



Diplomatic and Security Implications of the Regional Comprehensive Economic Partnership (RCEP)

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At the end of 2020, 15 East Asian countries virtually signed a regional multilateral trade pact called the Regional Comprehensive Economic Partnership (RCEP). It is expected that the countries in the pact will go through the domestic ratification process within the next year or two. RCEP will enter into force when at least six countries from the Association of Southeast Asian Nation (ASEAN) and three non-ASEAN countries ratify the pact. While the economic impact of RCEP has attracted worldwide attention, the economic pact also has equivalent political, diplomatic and even security implications for the participating countries as well as countries concerned with regional affairs.

RCEP represents the creation of a regional mega free trade agreement (FTA) that accounts for roughly a third of the world's economic output, trade, and population. The combined gross domestic product (GDP) of the 15 participating countries is US\$25.8 trillion which accounts for 30% of global GDP. The annual trade amount between the RCEP countries is \$5.4 trillion, accounting for 28.7% of global trade. The total population of the RCEP countries is 2.2 billion and is also around 30% of the global population. In terms of GDP, the \$24.4 trillion US-Mexico-Canada Agreement (USMCA) is as big as RCEP while RCEP is much bigger than the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Yet the trade volume among RCEP countries is twice that of USMCA and CPTPP. With the inclusion of China, the RCEP population is four times bigger than those of USMCA and CPTPP.

Crisis-driven Regional Cooperation

When it comes to the wider security implications of RCEP, four points should be mentioned. First, RCEP is a regional answer to US-China strategic and economic competition and the

COVID-19 pandemic. There have been two similar attempts at regional economic integration before. The ASEAN+3 countries pursued the East Asia Free Trade Agreement (EAFTA) while 16 countries of the East Asia Summit (EAS) negotiated the Comprehensive Economic Partnership in East Asia (CEPEA). These two initiatives were led by China and Japan, respectively. But due to inter-institutional and intra-institutional balancing, they failed to reach an agreement. Instead, ASEAN proposed and pushed forward RCEP as an alternative since 2012. The negotiations for RCEP, nevertheless, did not make substantial progress for the past eight years.

The negotiations took off when regional countries saw a shared threat and crisis in the form of US-China strategic competition. Facing this common threat, they needed to have an institutional framework through which to promote trade and economically recover. The strategic and economic competition between the US and China rang an alarm signal. The Trump administration withdrew from the Trans-Pacific Partnership (TPP) and started a trade and technology war against China. US economic retaliation, the disruption of regional supply chains and subsequent crisis of the regional trade order increased the sense of crisis among regional countries. China was not a reliable alternative in the eyes of regional countries, who did not have much confidence in its alternative economic vision despite the Chinese government's efforts.

The negative impacts of the COVID-19 pandemic are likely to further strengthen the status of RCEP as an important regional economic instrument. No countries in the region have been spared from the devastating economic impacts of COVID-19. RCEP is viewed as a platform through which regional countries can relieve the negative impacts of the pandemic and overcome the crisis. Regional countries have had a similar experience before. The ASEAN+3 and its tools such as the Chiang Mai Initiative for currency swaps were instrumental for the member countries in overcoming the 1997 Asian Financial Crisis. Indeed, ASEAN leaders agreed that “the RCEP Agreement is critical for our region's response to the COVID-19 pandemic and will play an important role in building the region's resilience through the inclusive and sustainable post-pandemic economic recovery process.” The same view was reiterated in the RCEP Summit Joint Statement and ASEAN Comprehensive Recovery Framework (ACRF) which is ASEAN's blueprint for the post-COVID-19 recovery.¹

The ASEAN-led RCEP

Second, RCEP was initiated and driven by ASEAN, not China. Many viewed RCEP's conclusion as a victory for China that would enhance its economic and even strategic influence in the region. China is the single biggest economy in the RCEP and is overwhelming in size. For example, China accounts for 56% of RCEP's combined GDP. Nevertheless, it is ASEAN that proposed and drove the RCEP negotiations. When the EAFTA and CEPEA were in a deadlock, ASEAN proposed RCEP as an alternative at the ASEAN summit in Bali in 2011. The agreement on the basic framework in 2019 and the final signing in 2020 was on the occasion of summits organised by ASEAN countries. The Guiding Principles and Objective for Negotiating the Regional Comprehensive Economic Partnership were adopted in 2012 as a guidance for the RCEP negotiations. The document says, "[n]egotiations for the RCEP will recognize ASEAN Centrality in the emerging regional economic architecture."² This is a clear indication that RCEP was driven by ASEAN.

Regional power dynamics show that it was inevitable for ASEAN to initiate and drive the negotiations. If it were either China or Japan that drive the RCEP, the conclusion might not have been possible. The point is already proven by the deadlock between, and the failure of EAFTA and CEPEA. The struggle for hegemonic power and influence in regional multilateral cooperation often undermines the progress of the institutions. On the contrary, when ASEAN proposes and drives institution-building, it is not easy for other regional powers to object without undermining their relations with ASEAN countries. Good relations with and support from the ASEAN countries are necessary for any regional countries vying for more power and influence in the region. Thus, RCEP's conclusion and signing are not "China-led, [but] is a triumph of ASEAN's middle-power diplomacy."³

Other than economic reasons, ASEAN also had strategic interests in proposing and driving RCEP. It reflects ASEAN's strategy of dealing with bigger partners surrounding it. ASEAN has pursued a strategy of engaging bigger partners through multilateral institutions. With the rules and norms of the institutions, ASEAN was able to manage the behaviour of the bigger partners. The power that a single superpower can exercise is diluted when there are multiple regional multilateral institutions where competing powers are locked-in. This is similar to what former Indonesian Foreign Minister, Marty Natalegawa, proposed as a 'dynamic equilibrium' strategy for ASEAN.⁴ Many existing regional multilateral institutions that put ASEAN centrality and the ASEAN Way as core principles such as the ASEAN Regional Forum (ARF), ASEAN+3, EAS, and ASEAN Defence Ministers Meeting Plus (ADMM+) are all such examples.

