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Heyday of Asian Regionalism? The Implications of the Regional Comprehensive Economic Partnership for the United States

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Abstract: *This paper analyses the implications of the entry into force of the Regional Comprehensive Economic Partnership (RCEP) for the United States (US). Traditionally, trade policy has been central to the United States' aim to position itself as a Pacific power and architect of the evolving regional economic architecture. Over the years, however, US trade strategy has evolved in distinct ways: from an emphasis on bilateral trade negotiations and open regionalism (in the Asia-Pacific Economic Cooperation [APEC] forum) to the pursuit of a high-standard transregional trade agreement (in the Trans-Pacific Partnership [TPP]); and more recently under the Trump administration the pursuit of unilateralism and the resort to tariffs as a form of leverage vis-à-vis competitors (China) and partners (allies in Europe and Asia) alike. When the RCEP negotiations launched, there was little concern in US policymaking circles that the emerging trade grouping in Asia could be disadvantageous for the US given that the TPP project was an effective vehicle to advance the US vision for quality economic integration and to cement its position in the dynamic Asian region. However, the US withdrawal from the TPP and the successful conclusion of the RCEP talks (even with the absence of India) have changed that calculus. This paper identifies three main implications of RCEP for the United States at this juncture: growing marginalisation from intra-Asian trade, diminished rulemaking capabilities as alternative standards disseminate widely in the region, and lessened diplomatic clout as the United States struggles to incorporate trade liberalisation into its Asia policy. A fourth possible consequence – a renewed interest in joining the Comprehensive and Progressive for Trans-Pacific Partnership – has not materialised. Instead, the Biden administration is developing an Indo-Pacific Economic Framework that will not include market access negotiations but will focus instead on issues such as supply chain resilience, infrastructure, and the digital economy. The ability of the United States to offer a compelling plan of economic engagement with the region is in question, raising the spectre of marginalisation whilst Asian regionalism makes strides.*

Keywords: Trade policy; Asian regionalism; RCEP; TPP

JEL classification: F1; F5

1. Introduction

The United States (US) has long defined itself as a Pacific power with a strong set of economic and security ties to Asia. The US has played a major role in the region's evolution in its role as security guarantor of allies, champion of freedom of navigation and rule of law, and founder of Bretton Woods institutions (World Trade Organization, International Monetary Fund, World Bank) that enabled Asia's outward economic growth model. Traditionally, the United States has frowned upon Asian-only regional integration initiatives worried that they would result in 'lines drawn across the Pacific' and diminish the US presence. The rise of China – with its growing economic pull regionally and globally – and the deterioration of bilateral relations with the onset of strategic competition has intensified US concerns with marginalisation from the Asian economic architecture.

Trade diplomacy has been front and centre to US efforts to remain vitally connected to Asian markets and shape the terms of economic integration. With the stagnation of the multilateral trading system and the boom of preferential trade negotiations, US policymakers increasingly relied on free trade agreements to open new markets and devise new rules on trade and investment activities. The Trans-Pacific Partnership (TPP) negotiations marked an ambitious undertaking for the United States to lead a group of nations representing close to 40% of the world gross domestic product (GDP) in an effort to slash tariffs across the board and codify new disciplines tackling new forms of protectionism and addressing frontier issues such as the digital economy. The TPP project also had a foreign policy component since one important objective was to reassure allies and partners of the US's staying power in the region and to shape the economic rulebook at a time of a power shift in Asia.

Whilst TPP negotiations were unfolding amongst the 12 members, another large trade negotiation was launched in late 2012: the Regional Comprehensive Economic Partnership (RCEP) comprising 16 nations. At that time, concerns that RCEP could displace the United States from the regional integration process were low given that the Obama administration was fully engaged in forging a mega trade deal with a high-quality free trade agreement (FTA) template in the TPP. In contrast, the RCEP negotiations were expected to move slowly and to produce more modest liberalisation outcomes.

