

Part II

3. Towards and Integrated and Connected Indo-East Asia

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Towards an Integrated and Connected East Asia and Indo–Pacific 2040

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I Perspective: From the Far East to East Asia and Indo–Pacific: A Brief History of a Fluid Region from the Exotic Margin to, Increasingly, a Centre of the Global Economy

When leadership of world affairs rested in the North Atlantic region, the countries of Southeast Asia were often seen simply as part of the 'Far East'. In the third quarter of the 20th century, ASEAN (then with six members) played a key role in making familiar the concept of 'Asia Pacific'. That term was understood in several ways. Most important was (in Japanese word-order) Pacific Asia, the eastern and southeastern edge of Asia, Australia and New Zealand, and the United States (US), due the importance of its security relationship with the region. Canada was included, apparently by analogy with the US; and Mexico and South America came later, mostly as a by-product of the North American Free Trade Agreement (NAFTA) and the subsequent trade agreement with Chile. This also reflected the American understanding of 'Asia Pacific', which was dominated by memories of Spanish galleons between Peru and Mexico on the one hand and the Philippines and China on the other, along with the identification of the US as a 'Pacific' power after World

War II. British and European writers were more likely to see Asia–Pacific as including India, while in Australia and New Zealand it was usually read as ‘Asia and the Pacific’ to include the Pacific islands. In practice, the use of the term Asia–Pacific was close to that of the geographic term ‘Pacific rim’.

Yet, it was more than a geographic area. Asia–Pacific was the field for a Japanese-led conception of economic integration characterised by business leadership and diplomatic and official processes following business decisions on investment and location of operations. Japan’s experience with ‘export-led growth’, in an age when conventional thinking was more likely to be in terms of import-substitution, was followed by the Republic of Korea (henceforth Korea), Taiwan, Singapore, and Hong Kong in the renowned ‘flying geese’ formation. Thailand, Indonesia, and other Southeast Asian countries followed. China was too big to be a single goose in a flock, and its opening to international integration after 1978 ushered in a new phase of regional growth. This growth experience was located in ‘Asia Pacific’. However, there was a clear institutional basis for Asia Pacific in the non-official Pacific Economic Cooperation Council (founded in 1980) and the Asia Pacific Economic Cooperation (APEC) process (begun in 1989 and extended to leader-level summits in the early 1990s).

In the half-century since its foundation in 1967, the Association of Southeast Asian Nations (ASEAN) has established itself clearly and firmly in international affairs. It helped shape the conception of the region from being the ‘Far East’ far away from the global centre (the North Atlantic) during its foundation to the more current ‘East Asia’ that is increasingly the global centre. ASEAN played a central role in the early history of APEC. Its members were crucial in the endeavour to develop a governmental process from the Track II processes of the Pacific Economic Cooperation Council. The six ASEAN members, who were half the membership of APEC, initially staged half the annual meetings, and generally provided one of two co-chairs for all significant APEC committees. The inclusion of China, Hong Kong, Taiwan, and Latin American members diluted the role of ASEAN and, although Viet Nam became a member of APEC, other new members of ASEAN – that is, Cambodia, the Lao People’s Democratic Republic, and Myanmar – did not.

Furthermore, there was considerable dissatisfaction with APEC amongst Asian members at the time of the Asian financial crisis in 1997. Although it was possible to argue that financial issues were not central to the role of APEC and should be left to other agencies, there was a strong feeling, especially amongst Asians, that in any cooperative body members would look for ways to assist with the principal issue facing any member. APEC survived, but it ceased to be unrivalled as an agent for the international aspects of ASEAN economic integration.

ASEAN and the three North Asian economies – China, Japan, and Korea – explored the potential of an ASEAN+3 grouping. This was the basis for financial cooperation in what eventually became the Chiang Mai Initiative Multilateral and the associated ASEAN+3 Macroeconomic Research Office (AMRO). In addition, Japanese leadership promoted an ASEAN+6 comprehensive economic partnership, extending membership to India, Australia, and New Zealand. This became the basis for the East Asia Summit (EAS), as well as the membership of the proposed Regional Comprehensive Economic Partnership (RCEP). The EAS remains an extension of ASEAN ministerial and leaders' meetings with ASEAN dialogue partners. US leaders have made repeated attempts to characterise the EAS as a 'political and security' institution while APEC remains the 'premier regional economic institution', but there is no such distinction in most ASEAN thinking. The EAS, which now includes the US and the Russian Federation, and APEC are both vehicles for managing the regional and international dimensions of building the ASEAN community with its political and security, economic, and social and cultural pillars. Similarly, the RCEP may be seen as either a rationalisation of all ASEAN free trade agreements (FTAs) (and membership is restricted to those who have an FTA with ASEAN), or an initiative to place the ASEAN Economic Community in an appropriate regional and international context. It is discussed further below. The EAS and its associated agreements have made 'East Asia' rival 'Asia Pacific' as a component of international affairs.

India's participation in the EAS highlights the looseness of the term 'East Asia' and directs attention to an alternative term: 'Indo Pacific'.¹ India's

¹ The reference is to the Indian Ocean rather than to India. India–Pakistan relations are specifically excluded from the brief of the ASEAN Regional Forum. 'Pacific' is the ocean, whereas in 'Asia Pacific' it is more likely to be an adjective specifying (in Japanese word-order) a region of Asia.

adherence to East Asian economic integration is quite different from the rhetoric of a 'free and democratic Indo-Pacific'. 'Indo-Pacific' is a well-established term in discussions of international security in venues such as the ASEAN Regional Forum and its accompanying Council for Security Cooperation in Asia Pacific. The significance of the Malacca Straits and its role as a fulcrum between the Indian Ocean, the South China Sea and the Pacific Ocean make Indo-Pacific a natural term of discussion. This is especially true for Indonesia, but also for other ASEAN members. The current use of Indo-Pacific is a rather transparent effort to create a forum for the promotion of leadership in Asia, excluding China.

'East Asia' provides an opportunity for India to join ASEAN, China, Japan, Korea, Australia, and New Zealand as a plurilateral component of the international economy. Nobody is thinking in terms of a 'bloc', and the modern development of production networks likely makes the blocs of earlier eras impossible. Plurilateral components are simply regions that find it mutually advantageous to work cooperatively. As India did not share the earlier experience of business-led export-led growth, it still looks somewhat out of line with its regional partners in East Asia, but it is participating as the basic economic model comes to emphasise cooperation and international production networks that involve services as much as goods.

The 'East Asia' framework exists alongside 'Asia Pacific'. While insisting it remains a Pacific power and engaged with Asia, the US has removed itself from its earlier central role in APEC, at least temporarily. Nonetheless, APEC will remain a framework through which ASEAN and its East Asian partners continue to engage with the US. Latin America continues to provide participants in Asia Pacific, but there are also dedicated links between Latin American and East Asian economies.

