



UNDERSTANDING TRADE IN GOODS AND RULES OF ORIGIN UNDER THE RCEP

BENEFITS FOR BUSINESSES

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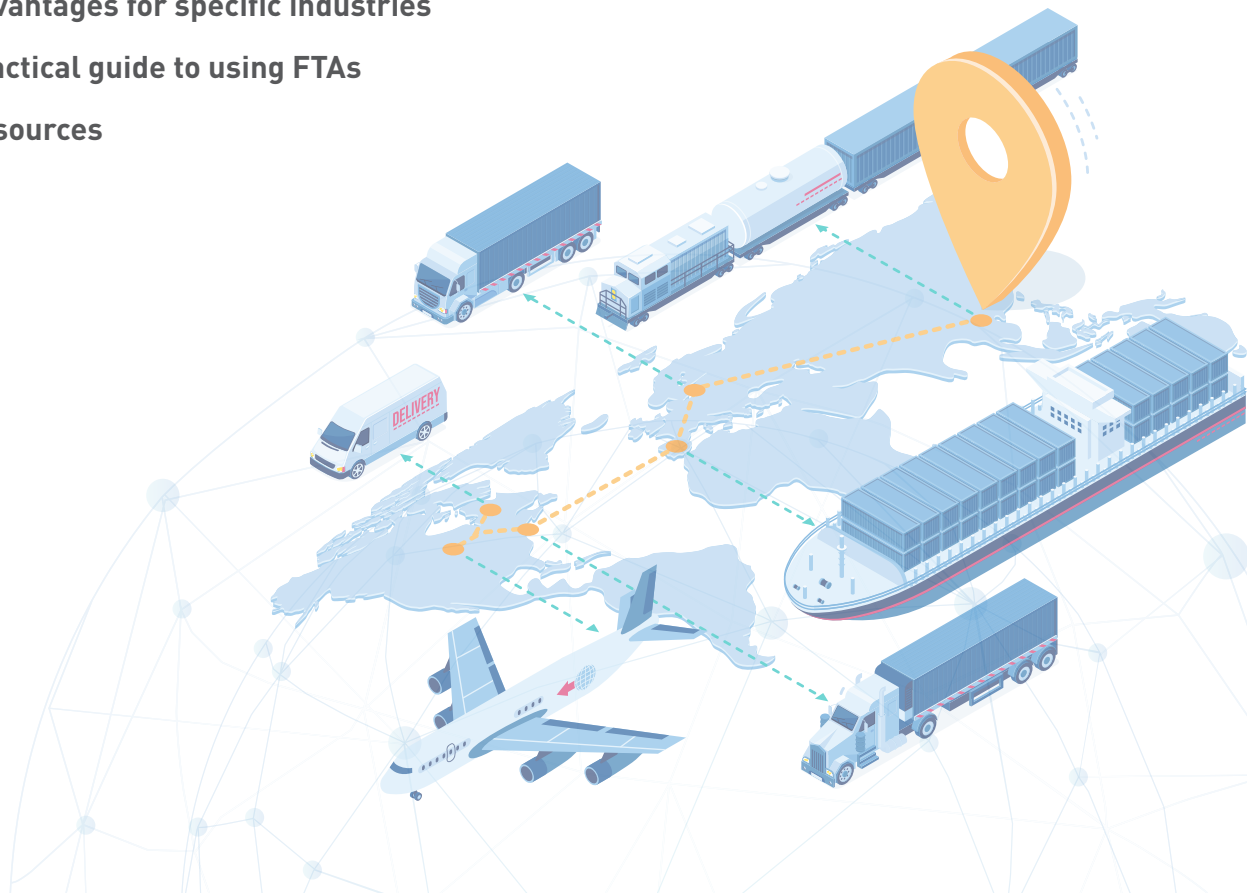
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FOREWORD

The signing of the Regional Comprehensive Economic Partnership (RCEP) at the 4th RCEP Leaders' Summit on 15 November 2020 between the 10 ASEAN Member States and five ASEAN FTA Partners (Australia, China, Japan, New Zealand and the Republic of Korea) is a significant milestone. Amidst the COVID-19 pandemic, the 15 RCEP Participating Countries had persisted, remained steadfast and committed to deepen our economic integration in the region.

After eight years, the RCEP is today the world's largest FTA to-date, involving a diverse group of countries. As a modern, comprehensive, high-quality, and mutually beneficial economic partnership, it will facilitate the expansion of regional trade and investment and contribute to global economic growth and development. The RCEP will open up new opportunities and bolster the market and employment opportunities for businesses and people in the region.

Singapore looks forward to ratification by all RCEP Participating Countries so that the Agreement may enter into force as soon as possible.

It is our hope that this practical guide to utilising the RCEP will be helpful to Singapore businesses.

Ms Sulaimah Mahmood

Singapore's Chief Negotiator for RCEP

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PART A

QUICK REFERENCE GUIDE TO USING RCEP



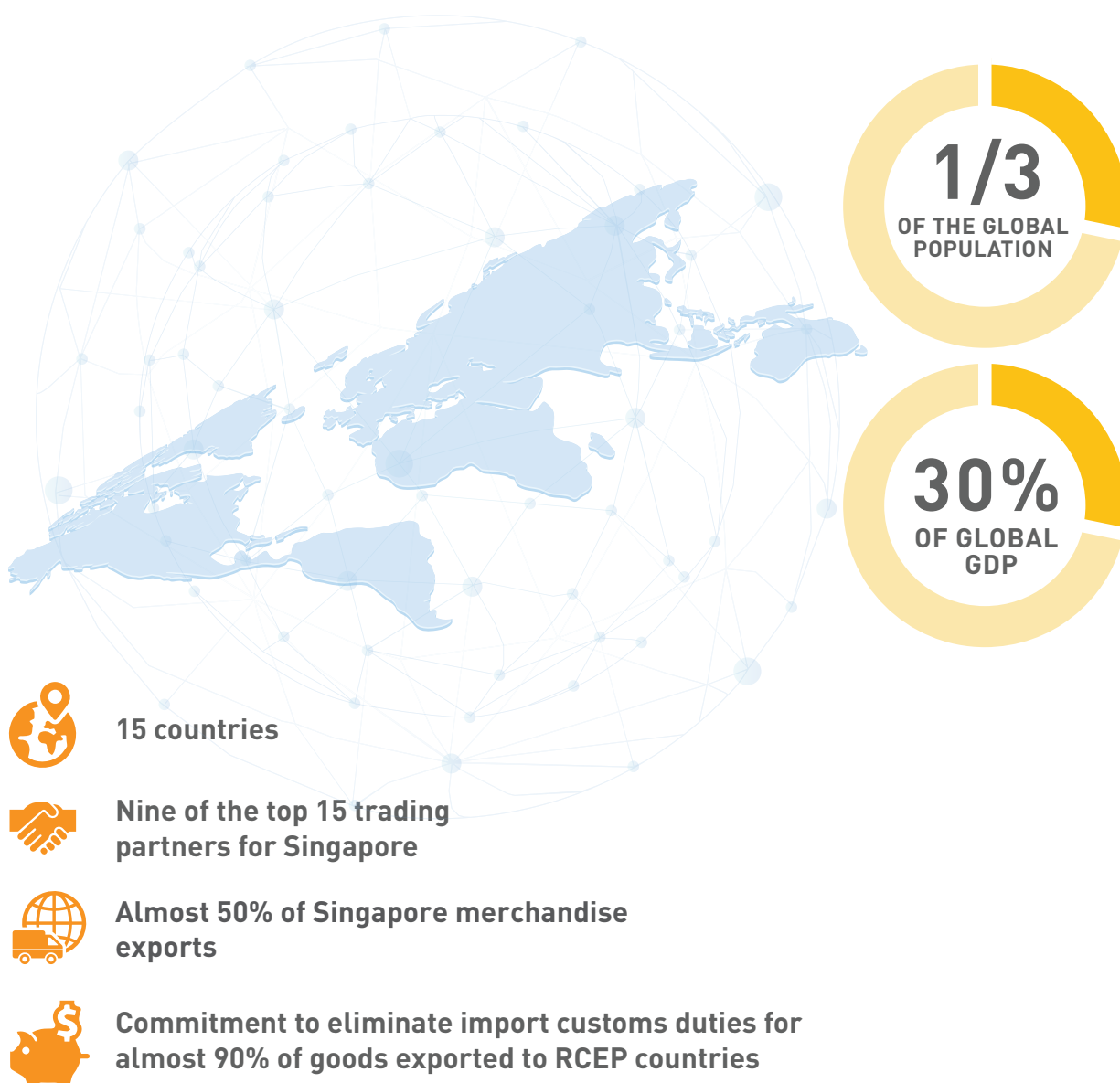
*This booklet is not meant to replace the legal text of the RCEP.
The legal text of the RCEP is the official document in guiding the implementation of the RCEP.*

2. BENEFITING FROM RCEP FOR TRADE IN GOODS

The Regional Comprehensive Economic Partnership “RCEP” agreement is a free trade agreement among Singapore and 14 other countries including all 10 Association of Southeast Asian Nations (ASEAN) member countries, as well as Australia, New Zealand, China, Japan, and South Korea.

Together, the 15 RCEP countries account for about 30 percent of both global GDP and population. Negotiations were concluded in November 2019 and the agreement was signed on 15 November 2020. RCEP will enter into force 60 days after ratification by six ASEAN Member States (AMS) and three ASEAN Partners.

2.1 KEY FACTS ABOUT THE RCEP



2.2 VALUE TO SINGAPORE BUSINESSES

The international trade ecosystem faces increasing trade protectionist sentiments. Along with economic and logistics pressures driven by the COVID-19 pandemic, international movement of goods and global supply chains have been disrupted.

Savvy businesses have realised the importance of diversifying and enhancing supply chain resilience. This means seeking multiple alternative sourcing, production and sales markets as part of business plans. As a result, existing international supply chains have shifted and new ones created.

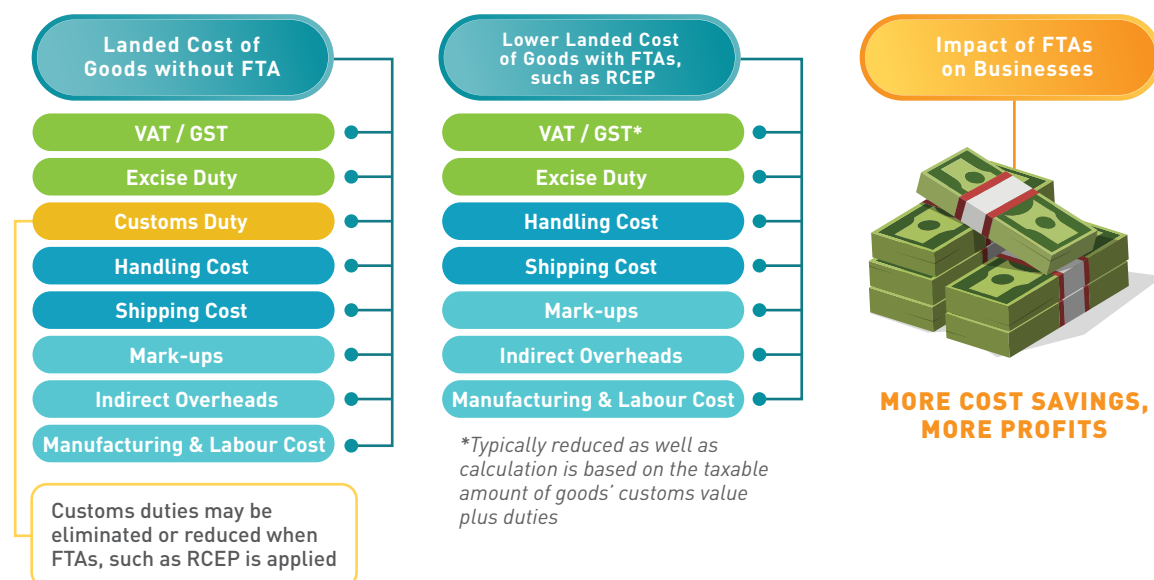
The signing of RCEP therefore comes at a critical time to boost businesses' supply chain diversification efforts. Upon RCEP's entry into force, businesses can expect to enjoy the following:

1. Reduced import customs duties and streamlined customs procedures

When goods cross international borders, they are typically subject to:

Import Customs Duties

RCEP eliminates or reduces such duties for about 90% of goods exported into the 15 RCEP countries.



Trade licensing and customs procedures

RCEP streamlines procedures such as trade licensing requirements, customs declaration and customs risk management checks. This saves logistic lead times and cost.

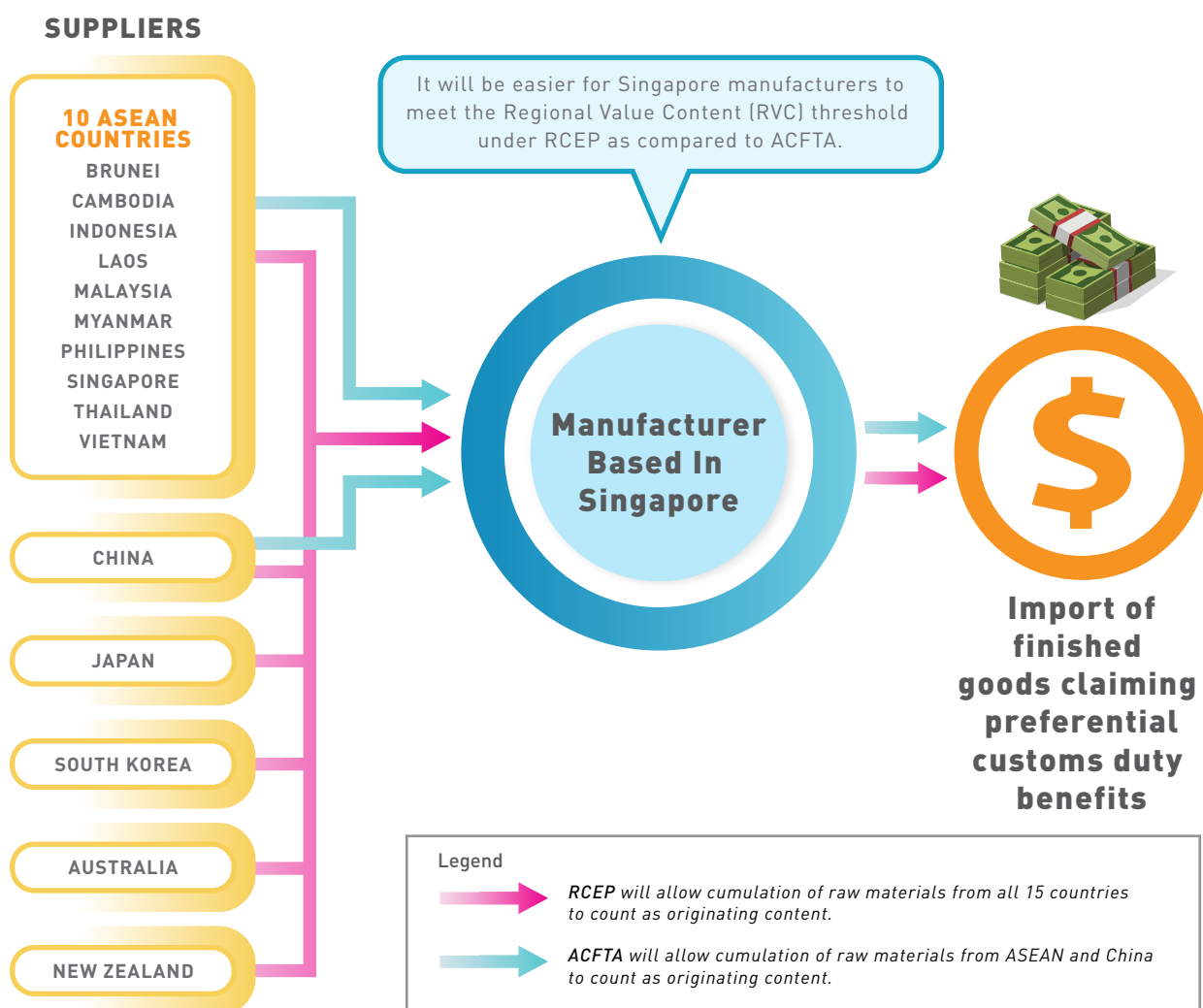
2. More flexibility to cumulate raw materials and semi-raw materials for manufacturing

Singapore manufacturers who source for materials from and export to other RCEP countries will have more opportunities to enjoy preferential treatment.