Realities in the ground have since shifted in dramatic ways. Reflecting a profound change in the domestic politics of trade policy, the Trump administration withdrew the United States from the TPP. Against difficult odds, the remaining 11 nations relaunched a new Comprehensive and Progressive TPP (CPTPP). Whilst the CPTPP has largely maintained the trade and investment disciplines the US champions, its reconstitution also underscores the ability of other countries to pool efforts in the absence of the United States. The US departure meant that when the RCEP talks finally concluded (*without* India), they gave birth to the world's largest preferential trade agreement. Both the CPTPP and RCEP have acquired new economic and geopolitical significance given the intensification of great power competition and protectionist pressures.

For the United States the risk of marginalisation from the Asia-Pacific regional architecture now looms larger than ever. It is not party to the two mega trade agreements, trade promotion authority has expired, and the Biden administration has not signalled that a worker-centred trade policy will include ambitious trade liberalisation (other than perhaps in the digital economy domain) any time soon. It is in this domestic political environment and geopolitical context that this paper explores the implications of RCEP for the United States' positioning in the regional economic architecture. The paper will touch on the evolution of US trade policy in the region (the TPP interlude and post-TPP developments), will zoom on the expected impact of RCEP for members and non-members (in terms of gains from trade and rule setting), and will discuss possible pathways for the United States to recoup lost ground.

2. From TPP to 'America First': Dashed Hopes for United States Trade Leadership in Asia

2.1. Engaging with Asia on Trade

Asia's economic dynamism, the network of security alliances essential to the US's forward presence in the region, and more recently, the growing concerns over a more powerful and assertive China have elevated the region to the top of the US national security strategy. A long-standing concern for the United States has been to avoid exclusion from Asian regionalism and to play a proactive role in shaping the terms of deeper economic integration. In pursuit of this goal, US trade diplomacy has adopted different approaches over time, from open regionalism with the establishment of the Asia-Pacific Economic Cooperation (APEC) forum in 1989, to the pursuit of bilateral trade agreements in a process of 'competitive liberalisation,' and the high-stakes negotiation of a mega trade agreement in the TPP.

The decision by the outgoing Bush administration to seek entry into a small trade agreement (the P4, consisting of Brunei Darussalam, Singapore, Chile, and New Zealand) would have major implications for the course of US Asia policy and the outlook for regional integration. The new direction in US trade policy derived from the desire to overcome some of the limitation of open regionalism and bilateralism. After a promising beginning, APEC faced its first major crisis in the 1998 Early Voluntary Sectoral Liberalisation (EVSL) spat which reflected important disagreements as to whether the body would become a trade negotiation or a coordination forum (Ravenhill, 2008). Doubting that meaningful trade outcomes could be achieved, the United States became less engaged in the APEC process. But US trade bilateralism also had shortcomings. Whilst trade deals were struck with Singapore, Australia, and the Republic of Korea; each negotiation was time consuming and required significant amounts of political capital to obtain Congressional ratification. The US–Republic of Korea free trade agreement (KORUS), in particular, faced political headwinds requiring a renegotiation which delayed entry into force by 5 years. Moreover, trade negotiations with developing Southeast Asian nations made little progress given the lack of appetite for the demanding World Trade Organization (WTO) plus commitments that the US insisted on for its ‘gold standard’ FTA template. Bilateral talks with Malaysia and Thailand were eventually abandoned (Solís, 2012).

At a time when the US bilateral trade strategy appeared insufficient, Asia-only integration initiatives were gaining traction. Concerns over an emerging noodle bowl of trade deals in the region increased the appetite for region-wide trade initiatives that could prevent the fragmentation of trade governance. China and Japan developed regional blueprints anchored on institutions predicated on the principle of Association of Southeast Asian Nations (ASEAN) centrality (ASEAN +3 [ASEAN plus China, Japan, Republic of Korea] and the East Asia Summit). Whilst China endorsed an ASEAN+3 grouping, Japan advocated a broader membership with the ASEAN+6 formulation (with the addition of Australia, New Zealand, and India) (Solís and Wilson, 2017). Neither of the initiatives championed by the Asian giants contemplated a role for the United States. Concerned with these developments, in 2006 the US government endorsed the Free Trade Area for the Asia-Pacific (FTAAP), whose realisation nevertheless appeared a distant possibility. Sceptics noted the obstacles of reconciling the wide preferences of APEC members and the political difficulties in the United States of a negotiation that incorporated China, given concerns over the large trade deficit (Aggarwal, 2010).