Plurilateral institutions have to relate to the WTO, the first principle of which is the extension of 'most favoured nation' treatment to all WTO members. The WTO does make provision for free trade areas and customs unions, and it may be that the evolution of time and practice has modified the meaning of most favoured nation so as to allow preferential trade within acknowledged plurilateral agreements. However,

that same evolution of time and practice has extended the scope of economic integration, and tariffs have become less important (although not unimportant, especially in the case of tariff peaks). Membership of a plurilateral agreement, which confers specific treatment for market access, including regulatory treatment, can be preferential even if all tariffs are zero for everyone. Consequently, there is still need to pay attention to multilateral processes and institutions. We return below to the evolution of 'open regionalism' and the specific issue of the accession clauses of plurilateral agreements.

II. Towards Integrated and Connected Indo–East Asia: The Comprehensive and Progressive Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership in an Age of Trade Policy Uncertainty²

Stable, predictable, and open trading environment is necessary for the promotion of trade, which in turn contributes to economic growth. The high economic growth of the post-World War II world economy attests to the validity of this observation. From 1960 to 2016 the world economy grew at an average annual rate of 3.5%, significantly higher than in earlier periods. During 1960–2016, world trade increased 127-fold in nominal US dollar terms, while the corresponding figure for the world gross domestic product (GDP) was 56-fold; this resulted in a substantial increase in trade–GDP ratio from 24% to 56%.³ During 1960–2016, the world trading environment became more open and stable, thanks to trade liberalisation and the management of world trade led by the General Agreement of Tariffs and Trade (GATT) from 1948 to 1994 and the World Trade Organization (WTO) from 1995 to present. Amongst various regions of the world, East Asia benefited most from the stable and open trading environment as it achieved remarkably high economic growth, which is accompanied by rapid expansion of foreign trade. However, global trading environment has become uncertain and unpredictable because of rising protectionism. Continued economic development and growth for East Asia needs a stable, predictable, and open trading environment. This

² This section draws on Urata (forthcoming).

³ The figures are computed from the World Bank's World Development Indicators (online).

section considers various options or alternatives for East Asia to achieve this objective.

Growing Protectionism and Trade Wars: The Need for Comprehensive and Progressive Trans-Pacific Partnership and Regional Comprehensive Economic Partnership

A serious concern about the future expansion of world trade emerged in the aftermath of the 2007–2008 global financial crisis, because many countries, to protect their domestic industries, began to adopt protectionary trade policies in the form of both tariff and non-tariff measures. Protectionism spread to many parts of the world along with a growing anti-globalisation sentiment as those negatively affected by globalisation gained political influence. Politicians eager to gain support in the elections adopted a populist policy stance of protectionism. A notable example is Donald Trump, who was elected as President of the US by appealing to the public with an America First approach, whose main component is a protectionist trade policy.

On 23 January 2017, Trump's third day in office, the US withdrew from the Trans-Pacific Partnership (TPP) agreement, which was signed by the US and 11 other members in March 2016. This was expected, as withdrawal from the TPP was one of the promises in Trump's presidential campaign. It is argued that, in addition to his belief that the TPP was not a good deal for the US, Trump wanted to abandon the policies adopted by the Obama administration. In 2018, Trump began to increase import tariffs through a series of actions. In January, the US government imposed safeguard tariffs on large imported residential washing machines (20%) and solar energy cells and panels (30%); and in March the US imposed additional import tariffs of 25% on steel and 10% on aluminum for national security reasons. To the same end, Trump also ordered the Department of Commerce to investigate the automobile industry for the possible imposition of tariffs.

In July 2018, a trade war broke out between the US and China as the US imposed 25% tariffs on \$34 billion worth of imports from China in response to China's alleged unfair trade practices related to the forced

transfer of American technology and violation of intellectual property rights; China immediately retaliated by matching tariffs on the same amount of imports from the US. In response, Trump imposed tariffs on \$16 billion worth of imports from China in August, to which China retaliated by imposing tariffs on the same amount of imports from the US. In September, the US and China adopted another round of tariff imposition. This time the US imposed tariffs on \$200 billion worth of Chinese imports, while the corresponding value of China's imports from the US was \$60 billion. Thus far, the cumulative value of US imports from China subject to additional tariffs amounts to approximately \$250 billion, while the corresponding value of Chinese imports from the US amounts to approximately \$110 billion. These values account for approximately 50% of the US' total imports from China, and 70% of China's total imports from the US. The trade war between the US and China is likely to continue for some time, as the battle is not just over trade but leadership in the future world.

Rising protectionism and the eruption of trade wars present serious challenges to the multilateral trading system under the WTO. As the US' unilateral actions are possibly a violation of the WTO rules, some affected countries have taken these cases to the WTO's Dispute Settlement Mechanism (DSM). Although the WTO DSM is said to have improved substantially from that under the GATT, it is facing a serious problem of too many member vacancies in the Appellate Body because the US has blocked the appointment of new members. Another problem facing the WTO is the lack of enforcement of its rules and its inability to set rules in new trade areas such as the digital economy. Faced with increasing uncertainty caused by growing protectionism and the eruption of trade wars, East Asian countries must cooperate to fight against protectionism and establish a rules-based, open, and stable trading environment. Specifically, East Asian countries have signed the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) Treaty and need to enact the Regional Comprehensive Economic Partnership (RCEP) Treaty as soon as possible.

From the Association of Southeast Asian Nations+1 Free Trade Agreements to the Regional Comprehensive Economic Partnership

Toward the end of the 1980s, when trade liberalisation negotiations in the Uruguay Round under the auspices of the GATT were not making much progress, many countries around the world began to form regional trade agreements (RTAs), which include FTAs and customs unions. Countries expecting trade expansion to contribute to economic growth became interested in forming RTAs, mostly FTAs. In 1993, the members of ASEAN formed an FTA, the first in East Asia, named the ASEAN Free Trade Area (AFTA). They were primarily motivated to establish AFTA by the emergence of China as a strong competitor in attracting foreign direct investment (FDI), an important contributing factor for achieving economic growth, as well as by the increasing numbers of RTAs in other parts of the world, as these would reduce export opportunities for ASEAN members.

Other East Asian countries, such as China, Japan, and Korea, did not show an interest in FTAs because they were engaged in pursuing trade liberalisation under the APEC framework. Toward the end of 1990s, East Asian countries changed their attitude toward FTAs and became increasingly interested. At least two factors were responsible for this. The first was the 1997–1998 Asian financial crisis, which negatively impacted many East Asian countries, particularly Korea, Thailand, Indonesia, and Malaysia. East Asian countries realised the need for regional cooperation to avoid another crisis, and one of the forms of such cooperation that they tried to pursue was an FTA. The second factor was the rapid expansion of FTAs in the rest of the world including NAFTA, whose membership consisted of the US, Canada, and Mexico. The formation of FTAs, particularly NAFTA, disadvantaged them in the US market, their largest export market at that time. To overcome their disadvantageous position in the world market, East Asian countries became to consider FTAs involving East Asian countries.

