reservations and non-conforming measures for investment to illustrate restrictions on foreign investment in non-trade-in-service.

Manufacturing. The negative list includes two restrictions: "opening up investment to SMEs" and "not opening up investment to foreign equity (100% local capital)". The manufacturing industries that are open to SMEs for investment include agricultural product processing, aquatic product processing, and textile industry. As for agricultural product processing, Indonesia's negative list has made detailed regulations on the processing behavior of its dominant crops such as coconut, cocoa, and rubber. Foreign investors are forbidden to establish foreign-funded enterprises in the following industries: vegetable oil processing of coconut oil, palm oil, etc.; primary processing of seed removal, classification, etc., for cottonseed, cocoa beans, coffee beans and other agricultural products; production of finished sugar with sugar cane and others as raw materials; tobacco products industry; rubber products industry. As for aquatic product processing, the negative list prohibits foreign-funded enterprises from carrying out processing such as cooking on fish. As for the processing of vegetables and fruits, the negative list prohibits foreign-funded

enterprises from manufacturing processed foods using fermented soya beans and tofu as raw materials. As for the textile industry, it includes cotton and linen spinning and knitted fabric processing. As for wood processing industry, it includes the manufacturing of weaved handicrafts using natural plant fibers.

Manufacturing industries that are not open to foreign equity investment include equipment manufacturing in the national defense and military field, as well as sanitary material manufacturing.

Agriculture. The agricultural fields that are open only to SMEs' investment include the planting of crops such as wheat and corn; the planting of crops such as spices, sugar cane, and tobacco; and the raising of pigs and local chickens.

Fishing industry. Indonesia's negative list stipulates that foreign investors are prohibited from investing in Indonesia's aquatic fishing industry.

Forestry and hunting. In the field of forestry, the list stipulates that foreign investors are not allowed to invest in 6 sub-sectors, including: areas specially reserved for SMEs (charcoal, cinnamon, bird's nest, etc.), the development of natural forest wood products, the development of forest water resources, and the capture of wild animals and plants, etc. Indonesia reserves the right related to the operation of foreign capital in the following sub-sectors: the development of forest crops such as rosin, and the development of plant genetics technology.

Mining and quarrying. Indonesia's negative list stipulates that foreign investors are prohibited from investing in industries related to sea sand extraction. In the energy industry, Indonesia reserves the right to take or maintain any measures for investments in small power plants (<10 MW).

All sectors. The Indonesian government has imposed restrictions on the expropriation or lease of land for all industries. The negative list stipulates that land ownership is limited to Indonesian nationals only, but foreign citizens and incorporated foreign-funded enterprises can obtain land tenure for 35 years at most and construction rights for 30 years at most.

The Indonesian government has put forward registration requirements for foreign investment in all industries. The negative list stipulates that, except for industries specifically stipulated by Indonesian laws and regulations, the total investment of foreign investors should be not less than IDR 10 billion. For foreign-funded enterprises that are included in the classification of industrial enterprises in the “No. 64 Regulation of 2016 of the Ministry of Industry”, the investment should be not less than IDR 15 billion. Work related to personnel affairs in foreign-funded enterprises must be performed by Indonesian nationals.

Companies or projects that had been signed into an agreement before the RCEP took effect should continue to abide by such an agreement. An application should be submitted if the details of the agreement are to be changed.

#### (9) Malaysia

Since 2004, the Malaysian economy has maintained steady growth. In 2015, the Malaysian government announced the “Eleventh Malaysian Plan, 2016-2020”, with the theme of “anchoring growth on people”. It plans to increase national income, improve people's living standards, and cultivate citizens with



thinking of an advanced nation through six strategies: increasing productivity, innovation fields, expanding the middle-class, developing skills education and training, developing green technology, and investing in competitive cities. Malaysia has made an explanation for the following areas of investment in non-service industries:

**Manufacturing.** In the textile industry, foreign capital in the production of batik fabrics and batik garments shall not exceed 30%.

**Agriculture.** Foreign citizens need to obtain approval from relevant state agencies and are subject to conditions and restrictions that may be imposed by state agencies.