In the renamed Trans-Pacific Partnership, the United States found a more effective platform to advance its trade leadership ambitions. Because the P4 countries embraced an ambitious agenda for trade liberalisation (eschewing sectoral exclusions) and the adoption of WTO+ rules, there was more affinity with the US vision. The bet, however, was that US participation would encourage other countries to join, making the TPP a far more consequential trade agreement. This dynamic played out with the TPP eventually comprising 12 members (Japan was the last entrant in 2013) representing around 40% of world GDP. The TPP’s significance rested not only on its economic heft but its intended geopolitical clout. The trade agreement was a pillar of the Obama administration’s pivot to Asia, with the stated goal of reassuring partners and competitors alike of the staying power of the United States.

In closing the TPP negotiations in 2015, negotiators struck a comprehensive and ambitious agreement eliminating 99% of tariffs and incorporating a rulebook that covered frontier issues such as the digital economy and disciplines on state-owned enterprises (SOEs). But just as the United States had been the key engine to the TPP talks, it became its Achilles heel. Years of disinvestment in a social safety net capable of facilitating labour adjustment to economic change, ever more fractious trade politics in the American Congress, and the implausibility of passing a mammoth trade agreement in the year of a heated Presidential campaign doomed the American chances in the TPP. President Obama's last ditch attempt to shore up support for the TPP by highlighting its strategic rationale – the ability of the US, not China, to write the rules of the game – did not move the needle in the political battle to rescue the trade agreement.

The TPP project proved resilient to America's inward turn. After a period of uncertainty, the remaining eleven members – with Japan as the largest remaining economy playing a critical stewardship role – rescued the agreement and renamed it the Comprehensive and Progressive TPP (CPTPP). The 11 members agreed to retain the ambitious tariff slashing schedules and suspended twenty-two narrowly-defined provisions (mostly in the intellectual property chapter and regarding the scope of the investor-state dispute settlement system). In ambition and depth, the CPTPP stayed true to its original design, but it also sent a powerful message to the United States: the ability of members to move forward without US participation.

2.2. 'America First' Trade Policy

The arrival of Donald Trump to the presidency marked a profound shift in US trade policy. Not least because one of his first acts in office was to make good on his campaign promise to withdraw the country from participation in the TPP. But the transformation went deeper given Trump's profound scepticism of international trade, his rejection of multilateralism and fixation on bilateral deficits to measure trade policy outcomes, and his embrace of unilateral tariffs as the tool of choice in achieving his administration's trade objectives.

The rethink on trade has been influenced by a profound shift in American policy circles regarding the merits of the policy of engagement vis-à-vis China. The insertion of China into the world economy did not result in domestic political opening. Instead, there is growing concern over China's authoritarian tilt under Xi, a diminished appetite for domestic economic reform, and China's assertive international behaviour (Campbell and Ratner, 2018). Trade figured prominently in the 2016 presidential debate with a focus on the 'China shock,' in other words, the view that a flood of cheap Chinese imports had eliminated close to a million factory jobs in middle America during the decade after China's WTO accession (Autor, Dorn, and Hanson, 2016). American disquiet has grown with China's bid for high tech supremacy based on a state capitalism model that combines hefty subsidies, preferences to SOEs, and the protection of strategic economic sectors.

The opening salvo in the new normal of strategic competition with China during the Trump administration was the initiation of a 301 investigation on China's intellectual property and technology practices. To instigate change on China's market-distorting policies, the US imposed punitive tariffs. The tit-for-tat trade war escalated quickly, and by the fall of 2019 the United States applied duties on $360 billion worth of Chinese imports, and the Chinese government counter-tariffs affected $110 billion worth of US products. Economic relations deteriorated further with the tightening of tech restrictions. Concerned with the leakage of critical technology and the national security risks posed by the overseas expansion of Chinese telecom and technology firms, the United States tightened its national security screening of foreign direct investment and its export controls on dual-use technologies. Chinese telecom giant Huawei and several other Chinese tech firms have been placed on the Entity List curtailing access to the most advanced chips and other components if they are manufactured with US technology and equipment. China has readied countermeasures by tightening its export control law (NikkeiAsia, 2020) in December 2020 and anti-foreign sanction law (Atlantic Council, 2021) in June 2021. The prospect of fragmentation of high-tech supply chains is much higher today, even if wholesale decoupling of the largest economies in the world is not likely.