In the late 1990s, Korea, Japan, and Singapore began actively discussing bilateral FTAs with countries in other parts of the world. China began to pursue its FTA policy after establishing access to the world market by successfully joining the WTO in 2001. As China's approach toward FTAs differed from those of other countries in several respects, many East

Asian countries, especially Japan and Korea, were caught by surprise. First, unlike Japan and Korea, which pursued bilateral FTAs, China approached ASEAN as a group to form an FTA. Second, the China–ASEAN FTA contained components that had not been incorporated in other FTAs. Specifically, China offered various schemes that were attractive to ASEAN and its newer members in particular, such as economic cooperation with the newer members and advanced trade liberalisation (early harvest) in tropical foods and other products.

The China–ASEAN FTA unleashed competitive pressure on Japan, Korea, Australia and New Zealand, and India, and triggered a domino effect through which these East Asian countries approached ASEAN to establish individual FTAs. Despite a strong tendency for these countries to propose the FTAs to ASEAN rather than ASEAN approaching them, the fact that the partner countries were aware of ASEAN’s political and economic importance indicates ASEAN’s advanced diplomatic abilities. The China–ASEAN FTA was enacted in 2005. Other FTAs involving ASEAN as a group were enacted subsequently and, by 2010, five ASEAN+1 FTAs (with China, Japan, Korea, India, and Australia–New Zealand respectively) were enacted, making ASEAN the regional hub of FTAs in East Asia.

The concept of an FTA encompassing all countries in East Asia emerged in the late 1990s. At the ASEAN+3 (China, Japan, and Korea) summit meeting in 1998, President Kim Dae Jung of Korea suggested the establishment of the East Asia Vision group to examine the goals for long-term economic cooperation. In 2002, this group submitted a policy proposal, including the formation of an East Asian FTA (EAFTA), to its leaders. In 2005, a research group of private-sector experts formed to examine the feasibility of achieving an EAFTA compiled a proposal for intergovernmental discussions to begin in 2009. Thereafter, a working group led by the Government of China was formed to discuss the issues concerning the establishment of the EAFTA.

Soon after the EAFTA research group was formed, Japan proposed the idea of a Comprehensive Economic Partnership for East Asia (CEPEA) in 2006 as an economic partnership agreement to include an FTA with the member countries of ASEAN+3+3 (ASEAN, China, Japan, Korea, India,

and Australia and New Zealand). ASEAN+3+3 (ASEAN+6) also comprises the members of the EAS meeting launched in 2005.⁴ A research group of private-sector researchers began to study the feasibility of the CEPEA in 2007, and in 2009 proposed that discussions between governments should begin. Discussions were pursued under a working group.

The activities and research surrounding the EAFTA and CEPEA moved in parallel. China took the leadership role in the EAFTA and Japan did so in the CEPEA, but the ASEAN countries, which did not want to deepen opposition by aligning with one or the other, participated in both activities with equal weight. In these circumstances, ASEAN countries strengthened their voices in both frameworks and began to engage actively in leading the discussions on regional integration in East Asia.

One goal of founding the EAFTA and CEPEA was to increase the level of economic activity by forming an integrated market in East Asia. In the 2000s, five ASEAN+1 FTAs were completed, but they did not result in a unified single market. FTAs connecting the +6 countries (China, Japan, Korea, India, and Australia and New Zealand) were missing. If a single market like that of Europe were to be created in East Asia, elements that play an important role in economic activity, such as goods and capital, would come to move freely and actively by avoiding the 'spaghetti-noodle bowl effect', which arose due to different rules being adopted by the five ASEAN+1 FTAs, and economic growth and prosperity could be expected. More specifically, the expansion and smoother utilisation of the regional production network that extends through East Asia would become possible due to the formation of a free and open single market, leading to higher economic growth.

Although China and Japan took the lead in the formation of a region-wide FTA in East Asia, the ASEAN countries, which did not wish to deepen opposition by deciding an order of precedence, participated in both activities (EAFTA and CEPEA) with equal weight. However, after China and Japan put forth a joint proposal to accelerate the EAFTA and CEPEA,

⁴ Since then, the US and Russian Federation have joined the EAS group.

the ASEAN countries, which feared losing a central role in the movement towards an East Asian regional framework, responded by proposing the Regional Comprehensive Economic Partnership (RCEP) in 2011. The RCEP framework does not specify membership, like ASEAN+3 or ASEAN+6, and can be joined by any East Asian countries prepared to sign an FTA with ASEAN. A statement was released to launch the RCEP negotiations at the ASEAN+6 summit in November 2012, unifying the movement towards founding an EAFTA and CEPEA in the RCEP. Negotiations did not begin until May 2013. It is argued that Japan's announcement (in March 2013) of its participation in TPP⁵ negotiations pushed RCEP members, especially non-TPP members such as China, to begin negotiations. It is interesting to note that the negotiations for the China–Japan–Korea FTA began in March 2013, and the Trans-Atlantic Trade and Investment Partnership (involving the US and European Union) began in July 2013, possibly triggered by the intensifying TPP negotiations. This kind of chain reaction or domino effect concerning FTAs has been described as 'competitive regionalism' (Solis, Stallings, and Katada, 2009).

The RCEP negotiations missed several targets for conclusion. The 24th round of negotiations finished in October 2018. Although momentum for reaching an agreement on the RCEP has been strengthened since the signing of the CPTPP agreement (a rival mega-FTA),⁶ contentious issues amongst the RCEP negotiating members have prevented them from reaching an agreement. One of the most contentious issues is the level of tariff elimination in the market access negotiations. Developed countries, such as Australia and Japan, demand high levels of tariff elimination exceeding 90–95% of overall tariff lines, while some developing countries, such as China and especially India, insist on much lower levels of tariff elimination. Another problem seems to be a lack of political will to establish the RCEP on the part of RCEP leaders.

⁵ We will discuss the evolution of the TPP in the next section.

⁶ CPTPP will be discussed in the next section.

From the Trans-Pacific Partnership to the Comprehensive and Progressive Trans-Pacific Partnership

As East Asian countries began actively discussing the possible formation of region-wide FTAs, some economies and countries belonging to the APEC began to discuss the formation of a region-wide FTA with a high level of trade liberalisation. At several APEC meetings in the 1990s, Australia, Chile, New Zealand, Singapore, and the United States (P5) held informal discussions to discuss mechanisms for creating a new type of trade agreement amongst 'like-minded' states.⁷ Of the P5 countries, Chile, Singapore, and New Zealand, which shared a very high enthusiasm for establishing a high-level FTA, launched negotiations at the APEC Leaders' Summit in 2002. Brunei Darussalam joined the negotiations in 2005.⁸ P4, consisting of Chile, Singapore, New Zealand, and Brunei Darussalam, was enacted in 2006. The formation of P4 was spurred by these countries' dissatisfaction about the slow progress on trade liberalisation in the APEC.

