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The Philippines ratify RCEP

What is RCEP? The Regional Comprehensive Economic Partnership Agreement (RCEP) is a free trade agreement between 15 contracting parties (the ten ASEAN members Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam as well as ASEAN's dialogue partners Australia, China, Japan, South Korea, New Zealand). Thus, RCEP comprises 2.2 billion people, 30 percent of global GDP, and 28 percent of global trade.

Contents of the agreement The RCEP is an ASEAN-led initiative designed to contribute to economic integration in Asia, and thus not a trade policy response by China to the Trans-Pacific Partnership (CPTPP). Accordingly, the FTA follows the architecture of a typical ASEAN FTA in many respects.

It will promote tariff elimination (tariff elimination of about 92 percent is planned), go beyond the World Trade Organisation (WTO) agreements in liberalizing services and investment, and begin to cover areas that are not yet comprehensively part of the WTO (such as digital trade and competition). In total, the RCEP consists of the following 20 chapters:

1. Initial Provisions and General Definitions
2. National treatment and market access for goods and the RCEP parties' phased tariff elimination plans
3. Rules of Origin, with an annex on product-specific rules of origin
4. Customs Procedures and Trade Facilitation
5. Sanitary and Phytosanitary measures (SPS)
6. Standards, Technical Regulations, and Conformity Assessment Procedures (TBT)
7. Trade Remedies
8. Trade in Services and annexes on Financial Services and Telecommunications Services
9. Temporary Movement of Natural Persons
10. Investment
11. Intellectual Property
12. Electronic Commerce (digital trade)
13. Competition
14. Small and Medium Enterprises (SMEs)
15. Economic and Technical Cooperation
16. Government Procurement
17. General Provisions and Exceptions
18. Institutional Provisions
19. Dispute Settlement
20. Final Provisions

**RCEP came
into force on
01.01.2022**

On January 1, 2022, the RCEP came into effect for Australia, Brunei, Cambodia, China, Japan, Laos, New Zealand, Singapore, Thailand, and Vietnam.

Within the year after RCEP came into force for three additional partners: South Korea (01.02.2022), Malaysia (18.03.2022) and latest Indonesia (01.01.2023).

**The Philip-
pines ratified
RCEP and how
it will come
into force**

Back in September 2021, then Philippine President Rodrigo Duterte already ratified the agreement and brought it to the Senate for approval. However, back then the Senate failed to ratify the agreement in December 2021 before RCEP took effect on January 1, 2022, for the first then members. Now the Philippine Senate voted again, and they ratified RCEP on February 21, 2023 with a great majority (20-1 vote, with one abstention).

The next step is to notify the ASEAN secretariat about the implementation of RCEP which must be done by the Philippine government. This will likely take place within the next days. The agreement will come into force 60 days after the notification.

Even before the RCEP came into force, the Philippines had a strong trade position in the region. The Philippines applies with the following RCEP partners trade agreements:

- The ten ASEAN countries through the ASEAN Economic Community (AEC), which has numerous economic integration measures, such as the ASEAN Trade in Goods Agreement (ATIGA).
- Australia through the ASEAN-Australia-New Zealand Trade Agreement (AANZFTA)
- China through the ASEAN-China Trade Agreement (ACFTA).
- Japan through the ASEAN-Japan Trade Agreement (AJEPA) and the Philippines – Japan Economic Partnership Agreement (PJEPA)
- New Zealand through the ASEAN-Australia-New Zealand Trade Agreement (AANZFTA)
- South Korea through the ASEAN- South Korea Trade Agreement (AK-FTA).

Despite the Philippines' trade entanglement, the RCEP promises new trade gains for the country as it unifies the rules of origin and helps companies to diversify their supply chains throughout the region due to the regional cumulation rule. The RCEP covers roughly 50.4 percent of the Philippines' export markets, 67.3 percent of the country's import sources, and 58 percent of foreign direct investment.

**Pending ratifi-
cations**

The ratification of the Philippines leaves Myanmar as the last country who has not ratified RCEP to date. As a result, the country falls outside the scope of the trade agreement and cannot yet benefit from any benefits from RCEP.

In order to strengthen regional supply chains in the RCEP region, it is important to have a Ratification of the agreement by all parties, as many supply chains (e.g., electronics and semiconductors) in Asia are highly regionalized and are interlinked.

**Are German
businesses
able to profit
from RCEP?**

German companies that have a branch or subsidy in the RCEP region or produce in the territory of the contracting parties can benefit from the RCEP concessions. This is particularly desirable for companies that want to achieve improved market access to markets with which the EU has not yet negotiated free trade agreements, such as China or Thailand.

**Benefit from
free trade
agreements**

If you have any questions about the usage of Free Trade Agreements in the Asia-Pacific region, you can contact Mrs. Annika Huck, Divisional Head for Trade Policies (Asia/ASEAN). E-Mail: annika.huck@sgc.org.sg

Resources

<https://www.scmp.com/news/asia/east-asia/article/3211030/game-changer-philippine-lawmakers-ratify-entry-worlds-largest-trade-pact-rcep>

<https://www.philstar.com/business/2023/02/22/2246581/senate-cements-philippines-membership-rcep-trade-deal>

<https://english.news.cn/20230222/2e35c3fdae544619ab013a32352866ea/c.html#:~:text=The%20RCEP%2C%20which%20entered%20into,Singapore%2C%20Thailand%2C%20and%20Vietnam>

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