**Fishing industry.** Foreign fishing vessels must obtain a permit to catch, load and unload fish in Malaysian waters. Foreign companies are not allowed to conduct technical investigations in Malaysian waters.

**Forestry and hunting.** In Peninsular Malaysia and Negeri Sabah, timber exploitation is not open to foreign investors. Forest areas that are open to logging must comply with annual logging quotas in order to achieve sustainable development of resource.

**Mining and quarrying.** PETRONAS and its successors have all the rights to explore and exploit oil and gas on land or offshore in Malaysia. Malaysia reserves the right to adopt measures regarding nuclear power generation and fossil fuel power generation.

#### (10) Singapore

Since 2009, Singapore's economy has maintained sustained growth. In 2019, Singapore's GDP was USD 372.1 billion, and its per capita GDP was USD 65,166. As for the proportion of the non-service industry to its GDP, the manufacturing industry ranks first at 24.5%. Singapore has made an explanation for the following areas of investment in non-service industries:

Manufacturing. Singapore reserves the right to modify or add anything to the list of commodities in accordance with the Manufacturing Control Act. The current list of commodities includes: beer, cigars, steel products, chewing gum, cigarettes, etc.

Power supply. In terms of power, instead of directly selling electricity, power plants must sell electricity through operators licensed by the Energy Market Administration. The cumulative market power supply of non-domestic power generators shall not exceed 600 MW.

#### V. Opportunities Brought by the RCEP to Investment in ASEAN

Before the start of the RCEP negotiations, Asian countries had long-standing disputes over the path of Asia-Pacific regional integration. Some countries such as China hoped to promote 10+3 cooperation, while other countries such as Japan preferred 10+6 cooperation, and it was difficult for all parties to reach a consensus. With the outbreak of the international financial crisis in 2008 and the US's accession to and domination in the promotion of TPP negotiations in 2009, which attracted some countries, East Asian countries became aware of a danger while trying to build consensus on cooperation. With the proposal and promotion of ASEAN, countries put aside their disputes, which led to the launch of RCEP negotiations in 2012 and the successful conclusion of the "Guiding Principles and Objectives for Negotiating the RCEP".

Different from the traditional regional trade agreements promoted by major powers, RCEP is promoted by ASEAN and centered on ASEAN. This is not only an ASEAN approach, but also a manifestation of Asian wisdom. When there are differences in interests between parties, ASEAN can play a better role as a coordinator, proposing a compromise acceptable to all parties as far as possible through a large amount of communication and coordination. Even in the face of the challenge of India's sudden

withdrawal, the contracting parties still actively communicated through various means to persuade it to stay with the hope that India can change its position, provided special arrangements in the agreement for India's accession, and agreed that India could participate, as an observer before joining the agreement, in RCEP meetings and economic cooperation activities held by the RCEP contracting parties. This also reflects the Asian wisdom of diversity, balance, harmony and tolerance. In the process of global regional integration, although Asia is a latecomer, it has gradually explored and formed a development model with its own characteristics, and RCEP is one of the good examples. The rules and standards adopted by RCEP are moderately more improved ones than WTO's. At the same time, space is reserved for subsequent negotiations and negotiations, thus demonstrating a characteristic of pursuing a high level and being gradual, inclusive and open-minded, which can give all parties a certain degree of political comfort and attract more countries to participate in it, so that the results of the FTA can benefit more regions, more countries and more groups with a quicker pace. The agreement grants special preferential treatment to developing parties. It provides new ASEAN contracting parties with more relaxed tax reduction arrangements and moderate rule transition periods, and also proposes to give priority to providing capacity building and technical assistance to contracting parties that are developing countries and least developed countries in the economic and technical cooperation chapter.

For the Asia-Pacific region, RCEP is a collective upgrade of the existing "10+1" FTA. Its signing and entry into force can simplify the current economic and trade relations between the contracting parties, further reduce trade barriers, eliminate trade barriers, promote the establishment of higher levels of trade and investment liberalization and facilitation rules within the contracting parties, and

coordinate rules in many ways about trade in goods, trade in services, and investment. In addition, it will further promote the transfer of industries between countries in the region, deepen the division of labor and cooperation within the region, form a positive spillover effect on the surrounding and external markets, and further promote the growth of cross-border investment and intra-industry trade.