P4 is a comprehensive FTA covering a broad range of issues, including trade in goods and services, rules of origin, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, competition policy, intellectual property, government procurement, economic cooperation, and dispute settlement.⁹ P4 is a high-level FTA requiring members to eliminate tariffs on basically all products by 2015. The primary objective of P4 is the establishment of a business-friendly environment under which free trade and investment are achieved with fair competition and the effective protection and enforcement of intellectual property rights.¹⁰ Another important objective of the agreement is to support the APEC process towards the goals of free and open trade and investment. In other words, the founding members hoped that P4 would become a foundation for a larger trade agreement by accepting new members.

⁷ Elms and Lim (2012) provided detailed discussions on the origin and evolution of FTA discussions in the Asia-Pacific region.

⁸ New Zealand Ministry of Foreign Affairs <http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/Trans-Pacific/2-P4.php> (accessed 25 February 2019).

⁹ Trans-Pacific Strategic Economic Partnership Agreement. <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf> (accessed 25 February 2019).

¹⁰ Trans-Pacific Strategic Economic Partnership Agreement. <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf> (accessed 25 February 2019).

In March 2008, the P4 members began negotiations on trade in financial services and investment in order to broaden the agreement's issue coverage. Broadening the issue coverage to meet the demands and needs of businesses was one of the notable characteristics of P4, which is known as a living agreement. In September 2008, the US, which was interested in liberalising financial services and investment, announced that it was seeking to join the expanded P4 negotiations. Under the Obama administration, which began in January 2009, the US joined the expanded P4 negotiations in November 2009. Australia, Peru, and Viet Nam quickly joined the US in expressing their intention to join the negotiations. During this period, P4 became the TPP. The emergence of discussions on the formulation of region-wide FTAs in East Asia in the form of ASEAN+3 and ASEAN+6 sparked the US' interest in TPP (which encompasses countries on both sides of the Pacific) as it did not want to be kept out of East Asia.

Enlarged TPP negotiations began in March 2010 with eight countries: Brunei Darussalam, Chile, New Zealand, Singapore, Australia, Peru, the US, and Viet Nam. Four more countries joined after negotiations began: Malaysia (in October 2010), Canada and Mexico (in 2012), and Japan (in 2013). The fact that the number of negotiating countries increased during the negotiation process is quite unusual and reflects the importance of the TPP for many countries. The negotiations lasted for 5 years and 7 months before an agreement was reached in October 2015. The TPP negotiating members signed the TPP treaty in February 2016, and the ratification process began subsequently. This process stopped after Japan and New Zealand ratified the treaty, because the newly elected US President Donald Trump withdrew the US from the treaty in January 2017. US ratification was a necessary condition for the enactment of the treaty.¹¹

Now that the TPP was not going to enter into force, the remaining TPP members decided to pursue TPP11 without the US. The TPP11 trade ministers held a side meeting at the APEC trade ministers' meeting in May

¹¹ According to the agreement, the TPP enters into force if at least six TPP governments, accounting for 85% of the combined GDP of the 12 countries, have ratified the treaty. US ratification is necessary because the US accounts for 60.3% of the combined GDP.

2017 and agreed to revive the stalled agreement. Several reasons were identified for pursuing TPP11. First, TPP, with its high-level trade and FDI liberalisation and comprehensive issue coverage, could be a model FTA for future FTAs.¹² Second, enacting TPP11 could put pressure on other mega-regional FTAs, such as the RCEP, to maintain the momentum for forming FTAs and strengthen resistance against protectionism. Third, although very unlikely under the Trump administration, the US may come back to the TPP. For such an eventuality, TPP11 needs to be in force to receive the US. The negotiation of TPP11 reached an agreement rather quickly in January 2018, and the TPP11 treaty (or, formally, the CPTPP) was signed in March 2018. The ratification process began subsequently, and six members have ratified the treaty as of the time of writing (1 December 2018). The CPTPP has entered into force on 30 December 2018.¹³ Several countries, including Korea, Indonesia, Thailand, Colombia, and the United Kingdom, have expressed an interest in joining the CPTPP.

Complementarity of the Comprehensive and Progressive Trans-Pacific Partnership and Regional Comprehensive Economic Partnership as a Driver of Integration in Indo-East Asia and as a Global Model Towards Deepening Economic Linkages under Open Regionalism

Let us compare the CPTPP and RCEP in terms of the objectives, content, and quality of the agreements. The objectives of the CPTPP and RCEP appear quite similar.¹⁴ Both the CPTPP and RCEP aim to be high-quality and comprehensive trade agreements for promoting economic growth and development. Indeed, the issue coverage of both frameworks is broader than that of the WTO (Table 1). Despite the common objective of promoting economic growth and development, the CPTPP and RCEP

¹² The notable characteristics of the TPP will be discussed later.

¹³ According to the agreement, the CPTPP enters into force if at least six CPTPP members have ratified. As of 31 October 2018, Mexico, Japan, Singapore, New Zealand, Canada, and Australia have ratified the CPTPP treaty.

¹⁴ The text of the CPTPP is available at the following website. <https://www.mfat.govt.nz/assets/CPTPP/Comprehensive-and-Progressive-Agreement-for-Trans-Pacific-Partnership-CPTPP-English.pdf> (accessed 25 February 2019). The information on the RCEP is obtained from 'Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership' <https://asean.org/storage/2012/05/RCEP-Guiding-Principles-public-copy.pdf> (assessed 25 February 2019)

differ in terms of the emphasis on economic growth and development. One of the most important elements of the RCEP is achieving equitable economic development through economic cooperation. By contrast, the CPTPP does not put much emphasis on economic cooperation. It is only natural for the RCEP to emphasise economic cooperation as its members include low-income countries such as Cambodia, the Lao People's Democratic Republic, and Myanmar, whose successful economic development is important for sustainable economic growth and social stability in the region.

The issue coverage of the CPTPP and RCEP are different. As shown in Table 1, both the CPTPP and RCEP cover the following issues: market access for goods, rules of origin, customs cooperation and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, investment, trade in services, e-commerce, government procurement, competition policy, intellectual property, economic cooperation and capacity building, economic development, small and medium-sized enterprises, and dispute settlement. However, some issues are only covered by the CPTPP, not the RCEP. These are state-owned enterprises and designated monopolies, labour, environment, competitiveness and business facilitation, regulatory coherence, and transparency and anti-corruption. These issues are regarded as important for developed countries, such as Japan and Australia, to achieve a level playing field in competition and sustainable economic growth while protecting labour and the environment; however, they pose challenges for developing countries, especially those with strong government control of their economies. It should be noted that the CPTPP adopted 'cumulation' in the definition of rules of origin, which treats products produced in CPTPP countries as CPTPP products. Thus, they are traded tariff-free, facilitating the construction and management of regional production networks, or supply chains. The RCEP is likely to adopt a similar arrangement, contributing to the development and promotion of regional production networks.