The Trump tariffs were not trained exclusively on a strategic competitor, but were directed as well to partners and allies. Reviving the little-used section 232 of the 1962 US Trade Act, the Trump administration invoked 'national security' to apply a 25% tariff on $10.2 billion of steel imports and a 10% tariff on $7.7 billion of aluminium imports. The unilateral duties affected mostly goods from allies in Europe and Asia, and the North American Free Trade Agreement (NAFTA) partners – Canada and Mexico – since Chinese exports in these sectors had already diminished due to the application of trade remedies. Canada and the European Union (EU) retaliated in kind and initiated WTO proceedings. Far greater harm was feared if the Trump administration was to make good on its threat to impose a 25% tariff on $208 billion of automobile imports (Solís, 2019).

A distinctive trait of America First trade policy was the use (or threat of use) of unilateral tariffs to renegotiate terms of existing trade agreements or to pursue new bilateral negotiations. United States Trade Representative, Robert Lighthizer agreed to exempt the Republic of Korea from the metal tariffs in exchange for an export quota that curbed the Republic of Korea's steel shipments to the United States by one third (Straits Times, 2018). And revisions to the KORUS FTA pushed back the date of US tariff elimination on Korean automobiles by 20 years, to 2041. A much broader renegotiation of the NAFTA ensued, which resulted in a renamed US–Mexico–Canada trade agreement (USMCA). On the positive side, the old NAFTA was modernised by incorporating many of the disciplines that the United States had advocated in the TPP on e-commerce and intellectual property. But there were new provisions that lowered the quality of the trade agreement: tighter rules of origin in the automobile sector, managed trade provisions with side letters on Mexican and Canadian export quotas in case the 232 auto tariffs materialised, and a clause stipulating that subsequent negotiations with a non-market economy could constitute grounds to be dropped from the USMCA.[1]

The Trump administration signed phase 1 agreements with Japan and China. With the entry into force of the CPTPP, US producers began to feel the pinch of exclusion from this trade agreement. Beef and pork producers, in particular, faced stiff competition in the Japanese market from the CPTPP producers who could avail themselves of the tariff preferences. The bilateral negotiations were in large part a damage-avoidance exercise: forestalling the imposition of the 232 auto tariff. The

[1] Since the USMCA passed with a rare bipartisan vote, it is likely that in any future bid for CPTPP membership the United States would seek amendments to expand labour and environmental provisions and tighten auto rules of origin in order to cultivate Congressional support. For an analysis of TPP options for the United States, see Cutler (2020).

United States and Japan negotiated without delay two agreements – on market access and the digital economy – which were ready by September of 2019. The United States refused to liberalise the automobile sector and Japan also withheld some agricultural concessions, (e.g. rice). The digital agreement replicated the TPP chapter with some additions (for instance allowing free data flows on financial services and forbidding forced transfers of algorithms and encryption keys). The bilateral deals with Japan did not approximate the potential of US–Japan cooperation under the original TPP agreement with its deeper market opening commitments, but also full-fledged cooperation on trade and investment disciplines, and the ability to disseminate these standards regionally and in collaboration with countries at different levels of development.

The phase 1 deal with China announced in late 2019, pulled both nations from the brink of more damaging trade conflict. For an administration fixated on the bilateral trade deficit, China's purchasing commitments of American products to the tune of $200 billion in 2 years was the top priority. Although China made some commitments to better protect intellectual property and confirmed the liberalisation of foreign direct investment in financial services, the phase 1 deal left China's expansive industrial policy untouched. There were no curbs on subsidisation, no disciplines on SOEs, and no concessions on China's digital protectionism. Neither the United States nor China brought the tariff walls down.