With RCEP, manufacturers can cumulate originating content that qualifies under the Regional Value Content (RVC) criterion from more countries as compared to other existing ASEAN Free Trade Agreements (FTAs). Other existing ASEAN FTAs include ASEAN Trade in Goods Agreement (ATIGA), ASEAN-Australia-New Zealand FTA (AANZFTA), ASEAN-China FTA (ACFTA), ASEAN-Japan Comprehensive Economic Partnership (AJCEP) and ASEAN-Korea FTA (AKFTA).

Below is an illustration comparing the cumulation rule between RCEP and ACFTA:

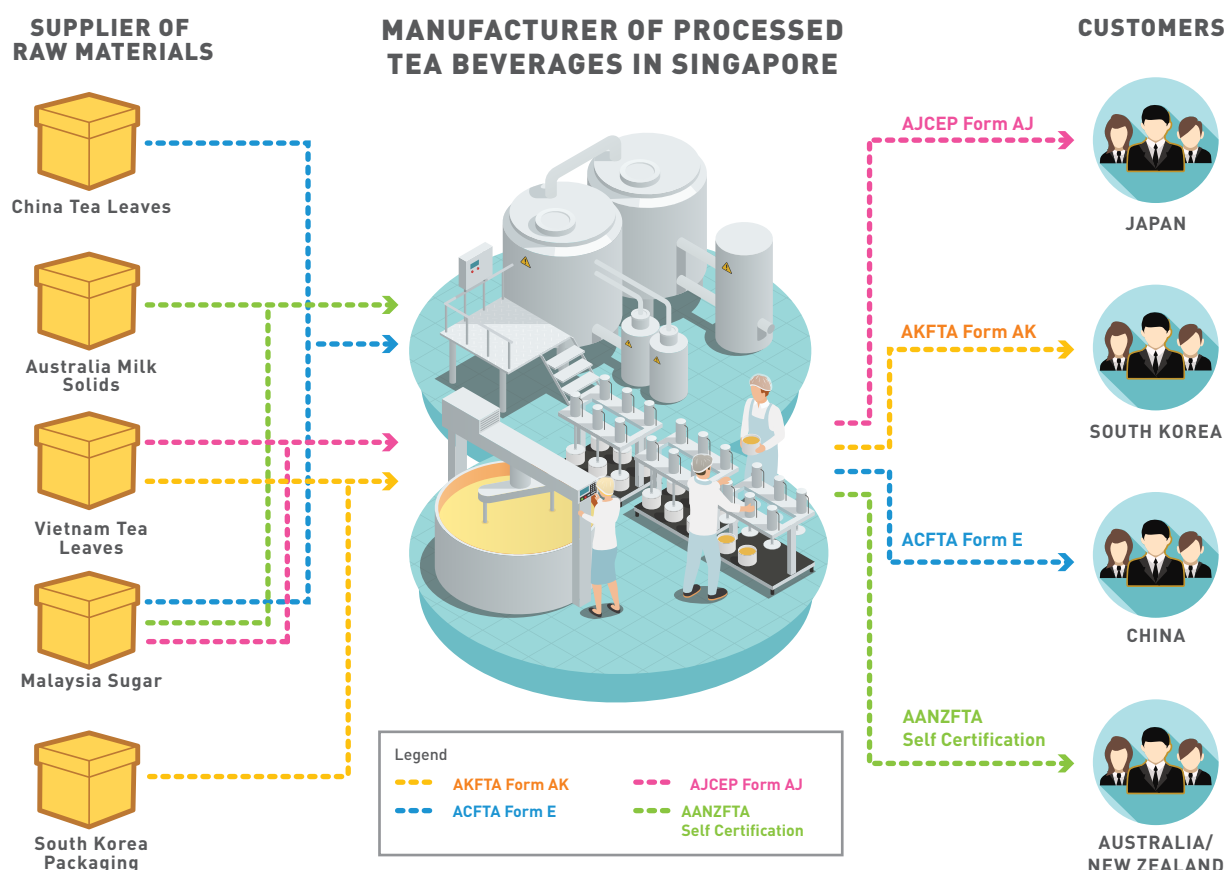
COMPARISON OF THE CUMULATION RULE BETWEEN RCEP AND ASEAN-CHINA FREE TRADE AREA (ACFTA)



3. One set of rules to enjoy preferential customs duties

Businesses often use multiple FTAs to meet different rules and criteria across different supply chains. RCEP harmonises the qualifying rules across the 15 countries.

WITHOUT RCEP: USE OF MULTIPLE FREE TRADE AGREEMENTS FOR EXPORTS FROM SINGAPORE FOR PREFERENTIAL DUTY BENEFITS

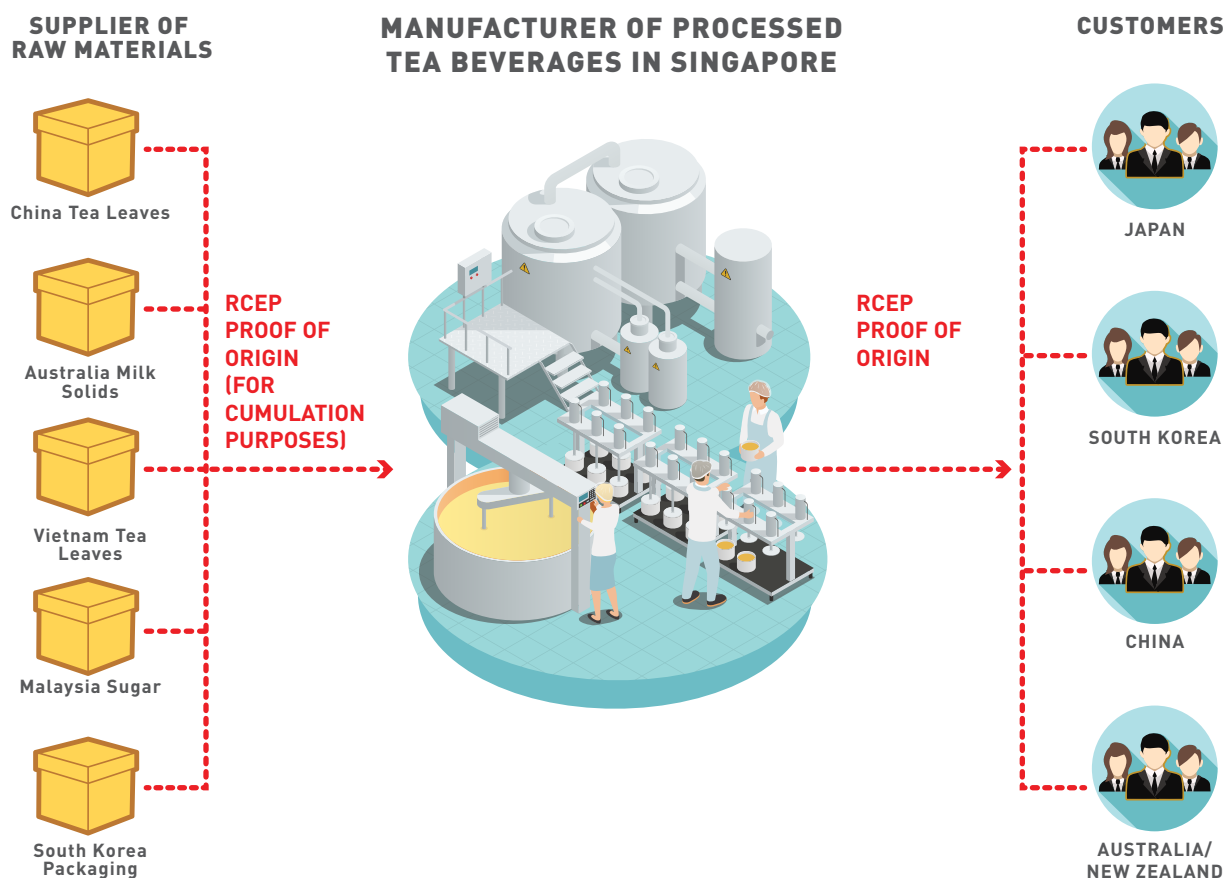


Without RCEP, businesses face possible supply chain challenges that include:

- Limited ability to cumulate raw materials from different countries to qualify under FTAs;
- Different rules of origin¹ to fulfil when using different FTAs;
- Administrative burden to determine originating materials and obtain documentary proof; and
- Risk of non-compliance or errors when claiming preferential duties under different FTAs.

¹The rules of origin are a set of rules that determine whether goods can be deemed as originating from a particular FTA signatory country. With supporting documentation to prove origin status, originating goods can be granted preferential customs duties provided is in place.

A SINGLE SET OF RULES APPLIES WHEN CLAIMING PREFERENTIAL DUTY BENEFITS UNDER RCEP

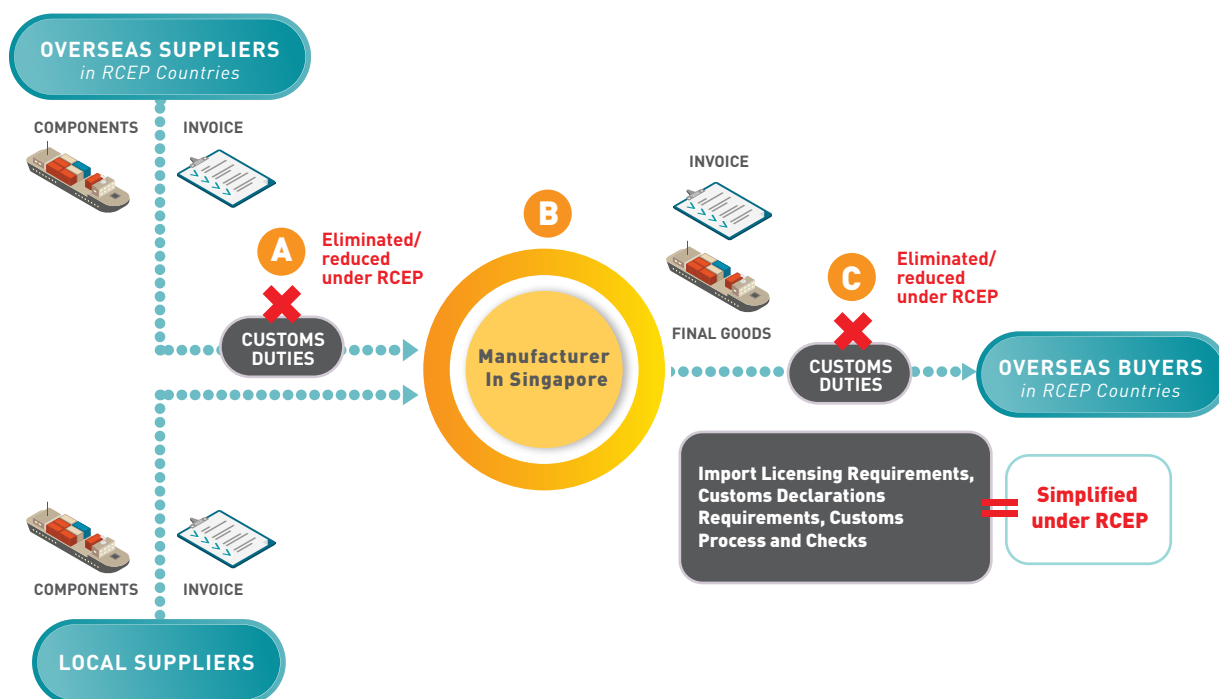


With RCEP, businesses can expect the following across 15 RCEP countries:

- Greater supply chain flexibility to cumulate raw materials;
- One single unified set of rules of origin to fulfil;
- Simplified procedures in determining originating materials and obtaining documentary proof; and
- Lower risk of non-compliance or errors when claiming preferential duties.

2.3 HOW CAN SINGAPORE BUSINESSES BENEFIT?

**IF YOU ARE A MANUFACTURER IN SINGAPORE:
RCEP SIMPLIFIES CUSTOMS PROCEDURES AND COULD HELP YOU SAVE
ON CUSTOMS DUTIES**



RCEP allows:

At Point A:

- ✓ Your company to choose raw materials from any suppliers, across the 15 RCEP countries, that will qualify as originating and allow the final goods to enjoy the preferential customs duties when exported out of Singapore (i.e. at Point B).

At Point B/C:

- ✓ Your importer to enjoy preferential customs duties for the goods that fulfil the relevant rules of origin².
- ✓ Your importer to experience smoother trade regulatory and customs clearance processes. This means faster customs clearance, less down times in warehouses and lower logistic costs.

²Details about the RCEP's rules of origin is found in Section 4.2.

**IF YOU ARE A WHOLESALE TRADER IN SINGAPORE DOING “DROP SHIPPING”:
RCEP SIMPLIFIES CUSTOMS PROCEDURES AND COULD HELP YOU SAVE
ON CUSTOMS DUTIES**



RCEP allows:

At Point A:

- ✓ Your company to choose from a wide pool of third-party manufacturers based in one or more of the RCEP countries to enjoy the preferential customs duties for eventual export into another RCEP country (i.e. at Point C).
- ✓ Your third-party manufacturers to have flexibility in procuring raw materials from any of the RCEP countries. This enhances the ability to manufacture goods that will qualify as originating and enjoy the preferential customs duties under RCEP.

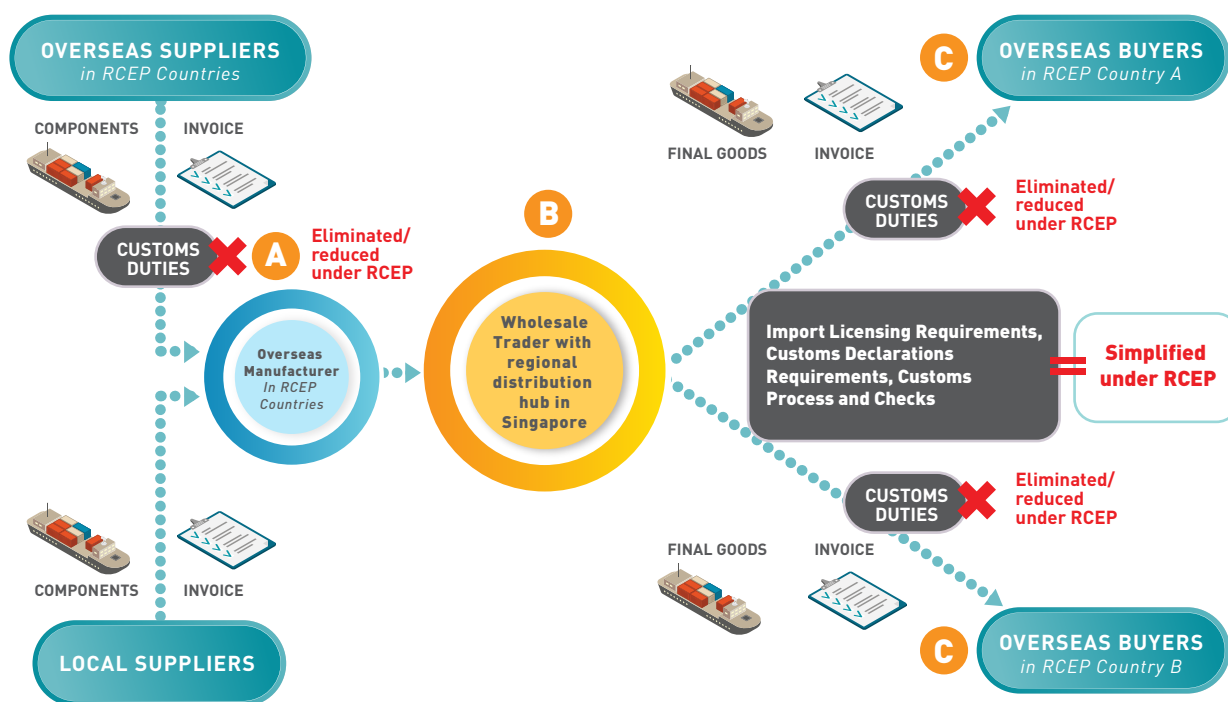
At Point B:

- ✓ Your company to enjoy preferential customs duties if the goods meet RCEP's rules of origin, even if goods are not physically shipped through Singapore.

