

ERIA Discussion Paper Series**No. 448****Regional Comprehensive Economic Partnership,
ASEAN's Agency, and the Role of ASEAN
Members in Shaping the Regional Economic Order**Huong LE THU¹*Perth USAsia Centre, University of Western Australia*

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Abstract: *The Regional Comprehensive Economic Partnership (RCEP) – a mega free trade agreement comprising 15 countries – the 10 Association of Southeast Asian Nations (ASEAN) Member States and the dialogue partners (China, Japan, the Republic of Korea, Australia, and New Zealand) was finalised in November 2020. This paper looks at the process of the RCEP negotiations as an example of an ASEAN exercising agency. This paper also argues that RCEP asserts the agency of smaller powers within the trade network – ASEAN and its member states – particularly the more active role of individual members, including Viet Nam and Singapore amongst the most diplomatically supportive of the deal.*

The circumstances under which RCEP came to life is not trivial. Under Viet Nam's ASEAN chair in 2020, and amidst the global pandemic, RCEP was finalised. RCEP's political and geo-economic significance arguably can overtake its economic role. In the time of great power competition where China becomes one of the key economic centres of the world, and the United States (US) competes with a vision of Indo-Pacific, the region's middle and smaller powers are anxious about becoming 'collateral damage', particularly in the process of US-China 'decoupling'. The ASEAN countries have emphasised the reluctance to 'choose a side'. RCEP shows that they can show agency in carrying out trade liberalisation at the time when the global leader of the US in this field is missing. A mega-trade deal can be successfully led by smaller, and even developing, economies.

Keywords: RCEP; ASEAN; Agency; Multilateralism; Trade liberalisation; Regionalisation, Asia-Pacific integration

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1. Introduction

For decades the Association of Southeast Asian Nations (ASEAN) nurtured the narrative that nested regionalism, primarily focused on economic benefits (more reachable than security cooperation), is the way to go. Largely, most of the Asia-Pacific, and partners beyond, went along with this idea and participated in ASEAN-centred regional architecture. This architecture was based more on dialogues, consultations, and meetings, rather than on binding and concrete provisions of, for example, security guarantee, defence exercises, or intelligence cooperation. The economic agenda has been more concrete than security-themed dialogues. A number of free trade agreements (FTAs) have materialised from the regular meetings. The economic predisposition of the region stimulated the growth of the trade, but regional institutions, like ASEAN, have taken that goal as the core of their work.

Arguably the most prominent and the largest to date is the Regional Comprehensive Economic Partnership (RCEP), which came into force on 1 January 2022. On 15 November 2020 at the 37th ASEAN Summit, the decision to finalise the decades-long negotiation was made. The 15 RCEP member states (10 ASEAN Member States – Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic [Lao PDR], Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam – and China, Japan, the Republic of Korea, Australia, and New Zealand) combine one-third of the world's population and gross domestic product (GDP).

The finalisation of RCEP was a big deliverable and a much-needed reassertion of ASEAN’s centrality in the economic architecture of East Asia, even as India opted out after years of negotiation. It is a symbolic accomplishment and contributes to the goal of connecting the Indo-Pacific via a dense network of bilateral and multilateral trade agreements (the so-called ‘noodle bowl’ effect) that serve to entwine the economies of Southeast Asia and Northeast Asia.

Many RCEP members already have FTAs with each other. For example, Australia has ratified agreements with eight Asian countries and now is party to a third regional agreement. RCEP, however, is the first trade agreement outside the

World Trade Organization, that comprehensively brings together the two subregions of Southeast Asia and Northeast Asia.

Viet Nam has been amongst the strongest supporters of FTA networks, expanding the number of its own bilateral agreements, but also promoting connections to two of its top investors – the Republic of Korea and Japan. Of course, the RCEP mega-trade pact, as with all multilateral trade agreements, will not benefit all members equally (Cook, 2020) and details of implementation will vary according to economic sectors and an individual state's ability or willingness to conform. Indonesia, for example, has already declared it will exclude sensitive sectors rice and alcohol, so for Australian winegrowers facing punitive tariffs in the China market this does not necessarily offer a relief (Jakarta Post, 2020). But collectively, RCEP does present ASEAN's unequivocal support for multilateralism, a rules-based regional agenda, and a rebuttal of the Trump administration's tariff war.