The Trump administration failed to achieve the central (and misguided) objective of its trade policy: to eliminate the bilateral trade deficit. Quite the opposite, the US trade deficit expanded (Chicago Tribune, 2019) and US consumers (not Chinese producers) absorbed the costs of the tariffs. US standing in the region took a hit with the loss of credibility from abandoning TPP and the heavy toll on third parties from the US–China tariff and tech restrictions, plus the resort to unilateral national security tariffs on friendly nations. The indiscriminate resort to tariffs eroded the chances of working with other countries in crafting a coordinated response to China's mercantilist trade policies. America First left the United States ill-prepared to the advances in Asian regionalism.

3. RCEP: Implications for the United States

3.1. A Snapshot of RCEP

The entry into force of RCEP on1 January 2022 will culminate an almost decade long negotiation process. There were many ups and down along the way. India's decision to leave the grouping – out of concern about the trade balance with China and the weak pro-liberalisation coalition at home (Elms, 2021) – just as negotiators were close to wrapping the talks in late 2019 was a severe blow. Even without India, RCEP is the world's largest trade agreement representing about 30% of world GDP, global population, and total trade flows. The significance of RCEP can be appreciated in other ways: it constitutes China's first mega trade agreement, it creates for the first time preferential trade flows amongst the three largest Asian economies (China, Japan, and the Republic of Korea); and the principle of ASEAN centrality is ensconced in the world's largest trading bloc.

The original objective of RCEP was to rationalise the string of ASEAN+1 FTAs with dialogue partners into a single trade agreement that could provide consistent trade rules and cut back on the red tape of disparate commitments, thereby delivering greater efficiency gains. Judged by that yardstick, the RCEP outcomes are mixed. On the one hand, there is no common approach on tariff schedules, with some members extending the same tariff commitments to all participants, whilst others keeping customised tariff schedules. Investment liberalisation will follow a negative list for all members, but in the area of services liberalisation some countries will adopt a negative list, whilst others will follow a positive list – albeit with the commitment to transition to a negative list approach in 6 years (ADB, 2020).

RCEP's overall tariff elimination in goods stands at 91% (compared to the CPTPP's 99%) to be accomplished in 20 years, and there are significant carveouts for agriculture. Whilst intra-ASEAN trade is already largely duty free with the 2015 establishment of the ASEAN Economic Community (Shimizu, 2021), the RCEP's tariff liberalisation amongst the three Northeast Asian countries leaves significant room for improvement. Japan will eliminate 86% and 81% of tariffs vis-à-vis China and the Republic of Korea, respectively; and China and the Republic of Korea will reciprocate by slashing duties on 86% and 83% of Japanese exports (Kimura, 2021).

Estimates are that 65% of services will be liberalised in RCEP (Cimino-Isaacs, Dolven, and Sutherland , 2021).

In terms of rules, RCEP has broader coverage than the ASEAN+1 FTAs but some of these commitments are shallow, at times non-enforceable, and will not be applied uniformly due to special and differential treatment provisions. The inclusion of a government procurement chapter is a novelty, although most of the content is geared towards improving transparency. The e-commerce chapter has attracted most attention. Signatories have committed to the duty-free status of online transmissions and pledged not to require localisation of computing facilities or to restrict cross-border transfers of data (Gao and Shaffer, 2021). The parties also agreed to the adoption of privacy protection measures in order to improve data governance. RCEP's digital commitments, however, are much weaker than CPTPP's despite the language on data mobility. In RCEP, the parties retain full discretion in curbing international data transfers by invoking a public policy objective or essential national security interests. It is not necessary to demonstrate (as in the CPTPP) that the restrictions in fact serve a legitimate policy goal and are not unduly prohibitive (Streinz, 2021). Furthermore, the whole chapter is carved out from enforcement.

A defining trait of RCEP is its commitment to supply chain trade. The rules of origin –determining which goods can benefit from duty preferences – are lenient and flexible. Regional content of 40% and the application of cumulation rules, will allow exporters to further integrate their operations across the 15 member nations and trade freely. As economist Fukunari Kimura (2021) observes, RCEP is a recommitment to the 'Factory Asia' model that propelled regional growth and elevated living standards. This explains why ASEAN has remained steadfast in its support for RCEP despite concerns that some trade diversion in favour of Northeast Asia may ensue (Kimura, 2021). The creation of a secretariat to oversee implementation and help drive updates to the agreement, plus accession protocols for new members to join 18 months after entry into force,[2] give room for RCEP to increase its depth and reach.

