

## ALERT ON TRADE AND CUSTOMS

### Update on the Regional Comprehensive Economic Partnership Agreement

20 November 2020

## General information

ALERT ON TRADE AND CUSTOMS | Page 1

- On 15 November 2020, the Regional Comprehensive Economic Partnership Agreement ("RCEP Agreement") was virtually signed, during the online RCEP Summit, by 15 countries including the 10 ASEAN countries and 05 trading partners, namely Japan, Australia, New Zealand, China and Korea.
- Although India announced its withdrawal from the RCEP Agreement in November 2019, the 15 signatory countries still acknowledge India's strategic trade role, and it remains open for India to re-join the RCEP Agreement after it comes into effect.
- The RCEP Agreement will officially take effect within 60 days of the date when at least 06 ASEAN member countries and 03 non-ASEAN member countries, have ratified the RCEP Agreement. At that time, the RCEP Agreement will cover a market of 2.2 billion consumers (30% of the world's population), equivalent to USD 26.2 trillion trade (30% of global GDP), becoming one of the largest Free Trade Agreements ("FTAs") in the world.
- The RCEP Agreement is a new generation FTA, updates the coverage of the existing ASEAN Plus One FTAs. It comprises 20 chapters, which aside from provisions on tariff reductions, customs procedures and trade facilitation, include "non-traditional" commitments (compared to the current signed FTAs between ASEAN and the 05 trading partners) e.g. protection of intellectual properties, competition policy, measure to support small and medium enterprises, etc.
- Deloitte Vietnam summarizes in this Alert, the key features of the implementation process of the RCEP Agreement, and the tariff schedules commitments of Vietnam.

## Implementation process of the RCEP Agreement

- The signatory countries will spend an expected period of 18 months to ratify the RCEP Agreement. In Vietnam, the RCEP Agreement will be submitted to the Government, before the submission to the National Assembly for ratification and development of a detailed implementation plan. The expected completion is late 2021 or early 2022.
- Deloitte Vietnam will provide further updates on the effective date, and implementation of the RCEP Agreement, in the coming months.

## ALERT ON TRADE AND CUSTOMS

### Update on the Regional Comprehensive Economic Partnership Agreement

20 November 2020

## Tariff reduction commitment

ALERT ON TRADE AND CUSTOMS | Page 2

### 1. Tariff reduction schedules of Vietnam under the RCEP Agreement

- Under the RCEP Agreement, Vietnam has established 06 tariff reduction schedules for goods originating in ASEAN, Japan, Australia, New Zealand, China and Korea.
- The existing ASEAN Plus One FTAs (that Vietnam is a Party to) already provide highly liberalized preferential tariff rates. The RCEP Agreement builds on those tariff reductions, and will eliminate around 90% of import tariffs within 20 years of the RCEP Agreement coming into effect.
- The longest tariff reduction schedule for Vietnam, and other RCEP members, is up to 25 years.

### 2. Rules of Origin and self-certification of Proofs of Origin

- The RCEP Agreement also provides for harmonized and simplified Rules of Origin. These include Cumulation allowing for originating materials, of any RCEP Party, to count towards originating status of the finished products, and when traded between the RCEP members enjoy preferential tariff rates.
- Additionally, the self-certification mechanism, for generating Proof of Origin, shall be adopted by Vietnam and most of the RCEP countries (except Laos, Cambodia and Myanmar) no later than 10 years from the effective date of the RCEP Agreement.



## ALERT ON TRADE AND CUSTOMS

Update on the  
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Economic Partnership Agreement

20 November 2020

## Tariff reduction commitment (next)

### 3. Trade Facilitation

- The RCEP Agreement also contains commitments on customs procedures and trade facilitation, standards and technical regulations, in particular:
  - Transparency and simplification of customs procedures, such as: timely disclosure of information on the Internet; Measure and publish the results of time for releasing goods; etc.
  - Adoption of information technology to support customs operations based on internationally accepted standards for prompt customs clearance and release of goods;
  - Trade facilitation for "Authorized Economic Operator" ("AEO") and the ability to negotiate mutual recognitions on AEO schemes;
  - The provisions on review and appeals allow any person to whom its customs authority issues an administrative decision has the right, within its territory, to review or appeal are carried out in a non-discriminatory manner.





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