Collectively, the significance of RCEP is strategic. The circumstances under which RCEP came to life is not trivial. With Viet Nam as ASEAN chair in 2020, and amidst the global pandemic, RCEP was finalised. RCEP's political and geo-economic significance arguably can overtake its economic role. In the time of great power competition where China becomes one of the key economic centres of the world, and the United States (US) competes with a vision of Indo-Pacific, the regional middle and smaller powers are anxious about becoming collateral damage, particularly in the process of US–China decoupling. The ASEAN countries have time and again emphasised the reluctance to 'choose a side'. RCEP shows that they can show agency in carrying out trade liberalisation at the time when the global leader of the US in this field is missing. A mega-trade deal can be successfully led by smaller, and even developing, economies.

The inclusion of China is strategically important for Southeast Asia as a part of the strategy of coping with the big neighbour with increasingly assertive ambitions. Engaging with China, along with Japan and the Republic of Korea, the other two most important economic actors for the region, has long been considered a lynchpin of ASEAN's centrality and ability to bridge between the Northeast Asian neighbours who have competing visions and lack regional bodies like ASEAN.

Moreover, ASEAN's ability to contribute to regional matters has been on the decline over the past decades. Other than regularity and density of meetings and leaders' dialogues, ASEAN has been heavily criticised for not being able to offer any substantive action in the face of many regional challenges (e.g. see Jakarta Post, 2014; McCarthy, 2017), including multilateral disputes in the South China Sea, the growing concerns over the Mekong River, the Rohingya refugee crisis, and most recently the Myanmar coup. In all cases, ASEAN Member States' differentiating opinions prevented any consensus or unity necessary for the organisation's commitment to the cause that over the years, resulted in a strained reputation of ASEAN as simply a 'talk shop'. But the finalisation of RCEP is one of the rare accomplishments that ASEAN has managed and one that confirms its consistent path towards an ASEAN Economic Community.

RCEP is not only a continuation of the regional economic goals and sustaining the ASEAN-centred architecture. It has a potential to shape the post-novel coronavirus disease (COVID-19) recovery for the greater region. The COVID-19 pandemic has caused huge economic costs for the whole world, but for the developing ASEAN countries it is likely to upset their complicated growth, trade, and economic trajectories. RCEP can be an important norm-setter for the region's recovery and rebuilding of the post-pandemic value and supply chains. Importantly, it has a potential to shape the rules and regulations for the rapidly-evolving data governance standards. Arguably, Singapore and Viet Nam, particularly amongst the ASEAN countries, are going to play a more active role in negotiating the agenda. This paper sets out to understand the most critical contribution of RCEP to the future of the region, particularly shaped by interests by the ASEAN economies.

This paper also argues that RCEP asserts the agency of smaller powers within the trade network – ASEAN and its member states, particularly the more active role of individual members, including Viet Nam and Singapore are amongst the most diplomatically supportive of the deal. It seeks to understand the agency within this group and examines whether there are significant differences in the approaches towards RCEP and how, and if, they are being addressed in the intra-ASEAN negotiations.

2. Geopolitics – and Where Individual ASEAN Countries Stand

As the great power competition ‘returns’ and the China–US relations continue to cause tension in nearly all aspects of international politics, small and middle powers such as ASEAN nations can no longer take peaceful dividends for granted. The Southeast Asian countries are not unfamiliar with great-power competition. With the renewed US-China competition, it is no surprise that ASEAN has grown uncomfortable with the intensified competition that challenges its position as a ‘convening power’ and risks taking away ASEAN’s central role that it gained in the post-Cold War era.

Changes to global supply chains may have already been underway to some degree because of the US-China trade war, but the push to diversify production is being further propelled by the pandemic. As explained earlier, Southeast Asians have a shared interest in not choosing sides and reject being forced into making binary choices.