[2] This waiting period does not apply to India.

3.2. Implications for the United States

During its long gestation – close to a decade from start to finish – the RCEP's significance for the United States evolved. When the RCEP talks first got underway in late 2012, the United States was centrally involved in the negotiation of large trans-regional trade agreement with the aim of cementing the US place in the dynamic Asian economy and influencing the direction of regional integration with rules and standards the United States championed. In other words, the United States was well positioned with its lead on TPP to partake in the dynamics of competitive regionalism (Solís, Stallings, and Katada, 2009). This is no longer the case. Despite his predilection for a pugilistic trade policy, President Trump's withdrawal of the US from the TPP amounted to 'unilateral disarmament' giving up the opportunity to advance the US's economic integration blueprint. The geopolitical context and the international trading system have also experienced significant changes over the last few years. The intensification of US–China strategic rivalry and the havoc wreaked by the pandemic on national economies and supply chains have resulted in a barrage of protectionist measures and growing calls to re-shore industrial activity. The two mega trade agreements – the CPTPP and RCEP – acquired new meaning: as safe-harbour for middle powers to advance trade liberalisation and provide regulatory certainty for supply chains.

With this broader context in mind, the implications of RCEP for the United States are at least threefold: growing marginalisation from intra-Asian trade, diminished rulemaking capabilities as alternative standards disseminate widely in the region, and lessened diplomatic clout as the United States appears incapable of formulating a compelling economic strategy that can vie for regional influence.

Petri and Plummer (2020) provide useful estimates of the income and trade effects of protracted US–China trade conflict, the CPTPP, and RCEP. A sustained trade war generates significant income losses by 2030 for China in particular ($304 billion), the United States ($23 billion), and Asia as a whole ($289 billion). The CPTPP and RCEP help Asia to recoup these losses (generating income gains of $53 billion and $179 billion, but neither China nor the United States are made completely whole by the efficiency gains generated by the mega trade agreements. Exclusion from the CPTPP generates income losses of $12 billion and $28 billion for the United States and China, respectively. RCEP generates income gains for the United States (as it benefits from efficient Asian supply chains) of $10 billion, and for China the payoff is tenfold: $100 billion. RCEP then is an important instrument for China to mitigate the negative effects of its trade conflict with the United States; but the United States cannot avail itself of the CPTPP to cut losses. Importantly, RCEP will diversify trade away from the United States in favour of intra-Asian commerce. Trade amongst the RCEP members is estimated to grow robustly by $428 billion in 2030, but US trade with these economies will only augment by $21 billion.

A key objective of US foreign economic policy has been to shape and disseminate the rules of trade. In the original TPP, American negotiators pushed for a comprehensive rulebook with deeper commitments on IP protection, labour and environmental standards, and cutting-edge disciplines on digital trade and disciplines on SOEs. After exit from the TPP, the US incorporated many of these disciplines in upgraded agreements (USMCA) or new bilateral ones (US–Japan deal), but it lost ground in disseminating them further amongst Asian countries at different levels of development. Instead, RCEP is likely to gain traction as an alternative FTA model that does not incorporate labour and environmental rules, extensively applies special and differential treatment provisions, and has more modest commitments in other areas such as government procurement. The dissemination of an FTA template that does not curb state capitalism practices or makes broad allowances for data transfer restrictions is of greater concern for the United States in the current geopolitical environment.

The inability of the United States to reconcile its domestic politics with a proactive trade posture has diminished its standing in the region. Both Republican and Democratic administrations have attached upmost priority to Asia, as seen in the strategies of the ‘Pivot to Asia’ and the ‘Free and Open Indo-Pacific.’ But the economic pillar has faltered. A US Asia strategy that relies on the US network of alliances, its formidable military resources, and a set of defensive economic measures is insufficient to compete for influence in Asia: a positive economic agenda is required. As such, one potential consequence of RCEP has not yet materialised: to increase the impetus of the United States to re-join the TPP project.