A closer look at the CPTPP and RCEP reveals that content that may appear similar can be quite different in terms of quality or level of commitment. One area where differences in the level of commitment can be clearly seen is the level of trade liberalisation, or market access

in goods trade. The CPTPP is seeking the complete elimination of tariffs, or 100% trade liberalisation although, in reality, trade liberalisation rates (the proportion of the number of tariff lines subject to tariff elimination in the total number of tariff lines) for some members are lower than 100% because of political sensitivities concerning some products (such as rice for Japan) (Table 2).

In contrast, the trade liberalisation rate for the RCEP is likely to be substantially lower than that of the CPTPP. Some observers predict 80%–90% trade liberalisation, in light of the trade liberalisation achieved by the five ASEAN+1 FTAs. ASEAN countries achieved nearly 90% trade liberalisation in each of the ASEAN+1 FTAs, while only 73.1% of tariff lines were commonly eliminated vis-à-vis their ASEAN+1 FTA partners (Fukunaga and Kuno, 2012). Since common tariff concessions are adopted in RCEP negotiations, even achieving 80% trade liberalisation will require significant efforts on the part of ASEAN members. Furthermore, India has the lowest trade liberalisation rate (78.8%) in its FTA with ASEAN, indicating that it will be very difficult to achieve 80% or 90% trade liberalisation. As India is very much concerned with the possible increase of imports from China, it is unlikely to achieve the rate achieved in its FTA with ASEAN (78.8%). Non-ASEAN RCEP members must also make enormous efforts to achieve 90% trade liberalisation, except for Australia and New Zealand, which have achieved 100% trade liberalisation in their FTA with ASEAN.

Another major difference between the CPTPP and RCEP is their treatment of low-income countries. The ASEAN+6 trade ministers agreed to provide special and differential treatment to the low-income ASEAN member states in the RCEP. Considering the substantial differences in levels of economic development amongst the RCEP negotiating members, this special and differential treatment is understandable and consistent with the arrangements adopted in the ASEAN+1 FTAs. Specific examples of this treatment include the postponement of trade liberalisation by new ASEAN members in the ASEAN–China FTA. The CPTPP does not provide special or differential treatment to its least-developed members in terms of the content of the agreement.

It should also be noted that the modes of agreement are likely to differ between the CPTPP and RCEP. Despite the CPTPP's comprehensive content, its members should accept all of its contents and components from the outset in the form of a 'single undertaking', albeit with some flexibility as indicated in the side letters and the lengthy transitional periods in a few cases. Unlike the CPTPP, the RCEP may adopt a gradual and sequential approach where different components are negotiated and implemented under different time schedules, depending on the difficulty in reaching an agreement.

Finally, having discussed several differences between the CPTPP and RCEP, one may wonder if the relationship between these two mega-regional FTAs would be competing/substitutable or complementary as a region-wide mega-FTA. They tended to be considered competing when the US was a member of the TPP due to the rivalry relationship between the US in the TPP and China in the RCEP. However, a view emphasising a complementary relationship seems to be growing. For example, Urata (2014) presents a stages approach to East Asian regionalism, in which East Asian countries that cannot accept high-standard, comprehensive rules should first join the RCEP (first stage) and achieve economic development. These countries should join the CPTPP (second stage) once they have grown successfully and are able to accept these rules. In this way, the CPTPP and RCEP can be considered to be in a complementary relationship.

III. Towards an Integrated and Connected Indo-East Asia: 'Connecting the Connectivities'

East Asia is not only the centre of mega-regional integration initiatives like CPTPP and RCEP but also the centre of pan-regional connectivity initiatives. Indeed, the challenge is how to ensure greater synergy amongst the connectivity initiatives in the region, i.e. 'connecting the connectivities'. The importance of 'connecting the connectivities' is not limited to converging different connectivity plans in Asia, between Asia and Africa, and Asia and Europe. A roadmap for developing synergy amongst the Masterplan on ASEAN Connectivity (MPAC), Belt and Road Initiative (BRI), Asia Africa Growth Corridor (AAGC), and Asia–Europe Meeting (ASEM) can be only formed through a broad commitment

by these connectivity plans to put people and their prosperity at core, employ good governance and accountability as drivers, and work towards the goals of sustainable development and global governance. When connectivity plans converge with regional, national, and global development priorities, synergies amongst plans will appear naturally.

'Connectivity' has always existed. People have communicated and interacted across boundaries, for business, government purposes, and social activities from time immemorial. However, the conceptualisation of 'connectivity' is recent. The contemporary use of connectivity is mainly in the digital and communication domain. It is also used figuratively to cover economic linkages, as an understanding amongst economies.

Masterplan on Association of Southeast Asian Nations Connectivity

ASEAN is credited with popularising the term 'connectivity' leading to its MPAC, which was adopted in Ha Noi in 2011. Significantly, it is subtitled 'One Vision, One Identity, One Community'. 'Connectivity', like 'open regionalism', 'comprehensive and co-operative security', and even 'Asia Pacific', has become a concept with a substantial Asian origin.

The ASEAN approach to connectivity uses the context of community building and, specifically, the objective of 'a well-connected ASEAN that will contribute towards a more competitive and resilient ASEAN, as it will bring peoples, goods, services and capital closer together' (ASEAN, 2011). The MPAC contemplates physical, institutional, and people-to-people components. The MPAC 2025 broadens this vision to 'achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community.' Although the vision continues to operate under the three pillars listed above, the emphasis of its actions has greater economic and institutional connotations than the those of the MPAC 2010. These actions are as follows: (i) sustainable infrastructure, (ii) digital innovation, (iii) seamless logistics, (iv) regulatory excellence, and (v) people mobility.

The MPAC 2025's acknowledged goal is that of a seamlessly connected ASEAN. This may be more ambitious than the ASEAN Vision 2025, but may be a desirable goal for ASEAN Vision 2040. The previous emphasis on movement of goods and services, mobility of skilled labour, and energy and rail connectivity is supplemented by the emerging trends that will influence the ASEAN connectivity agenda. These trends include the following: (i) a doubling of the number of ASEAN households that are part of the 'consuming class' over the next 15 years; (ii) the challenge of improving productivity to sustain economic progress as growth in the size of the workforce starts to slow; (iii) the movement of 90 million more people to cities within ASEAN by 2030; (iv) the need for infrastructure spending to more than double from historical levels; (v) the challenge of equipping the world's third-largest labour force with the skills needed to support growth and inclusiveness; (vi) the emergence of disruptive technologies; (vii) the opportunity to transform natural resource efficiency in the region; and (viii) the imperative to understand the implications for ASEAN as the world shifts towards a multi-polar global power structure. The MPAC 2025 is therefore clearly consistent with the objectives of the ASEAN Economic Community, and shares in the objective of a socio-cultural community.

The ASEAN notions of connectedness and community building can be subdivided in various ways, and applied to economic integration in East Asia, which is a larger geographical and human base than ASEAN alone. Despite some differences, these features are also compatible with European and African thinking and, can therefore be utilised effectively in pan-Asia, Asia–Africa, and Asia–Europe connectivity. However, in a global milieu, these connectivity plans have broader developmental objectives and should operate within national development policies.