In late 2020, ASEAN countries finalised the world’s largest trade pact, the Regional Comprehensive Economic Partnership (RCEP) with Australia, China, Japan, New Zealand, and the Republic of Korea (Al Jazeera, 2020). RCEP is an important accomplishment in the larger regional economic architecture and may become even more significant in the post-COVID-19 economic recovery (Pitakdumrongkit, 2021). It also represents a diplomatic gap between the region’s still strong embrace of trade and the opposition to globalisation in other parts of the world, including the United States. Within Southeast Asia, most countries view the US–China trade war as highly detrimental to economic and political stability. Not surprisingly, the state most dependent on trade (Singapore) is most concerned, but even Viet Nam (which is amongst the biggest winners) is concerned about the long-term repercussions for the global economy and financial markets (Shoulberg, 2019).

Responding to the more uncondusive cooperation environment, politically, in the ASEAN Outlook on the Indo-Pacific (AIOP) 2019 (ASEAN, 2019) where the 10 nations explicitly rejected the notion of ‘zero-sum’ great power competition and called Asia-Pacific for sustaining greater cooperation.

The real effects of decoupling on the region, like the overall impact of the COVID-19 pandemic, are yet to be fully determined. For some countries, like Indonesia and the Philippines, the shocks may be secondary, whereas for Viet Nam (as well as Singapore), the impact will be felt more instantaneously. The impact of the US–China decoupling has been less clear in Indonesia and the Philippines. This can be appreciated by comparing trade-to-GDP ratio: for Viet Nam it is 206% (second only to Singapore at 326%), whereas the ratio for the Philippines and Indonesia is 65% and 41%, respectively.² But that proportion of trade-to-GDP ratio also helps to understand why certain countries in ASEAN have been more eager on RCEP and supportive of the trade agenda in general. Not surprisingly, Singapore, Viet Nam (along with Malaysia and Brunei) are also members of the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP). RCEP, along with the CPTPP that Japan saved after the US’ abandonment, are powerful counter examples of the ‘global decline in rules-based trade’ (Petri and Plummer, 2020).

3. Asserting ASEAN Centrality

Before assessing ASEAN’s central role in the materialising of RCEP, it is worth reminding that this group’s contribution to the economic architecture has had its origins in the wider regional context.³ It dates back to the 1990s with the economic development of the ‘newly industrialised economies’. The Asia Pacific Economic Cooperation (APEC) forum, although it started in 1989 under an Australian initiative, was also ‘centred’ around ASEAN – or so the Southeast Asians thought. Malaysia’s then Prime Minister, Mahathir Mohammad proposed the idea of an East Asia Economic Caucus (EAEC) in 1991. The ASEAN Free Trade Area (AFTA) was launched in 1992. These are some key examples of the regional driving force behind not only the direct ASEAN economic processes but the ones that involve broader East Asia or the Asia Pacific. Table 1 provides a summary of the key initiatives forming the economic network in the region.

² With the exception of the trade-to-GDP ratio, measures on ‘global integration’ cost the US billions of dollars (WDI database).

³ For more, please see Urata (2018).

The breaking point was the 1997–1998 Asian financial crisis that affected most of Asia, most notably Thailand, Indonesia, Philippines, Hong Kong, and the Republic of Korea. The US, as to this date the disgruntled Southeast Asians, particularly allies like Thailand and Philippines keep reminding, did not come to help the economies in crisis (Leightner, 2007). What came out of the Asian financial crisis was a much more integrated Northeast Asia and Southeast Asia through the ASEAN+3 (China, Japan, and Republic of Korea) mechanism. The regional self-help resulted in financial cooperation and stimulated regional trade and investment cooperation in the form of FTAs. These included the Japan–Singapore economic partnership agreement (EPA), ASEAN–China and ASEAN–Korea FTAs, the ASEAN Plus Japan Comprehensive EPA, and many official negotiations for bilateral and plurilateral FTAs – such as a Japan and Korea EPA, and a framework called the ASEAN plus Closer Economic Relations (CER) and FTAs with Australia and New Zealand and India.