4. What Role for the United States in the Indo-Pacific?

The contours of the Biden administration's trade policy are coming into focus. There are important differences and continuities from the 'America First' trade policy of the preceding administration. In sharp contrast to the Trump years, the promotion of multilateralism and the renewal of alliances are back to the lexicon and practice of US foreign policy. There are a growing number of initiatives to pool efforts with like-minded countries on infrastructure finance (the Group of Seven's Build Back Better for the World), on supply chain resilience and tech standards (both through the Australia–India–Japan–US Quad meetings and the newly established Trade and Technology Council with the EU, as well as efforts to solve disputes from the 232 tariffs on metals with the EU and Japan. Placing worker welfare (including funding social policy programs at home) and climate change at the centre of trade policy do mark departures from the Trump administration. A full articulation of how trade tools will be deployed to serve those objectives, however, is still forthcoming. But some clues appear in current campaigns to ban forced labour in trade agreements and the talks with the European Union for a future framework on green steel that contemplates using emission standards to restrict market access (New York Times, 2021).

In other areas there is little change from one administration to the next, and none are more important than trade policy towards China and the WTO's dispute settlement system. United States Trade Representative, Katherine Tai's much anticipated speech in October of 2021 (CSIS, 2021) on the Biden administration's China trade policy revealed fundamental continuities: the priority is to ensure China delivers on its purchase commitments, the tariffs covering almost two-thirds of imports from China will stay in place, and there were no specifics on the formula to pursue structural reform talks with China (New York Times, 2021). The Trump administration brought the Appellate Body to a halt by refusing to appoint new members citing concerns with judicial activism (Bown and Keynes, 2020). As trade frictions rise, the atrophy of the WTO's enforcement arm is a serious concern. Like her predecessor, USTR Tai has not offered concrete proposals that would satisfy the US reform demands in order to restart the Appellate Body operations.

Coordination with allies has been complicated by the Biden's administration endorsement of managed trade practices and unilateral tariffs (embodied by the phase 1 deal with China), Buy America clauses, and plans for discriminatory measures to onshore supply chains. The White House supply chain review report issued on June of 2021 shows these contradictory impulses at work. On the one hand, there is a push for ally-shoring by developing trusted supplier networks, promoting diversification, and coordinating on science and technology. On the other hand, the report's recommendations include an expansion of Buy America preferences, the establishment of a trade strike force to deal with unfair foreign practices, and consideration of a 232 investigation on neodymium magnets that could result in the imposition of national security tariffs (White House, 2021). The compromise solution with the EU on the 232 duties on metals did not result in the restoration of the status quo ante, but of managed trade through tariff-rate-quotas. A similar compromise was reached with Japan on February 2022 lifting the 232 tariffs in exchange for tariff-rate-quotas, although there was no indication that Japan would join the US and EU in designing a Green Deal on Steel focusing on the carbon intensity of traded steel products.

As many industrialised countries are stepping up plans to boost domestic manufacturing capacity of semiconductors, avoiding a subsidy war amongst allies is a growing preoccupation. The tax credits that the Biden administration is advocating for electric vehicles that contain US-made batteries, employ US union workers, and are assembled in the US have generated strong backlash from important trade partners.[3] Whilst the actual implementation of the electric vehicle tax credits is uncertain given the difficulty of passing the Build Back Better spending bill, the rift with economic partners is visible.