A belief in convergence or 'connecting the connectivity plans' is based on the notion that all connectivity plans have similar objectives. The contours of the MPAC as described above, and of the AAGC and BRI as explained below will show that this is not always the case. There are inherent differences in each of these plans, given their origins, partnerships, resources, and the political and economic priorities of the promoters. It is only by putting the strength of different connectivity plans behind globally agreed development goals, and achieving consensus on global

governance mechanisms that it will be possible to create commonality of purpose and create synergies amongst the different connectivity plans and connectivity platforms.

The Asia–Africa Growth Corridor

Asia–Africa relations are both historical in terms of their common past, and contemporary in terms of their aspirations. They share past struggles, present efforts, and prospects for bright future with enormous where prospects for cooperation and growth. This bond is also apparent from their coming together on many occasions: bilaterally, sub-regionally, as global forces, and as the ‘one voice’ of the developing world on issues touching human concerns of every kind. The Indian Ocean is the natural link between the two regions, enabling trade and connectivity from time immemorial.

The Asian economy, especially that of East Asia, has demonstrated resilience and provided a robust drive for the global economy, and it continues to provide the tailwinds thereof. Africa, on the other hand is on the path to growth. Its young demography and economy require integration and expansion into the global value chains of production that exist in Asia. The two regions account for 70% of the global population and 37% of global GDP. Conjoined by the Indian Ocean, the two regions provide a renewed opportunity for partnership for sustainable development. As developing regions, both continents are committed to promoting strong, balanced, sustainable, and inclusive growth, at both national and international levels.

The vision document of the Asia Africa Growth Corridor (AAGC) titled the ‘Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development’ was presented at the Africa Development Bank Annual Meeting on 25 May 2017 in Ahmedabad, India. The AAGC foresees Africa’s integration with Asia, in which South Asia, West Asia, Southeast Asia, East Asia, and Oceania play an important part. The AAGC proposes four major pillars of connectivity and cooperation to bring peoples, goods, services, capital, and institutions closer together to realise the objective of an Asia–Africa partnership for sustainable and innovative

development. These pillars are: (i) development and cooperation projects, (ii) quality infrastructure and institutional connectivity, (iii) enhanced capacities and skills, and (iv) people-to-people partnership.

These will facilitate and enhance economic growth by linking economies in Asia and Africa through the development of institutional and human capacity, connecting institutions and people, building capacities for planning and executing projects, facilitating trade, developing human resources, and improving technology and infrastructure (ports, airports, industrial parks, telecommunications, and information technology) of the two continents. The AAGC emphasises capacity building and expanding the manufacturing base and trade between Africa and Asia. The aim is to transform the region into a growth corridor to embed development processes and value chains in Africa and Asia. It will enable the connected economies to integrate further and collectively emerge as a globally competitive economic region. The AAGC remains specially aligned with Agenda 2030, which provides green projects with priority funding and implementation.

The Asia–Africa Growth Corridor (AAGC) has a twofold purpose: (i) to bring the development experience of East, Southeast, and South Asia closer to Africa and make a case for greater economic connectivity and cooperation for development between the two mega regions; and (ii) to present a development paradigm in which trilateral, multilateral, and global initiatives contribute to enhance prosperity, and the freedom to pursue development plans suitable for, and in sync, with the development priorities of countries in Africa, Asia, and the Asia-Pacific region. The AAGC, therefore, is not merely a plan for development and cooperation between Asia and Africa, but also encourages freedom of movement of people, goods, services, and capital in a geographical spread between the western edges of Africa to the eastern edges of Asia and Oceania. The AAGC is the first such attempt to prepare a growth plan that connects two continents, by which the development strengths of Asia can be shared and dovetailed with the development priorities of the countries and regions of Africa. The AAGC prioritises the prosperity of the people of Africa and Asia, and their development goals in all plans and projects under its aegis.

The Belt and Road Initiative

The BRI proposed by China aims to promote connectivity amongst the Asian, European, and African continents and their adjacent seas. It also aims to establish and strengthen partnerships amongst the countries along the 'Belt and Road'; set up all-dimensional, multi-tiered connectivity networks; and realise diversified, independent, balanced, and sustainable development in these countries (National Development and Reform Commission, 2015). The framework covers the area of the ancient Silk Road but it is open to all countries.

The initiative has two components: (i) the land-based 'Silk Road Economic Belt', and (ii) the Maritime Silk Road. Per reports, the initiative will focus on jointly building a new Eurasian land bridge and developing China–Mongolia–Russia, China–Central Asia–West Asia, and China–Indochina Peninsula economic corridors. To do so, it will take advantage of international transport routes, rely on core cities along the Belt and Road, and use key economic industrial parks as cooperation platforms. Many of China's bilateral infrastructure projects in Asia, Europe, Africa, the Indian Ocean Islands, and the Pacific Islands have been brought within the BRI. Due to its high visibility in the international connectivity narrative, project implementation under BRI has invited greater scrutiny in both the project hosting country as well as the international community. The issues of project preparation, debt and equity, and sustainability are especially under focus. China's insistence that every project be within a partnership in which both parties benefit is similar to the position of several established development banks. Importantly, BRI has brought the global focus on project prioritisation, costing, and sustainability of connectivity plans, especially in those countries where development projects must match the developmental priorities.

The Belt and Road vision extends well beyond investment in economic infrastructure. The Action Plan on BRI published in March 2015 sets out five dimensions of connectivity: (i) policy coordination; (ii) high-quality transport, communications, and energy networks to facilitate international commerce; (iii) reducing the cost and risks of trade and other international economic transactions along supply chains; (iv) financial integration; and (v) people-to-people bonds.

The BRI is backed by strong financial resources commitments from China. China has launched a \$40 billion Silk Road Fund, which will directly support the initiative. Additional financial resources for the initiative will be provided by the Asian Infrastructure Investment Bank, which was primarily set up to address the infrastructure funding gap in Asia (estimated by the Asian Development Bank to amount to \$8 trillion between 2010 and 2020).

The scope of the BRI is unprecedented. It aims to link many of the economies of Asia and Europe and reach out to others. Trillions of dollars will need to be invested over a period of several decades. In linking many diverse economies, it will be necessary to deal with many risks and uncertainties. Although it is not possible to anticipate all problems that will arise, they can be overcome by governments that are committed to development and can cooperate flexibly to achieve a shared vision. If the BRI is implemented efficiently, many economies can become deeply integrated and successfully engage in global value chains. The Government of China has earmarked up to \$1 trillion for investments. Decision making on infrastructure projects is based on bilateral agreements with other governments. Many early investments are already underway, and focus on building on and improving existing infrastructure.

The Action Plan on BRI notes that investments in physical connectivity should be backed up by policy development and capacity building to make international commerce amongst Belt and Road economies cheaper, easier, and faster, and should include cooperation to strengthen institutional and people-to-people linkages.