At Point C:

- ✓ Your importer to enjoy preferential customs duties for goods that fulfil the relevant rules of origin.
- ✓ Your importer to enjoy smoother trade regulatory and customs clearance processes.

IF YOU ARE A WHOLESALE TRADER WITH A REGIONAL DISTRIBUTION HUB IN SINGAPORE: RCEP SIMPLIFIES CUSTOMS PROCEDURES AND COULD HELP YOU TO SAVE ON CUSTOMS DUTIES



RCEP allows:

At Point A:

- ✓ Your company to select from a wide pool of third-party manufacturers based in any RCEP country to qualify for preferential customs duties when exporting into the final market in a RCEP country (i.e. at Point C).
- ✓ Your third-party manufacturers to have more flexibility in procuring raw materials from suppliers based across RCEP countries and cumulate originating content to qualify for preferential customs duties when exporting into the final market in a RCEP country (i.e. at Point C).

At Point B:

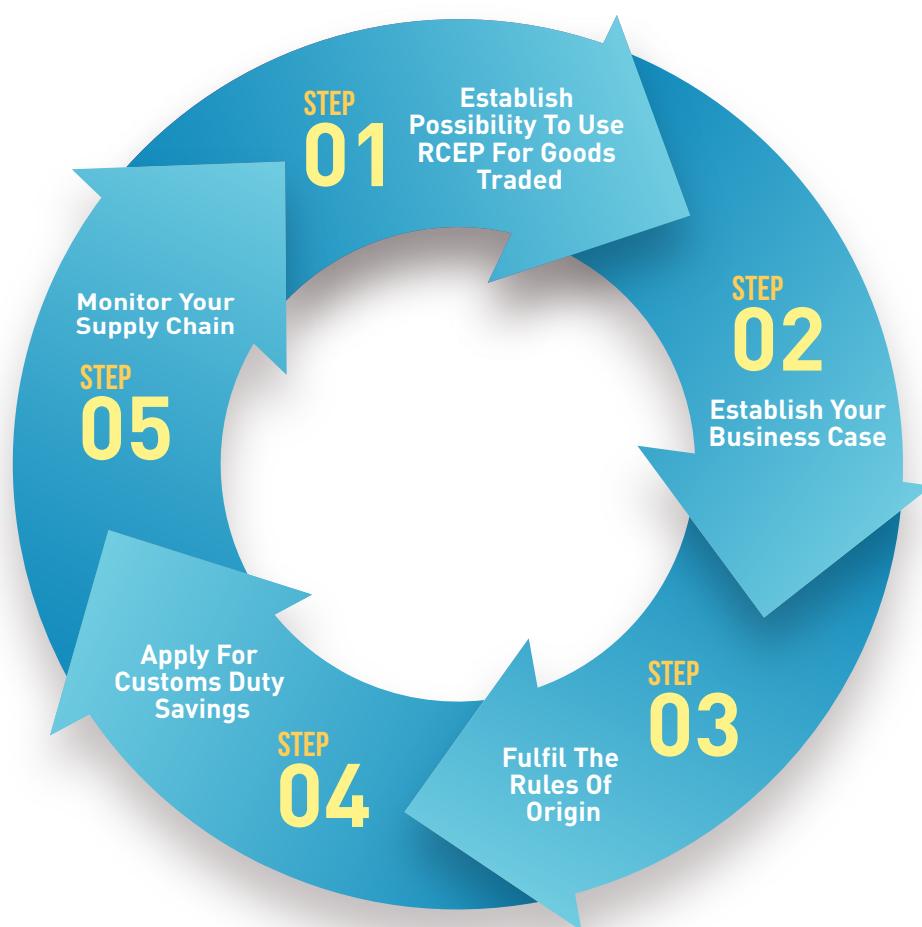
- ✓ Your company to consolidate all RCEP originating goods from your third-party manufacturers based in RCEP countries in your Singapore distribution hub before subsequently re-exporting the goods to buyers in other RCEP countries. The RCEP originating status of the goods can be retained while being physically held in Singapore³. The Singapore distribution hub can either be self-operated or outsourced to third-party logistics and warehouse operators.
- ✓ Your goods to enjoy preferential customs duties when you subsequently re-export them (i.e. at Point C).

³ This is subject to you fulfilling operational procedures stipulated within RCEP.

At Point C:

- ✓ Your importer to enjoy preferential customs duties for goods that fulfil the relevant RCEP rules of origin.
- ✓ Your importer to enjoy smoother trade regulatory and customs clearance processes.

2.4 HOW DO BUSINESSES SAVE CUSTOMS DUTIES UNDER RCEP?



Step 1: Establish possibility to use RCEP for goods traded

- Final manufacturing location and importing country must be RCEP countries.

Step 2: Establish your business case

- Goods must likely be able to meet the RCEP rules of origin.
- Customs duties benefits must be substantial enough for businesses to allocate internal resources to prepare the required documentation that will satisfy RCEP rules of origin.

Step 3: Fulfil the rules of origin

- Businesses need to allocate internal resources and develop work processes to meet RCEP rules of origin.
- Businesses should understand RCEP rules of origin and prepare supporting documentation to apply for preferential duties.
- All inputs from the relevant stakeholders are to be prepared properly and in timely manner to use RCEP. These include bills of materials of the finished goods, financial accounting records specific to the finished goods in question and appropriate Harmonised System (HS)⁴ codes.

Step 4: Apply for customs duty savings

- Businesses are to gather relevant documents to prove origin status.
- Obtain the proof of origin⁵ under RCEP.
- Retain relevant records for at least 3 years or longer as required by respective RCEP countries. Post customs clearance audits may be conducted.

Step 5: Monitor your supply chain

- Supply chains can evolve over time due to various reasons such as a change in the source of raw materials. Businesses should regularly monitor whether their supply chain set-ups continue to meet RCEP's qualifying rules.
- If the supply chain set-ups no longer meet RCEP's qualifying rules, businesses should either study whether there is a business case to return to fulfilling the RCEP qualifying rules (Step 2) or use other FTAs if appropriate and possible.

⁴ The Harmonised System (HS) codes are an international, standardised nomenclature that divides goods into categories when they are traded internationally. Details are in Section 4.2.

⁵ RCEP allows applicants to obtain proof of origin through applying for certificate of origin with relevant issuing authorities or preparing a Declaration of Origin (i.e. self-declaration) under specific conditions stipulated within the agreement.

3. FREQUENTLY ASKED QUESTIONS ABOUT RCEP

FREQUENTLY ASKED QUESTIONS	ANSWER
Can I start using RCEP now that it has been signed?	<p>You can only start using RCEP after it has entered into force.</p> <p>RCEP will enter into force:</p> <ol style="list-style-type: none"> 1. 60 days after 6 ASEAN member states and 3 other non-ASEAN RCEP signatory parties have ratified the RCEP; and 2. RCEP benefits will apply only between countries who have ratified the Agreement. <p>At the time of publication, Singapore, China and Japan have ratified RCEP.</p>
My business is already using the other existing FTAs that Singapore has for exporting to the same countries within the RCEP. Should I continue to use these existing FTAs or RCEP?	<p>Different FTAs grant preferential customs duties to different set of goods. Qualifying for preferential duties under different FTAs are also subjected to different rules of origin. You need to study which FTA is most advantageous for your business.</p> <p>Your business could potentially gain from RCEP if:</p> <ol style="list-style-type: none"> 1. You source raw materials from various RCEP countries. RCEP can help enhance the likelihood of your finished goods qualifying for preferential duties using RCEP's cumulation rules. 2. Your goods can enjoy more favourable preferential duties treatment in RCEP as compared to other existing FTAs. 3. You can fulfil the relevant rules of origin in RCEP relatively more easily as compared to other existing FTAs. <p>In particular, you are encouraged to evaluate RCEP for potential opportunities that may not be possible under Singapore's other existing FTAs.</p>
Is the last port of loading (i.e. last country of export) of my goods considered as the country of origin?	<p>It is not necessarily so. You will need to fulfil the rules of origin within RCEP. Details are in Section 4.2.</p>

FREQUENTLY ASKED QUESTIONS	ANSWER
<p>If my goods meet all relevant rules of origin, would preferential customs duty be automatically granted?</p>	<p>You will need to proactively present a proof of origin to the customs authorities in the importing RCEP country to claim the preferential customs duties. There are 3 ways for you to obtain a proof of origin:</p> <ol style="list-style-type: none"> 1. Apply for a preferential certificate of origin with the relevant issuing authorities in the country of export; 2. Prepare a Declaration of Origin (i.e. self-certification) as an Approved Exporter under RCEP. To be an Approved Exporter under RCEP, you must meet certain internal compliance levels for your trade and customs operations; or 3. Prepare a Declaration of Origin (i.e. self-certification) as an exporter or producer of the goods in question. This option is available for exporters or producers in most RCEP countries⁶, subject to respective implementation timelines. While most RCEP countries will implement these within 10 years from entry into force, the timeline for Cambodia, Laos and Myanmar is 20 years. <p>At the time of publication, RCEP countries are in midst of finalising the formats of the preferential Certificate of Origin, the Declaration of Origin, and the Approved Exporter application process. The information will be available on Singapore Customs' website when the details are finalised.</p>
<p>Will my goods be subject to further checks once my goods successfully clear customs authorities and have been granted RCEP preferential duties?</p>	<p>Relevant authorities in the importing country may conduct verification on the origin status declared during actual customs clearance checks at the ports; and/or at post customs clearance audits.</p> <p>You and your business partners, i.e. your manufacturer, exporter and/or importer, must keep a record of all documents relating to the origin status of the goods for at least 3 years from:</p> <ol style="list-style-type: none"> i. the issuance date of the physical proof of origin; or ii. the shipment import date if using self-declaration. <p>Depending on the relevant laws and regulations in respective RCEP country, the length of time to retain these records could be longer.</p>
<p>Can I use an ordinary (non-preferential) certificate of origin to claim preferential duties?</p>	<p>No, you need a preferential certificate of origin to claim preferential duties. More information can be found at Singapore Customs' website https://www.customs.gov.sg/businesses/certificates-of-origin/overview</p>

⁶ These countries are Australia, Brunei Darussalam, China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.



*This booklet is not meant to replace the legal text of the RCEP.
The legal text of the RCEP is the official document in guiding the implementation of the RCEP.*

4. SAVING CUSTOMS DUTIES

4.1 HOW CAN RCEP HELP

With RCEP, businesses can enjoy preferential customs duties on goods exported to the 15 RCEP countries if the goods meet the rules of origin.

CUSTOMS DUTIES SAVING FOR IMPORT OF SINGAPORE CANNED SOUP* INTO CHINA

If Singapore manufacturer sells an average of 5,000 units of canned soup (China national HS code 2104.10.00) to its buyer in China at S\$5 each, it will save:

WITHOUT USE OF RCEP



WITH USE OF RCEP

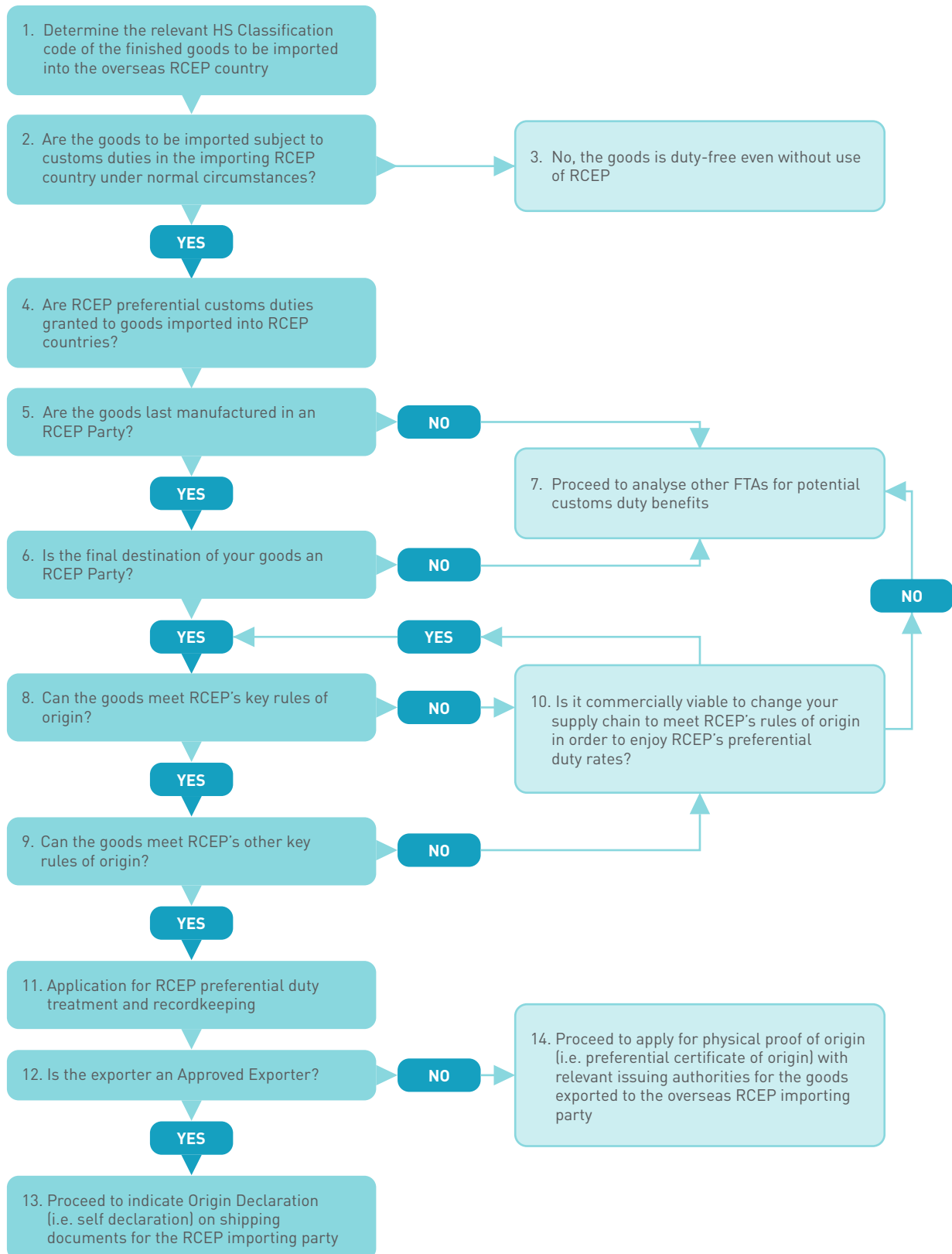


**Depending on the country of import, the normal customs duty rates and the preferential duty treatment granted by RCEP can differ. Further details can be found in Annex 1 - Schedule of Tariff Commitments of the agreement.*

	WITHOUT USE OF RCEP	WITH USE OF RCEP
Customs duties payable per can	$15\% \times S\$5.00 = S\0.75	0%
Total customs duties payable each month	$S\$0.75 \times 5,000 = S\$3,750$	S\$0
Total customs duties payable per year	$S\$3,750 \times 12 \text{ months} = S\$45,000$	S\$0

The manufacturer saves S\$45,000 of customs duties per year if RCEP is used!

4.2 DECISION FLOWCHART TO USE RCEP FOR PREFERENTIAL CUSTOMS DUTIES



Step 1: Determine the relevant Harmonized System (HS) classification code of the finished goods to be imported into the RCEP country

The HS nomenclature is an internationally synchronised system of identification for goods (at the 6-digit level). Individual HS codes represent a specific category of physical goods. Customs authorities use HS codes to identify the category that goods belong to. This is similar to passport or identification numbers for people clearing immigration. Often, HS codes are used by customs authorities to levy import related taxes such as customs duties.

The global HS nomenclature is maintained by the World Customs Organisation (WCO). It is revised every 4 to 5 years. Countries base their national HS nomenclatures on the global HS nomenclature.