The proliferation of trade arrangements in East Asia peaked in the post-Asian financial crisis period and resulted in the noodle bowl effect. The main motivations behind this phenomenon were summarised as ‘(i) the deepening of market-driven economic integration; (ii) the success of European and North American economic integration initiatives; and (iii) the Asian financial crisis’ (Kawai, 2007).

Beyond trade, the regional countries have also stepped up investment, financial, and monetary swap mechanisms. The Chiang Mai Initiative (CMI) that concluded in 2000 was an arrangement amongst the ASEAN+3 countries that established a network of bilateral swap agreements amongst members. The CMI was designed to address short-term liquidity needs in the event of a crisis. The CMI consists of two elements: the enlarged ASEAN Swap Arrangement, and the network of sixteen bilateral swap arrangements amongst eight ASEAN+3 members (Kawai, 2007).

In the same year, the 13 nations set up the ASEAN+3 finance ministers' Economic Review and Policy Dialogue (ERPD) process that aimed at financial surveillance to prevent potential financial crises through the early detection of irregularities and vulnerabilities and prepare swift implementation of remedial policy action.

Table 1: Key Plurilateral Initiatives for Region’s Economic Architecture

Name	Year of Establishment
Asia-Pacific Economic Cooperation	1989
East Asia Economic Caucus	1991
ASEAN+3	1999
Chiang Mai Initiative	2000
East Asia Summit	2005
Regional Comprehensive Economic Partnership	2020

Source: Author’s compilation.

Taking this historical view, RCEP is not a new, nor an outstanding accomplishment. It is in fact a continuation and a building block of a long-term project for the region’s economic integration.⁴ RCEP embraces and symbolises the changing state of trade relations in East Asia. The importance, or symbolism, of RCEP is more strongly emphasised in ASEAN’s trade relations and links with external partners than for intra-ASEAN trade. The RCEP’s contribution to the ASEAN Economic Community (AEC) (ASEAN, 2015) seems of less importance than its consolidation role of the pre-existing network of ASEAN+1 FTAs.

Aside from the security realm, trade is considered the most important policy area where ASEAN centrality could be displayed, in this case, arguably, much more effectively, given the bottlenecks in the security related issues like the South China Sea. The noodle bowl effect, however, that ASEAN has been able to build since the 1990s, suggests some successes in the trade agenda. Critics would point to the limits of the substance of those individual FTAs, whilst there are varying qualitative assessments depending on specific FTAs, but collectively and quantitatively the outcome remains impressive.

⁴ For more, please see Ishikawa (2021).

Scholars and analysts have argued that ASEAN's central role in trade has been enabled by the regional rivalry between Japan and China. After the Asian financial crisis in 1997–1998, both China and Japan came up with somewhat competing visions of regional economic architecture. The East Asia Free Trade Area (EAFTA) proposed by China focused on the ASEAN+3 countries, whereas Japan's Comprehensive Economic Partnership of East Asia (CEPEA) had a broader scope, more resembling today's RCEP (Oba, 2016).

In 2012, ASEAN became the regional convener for the region-wide trade negotiations to bypass the Chinese–Japanese rivalry. Both China and India have had issues with ASEAN's leadership, as China wanted to take charge, whilst India finally eventually exited the deal due to its own protectionist conflict.⁵ The process was not always smooth or in accord until 2018 when Singapore was ASEAN chair of the year, and displayed stronger determination to finalise the trade pact. But again, this reflects the individual member's contribution rather than the organisation as a whole. Yet, in the RCEP process there was an insistence on an ASEAN-as-one approach that may therefore preserve ASEAN centrality in the sense that it attempts to prevent divergences within the membership (Mueller, 2019). Towards the non-members, ASEAN has been described as a convener for the RCEP negotiations. By this token, ASEAN is central to the RCEP negotiations because it launched them and consistently provides a forum for discussion.