Another point of continuity across administrations is the lack of interest in pursuing a comprehensive regional trade agreement. Not even the prospect of CPTPP enlargement has moved the needle. The list of prospective members is growing: the United Kingdom (UK), China, Taiwan, and the Republic of Korea. Whilst the UK is already partaking in accession negotiations, the Chinese bid will

[3] A group of 25 ambassadors sent a letter in late October to President Biden noting that the proposed tax incentives for electric vehicles violate trade rules. See Reuters (2021).

be a huge test for the CPTPP. The CPTPP contains provisions that go at the heart of China's state-led economic model, and no such strictures are present in RCEP (SOEs, labour standards, enforceable digital provisions). The stakes are high because either China is willing to engage on deep structural reform or it will aim to negotiate extensive carveouts and prolonged implementation periods. If the latter scenario were to unfold, China's accession could erode the high standards of the CPTPP. The reactions of the existing CPTPP members have been mixed, some expressing enthusiasm (Singapore, Malaysia [South China Morning Post, 2021]), whilst others are taking a more cautious position emphasising that standards will not be lowered and the track record of compliance with rules-based trade is important (Japan [Asia Financial, 2021], Mexico [NikkeiAsia, 2021] Australia [The Guardian, 2021]). Unanimous consent is required for admission.

Whilst China's CPTPP accession request could be a game changer, the Biden administration has opted instead for an Indo-Pacific Economic Framework (IPEF) to cover the areas of fair and resilient trade, supply chain resilience, labour standards, digital economy, climate, infrastructure, taxation and anti-corruption (NikkeiAsia, 2022). Administration officials have made it clear that it will not be a traditional trade agreement with market access negotiations at its heart (Reuters, 2021b). It is not clear the extent to which the economic framework will incorporate binding obligations, and if it bypasses the need for Congressional approval, its reach could be limited (Brock, Manyn, and Fefer, 2021). A loose collection of economic dialogues, however, will not be enough to restore US leadership in the region. We seem to have come full circle in the long arc of Asia-Pacific regionalism, but with a significant twist: the United States is now more inclined to champion a soft law approach on international economic issues, even though in the past it doubted such flexibility could produce tangible outcomes (for instance the EVSL spat mentioned above). In contrast, Asian countries are now far more comfortable and adept in pushing forward an agenda of binding trade liberalisation partaking in mega trade agreements.

The launch of the IPEF during President Biden's trip to Japan in late May 2022 proved more successful than initially anticipated with 13 other nations joining the effort: India, Indonesia, Malaysia, Thailand, Viet Nam, the Philippines, Brunei, Singapore, Japan, the Republic of Korea, Australia, New Zealand, and Fiji. But at this early stage, participating countries only agreed to consultations, not yet the actual launch of negotiations. Moreover, because participation can choose to participate in the individual four pillars of the IPEF (resilient trade, infrastructure and climate, supply chain resilience, and anti-corruption), it is very unlikely that consistent rules that apply to all members will be crafted.

5. Conclusion

Asia's trade architecture is at an inflexion point. International economic relations are under strain given the rise of geopolitical tensions and the disruption of supply chains due to the global pandemic. Whilst the WTO has struggled to update its rules and address these challenges, regional integration in Asia has continued to make strides with the launch of RCEP and the ongoing negotiations to enlarge the Comprehensive and Progressive TPP with the addition of new members. Historically, the United States has been a major player in shaping the rules of trade and investment regionally and globally. However, the United States is not championing trade liberalisation but has advocated instead a new IPEF. The significance of the issues covered in the IPEF (digital economy, supply chain resilience, green infrastructure) is not in question. But there are concerns about the US ability to advance its standard-setting agenda without offering market access benefits. Because the IPEF lacks a trade liberalisation component, it will remain an imperfect vehicle to anchor the United States to the region as RCEP and the CPTPP make strides.

Consequently, the risk of US marginalisation from the Asian regional economic architecture has never been so stark. The exit from TPP is a self-inflicted wound, product of decades-long under-investments in worker skilling programs and a safety net capable of increasing social resilience to economic change. The repair work ahead is sizable. It will require parallel work on domestic social policy and a proactive trade strategy, in addition to meaningful coordination with allies and partners to reduce vulnerabilities without succumbing to economic nationalism. Whilst an immediate return to the TPP project is not politically feasible at this juncture, there are immediate steps the United States could take to regain the initiative on trade. These include renewing trade promotion authority, offering a blueprint for Appellate Body reform at the WTO, and the launch of bilateral and plurilateral negotiations that comprise market access commitments (for instance a trade negotiation with Taiwan and a plurilateral digital agreement) that could serve as stepping stones towards a full-fledged trade strategy. Only then will the US be back.

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