PRACTICAL TIP

In practice, the exporting and importing countries may use different HS codes for the same goods. This is because HS codes are only standardised globally up to the 6-digit level.

Businesses should use the HS codes assigned by the importing country.

With RCEP, importers can clarify the HS code to be used with the customs authorities in the importing country even before exporting the goods. This can be done by obtaining Advance Ruling from the importing customs authorities. An Advance Ruling is especially useful if the HS code is ambiguous.

Determining the correct HS codes of the goods for the importing RCEP country is essential as it indicates the:

- a) Applicable customs duties of the goods without the use of any FTA;
- b) Preferential customs duties granted under the RCEP; and
- c) Preferential origin criteria applicable when claiming preferential duties under RCEP (i.e. the product-specific rules within the RCEP).

The schedules of tariff commitments within RCEP are currently based on the global HS 2012 Edition. RCEP countries will be transposing and updating the HS codes to the newer versions.

Step 2 and 3: Are the goods imported subject to customs duties in the importing RCEP country under normal circumstances (i.e. without use of any FTAs)?

Once the HS codes of the goods are determined, businesses are encouraged to check whether the goods are subject to any import customs duties when importing into the RCEP country under normal circumstances (i.e. without the use of any FTA).

Goods that are subject to customs duties without the use of any FTA may potentially benefit from the use of RCEP.

PRACTICAL TIP

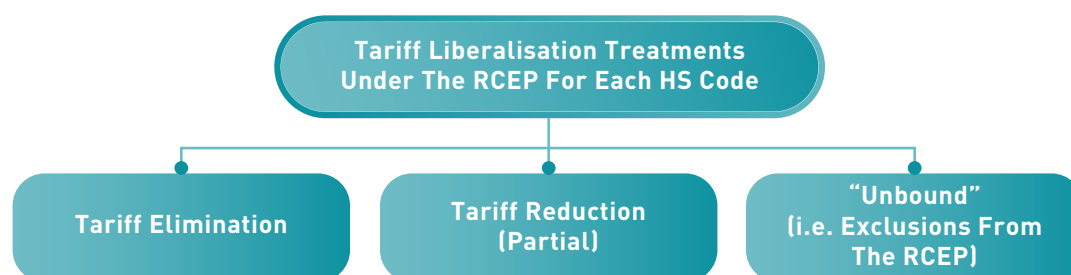
To check the applicable customs duties for its exports, business may

- Utilise the Tariff Finder* tool offered by Enterprise Singapore: <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/tariff-finder>;
- Enquire with their third-party logistic providers; or
- Check the National Tariff Nomenclatures published by the importing country.

*The Tariff Finder will only reflect RCEP's preferential customs duties after RCEP enters into force.

Step 4: Are RCEP preferential customs duties granted to goods imported into RCEP countries?

If the product is not duty-free under normal circumstances, businesses should determine the applicable preferential duties and the projected customs duties savings that it can achieve under RCEP. Refer to the illustration in Section 4.1 for calculating customs duties savings.



The tariff elimination/reduction schedules for each FTA is unique. Some FTAs may offer greater preferential duties than others for the same goods imported into the same country.

Understanding RCEP's Tariff Schedule Commitments

The tariff schedule commitments are based on each party's Most-Favoured-Nation (MFN) rate on 1 Jan 2014. The MFN rate refers to the customs duties levied on goods without the use of FTAs. The respective tariff commitments of each RCEP country is found within *Annex 1 of Chapter 2 of Trade in Goods - Schedule of Tariff Commitments* of the RCEP.

When looking at RCEP's tariff schedule, businesses should keep the following in mind:

ASPECT TO LOOK OUT FOR	EXPLANATION
Schedule of tariff elimination/reduction	<p>The tariff elimination/reduction schedule of individual RCEP country starts from the first year⁷ that RCEP applies, upon the start of each country's implementation date.</p> <p>Businesses may be able to enjoy the preferential customs duties immediately (i.e. from "Year 1") or the duties reduction may be phased across multiple years (up to 20 years).</p>
Tariff Rate Quota (TRQ)	<p>Malaysia applies TRQ for the import of some agricultural goods such as fresh poultry, milk, cream, eggs and vegetables.</p> <p>This means that Malaysia will grant lower preferential customs duties for these specific goods up to a certain export volume. Beyond that volume, goods would be subjected to higher customs duties.</p>
Tariff Differentials	<p>Indonesia, Philippines, Thailand, Vietnam, Australia, China, Japan and South Korea will grant different customs duties for the same category of goods that are imported from different RCEP countries. In other words, depending on the RCEP country of origin, the customs duties for the same goods could differ.</p> <p>Refer to Annex A of this booklet for a brief overview of the different categories of goods that are subject to Tariff Differentials.</p>

⁷For Australia, Brunei Darussalam, Cambodia, China, Korea, Lao PDR, Malaysia, Myanmar, New Zealand, Singapore, Thailand, and Viet Nam, the "Year 1" for implementation is for the period up to 31 December when entered into force and the subsequent year starts from 1 January to 31 December. For Indonesia, Japan and Philippines, the "Year 1" for implementation starts from March and subsequent year from 1 April to 31 March.

ASPECT TO LOOK OUT FOR	EXPLANATION
	<p>While ASEAN, including Singapore, is generally accorded the most favourable customs duties, businesses should check if they use substantial raw materials from non-ASEAN RCEP countries (i.e. Australia, China, Japan, Korea and New Zealand).</p> <p>Tariff Differentials is a newer concept in FTAs and there could be some initial implementation issues. If their goods are subject to Tariff Differentials, businesses may wish to consider whether use of other FTAs may be more beneficial.</p> <p>Below is an example of Japan applying Tariff Differentials on imports of “Other types of citrus juices apart from lemon and lime juices”. If the goods originate from South Korea, it will not enjoy preferential customs duties. However, the same goods originating from any other RCEP country will enjoy preferential customs duties.</p>

Example of Japan's Tariff Schedule:

TARIFF LINE	DESCRIPTION	BASE RATE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16 AND SUBSEQUENT YEAR	REMARKS
200929.210	[1] Not more than 10 % by weight of sucrose	19.1%	17.9%	16.7%	15.5%	14.3%	13.1%	11.9%	10.7%	9.6%	8.4%	7.2%	6.0%	4.8%	3.6%	2.4%	1.2%	FREE	
200929.290	[2] Other Juice of any other single citrus fruit	25.5%	23.9%	22.3%	20.7%	19.1%	17.5%	15.9%	14.3%	12.8%	11.2%	9.6%	8.0%	6.4%	4.8%	3.2%	1.6%	FREE	
2009.31	Of a Brix value not exceeding 20																		
	1 Containing added sugar																		
200931.110	[1] Not more than 10 % by weight of sucrose naturally & artificially contained	23.0%	21.6%	20.1%	18.7%	17.3%	15.8%	14.4%	12.9%	11.5%	10.1%	8.6%	7.2%	5.8%	4.3%	2.9%	1.4%	FREE	
200931.190	[2] Other	29.8 % or 23 yen/kg, whichever is the greater	27.9 % or 21.5 yen/kg, whichever is the greater	26.1 % or 20.1 yen/kg, whichever is the greater	24.2 % or 18.6 yen/kg, whichever is the greater	22.4 % or 17.2 yen/kg, whichever is the greater	20.5 % or 15.8 yen/kg, whichever is the greater	18.6 % or 14.3 yen/kg, whichever is the greater	16.8 % or 12.9 yen/kg, whichever is the greater	14.9 % or 11.5 yen/kg, whichever is the greater	13.0 % or 10.0 yen/kg, whichever is the greater	11.2 % or 8.6 yen/kg, whichever is the greater	9.3 % or 7.1 yen/kg, whichever is the greater	7.5 % or 5.7 yen/kg, whichever is the greater	5.6 % or 4.3 yen/kg, whichever is the greater	3.7 % or 2.8 yen/kg, whichever is the greater	1.9 % or 1.4 yen/kg, whichever is the greater	FREE	
	2 Other																		
	[1] Not more than 10 % by weight of sucrose																		
200931.211	A) Lemon Juice	6.0%	5.5%	4.9%	4.4%	3.8%	3.3%	2.7%	2.2%	1.6%	1.1%	0.5%	FREE	FREE	FREE	FREE	FREE	FREE	
200931.212	B) Lime Juice	12.0%	10.9%	9.8%	8.7%	7.6%	6.5%	5.5%	4.4%	3.3%	2.2%	1.1%	FREE	FREE	FREE	FREE	FREE	FREE	
200931.219	C) Other	19.1%	17.9%	16.7%	15.5%	14.3%	13.1%	11.9%	10.7%	9.6%	8.4%	7.2%	6.0%	4.8%	3.6%	2.4%	1.2%	FREE	Treatment for ASEAN, Australia, China and New Zealand
200931.219	C) Other		U	U	U	U	U	U	U	U	U	U	U	U	U	U	U	U	Treatment For Korea
200931.219	C) Other	25.5%	23.9%	22.3%	20.7%	19.1%	17.5%	15.9%	14.3%	12.8%	11.2%	9.6%	8.0%	6.4%	4.8%	3.2%	1.6%	FREE	
2009.39	Other																		
	1 Containing added sugar																		

ANNEX I - JAPAN - 286

- RCEP preferential customs duties apply to goods originating from all RCEP countries.
- The customs duties reduce over the years, before reaching zero.

Tariff Differentials is applied here. RCEP preferential customs duties apply to goods originating from ASEAN, Australia, China and New Zealand.

Tariff Differentials is applied here. “U” stands for unbound i.e. there is no preferential customs duties for goods originating from South Korea.

PRACTICAL TIP

Instead of analysing the RCEP legal texts for the latest applicable preferential customs duties, Singapore companies may use the Tariff Finder offered by Enterprise Singapore.

The Tariff Finder tool can be accessed at: <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/tariff-finder>.

However, Tariff Finder will reflect the applicable RCEP preferential customs duties when RCEP enters into force, and only for countries that have ratified RCEP.

After determining the extent of the customs duties that can be saved from using RCEP, businesses need to assess the commercial viability for them to apply for the preferential duties. This means weighing the expected duties savings vis-à-vis the costs of spending the effort, manpower and time to fulfil the RCEP rules of origin.

Step 5: Are the goods last manufactured in an RCEP Party?

Businesses must check whether the last stage in the manufacturing process of its goods takes place in a RCEP country. Businesses also must ensure that the last stage of manufacturing goes beyond the list of minimal processes indicated in RCEP:

- a) preserving operations to ensure that the goods remains in good condition for the purposes of transport or storage;
- b) packaging or presenting goods for transportation or sale;
- c) simple processes, consisting of sifting, screening, sorting, classifying, sharpening, cutting, slitting, grinding, bending, coiling, or uncoiling;
- d) affixing or printing of marks, labels, logos, or other like distinguishing signs on goods or their packaging;
- e) mere dilution with water or another substance that does not materially alter the characteristics of the goods;
- f) disassembly of products into parts;
- g) slaughtering of animals;
- h) simple painting and polishing operations;
- i) simple peeling, stoning, or shelling;
- j) simple mixing of goods, whether or not of different kinds; or
- k) any combination of two or more operations referred to in (a) through (j).

If the goods in question merely undergoes the above process/processes, it is not considered as originating and cannot enjoy the preferential customs duties.

Step 6: Is the final destination of your goods an RCEP country?

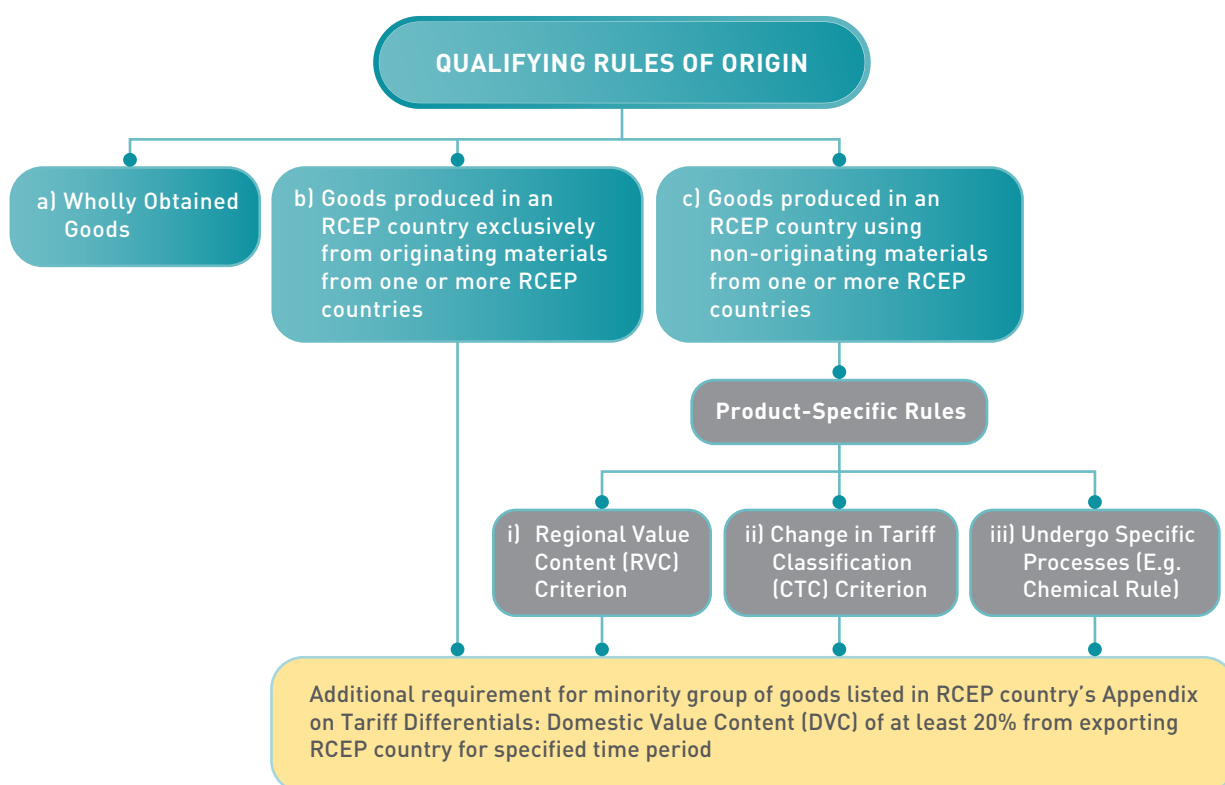
Next, businesses have to check whether the final destination of their goods is an RCEP country.

Step 7: Proceed to analyse other FTAs for potential customs duties benefits

If the last manufacturing location and/or the final destination of the goods is not an RCEP country, RCEP will not be applicable. Businesses may consider using other FTAs.

Step 8: Can the goods meet the RCEP's key rules of origin (ROO)?

The applicable rules of origin in RCEP are:



a) Goods that are wholly obtained or produced in an RCEP country

Examples: hydroponic vegetables grown in Singapore, fishes bred in Singapore.

b) Goods that are produced in an RCEP country exclusively from originating materials from other RCEP country or countries

These are typically manufactured goods with raw materials or sub-components sourced entirely from one or more RCEP countries.

c) Goods that are produced in an RCEP country using non-originating materials from one or more non-RCEP countries

These are typically manufactured goods and must satisfy the Product-Specific Rules (Annex 3A of RCEP).

Product-Specific Rules in RCEP

Under RCEP, there are three types of Product-Specific Rules (PSRs) used to determine whether the goods can be deemed “originating”.

i) Regional Value Content (RVC) Rule

One common type of PSRs is the RVC Rule. Businesses have two options in calculating the RVC:

Indirect or Build-Down Formula:

$$\text{RVC} = \frac{\text{FOB value} - \text{VNM}}{\text{FOB value}} \times 100\%$$

*FOB = Free On Board

*VNM = Value of non-originating materials used in the production of the finished goods

Direct or Build-Down Formula:

$$\text{RVC} = \frac{\text{VOM} + \text{Direct Labour Cost} + \text{Direct Overhead Cost} + \text{Profit} + \text{Other Cost}}{\text{FOB value}} \times 100\%$$

*FOB = Free On Board

*VOM = Value of originating materials, parts, or produce acquire or self-produced, used in the production of the finished goods

For goods with RVC requirement in the PSRs, the originating content must be at least 40% or more in order to qualify for RCEP’s preferential duties.

ii) Change in Tariff Classification (CTC) Rule

Another type of PSRs is the Change in Tariff Classification (CTC) rule. Depending on the specific goods, the CTC rule applicable on all non-originating materials may be one of the following:

- Change in Chapter (CC) at the Harmonised System (HS) 2-digit level;
- Change in Tariff Headings (CTH) at the HS 4-digit level; or
- Change in Tariff Sub-Headings (CTSH) at the HS 6-digit level.