Quantitatively, RCEP connects about 30% of the world's population and output. Despite the sceptical voices, RCEP is now the world's largest trade bloc with aggregated members' GDP of \$25.84 trillion (World Bank, 2019). Asia is a trade-dependent region. Much of ASEAN is still developing economies, so the estimated stimulus to this group is significant. By one estimation, RCEP could add \$209 billion annually to world incomes and \$500 billion to world trade by 2030 (Petri and Plummer, 2020).

In the current context, RCEP is especially important post-COVID-19, because these economies need to keep trade lanes open. A study by the Asian Development Bank estimated that RCEP could help create as many as 2.8 million

⁵ Author's interview with an ASEAN RCEP negotiator, January 2022.

jobs by 2030 (Park, Petri, and Plummer, 2021). This would be excellent news for the region that is hard-hit by pandemic job losses and livelihoods lost.

In fact, before the renewed US–China competition under the Trump administration, the Chinese–Japanese rivalry in East Asia had been more palatable in regional affairs. As one of the ASEAN bureaucrats and a negotiator in the RCEP process since early days pointed to the ‘Japan–Republic of Korea–China factor’ as a choke point that stalled the progress for years.⁶ Although in the later stage, the three Northeast Asians were more inclined to make concessions regarding robustness of standards, India’s hesitancy stalled the process. The RCEP negotiation stalemate seemed to have come more from external partners than internally. But the external gridlock meant that without ‘ASEAN centrality’, RCEP could not have materialised.

India’s last minute withdrawal undoubtedly disappointed many in ASEAN. As a negotiator from Singapore described: ‘We gave up a lot to meet India’s demand. The process took a long, much longer time. So it was regrettable that India suddenly pulled out.’⁷ I argue that India missing from the larger Asia-Pacific economic process can be seen as a ‘double whammy’. In the context of the newly re-emerged concept of the ‘Indo-Pacific’ that somehow rivals the old concept of ‘Asia-Pacific’, India apparently plays a more prominent role. Indo-Pacific expands beyond Asia, and includes the major powers that formally would be seen as ‘external’, such as the US. The Indo-Pacific is also a value-charged concept, or so it presents to be, with adjectives such as ‘free’, ‘open’, ‘transparent’, ‘inclusive’, etc. that rejects dominance of authoritarian powers with coercive tendencies (Le Thu, 2018). Obviously this is a code for countering China, but the Indo-Pacific puts it as elevating the role of the US, India, Japan, and Australia, and more recently also included the European powers. But as much as the pronouncement of the Indo-Pacific concept is, as a strategy, it still is significantly deficient in implementation. One of the key criticisms is that it lacks the economic pillar. The US’ engagement with the region is increasingly military-focused, but lacks behind in diplomacy. In trade – because of its decoupling mindset even under the Biden administration – it

⁶ Interview with the author, January 2022.

⁷ Interview with the author, December 2021.

continues to be an impasse. The US withdrawal from the Transpacific Partnership (TPP) rings hollow and without an alternative, becomes the testimony for the US' absence in the economic order in the region, whether it is called Asia-Pacific or Indo-Pacific.

India's withdrawal from RCEP becomes that double whammy as another key major economy is sitting out the economic integration of the region and indulges in its own protectionism. If we accept the understanding that the Indo-Pacific plays up the role of India and the US, then realisation of the Indo-Pacific is not an optimistic one when it comes to economic agenda, trade liberalisation, and regional integration. The US opted out from the TPP, whilst India opted out from RCEP, and so far these have been most concrete deliverables of the transition to the Indo-Pacific, as opposed to the Asia-Pacific.

This is disappointing to the ASEAN countries. The ASEAN Outlook on the Indo-Pacific (AOIP) signalled a lukewarm attitude to the Indo-Pacific and not accepting it automatically as the premise of their operation. In fact, the 2019 AOIP explicitly states that, in ASEAN's understanding, the Indo-Pacific comprises two connected but distinct regions: Asia-Pacific and the Indian Ocean (ASEAN, 2019). Notwithstanding the language and geographical scope, the limited economic agenda in the Indo-Pacific concepts has been its key disadvantages. The absence of the US and India in larger trade cooperation mechanisms as the outcome of the transition to the Indo-Pacific hence is a disappointing outcome for the ASEAN countries.