Following early investments in new or existing transport, communications, and energy networks, the BRI is looking for sustainable cooperation amongst diverse group of countries where political leaders and officials, both in China and in partner countries, are able to (i) create bilateral projects based on mutual benefit and mutual trust, (ii) agree on investments that are sustainable and achieve the stated objectives, (iii) effectively manage risks through transparency and responsible governance, (iv) converge the infrastructure projects and associated

capacities with the development priorities of the partner countries, and (v) invest in sustainable infrastructure.

The early phase of the BRI has focused on investment in the hard infrastructure of transport, communications, and energy networks. The developmental and fiscal results in some of the countries hosting BRI projects has brought the BRI under immense global scrutiny, especially on its policy-coordination role with the host country. The BRI needs to transform from an infrastructure programme to a connectivity programme by embracing the multidimensional aspects of connectivity.

The BRI process links participants that differ greatly in terms of the size of their populations and economies, forms of governance, institutional development, and productivity. Several decades of experience of economic cooperation indicate that successful and sustained cooperation amongst such a diverse group should be voluntary and based on principles of openness, transparency, mutual benefit, mutual trust, mutual respect, and careful evolution. The challenge for BRI in the coming years is to put these sound guiding principles into practice, and to take BRI projects where they are needed.

Asia–Europe Meeting Connectivity

ASEM connectivity differs from the infrastructure connotations of the BRI, the developmental and capacity-building contours of the AAGC, and the key role of the MPAC as a driver of the ASEAN Community. ASEM is a multilateral platform of 51 countries in Asia and Europe with both formal and informal institutions that administer its mandate. However, connectivity is the most visible face of this group, as it runs across all three pillars: political, economic, and socio-cultural. Over the past 22 years, ASEM, which represents a sizeable part of the global community, has witnessed tremendous change in regional and global relations. Since its inception in 1996, it has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is uniquely placed for fostering interregional relations. In the past 22 years, ASEM process has proved its vitality and relevance through a steady increase in membership and enhanced cooperation between Asia and Europe for the benefit of

their peoples. As the main multilateral platform linking Asia and Europe, ASEM carries significant global weight. Representing 62% of the global population, ASEM is becoming increasingly aware that its combined strength and connectivity has a benign influence over regional and global development processes and that it can be a major voice in global affairs.

ASEM is a collective effort to foster greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. At the 10th ASEM Summit in 2014 in Italy, the Chairs' Statement noted: 'Leaders underscored the significance of connectivity between the two regions to economic prosperity and sustainable development'.¹⁵ The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands and the need for connectivity, and to this end established the ASEM Pathfinders Group on Connectivity. At the group meeting in Nay Pyi Taw in 2017 it was established that:

'Connectivity is about bringing countries, people, and societies closer together. It facilitates access and is a means to foster deeper economic and people-to-people ties. It encompasses the hard and soft aspects, including the physical and institutional social-cultural linkages that are the fundamental supportive means to enhance the economic, political-security, and socio-cultural ties between Asia and Europe, which also contribute to the narrowing of the varying levels of development and capacities.'¹⁶

ASEM connectivity should also contribute to the materialisation of the principles, goals, and targets of the 2030 Agenda for Sustainable Development. Sustainability is an important quality benchmark for connectivity initiatives in the ASEM context.

As new needs and avenues of engagement have emerged, the ASEM has evaluated its role in, and impact on, deepening integration between the two continents. A collective effort to address the demands of greater

¹⁵ Chairs' Statement, 10th ASEM Summit, Rome, 2014.

¹⁶ <https://www.consilium.europa.eu/media/31705/annex-i.pdf>

connectivity between the geographies, economies, and people of the two regions has led ASEM to agree to work towards five focus areas for 'Tangible Areas of Cooperation in the Field of Connectivity' to bring necessary focus and spur interest amongst ASEM members' activities for enhanced cooperation in the field of connectivity. These focus areas are (i) sustainable connectivity, (ii) future connectivity, (iii) trade and investment connectivity, (iv) people-to-people connectivity, and (v) security challenges linked to connectivity.

It is commonly understood that improved connectivity and increased cooperation between Europe and Asia require plans that are both sustainable and able to be upscaled. A sustainable vision of ASEM connectivity is embedded in the freer movement of people, trade, investment, energy, information, knowledge and ideas, and greater institutional linkages.

ASEM connectivity is now working to draw synergies from global sustainable development programmes that share common goals and objectives with ASEM. Global development programmes that are relevant to the people of Asia and Europe (and indeed to the entire global community), and can be addressed under the ASEM connectivity mechanisms include the 2030 Agenda for Sustainable Development, the Sendai Framework for Disaster Risk Reduction, the Paris Agreement, the Istanbul and Vienna Programme of Action, and the Samoa Pathway

ASEM connectivity is based on the spirit of multilateralism and global governance as these can help achieve common goals of development for all. Asia–Europe connectivity is reinforced and strengthened by effective multilateralism and rules-based international order. In turn, ASEM's strength can reinforce the mandate and working of multilateral institutions and governance mechanisms for trade, financial stability, and economic growth.

Convergence of Connectivity Plans—Finding the Necessary Rationale and Binding Spirit

The apparent commonality of objectives in connectivity plans and mechanisms is deceptive because the principal agents in each plan choose different pathways towards apparently common goals. Therefore, the results differ amongst various connectivity plans. Finding a common link amongst all connectivity activities is difficult but not impossible.

Revisiting the objectives of connectivity—connecting people, increasing trade and economic cooperation, improving prosperity with sustainable development, and leaving no one behind—allows us to agree that governments across the globe recognise connectivity’s growing importance. The global development programmes and impetus for multilateralism is the way to create greater interlinkages between connectivity plans through governments, and regional and multilateral institutions. The spirit of inclusive development, transparency in governance, commitment to multilateralism, and a rules-based society are some of the guiding principles that can create common linkages between different understandings of connectivity, and different connectivity plans. Just as initial uncertainty about how the World Bank would relate to the various regional development banks was removed by familiarity with its working over the years, so the various connectivity initiatives can create a seamless whole; there may not be need for any overriding governance mechanism.

In the 21st century, all connectivity plans have Asia at its core. This is not a coincidence. Asia, particularly East Asia, has been a model of trade and economic cooperation, and much of this region’s prosperity is due to its hard and soft connectivity efforts. Asia has also put people at the centre of connectivity. Based on these two pillars, it is axiomatic that the connectivity plans can converge when they cater to the aspirations and needs of people, and that they create programmes and projects based on equal partnership, mutual trust, and cooperation. Good governance, transparency, and accountability to people will be the common link amongst the connectivity plans. When connectivity plans act as growth and trust multipliers, they are effortlessly connected.

IV East Asia and ASEAN, Open Regionalism and Multilateralism

The widening geographic spread of integration and connectivity necessitates the strengthening of the multilateral regime. Can the multilateral system be reformed in tandem with widening regional integration and pan-regional connectivity? What are the complementarities of open regionalism, pan-regional connectivity, and reframing the multilateral trade regime?