To prove that the CTC rule is met, businesses will need to determine the HS code of (i) its finished goods; and (ii) the HS codes of all its raw materials/components.

iii) Specific-Processes Rule

The third type of PSRs is the requirement for the finished goods to have undergone specific processes. For certain chemical goods, such specific processes include chemical reactions (i.e. molecular structural changes) under the Chemical Rule.

See Section 7.1 for an example of how the production of Styrene could qualify for preferential duties under RCEP by undergoing a chemical reaction.

Additional requirement for goods listed in RCEP country's Appendix of Tariff Differentials

On top of the RVC, CTC or specific processes rules, Indonesia, Philippines, Thailand, Viet Nam, China, Japan and South Korea have imposed an additional requirement for a small proportion of non-wholly obtained goods (i.e. manufactured goods). These non-wholly obtained goods cover the following two categories of goods:

- goods produced in a RCEP country exclusively from originating materials from one or more RCEP countries; and
- goods produced in a RCEP country using non-originating materials from one or more RCEP countries.

For the above two categories of goods, these 7 RCEP countries:

- Mandate a Domestic Value Content (DVC)⁸ of at least 20% from the exporting RCEP country producing the goods; and
- Apply the DVC requirement for specific time periods (e.g. from the start of RCEP enforcement till 15 years afterwards) as per the schedules of the respective country.

⁸ The calculation method of the Domestic Value Content is the same as that of the Regional Value Content (RVC) criterion. See Page 29 of this booklet for further details

Businesses may refer to an overview of the broad categories of goods subject to the additional requirement in Annex A of this booklet. Should the goods be covered within one of the broad categories that is subjected to Tariff Differentials, businesses should refer to the respective RCEP country's Appendix on Tariff Differentials within the RCEP legal text for details.

Reading of RCEP's PSRs

PSRs are indicated within Annex 3A "Product-Specific Rules" of the agreement. The PSR would differ according to the HS code of the goods. Below is an extract:

Wholly Obtained Goods:

HS CODE (HS 2012)			PRODUCT DESCRIPTION	PRODUCT SPECIFIC RULE
Chapter	Heading	Subheading		
07			CHAPTER 7: EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	
	07.01		Potatoes, fresh or chilled	WO
	07.02	0702.00	Tomatoes, fresh or chilled	WO
	07.03		Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	WO

In the table above, for certain vegetables and plant goods, the PSR is wholly obtained, represented by "WO".

Manufactured Goods:

HS CODE (HS 2012)			PRODUCT DESCRIPTION	PRODUCT SPECIFIC RULE
Chapter	Heading	Subheading		
29			CHAPTER 29: ORGANIC CHEMICALS	
	29.01		Acyclic Hydrocarbons	CTH, RVC40, or CR
	29.02		Cyclic Hydrocarbons	CTH, RVC40, or CR

For some goods, RCEP offers businesses the flexibility to use more than one type of PSR. In the table above, if the business is manufacturing Acyclic Hydrocarbons, it can choose one of the following:

- Change in Tariff Heading (CTH);
- Regional Value Content (RVC) 40%; or
- Chemical Rule (CR) i.e. a chemical reaction must occur in the manufacturing RCEP country.

Step 9: Can the goods meet RCEP's other key rules of origin?

Apart from the above, there are other rules that may affect the originating status of goods. Some critical rules are highlighted below.

a) Cumulation (Article 3.4)

The cumulation rule is potentially the most useful rule in RCEP for Singapore businesses. Businesses have a higher chance to qualify for preferential duties as businesses are now able to cumulate originating materials or components from all RCEP countries for the production process in Singapore.

Business should evaluate the source of their raw materials to take advantage of the cumulation rule if their manufactured goods do not meet the RVC of other existing FTAs. Given the larger number of countries which raw materials may be cumulated from, businesses may now be able to increase the RVC of their manufactured goods and to qualify for RCEP's preferential duties.

See Section 7 for an example of how the cumulation rule can be applied.

b) Direct Shipment (Article 3.15)

RCEP's direct consignment rule allows originating goods to be transported through both signatory countries or non-RCEP signatory countries. However, the goods must remain under customs supervision and must not undergo any processing, except for loading and unloading purposes, in these intermediate destinations.

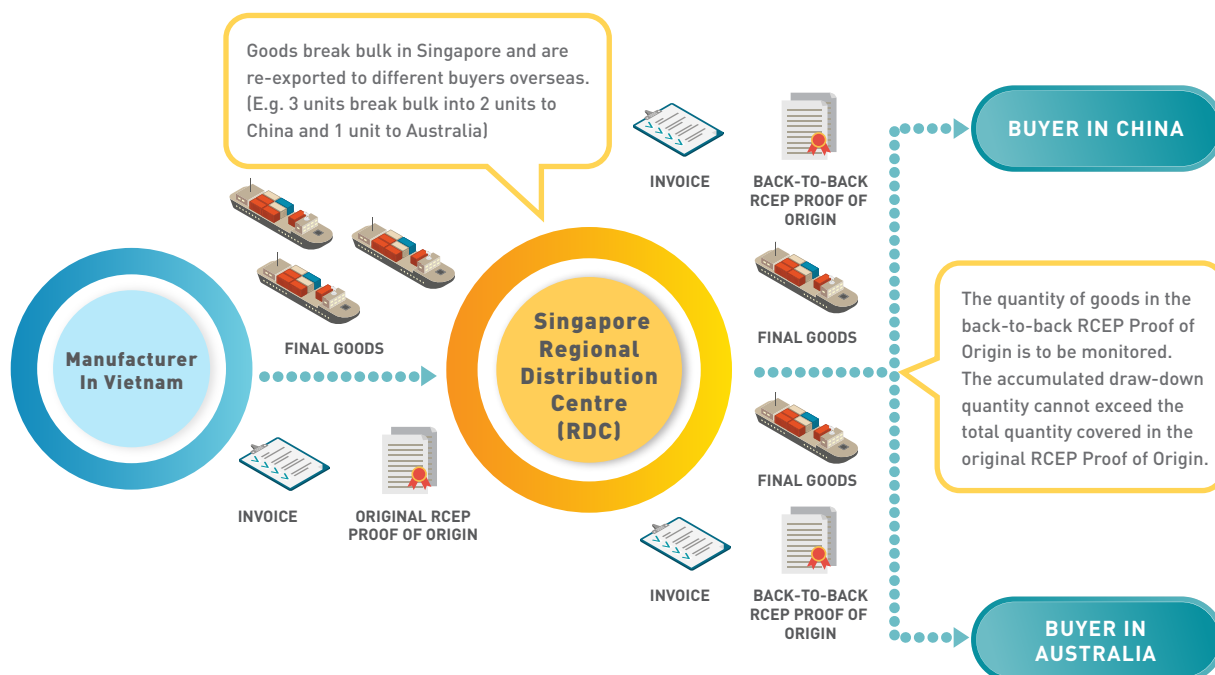
Businesses can use commercial shipping or freight documents as evidence to present to the relevant authorities in the importing RCEP country. Some examples include:

- airway bills;
- bills of lading;
- multimodal or combined transport documents;
- a copy of the original commercial invoice in respect of the goods;
- financial records;
- a non-manipulation certificate; or
- other relevant supporting documents, as may be requested by the customs authorities of the importing country.

c) Back-to-back shipments (Article 3.19)

RCEP allows for the issuance of Back-to-Back Proof of Origin when the goods are shipped via an intermediate RCEP country. This is generally similar to other existing ASEAN FTAs.

ILLUSTRATION OF A BACK-TO-BACK SHIPMENT VIA SINGAPORE UTILISING RCEP



The back-to-back Proof of Origin can be issued by an authority of the intermediate country (i.e. Singapore in the example above) or prepared by an approved exporter or exporter of an intermediate country when:

- A valid original Proof of Origin is presented;
- The back-to-back Proof of Origin validity date is within the validity of the original Proof of Origin;
- The goods/consignment does not undergo any processing in the intermediate Party;
- The date of issuance and reference number of the original Proof of Origin must be indicated in the back-to-back Proof of Origin; and
- For partial export shipments (from the intermediary country to the final RCEP country of import), the partial export quantity shall be shown instead of the full quantity of the original Proof of Origin, and the total quantity re-exported under the partial shipment shall not exceed the total quantity of the original Proof of Origin.

The back-to-back shipment is essential for wholesale traders and third-party logistics service providers operating regional distribution centres in Singapore to preserve RCEP's originating status. These businesses must maintain and track the quantities of originating goods from the original preferential certificate of origin as well as the back-to-back Preferential Certificate of Origin.

For Singapore exporters using RCEP, Singapore Customs can issue physical Proof of Origin if required.

PRACTICAL TIP

At the time of publication, the specific operational details for such back-to-back shipments are still in the process of being finalised. Once finalised, information will be published on Singapore Customs authority's website at

<https://www.customs.gov.sg/businesses/certificates-of-origin/how-to-apply-for-b2b>

d) Third-party Invoicing (Article 3.20)

RCEP allows third-party invoicing of the transaction as long as the goods meet the origin criteria. The third-party that receives the invoice may or may not be an RCEP country. This provision is similar to that of other ASEAN FTAs.

Below are two illustrations of third-party invoicing:

ILLUSTRATION #1: RCEP THIRD PARTY INVOICING BY A SINGAPORE WHOLESALE TRADER WITH A "DROP SHIP" MODEL

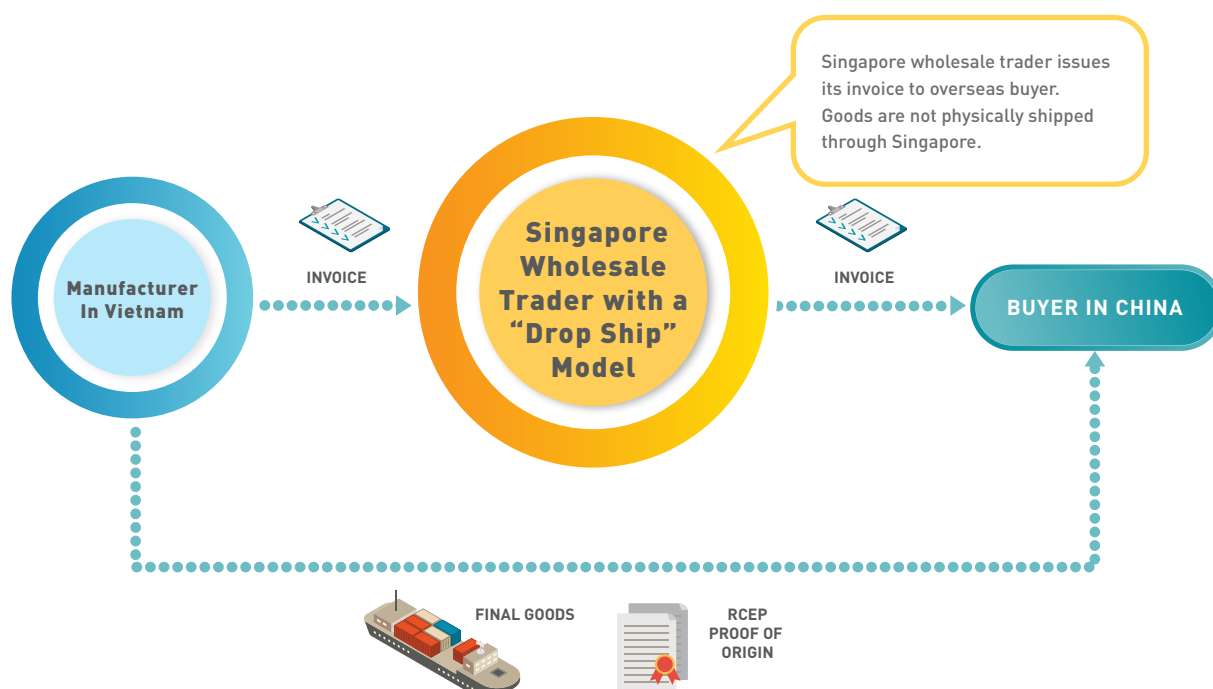
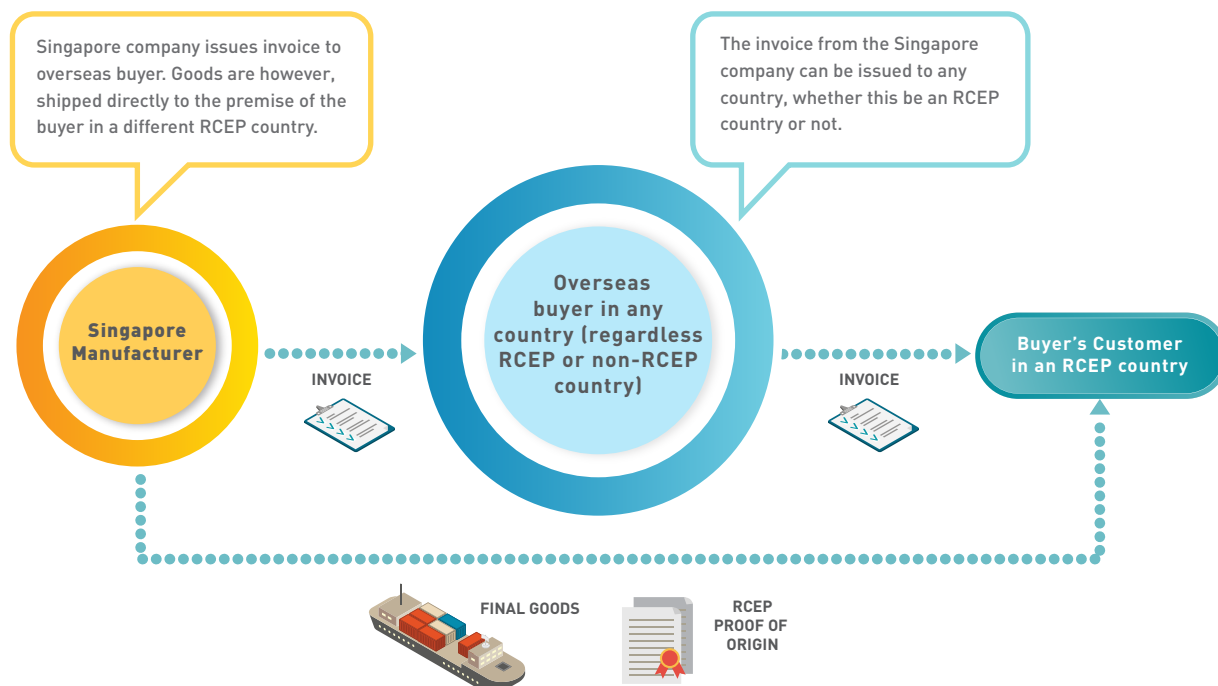


ILLUSTRATION #2: RCEP THIRD PARTY INVOICING BY A SINGAPORE MANUFACTURER



Step 10: Is it commercially viable to change your supply chain to meet RCEP's rules of origin in order to enjoy RCEP's preferential customs duties?

If the goods are unable to meet the RCEP's rules of origin, businesses can consider whether it is commercially viable to modify their supply chain to meet the rules of origin. These could include changing their raw materials sources, production processes, manufacturing locations or even overseas markets you are exporting to. Businesses will need to consider whether the projected savings on customs duties outweighs the costs of doing so.

If there are no commercially viable options to change supply chains to meet the RCEP's rules of origin, businesses should consider the possibility of using other FTAs.