Even more so, RCEP serves the purpose of reaffirming the Asia-Pacific spirit of cooperation, regionalisation, and economic integration. Moreover, RCEP's finalisation at the time of the COVID-19 pandemic added to its importance. In the first year of the pandemic, when most of the world had struggled with the crisis and the global supply chain suffered major disruptions, the regional agreement to facilitate trade and services made a commitment towards a functioning supply chain. As a negotiator of the process told me: 'We wanted to show that supply chains work'. Not only is this an important economic prospect for the region, but also a political message rejecting the US-driven decoupling targeted at 'unplugging' the supply chains away from China.

4. Intra-ASEAN Negotiations

The breakthrough leading to the RCEP conclusion was credited to a string of ASEAN chairs that were committed to this trade pact: Singapore in 2018, Thailand in 2019, and Viet Nam in 2020.

A Singaporean official told me that as the Trump administration waded on the decoupling and trade war: ‘we wanted to send a strong signal to the world. That we – ASEAN – are supporting the trade agenda.’⁸

Thailand who shepherded the AOIP (ASEAN, 2019) which emphasised trade as priority and RCEP amongst key areas of cooperation – played an important diplomatic role. Viet Nam, despite chairing virtually in the pandemic year, managed to finalise RCEP despite India dropping out.

The three countries may have been on the same page about the finalisation of the trade pact, but it was not necessarily the case for all 10 ASEAN members. There has been disagreement amongst the 10 economies, particularly to some key RCEP provisions.

Qualitatively, the provisions that caused the most deliberation, are arguably also the ones that would make the most difference. The areas believed to be significantly shifted by RCEP are:

- 1) Trade liberalisation
- 2) Regional investment
- 3) Digital economy

The RCEP goal is to get member economies to lower tariffs for about 92% of goods traded within the region over a committed time frame. It targets the opening up of 65% of all service sectors (e.g., professional, telecommunications, financial sector, etc.) with increased shareholding limits. But the tariff reduction had been achieved by gradually implementing other earlier FTAs in the region, so it is important to underscore the gradualist approach of RCEP.

The 15 RCEP economies investment stood at \$122 billion prior to the pandemic – higher than investment seen in the CPTPP and the North American Free Trade Agreement, but lower than that seen in the European Union (EU) (\$414 billion) (Park, Basu-Das, and Crivelli, 2021). The post-pandemic demand for

⁸ Interview with the author, January 2022.

investment will further put on significance of RCEP, as it not only prevents backtracking the existing flow, but also facilitates further intra-block investment. One of the booming sectors during the pandemic is the digital economy. RCEP addresses this issue by committing to the ICT-driven trade facilitation measures, free cross-border flow of data, and less stringent approaches to data localisation. RCEP also features commitments to promote e-commerce by protecting online consumers and their personal information, and by enhancing domestic regulatory frameworks – including in areas of transparency and cybersecurity.

4.1. Where Negotiations Were Most Challenging

The need for members' adjustment naturally demanded more work and often created more friction. That is despite what an official from the Malaysian Trade Office described as 'going for lower hanging fruit so that we can bring along all ASEAN brothers and sisters.'⁹ Malaysia, along with Singapore, Brunei, and Viet Nam, is also a party of the CPTPP which has more ambitious provisions, and was still keen on the less ambitious RCEP for the sake of ASEAN collectiveness. Malaysia served as a chair for the Services chapter and took the characteristically 'middle way' approach and most of the time served as an 'honest broker' and accommodated the extension of timelines for those who needed. The bureaucrats did express frustrations with some countries taking more time to arrive at agreement, but perhaps the strongest felt frustration was with India. As an ASEAN insider explained: 'The delay in negotiations was not part of ASEAN disagreement, it was because of external partners' reservations.'¹⁰

The RCEP negotiation process took so long because of the nature of multilateral negotiation where member economies differ significantly in terms of development level, economic profiles, as well as in their individual ambitions towards the trade agenda. The political economy and geopolitical factors have undoubtedly played a role in both stalling, and in the final stage – accelerating the negotiations. But interestingly, the process of arriving at a common, shared trade pact in this diverse region exemplifies another important exercise – one of norms and rule-making. Arguably, RCEP asserts trade norms and rules that members

⁹ Interview with the author, November 2021.