Will RCEP become a Tool of China?

Third, it is questionable if China will be dominant in RCEP. Of course, China's economic power in the RCEP context is overwhelming. China may champion multilateral causes through RCEP, jumping on the regional criticism of the Trump administration's unilateral withdrawal from the TPP. Contrary to conventional wisdom, however, the additional influence gained by China through RCEP could be marginal. In fact, RCEP is an integration of various existing bilateral FTAs among the RCEP countries. Except for the Japan-Korea and Japan-China cases, all components of RCEP already have crisscrossing bilateral trade arrangements. Therefore, RCEP does not expand the Chinese FTA network substantially. The level of economic integration that RCEP proposes is not particularly high, which means its impacts on regional trade and the wider economic order might not be as substantial as to re-write the regional order.

The US policy towards the region, particularly economic policy under the Trump leadership, reduced East Asian countries' confidence in the US. While Asian countries' confidence in China is not particularly strong, China's relative credibility has risen due to the US' recent missteps. If China, however, wants to put forward an argument that it is a better partner than the US for Asian countries when it comes to multilateralism, the 'best before date' of the argument is likely to be shorter than expected. The Biden administration is certainly indicating a different direction from that of Trump administration. The new administration is set to strengthen its engagement with regional countries in various fields including economic multilateralism.

The veterans of the Obama administration that implemented the Pivot to Asia or Rebalancing are returning. One of the most notable examples is Kurt Campbell who was the highest figure at the working level of the Pivot to Asia during the Obama administration and has been designated as Coordinator for Indo-Pacific Affairs on President Biden's National Security Council. He once viewed the TPP as the future of Asian economic order and defined it as "vehicles to create high standards that ensure free trade in the twenty-first century."⁵ Either as a strategy to counter China or as a strategy to engage with Asian countries, the new administration in the US is likely to commit itself to the Indo-Pacific more than his predecessor did. The Chinese argument on its credibility in regional multilateralism is not likely to last long.

Korea's Role in Regional Economic Integration

Fourth, Korea has to make a meaningful contribution to shaping the regional economic order. After signing RCEP, a new question arises, whether Korea will join the revived version of the TPP known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In early 2021, the Ministry of Planning and Finance announced that the government is examining the possibility of Korea joining CPTPP and is going to begin an informal discussion with CPTPP member countries.⁶ Joining RCEP and CPTPP is not just about economic gains. It also has diplomatic, strategic and security implications as well. Discussions on RCEP and CPTPP often unfold in the context of US-China strategic competition. Korea has to look beyond a binary framing of US-China competition when deciding whether to join CPTPP. Rather the country has to consider its contribution to the region as a middle power.

As a member of RCEP, Korea needs to review how to revive a sluggish regional economy and trade due to US-China strategic competition and more importantly the COVID-19 pandemic. It needs to position itself as a leader in regional trade liberalisation and the revitalisation of regional value chains along with ASEAN countries. In addition, Korea has to join hands with other RCEP members not to allow it to become an instrument for China in expanding its economic and strategic influence. Korea needs to remember that joining CPTPP is also not about subscribing to the US strategy in the region. There are many CPTPP agendas that Korea can champion. By focusing on issues like labour, environment, transparency and anti-corruption, Korea can do its part in strengthening a desirable economic and trade order in the region. This is a meaningful contribution that Korea, one of the ten largest economies in the world, can and has to do for the region.

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- ¹ Chairman’s Statement of the 37th ASEAN Summit, Ha Noi, 12 November 2020. (<https://asean.org/storage/43-Chairmans-Statement-of-37th-ASEAN-Summit-FINAL.pdf>), ASEAN website. 2020. “Joint Leaders’ Statement on The Regional Comprehensive Economic Partnership (RCEP)” (<https://asean.org/joint-leaders-statement-regional-comprehensive-economic-partnership-rcep-2/>) and ASEAN. 2020. *ASEAN Comprehensive Recovery Framework*. P. 32.
- ² ASEAN. 2012. “Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership” (<https://asean.org/wp-content/uploads/2012/05/RCEP-Guiding-Principles-public-copy.pdf>)
- ³ Peter A. Petri and Michael Plummer. 2020. “RCEP: A new trade agreement that will shape global economics and politics” *Brookings Institution – Order from Chaos*. November 16.
- ⁴ Marty Natalegawa. 2018. *Dose ASEAN Matter? A View from Within*. Singapore: Institute of Southeast Asian Studies. Pp. 85-108.
- ⁵ Kurt C. Campbell. 2016. *The Pivot: The Future of American Statecraft in Asia*. New York: Twelve Books. p. 193.
- ⁶ Kim Soo-yeon. 2021. “S. Korea to actively consider joining CPTPP this year.” *Yonhap News*. January 11.