Step 11: Application of RCEP preferential duties benefits and recordkeeping

To claim the preferential customs duties, the next step is to proactively present a Proof of Origin to the customs authorities in the importing RCEP country to prove the origin status. The RCEP allows three ways to obtain a proof of origin:

1. Apply for a preferential certificate of origin with the relevant issuing authorities in the country of export

While the prescribed format of the preferential certificate of origin has yet to be finalised, the minimum information required to be indicated on the certificate of origin are:

- a) exporter's name and address;
- b) producer's name and address, if known;
- c) importer's or consignee's name and address;
- d) description of the goods and the HS Code of the goods (6-digit level);
- e) Certificate of Origin number;
- f) origin conferring criterion;
- g) declaration by the exporter or producer;
- h) certification by the issuing body (i.e. relevant authority in the exporting RCEP country) that the goods specified in the Certificate of Origin meet all the relevant requirements of Chapter 3 (Rules of Origin) based on the evidence provided with the authorised signature and official seal of the issuing body;
- i) RCEP country of origin (i.e. RCEP country of last manufacture) referred to in Article 2.6 (Tariff Differentials) of RCEP;
- j) details to identify the consignment such as invoice number, departure date, vessel name or aircraft flight number, and port of discharge;
- k) FOB value, if the regional value content origin conferring criterion is used;
- l) quantity of the goods; and
- m) in the case of a back-to-back Certificate of Origin, original Proof of Origin reference number, date of issuance, RCEP country of origin of the first exporting Party, and, if applicable, approved exporter authorisation code of the first exporting Party.

PRACTICAL TIP

The Ordinary Country of Origin Certificates or Ordinary Certificates of Origin issued by chambers of commerce in Singapore are not for the purpose of obtaining preferential tariffs under RCEP or any other FTA. They cannot be used to claim preferential duties at points of import.

For exports out of Singapore, Singapore Customs is the only competent authority to issue Preferential Certificates of Origin for preferential duties under any FTA, including RCEP.

2. Prepare a Declaration of Origin (i.e. self-certification) as an approved exporter under the RCEP

Business must first apply to be an approved exporter under the RCEP. This will require businesses to meet certain internal compliance level for its trade and customs operations. RCEP countries are currently discussing the implementation details. More information on the application process will be posted on the Singapore Customs website once the details have been finalised.

3. Prepare a Declaration of Origin (i.e. self-declaration) as an exporter or producer of the goods in question

This option would progressively be made available for exporters or producers in most RCEP countries⁹ within 10 years of RCEP's entry into force. However, for Cambodia, Laos and Myanmar, the timeline is 20 years. More information on the application process will be posted on the Singapore Customs website once this option is available for Singapore exporters.

For method 2 and 3 above, the Declaration of Origin can be made out on the invoice or other shipping documents to the importer to claim preferential duties under RCEP. While the prescribed format of the Declaration of Origin is being finalised, the minimum information requirements should include:

- a) exporter's name and address;
- b) producer's name and address, if known;
- c) importer's or consignee's name and address;
- d) description of the goods and the HS Code of the goods (6-digit level);
- e) in the case of an approved exporter, authorisation code or identification code of the exporter or producer;
- f) unique reference number;
- g) origin conferring criterion;
- h) certification by an authorised signatory that the goods specified in the Declaration of Origin meet all the relevant requirements of Chapter 3 (Rules of Origin);
- i) RCEP country of origin referred to in Article 2.6 (Tariff Differentials);
- j) FOB value, if the regional value content origin conferring criterion is used;
- k) quantity of the goods; and
- l) in the case of a back-to-back Declaration of Origin, original Proof of Origin reference number, date of issuance, RCEP country of origin of the first exporting Party, and, if applicable, approved exporter authorisation code of the first exporting Party.

⁹These countries are Australia, Brunei Darussalam, China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

PRACTICAL TIP

At the initial stage of applying for preferential duties through self-certification or self-declaration, businesses could consider conducting trial shipments. This helps to prevent difficulties that may arise, particularly in countries which are yet to be entirely familiar with operationalising them.

Record-keeping requirements of RCEP to support the Proof of Origin

Businesses are required to keep and maintain all documents for up to 3 years from the date of issuance of the Proof of Origin or longer as stipulated under respective local recordkeeping requirements.

PRACTICAL TIP

While not explicitly indicated within RCEP, the documents required to support the Proof of Origin in practice typically include, but are not limited to:

- Commercial invoice of the shipment;
- Customs declarations (both export and import);
- Bill of lading / Airway bills;
- Certificates of non-manipulation (for shipments through intermediary countries); and
- Financial records relating to the shipments.

Respective RCEP countries may also issue additional guidelines on this.

Under RCEP, relevant authorities in both exporting and importing RCEP countries (typically the customs authorities for importing RCEP country) granting the preferential duties are able to conduct verifications on the preferential origin status declared for the goods that claimed the preferential customs duties during:

- Actual customs clearance checks at the ports; and/or
- Post customs clearance audits for up to a certain time period, usually consistent with the statutory recordkeeping requirement of the FTA in question (3 years for RCEP) or longer as per local regulations in respective RCEP countries.

Such checks and audits typically apply to other FTAs as well.

4.3 CASE STUDIES TO ILLUSTRATE RCEP'S RULES OF ORIGIN

The two case studies in this sub-section will use the example of the production of salted egg flavoured ice-cream in Singapore. The case studies assume that all RCEP countries listed in the example (i.e. Australia, Malaysia, Singapore, China and Indonesia) have ratified the agreement and all originating materials are supported by the RCEP Proof of Origin.

The HS code of this product at the 6-digit level is 2105.00. The relevant Product Specific Rule (PSR) of the goods allow the exporter or producer the choice between:

- A Regional Value Content (RVC) calculation of 40% of originating content and above; or
- A Change in Tariff Classification at the HS Chapter level (i.e. first 2-digit level) for all non-originating materials used in the production.

MATERIALS	COUNTRY OF PREFERENTIAL ORIGIN	ORIGINATING / NON-ORIGINATING STATUS UNDER RCEP	COST (SGD)	MATERIAL'S HS CODE (BASED ON SG's STCCED ¹⁰ 2018 VERSION)
Frozen milk without sugar	Australia	Originating	0.80	0401.40.20
Sugar	Malaysia	Originating	0.45	1701.99.90
Salted eggs flavour extract	Singapore	Originating	0.60	3824.99.70
Ice-cream container	China	Originating	0.20	3923.21.99
Paper for labelling	Indonesia	Originating	0.10	4802.69.20
Vanilla essence	Mexico	Non-originating	0.50	1302.19.90
Stabilisers (Gelatin)	USA	Non-originating	0.50	3503.00.41
SG factory overheads	Not Applicable		1.20	Not Applicable
Labour costs	Not Applicable		1.00	Not Applicable
Profits	Not Applicable		0.65	Not Applicable
Price of salted eggs flavoured ice-cream (i.e. Free-On-Board (FOB) Value) ¹¹			6.00	

¹⁰The Singapore Trade Classification, Customs and Excise Duties 2018 (i.e. STCCED 2018) is Singapore's national HS tariff nomenclature currently in force.

¹¹The Free-On-Board (FOB) Value of the goods is inclusive of the cost of transport (regardless of the mode of transport) to the port or site of final shipment abroad.

Case Study #1:

Calculating Regional Value Content for salted egg flavoured ice-cream (HS code 2105.00) in Singapore

Calculation using "Indirect or Build-Down Formula"

RVC% Calculation for the RCEP

$$\begin{aligned}
 \text{RVC\%} &= \frac{\text{FOB Value} - \text{Value of Non-Origination Materials}}{\text{FOB value}} \times 100\% \\
 &= \frac{\$6.00 - (\$0.50 \text{ Vanilla Essence}) + \$0.50 \text{ (Stabilisers)}}{\$6.00} \times 100\% \\
 &= \frac{\$5.00}{\$6.00} \times 100\% \\
 &= 83.33\%
 \end{aligned}$$

Note: Mexico and USA are non-RCEP countries. Hence, these materials are considered non-originating for the RVC% calculation under RCEP.

Calculation using "Direct or Build-Down Formula"

$$\begin{aligned}
 \text{RVC\%} &= \frac{\text{Value of Originating Materials} + \text{Direct Labour Cost} + \text{Direct Overhead Cost} + \text{Profit} + \text{Other Cost}}{\text{FOB}} \\
 &= \frac{(\$0.80 + \$0.45 + \$0.60 + \$0.20 + \$0.10) + \$1.20 + \$1.00 + \$0.65}{\$6.00} \times 100\% \\
 &= \frac{\$5.00}{\$6.00} \times 100\% \\
 &= 83.33\%
 \end{aligned}$$

As the RVC% for the salted egg flavoured ice-cream is 83.33%, it meets the 40% requirement and hence qualifies for RCEP for preferential duties.

Case Study #2:

Checking for Change in Tariff Classification at HS Chapter level (i.e. first 2-digit level) for salted eggs flavoured ice cream (HS code 2105.00) produced in Singapore.

The HS Chapter of the salted egg flavoured ice cream is 21.

MATERIALS	COUNTRY OF PREFERENTIAL ORIGIN	ORIGINATING / NON-ORIGINATING STATUS UNDER RCEP	MATERIAL'S HS CODE (BASED ON SG's STCCED ¹² 2018 VERSION)	ANY CHANGE IN TARIFF CLASSIFICATION AT HS CHAPTER LEVEL (i.e. first 2-digit level)?
Frozen milk without sugar	Australia	Originating	0401.40.20	Non-applicable due to originating status of material
Sugar	Malaysia	Originating	1701.99.90	
Salted eggs flavour extract	Singapore	Originating	3824.99.70	
Ice-cream container	China	Originating	3923.21.99	
Paper for labelling	Indonesia	Originating	4802.69.20	
Vanilla essence	Mexico	Non-originating	1302.19.90	Yes, change from HS chapter 13 to 21
Stabilisers (Gelatin)	USA	Non-originating	3503.00.41	Yes, change from HS chapter 35 to 21

Hence, the product meets the change in Tariff Classification at HS Chapter level.

¹²At the time of publication, the Singapore's national HS Tariff Nomenclature in force is called Singapore Trade Classification, Customs and Excise Duties 2018 (i.e. STCCED 2018).

5. REDUCING LOGISTIC LEAD TIMES AND RELATED COSTS

How businesses can achieve shorter logistic lead times and related cost savings with RCEP

Authorities impose trade regulatory, customs procedures and related checks on cross border movement of goods. This can result in additional costs or longer lead times. Benefits of RCEP include:



Consistent and transparent customs procedures to facilitate trade flows among RCEP countries.



Commitments across the different stages of cross-border shipments. For example, the release of perishable goods in less than 6 hours to the extent possible; application of information technology for customs clearance procedures; adoption of risk management checks; as well as post customs clearance audits.



Committing to specific timelines to implement these commitments. These timelines could be shorter than those in the ASEAN Trade In Goods Agreement (ATIGA) and other ASEAN FTAs.

RCEP facilitates 4 main shipping processes:

1. Pre-shipment Inspections

2. Pre-arrival processing and customs declarations

3. Customs risk management checks and customs clearance

4. Post customs clearance audits

1. Pre-shipment inspections

Typical process under a non-FTA scenario

- For imports into some countries, shipments may require pre-shipment inspections at the exporting country. These inspections could include checks on the goods' customs values, HS classification, conditions and quantities.
- Importers are expected to approach designated or accredited entities to arrange for the inspections before the shipments can be exported.
- The costs of these inspections are usually borne by the business. Inspections also tend to add to the lead times.

RCEP countries have committed to reduce logistics costs and lead times:

- Pre-shipment inspections for tariff classification and customs valuation purposes are not required.
- RCEP countries are encouraged to not introduce any new requirements on pre-shipment inspections.
- For Sanitary and Phytosanitary (SPS) as well as Standards, technical regulations and conformity assessment procedures (STRACAP) requirements, the RCEP countries have agreed to:
 - ✓ adhere to the World Trade Organization (WTO) SPS and Technical Barriers to Trade (TBT) agreements; and
 - ✓ establish at least one or more "Contact Point(s)" and "Competent Authorities" within 30 days upon the entry into force of RCEP. This is to allow for government-to-government clarification and cooperation on SPS and STRACAP.
- The SPS and STRACAP provisions also call for sufficient advance notice to be given to businesses as well as consultations at government-to-government level before implementation of new measures or changes. This allows businesses to be better prepared prior to new measures or changes and avoid demurrage charges at the port of entry.
- RCEP countries have agreed not to require consular transactions, including related fees and charges. Consular transactions include endorsements, certifications and approvals of goods by the importing country's overseas representatives, or entities with authority to act on the importing country's behalf.

2. Pre-arrival processing and customs declarations

Typical process under a non-FTA scenario

- For some RCEP countries such as Cambodia, Myanmar, Thailand and Vietnam, importers are not able to opt for pre-arrival processing and customs declarations on an electronic system. Such an electronic system requires relevant national authorities to implement automated customs clearance system under a National Single Window (i.e. an integrated electronic system for customs procedures).
- Without a National Single Window, customs declaration and related clearance processes will likely be manual and will require paper-based documents. This increases the possibility of errors.
- Such manual requirements may also be applied inconsistently, subject to the discretion of assessing officials. This creates operational uncertainty for traders.
- All these could add lead times in processing import/export shipments and increase logistics costs.

RCEP countries have committed to simplify and facilitate trade:

- Adopting and maintaining procedures for the submission of documents and information prior to arrival of the goods to expedite release of goods.
- Providing the list of documents required in advance for pre-arrival processing.
- Adopting information technology based on international standards to support customs procedures. This facilitates the transmission of information and data before arrival and allows the submission of documents electronically.

3. Customs risk management checks and clearance at ports

Typical process under a non-FTA scenario

To safeguard public safety and health as well as to collect revenue, countries commonly conduct customs risk management and clearance checks on all shipments entering the country. Such practices not only require significant resources from the authorities but also create longer lead times and costs for the businesses.

RCEP countries have committed to simplify and facilitate the customs risk management checks and clearances:

- Checks would be based on risk profiles rather than 100% physical checks.
- Development of Authorised Operators schemes¹³ by RCEP countries based on international standards. Authorised Operators should provide at least 3 of the below measures to facilitate trade:
 - ✓ low documentary and data requirements;
 - ✓ low physical inspection rates;
 - ✓ rapid release times;
 - ✓ deferred payment of duties, taxes, fees and charges;
 - ✓ use of comprehensive guarantees or reduced guarantees;
 - ✓ single customs declaration for all imports and exports in a given period; or
 - ✓ clearance of goods at the premises of the Authorised Operator or another place authorised by relevant Customs authority.

PRACTICAL TIP

For businesses that require quick turnaround times and expedited customs clearance for its import/export shipments, it is recommended that they:

- Apply for the Authorised Operator status in their name, if they are the importer/exporter themselves; or
- Appoint third-party logistics providers with AEO status, if they use third-party logistics providers to import or export on their behalf.

Businesses should analyse the costs and benefits of being an Authorised Operator.

- Goods should not be held longer than required and released, to the extent possible, within 48 hours of arrival. Perishable goods are to be released, to the extent possible, within 6 hours of the arrival.
- Expedited customs procedures for express consignments which are to be released within 6 hours where possible. This is similar to the commitments made within the Comprehensive and Progressive Trans-Pacific Partnership¹⁴ (CPTPP) agreement. This improves upon existing ASEAN FTAs, which do not address express consignments or shipments.

¹³Authorised Operators schemes are usually governed by the customs authorities granting traders additional trade facilitation measures through the import and export processes. In return, such schemes are only granted to traders that have proven track records of internal controls put in place to ensure supply chain security and compliance with trade regulations and customs procedures.

¹⁴The CPTPP is a multilateral free trade agreement involving the signatory countries of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

- Duty-free treatment for temporary importations of empty containers and pallets, similar to the CPTPP agreement. This improves upon existing ASEAN FTAs, which do not have a similar commitment.

4. Post Customs Clearance audits

Typical process under a non-FTA scenario

Some countries focus their risk management checks and inspections at the point of import or export, rather than post-customs clearance audits using a risk-based approach. Such practices are likely to result in longer customs clearance time at the ports and increased costs for businesses.