It seems unlikely that there will be another ‘round’ of trade negotiations of the kind that existed in the Uruguay Round or the earlier Tokyo or other ‘rounds’. The disappointing outcome of the Doha Round discourages thoughts of repetition.

The successful rounds occurred in an era when there were a few principal world traders and their interests were not widely different from those of other traders. Thus, the round could proceed by seeking compromises amongst the few (especially the US, European Union, and Japan joined by others for specific issues, such as Iceland for fish and New Zealand for agriculture), subject only to modification by the wider membership. There are now too many significant members and they perceive their interests very differently; as a result, the consensus method of decision-making is very slow.

Despite the current disenchantment of the US, the multilateral system remains important. The disputes resolution system is widely appreciated, again despite the current belief of the US that the system is prejudiced against American interests. The way in which the CPTPP evolved from the TPP may well have to be used again to ensure that WTO members who value it as an institution for resolving disputes can continue to use it despite the absence of the US. This may also be necessary to preserve the fundamental characteristics of the WTO that its members, with few exceptions, accept the ‘most favoured nation’ rule, that all members are treated equally, and that tariffs are restricted by their ‘bound’ levels and not available as weapons in bilateral disputes.

However, the WTO cannot be fossilised. The nature of economic integration continues to change, and the rules for multilateral trade must change accordingly. Nobody doubts that a 'rules-based' system is desirable; the debate is always about what the rules are or should be, and international rules can be developed only by negotiation and agreement.

In the absence of traditional 'rounds', rules are most likely to be developed in plurilateral and multilateral groupings, whether regional or sectoral. The force of plurilateral agreements is not only in the degree to which they liberalise trade and investment flows amongst members, but also in the way they can serve as experiments with provisions that might eventually become part of the international rules managed by the WTO. In this regard, CPTPP will undoubtedly be modified over time, including in areas where the desired international rules are contested – Intellectual Property Rights, rules of origin, rules about the nature and operations of SOEs and various other aspects of international regulatory management. In some of these areas RCEP may prove to be a more useful venue for experimentation than CPTPP. Some sectoral agreements include a provision that they become 'most favoured nation' as soon as their membership reaches some prescribed minimum, usually expressed as a percentage of world trade in the relevant area. That provision is unlikely to be appropriate for regional agreements, and the relevant process is much more likely to be one of trial, evaluation, and successful innovations being copied elsewhere.

There are a number of ways in which ASEAN can exercise leadership in maintaining and developing the multilateral system. ASEAN and East Asia have practised 'open regionalism', meaning essentially that the regional arrangement should facilitate integration amongst its members without increasing barriers to interaction with non-members. It also implies that membership of the agreement should be open to those who are prepared to accept its provisions. Currently, in the RCEP and CPTPP, as in other regional arrangements, accession is hardly 'open'—the accessions clause is interpreted to mean that a new member must negotiate the approval of all existing members.

Any applicant for membership of an established organisation will likely need to consider how some aspects of its economy or legal system relate to the terms of the existing agreement. Even if in principle, the applicant is willing to accept the commitments adopted by existing members, further consideration is likely to be involved. However, 'open regionalism' should restrict the ability of existing members to impose unnecessarily onerous conditions on the applicant, or otherwise to use the accession process as an opportunity to resolve unrelated differences. A suitable accessions clause might require the employment of a non-political agency to determine how the applicant can be treated in a manner most similar to that of the existing member closest to the applicant in terms of level of development. The application process would be a technical rather than a political process.

ASEAN should show leadership as other international rules continue to evolve. One currently controversial issue is the question of how state-owned enterprises (SOEs) should be treated in international commerce. The basic intent is to ensure that transactions across boundaries reflect commercial considerations rather than political motives. However, the organisational form of SOE varies too much between economies for this to be a strong foundation. Some SOEs may be government agents, while others are commercial activities that happen to have collective ownership. Governments may influence privately-owned firms as well as SOEs, and there may be no clear difference between an SOE and a private corporation that relies heavily on government-funded research and development. Creating a direct means to monitor and constrain government intervention in commercial decisions would be a useful way to develop international rules.

There is also a clear need to clarify international rules around intellectual property. In many respects it is appropriate to deal not with undifferentiated intellectual property but separately with copyright, patents, trademarks, and trade secrets since they vary in economic effects and their intent may differ. Nonetheless, they share the common feature that they are intended as mechanisms to balance rewards to innovators with the desire to make knowledge available to all, especially potential further innovators. They do not share the feature of perpetual and exclusive control characteristic of 'property' in general. International

rules around intellectual property should reflect this much more than they do at present. Finding a way forward would incidentally remove some of the conflict between developed and developing countries that is currently present in international trade negotiations. The ASEAN-centred agreements could pioneer provisions with international appeal.

Many other issues in relation to cross-border investment and services have become much more important in the modern international economy. At what point does a deal involving technology transfer and market access become coercive? Can the participation of services in international commerce be conceptualised as issues in regulatory management rather than analogous to tariffs on goods? Again, international rules need to be developed and shown to be effective. ASEAN can contribute to the multilateral system by leading in the development of appropriate rules.

V. Summary and Conclusions

The countries of Southeast Asia have a long history of co-existing beside much larger countries while preserving their own cultures. As members of ASEAN they have extended that into quiet, undemonstrative, but effective insistence on managing their own destiny, while collaborating with others including the Great Powers but remaining subservient to none.

ASEAN Vision 2040 envisages the maintenance and development of this tradition. The ASEAN Community, with its economic, political and security, and social and cultural pillars remains at the core. Through its institutions, principally the EAS and RCEP, ASEAN will engage with its partners to continue to use economic integration as a vehicle for promoting a community that is prosperous in all respects. It will also ensure that it remains abreast of evolving technology and social trends.

In particular, it will demonstrate inclusive growth. The ASEAN Community will remain characterised by cooperation focused on capacity-building, that is, assisting less developed members to come abreast of advanced members, will remain experimental, and will engage in learning-by-doing

as its members seek to ensure 'no one left behind'. It will draw on the history of the 'Asian miracle', which demonstrated that government's role may vary in successful economies and communities but will share a common characteristic of emphasising the facilitation of adaptation to change rather than protection of existing activities. From now to 2040, ASEAN members will develop their social safety nets, but even more they will focus on creating institutions and incentives to build opportunities to gain skills and capabilities which open access to emerging technologies. The experience of ASEAN members will be transmitted to regional partners through institutions like the RCEP.

ASEAN-centred regional organisations will contribute to regional growth and hence to global growth. The RCEP and CPTPP will counter any extension of the backlash against globalisation being experienced in Europe and North America by showing that it is possible to reconcile 'policy space' for social policy and communities with efficient business operation across national borders. This could include showing the value of thinking in terms of 'trade in value added' rather than traditional accounts, and relating efficiency to international production networks rather than single-economy export goods.

ASEAN will contribute to the development of the international community by joining with like-minded partners to develop and demonstrate successful rules for international commerce.

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