In addition, for countries that conduct post customs clearance audits, the associated laws, regulations, guidelines and practices may not be clear. This leads to operational uncertainty for businesses.

RCEP countries have committed to specific timelines to clarify and facilitate the post customs clearance audit process:

- Adoption and maintenance of post customs clearance audit frameworks. This is particularly significant for RCEP countries which may not have established or have matured laws, regulations or guidelines governing post customs clearance audits.
- Agreement to the following when conducting post customs clearance audits:
 - ✓ Adherence to appropriate criteria in selecting importers / exporters on a risk-based manner;
 - ✓ Transparency and timeliness to the auditees (i.e. importers / exporters) in disclosing the audit results, the reasons for the audit results and the auditees' rights and obligations; and
 - ✓ Using results of the post customs clearance audits to enhance future risk management profiling.

6. INCREASED OPERATIONAL CERTAINTY

Operational certainty is critical for all businesses. Unpredictable or unclear procedures and requirements add risks to the supply chain. Businesses must also buffer additional lead times for potential delays.

Operational uncertainty is especially risky for industries relating to goods, materials or products that are perishable or time-sensitive. This includes food, agricultural supplies, healthcare supplies, maintenance, repair and operations. Delays in shipment can disrupt operations and lead to adverse commercial outcomes (e.g. loss of sales, penalties arising from failure to meet service standards committed in commercial contracts).

Businesses will benefit from greater predictability under the RCEP:

1. Advance ruling mechanism

- The advance ruling mechanism under RCEP has clear implementation guidelines. As an improvement compared to other existing ASEAN FTAs, RCEP has included specific timelines for the issuance of advance rulings.
- An importer or exporter can apply for advance rulings from relevant customs authorities to clarify any doubts it may have, including:
 - ✓ tariff classification;
 - ✓ the preferential origin status of the goods; and
 - ✓ the appropriate methodology for the determination of the customs value of the goods.
- The advance ruling application process would be clear and all businesses or individuals with a legal representation in the respective RCEP country can apply in writing.
- Advance rulings are binding. It would be issued, to the extent possible, within 90 days of the validity period indicated.

2. At least one enquiry point by each Party

When businesses have doubts about the import/export processes, it can be challenging to identify the relevant competent authority to seek for clarification.

RCEP increases predictability and clarity to businesses:

- All RCEP countries would designate at least one enquiry point for greater predictability of customs procedures and preferential duties. This is similar to other ASEAN FTAs and the CPTPP.
- This reduces possible errors by exporters and importers in customs declaration and the claiming of preferential duties. Potential delays at the point of importation are also minimised.

3. Review and Appeal

Businesses may, at times, wish to provide more information for a review or an appeal of decisions from relevant authorities. This may not be possible without explicit commitments under an FTA.

The RCEP has provisions for review and appeal:

- Businesses could seek a higher administrative authority for review and appeal on the prior administrative decisions taken.
- Review and appeal should be conducted in a fair and transparent manner. Businesses seeking a review or appeal would also not be treated unfavourably in future.

PRACTICAL TIP

RCEP countries are at different levels of development. Their trade regulations and customs procedures set-ups may also not be equally mature. Hence, RCEP allows for countries different timelines to work towards the above commitments.

Businesses should monitor the timelines committed under *Annex 4A “Period of time to implement the commitments”* of the RCEP.

7. ADVANTAGES FOR SPECIFIC INDUSTRIES

7.1 PROCESSED FOOD SECTOR – SPECIFIC ISSUES TO NOTE

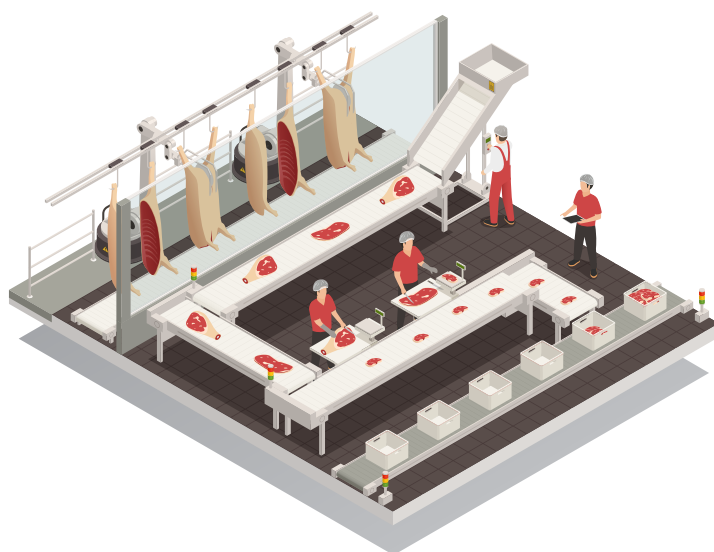
As most processed food manufacturers rely on overseas raw materials especially from the neighbouring RCEP countries, the cumulation rule within the rules of origin would be very useful.

Currently, processed food manufacturers using imported ingredients from various countries in the region need to use different cumulation rules in different FTAs to determine whether the product qualifies for preferential customs duties.

With RCEP, these manufacturers can include the originating materials or ingredients from all RCEP countries to calculate the Regional Value Content based on RCEP's Rules of Origin. This helps Singapore processed food manufacturers meet the origin criteria to qualify for preferential tariffs.

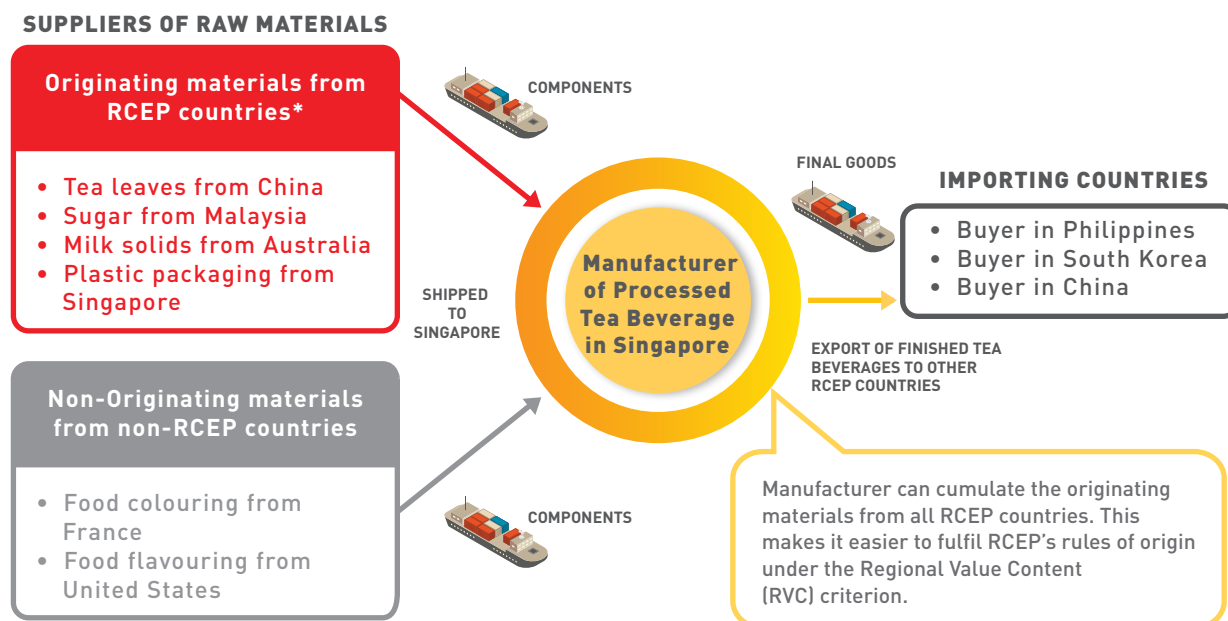
With RCEP:

- I. One set of Rules of Origin to apply for all RCEP countries.
- II. One cumulation rule to cumulate originating materials and ingredients among all RCEP countries.



The following is an example of how a Singapore manufacturer of tea beverage can take advantage of the RCEP cumulation rule when exporting goods to other RCEP countries. In this example, it is now easier to meet the qualifying rule of origin as materials from Australia, China, Malaysia and Singapore can be cumulated and included in the Regional Value Content.

EXAMPLE OF RCEP CUMULATION - TEA BEVERAGE (HS 2101.20)



*Assume all RCEP countries have ratified and enforced the agreement

7.2 MINERAL FUEL, PETROCHEMICAL, CHEMICAL AND PLASTICS SECTORS – SPECIFIC ISSUES TO NOTE

These sectors use liquid-based ingredients and face similar challenges in using FTAs.

First, the blending and mixing of liquids into a product or heating the liquid in a broiler may be deemed as “simple mixing” or a “minimum operations” process. In some other existing FTAs, even though this process could lead to a chemical reaction, it may not be recognised as achieving substantial transformation to qualify for preferential customs duties.

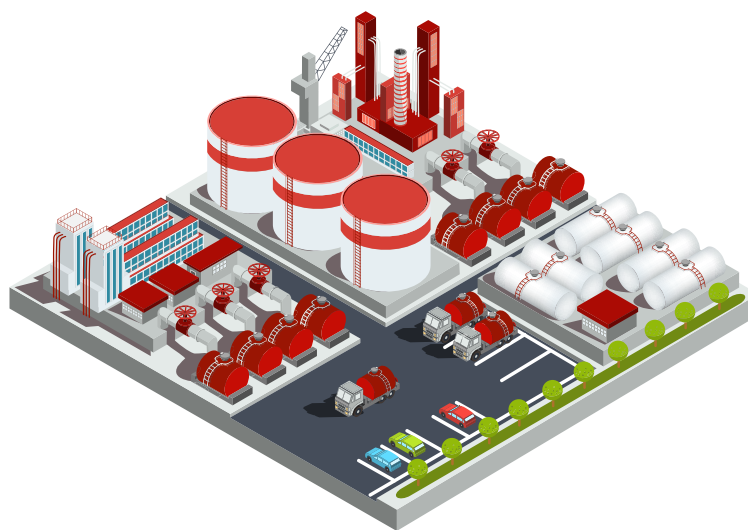
Second, it is difficult to track originating and non-originating materials or finished goods, as they are often stored in the same container. This is commonly known as “co-mingling”.

RCEP has addressed some of these challenges.

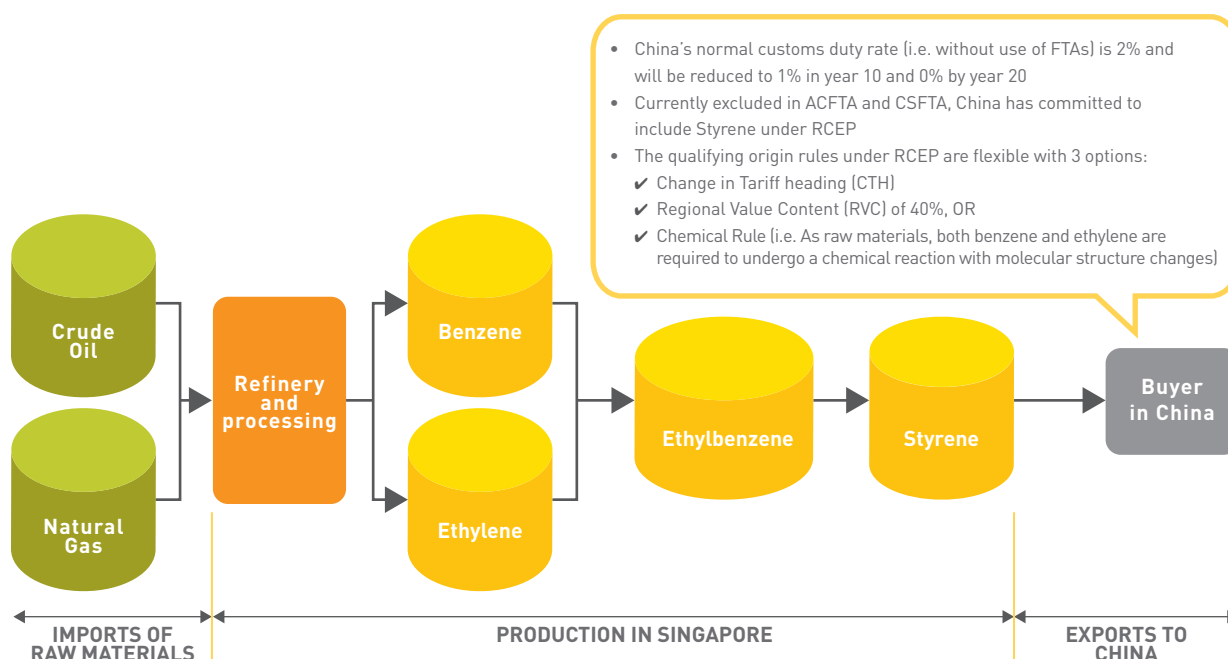
1. The Chemical Rule (CR) is allowed as one criterion to determine origin for selected goods. Based on the CR, “any goods that is a product of a chemical reaction shall be considered to be an originating goods if the chemical reaction occurred in a Party”. The CR rule is not found in other ASEAN FTAs except AANZFTA¹⁵.

¹⁵However, the “Chemical Reaction” rule in the AANZFTA may only be applied when the goods fail to meet the Regional Value Content and the Change in Tariff Classification criteria under the Product Specific Rules (PSRs).

2. Product-Specific Rules (PSRs) for the chemical chapter (HS Chapter 29) and plastics chapter (HS Chapter 39) are more flexible than other ASEAN FTAs. Most of the applicable PSRs are Change of Tariff Headings, Regional Value Content 40% or, for some goods, the Chemical Rule.
3. Allowing the origin status of such fungible goods or materials to be determined through:
 - a. Physical segregation of each of the fungible goods or materials; or
 - b. An inventory management method recognised in the Generally Accepted Accounting Principles of the exporting Party, if there is co-mingling of the goods or materials. The methodology adopted should apply throughout the fiscal year.



EXAMPLE OF A SIMPLIFIED ILLUSTRATION ON THE PRODUCTION OF STYRENE (HS 2902.50) IN SINGAPORE AND EXPORTED TO CHINA

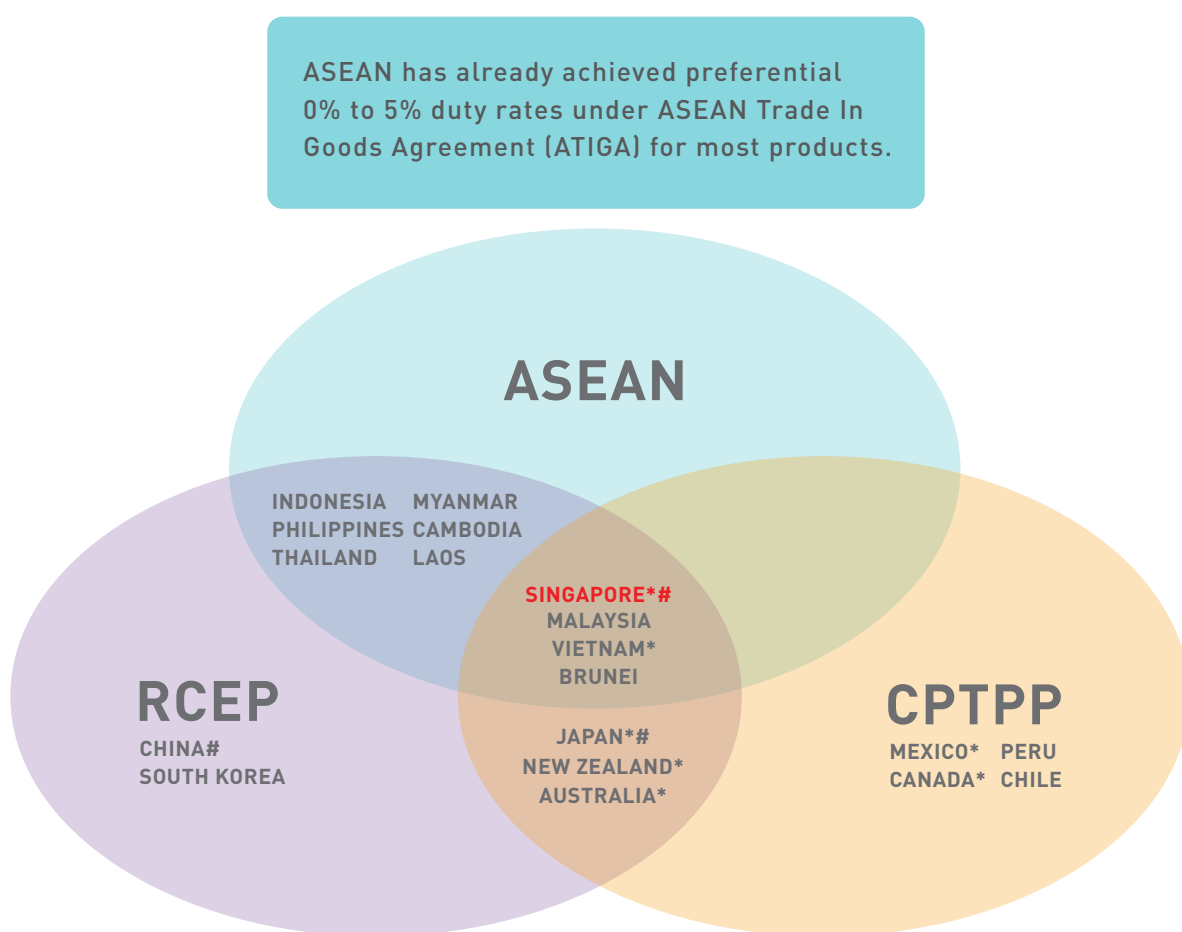


8. PRACTICAL GUIDE TO USING FTAs

RCEP adds to Singapore's extensive network of 26 FTAs.

Singapore's bilateral FTAs as well as multilateral FTAs including the ASEAN Trade in Goods Agreement (ATIGA), the CPTPP and RCEP position Singapore as a manufacturing node for businesses. Manufacturers in Singapore can utilise FTAs to improve overseas market access and competitiveness.

If RCEP is not applicable to your business, you should also consider other FTAs that Singapore has signed.



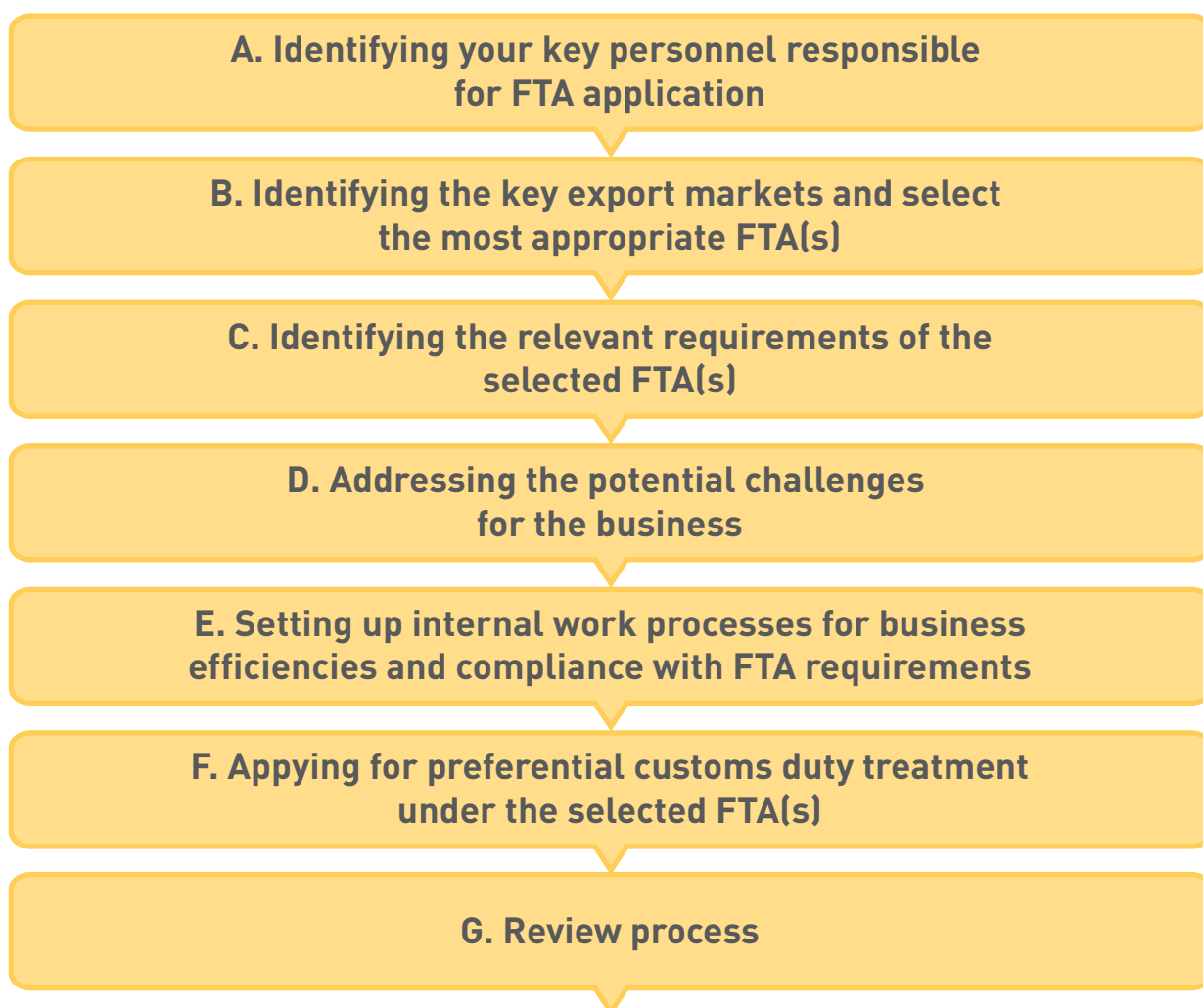
The RCEP Agreement was signed on 15 November 2020. As of June 2021, Singapore, China and Japan have ratified the RCEP. The doors remain open for India to re-join the RCEP in future.

A comprehensive multilateral FTA with extensive commitments that has come into force for the seven countries which have domestically ratified the CPTPP Agreement (i.e. Singapore, Australia, Canada, Japan, Mexico, New Zealand and Vietnam). Brunei, Malaysia, Peru and Chile are in the process of domestic ratification.

Have ratified RCEP as of June 2021

* Have ratified CPTPP as of May 2021

FTA ANALYSIS AND IMPLEMENTATION ROADMAP



A. Identifying your key personnel responsible for FTA application

Information required for FTA analysis and application include relevant manufacturing cost statements and HS codes. Gathering such information involves coordination between different stakeholders both within the business as well as external partners such as suppliers, overseas customers and third-party logistic providers. Businesses could appoint specific personnel to oversee the whole process.

B. Identifying the key export markets and select the most appropriate FTA(s)

The next step is to identify the export markets and the most suitable FTA(s) that Singapore has with these markets. Businesses can compare the applicable customs duties under different FTAs. The potential savings on customs duties could be used to justify the resources needed to start applying for the FTA(s).

C. Identifying the relevant requirements of the selected FTA(s)

This involves identifying the relevant requirements of the selected FTA(s). In particular, examining the applicable origin criteria in the FTA(s) as well as the supply chain routes and financial flows.

Different FTAs have different applicable origin rules. Even within an FTA, different goods may be subjected to different criteria. It is important to determine the accurate HS code of the goods and the applicable origin criteria.

Businesses should also pay attention to the physical flows of goods and the invoicing requirements in the FTA(s). Goods that meets the origin criteria but cannot meet the direct shipment rule or third-party invoicing rule in the selected FTA are not eligible for customs duties benefits.

D. Addressing the potential challenges for the business

Next, the business may identify and address potential challenges that would complicate the use of the FTA. For example, it may not be clear which HS codes apply. This could be addressed by obtaining an advance ruling for HS code from the competent authority of the importing country.

E. Setting up internal work processes for business efficiency and compliance with FTA requirements

Businesses should establish internal work processes and compliance procedures based on the requirements in the FTA. This allows proper controls and documentation to substantiate the business' claims for origin status under the FTA. This also prepares the business for any verifications or post customs clearance audits.

F. Applying for preferential customs duties under the selected FTA(s)

The next step is to apply for the Proof of Origin to claim the preferential customs duties under the selected FTA.

For exports out from Singapore, Singapore Customs is the issuing authority for Preferential Proof of Origin. Further details on the procedures is on Singapore Customs' website <https://www.customs.gov.sg/businesses/certificates-of-origin/overview>.

For some FTAs, such as the RCEP and ATIGA, self-certification for Proof of Origin is allowed if the manufacturer or exporter in Singapore is an "Approved Exporter". In Singapore, Singapore Customs is responsible for granting the "Approved Exporter" status to businesses.

PRACTICAL TIP

Before performing a large shipment of goods claiming preferential duties under any FTAs, businesses can start with a trial shipment. Businesses can also approach relevant port and customs authorities on the process of claiming preferential duties prior to the shipment's arrival. This allows the exporter and importer to address and clarify any questions that the authorities may have on the shipment which is claiming the preferential duties benefits for the first time.

G. Review process

Changes in business operations (e.g. production processes) and supply chain (e.g. sourcing of materials or components) are common.

It is prudent to regularly check whether the goods continue to qualify for preferential duties. This can be done by examining the latest bill of materials for the origins of the raw materials and their respective costs. Changes in production process, sourcing or material costs can affect the ability to qualify for preferential duties under certain FTAs (e.g. due to fluctuations in regional value content %).

This review process allows the business to ensure that its origins claims remain valid and reflect its latest actual business operations. It also allows businesses to rectify any gaps in the FTA application process.

9. RESOURCES

The legal text of the RCEP can be accessed at:

<https://rcepsec.org/legal-text/>

More information on Singapore's Free Trade Agreements can be found on the Enterprise Singapore website:

www.fta.gov.sg

ADDITIONAL RESOURCES

1. Operational details of all in-force FTAs that Singapore is a part of can be found on Enterprise Singapore's website

These include the FTAs legal texts, normal customs duties without use of FTAs, preferential duties under FTAs and relevant rules of origin criteria.

a) Applicable import duties (i.e. customs duties both with and without the use of FTAs as well as the relevant qualifying origin criteria)

Enterprise Singapore's Tariff Finder is a complimentary tool which is available for all Singapore businesses with a valid Unique Entity Number (UEN). There is no limit to the number of users per UEN.

Using the Tariff Finder, businesses can look up the applicable FTAs¹⁶, compare the preferential customs duties across FTAs and the respective origin criteria to select the most appropriate FTA to use.

Enterprise Singapore's Tariff Finder tool is available at:

<https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/tariff-finder>.

b) Customs procedures

In Singapore, Singapore Customs is the authority enforcing customs-related matters in FTAs.

TYPE OF INFORMATION	WEBLINK
Circulars, Advisories, Media releases and Notices	https://www.customs.gov.sg/news-and-media/
Overview of preferential origin under free trade agreements	https://www.customs.gov.sg/businesses/certificates-of-origin/overview
Steps to apply for preferential certificate of origin	https://www.customs.gov.sg/businesses/certificates-of-origin/how-to-apply-for-oco-or-pco

¹⁶Only FTAs that are in-force are found in the Tariff Finder database. Information on RCEP will be available in the Tariff Finder when RCEP enters into force.

c) Export Certification, Import Licences, and Sanitary and Phyto-sanitary Requirements

More information on the application of export certifications, import licences, and sanitary and phyto-sanitary requirements for food imports and exports, can be found on:

SFA's website: www.sfa.gov.sg/food-import-export

Contact: www.sfa.gov.sg/feedback

2. Public outreach and learning programs about Free Trade Agreements

The Singapore Business Federation (SBF) is Singapore's leading trade association for FTA education and public outreach programmes. Such programmes are organised regularly and supported by government agencies including MTI, Enterprise Singapore and Singapore Customs.

On top of the regular sessions, SBF also provides one-on-one advisory sessions for Singapore businesses. SBF also conducts consultations with businesses and industries on FTA issues.

For more details of upcoming FTA trainings as well as any other needs on FTAs, please contact the SBF at this link <https://www.sbf.org.sg/business-expansion/fta-education-outreach> or email to FTA@sbf.org.sg.

3. Enhanced Market Readiness Assistance (MRA) Grant for in-depth FTA consultancy

To support Singapore small and medium-sized enterprises (SMEs) in using FTAs, Enterprise Singapore has enhanced its Market Readiness Assistance (MRA) grant to cover in-depth FTA consultancy services since 1 April 2020. Such consultancy services cover:

- In-depth assessment to identify opportunities available in FTAs;
- Analysis of company's supply chain;
- Application procedures for customs rulings; and
- Consultancy for FTA compliance, including internal guidelines/checklist.

More information on the Enhanced MRA grant and the supportable activities can be found at:

<https://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/market-readiness-assistance-grant>

https://www.enterprisesg.gov.sg/-/media/esg/files/financial-assistance/grants/for-local-companies/market-readiness-assistance-grant/mra_supportable_activities.pdf?la=en

Annex A: Overview of Tariff Differentials imposed by the RCEP countries

For ease of reference, the table below presents a quick overview of categories of goods that may be subjected to Tariff Differentials. If the categories identified are of interest to the business, please refer to the respective RCEP country's Appendix of Tariff Differentials under Annex 1 – Schedules of Tariff Commitments.

Generally, goods subject to Tariff Differentials represent a small proportion of the goods granted preferential duties under RCEP.

Legend:

X: Certain specific goods within the category are subject to Tariff Differentials.
RCEP countries that do not apply Tariff Differentials are not listed below.

COUNTRY		INDONESIA	PHILIPPINES	THAILAND	VIETNAM	CHINA	SOUTH KOREA	JAPAN
HS CHAPTER	HS CHAPTER DESCRIPTION	CERTAIN SPECIFIC GOODS SUBJECT TO TARIFF DIFFERENTIALS						
02	Meat and Edible Meat Offal				x	x		
03	Fish and crustaceans, molluscs and other aquatic invertebrates.			x			x	
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included						x	
05	Products of animal origin, not elsewhere specified or included.			x			x	
07	Edible vegetable and certain roots and tubers		x				x	
08	Edible fruit and nuts; peel of citrus fruit or melons						x	x
09	Coffee, Tea, Mate and Spices				x		x	
10	Cereals				x			
11	Products of the milling industry; malt; starches; inulin; wheat gluten			x				x
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder						x	
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates				x			
18	Cocoa and cocoa preparations							x
19	Preparations of cereals, flour, starch or milk; pastrycooks' products							x
20	Preparations of vegetables, fruit, nuts or other parts of plants			x	x		x	x
21	Miscellaneous edible preparations						x	
22	Beverages, spirits and vinegar				x			x

COUNTRY		INDONESIA	PHILIPPINES	THAILAND	VIETNAM	CHINA	SOUTH KOREA	JAPAN
HS CHAPTER	HS CHAPTER DESCRIPTION	CERTAIN SPECIFIC GOODS SUBJECT TO TARIFF DIFFERENTIALS						
23	Residues and waste from the food industries; prepared animal fodder			x			x	
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	x					x	
29	Organic chemicals	x					x	
31	Fertilisers				x			
33	Miscellaneous edible preparations						x	
35	Albuminoibal substances; modified starches; glues; enzymes		x	x				
38	Miscellaneous chemical products				x		x	
39	Plastics and articles thereof	x			x	x	x	
40	Rubber and articles thereof	x	x	x				
41	Raw hides and skins (other than furskins and leather)							x
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	x						
44	Wood and articles of wood; wood charcoal						x	
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	x		x				
52	Cotton					x		
62	Articles of apparel and clothing accessories, not knitted or crocheted	x						
64	Footwear, gaiters and the like; parts of such articles	x	x					x
68	Articles of stone, plaster, cement, asbestos, mica or similar mat				x	x		
69	Ceramic products	x			x		x	
70	Glass and glassware		x	x	x		x	
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin		x					
72	Iron and steel	x		x				
73	Articles of iron or steel	x	x	x	x			
74	Copper and articles thereof			x				
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof		x	x	x	x	x	
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	x		x	x	x	x	
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	x			x	x	x	
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof						x	