¹⁰ Interview with the author, November 2021.

adhere to, although, given their economic differences, with distinct, negotiated timelines.

Issues where member states took the longest to reach agreement include rules of origin (ROO), intellectual property (IP), digital economy, and e-commerce (being relatively new phenomena).

Singapore chaired arguably the most difficult chapter – Intellectual Property protection. Singapore’s experience in the matter and world-renowned performance in IP protection, it also provides the headquarters for the World Intellectual Property Organisation – a global initiative advancing the standards, rules, and legality on the matter. With this strong portfolio, Singapore is a natural leader on the matter and would be inclined to have higher ambitions (Singapore Ministry of Trade and Industry, 2021) in advancing IP protection within the RCEP framework. The strictness of IP protection within the region, however, differs significantly making the chapter one of the most challenging to arrive at an all-accommodating agreement, not only within the ASEAN region, but with the dialogue partners in RCEP. Singapore, Viet Nam, Malaysia, and Brunei already have robust chapters with the CPTPP (and Viet Nam with the EU) on IP commitment. But the strategy Singapore adopted was to leverage its political capital and ensure support from the friends of the chair to make the chapter less contentious and more cooperative.¹¹

ROO was another chapter that required more time and negotiation. Thailand chaired this chapter where limited flexibility was shown.¹² Issues such as environmental protection, human rights, labour rights, worker rights, and climate mitigation policies potentially would have become dividing, but RCEP was rather ‘lenient’ in these aspects (ARIC, 2021).

As the negotiators revealed, the most challenging task, equally for ASEAN and non-ASEAN members, was to agree on the so-called ‘positive list’ and ‘negative list’. In the former, members set out their respective detailed commitments, whilst in the latter the non-conforming measures in opening up their service sectors to their strategic trade partners. At the end, the positive list approach was taken by Cambodia, China, Lao PDR, Myanmar, New Zealand, Philippines,

¹¹ Interview with the author, January 2022.

¹² Insight from an ASEAN bureaucrat, interview with the author, January 2022.

Thailand, and Viet Nam. The negative list approach was adopted by Australia, Brunei, Indonesia, Japan, Malaysia, Singapore, and the Republic of Korea (Asia Trade Centre, 2020).

Viet Nam is an interesting case, since it was under its chair that RCEP was finalised. For the country itself, RCEP was important for the compilation of its own overarching trade strategy. At the same time Viet Nam negotiated the TPP and EU–Viet Nam FTA, which are considered of more value with stronger market access than RCEP. But RCEP was an important regional anchor and accomplished the long-term process. The regional FTA is also necessary for the completion of Viet Nam’s strategy of global market outreach – which expanded to Europe and the United Kingdom (UK) due to the FTAs with the EU and the UK, whilst the CPTPP – to the Pacific markets. In that sense, the finalisation of RCEP was more of a country's own strategic goals rather than a political response to the waging trade war at the time, although the two did correspond with each other. Viet Nam remains very pro-trade and despite initial gains from companies and factory relocations from China, it is unlikely to support the trade war and decoupling in principle.

Viet Nam played an important role in the last year of negotiations, as challenges of the pandemic meant that the most critical phase had to be done virtually. It was also the time that India’s participation hung on a threat, and thus the whole RCEP risked being further postponed. Japan insisted on having India in, and also was inclined not to finalise the deal. Viet Nam had to utilise its diplomatic persuasion as chair, and ensure Japan’s commitment. The pandemic-induced supply chain disruption and the looming economic slow-down became the arguments why RCEP needed earlier rather than later finalisation. A Vietnamese official who participated in the process in that year is convinced that Ha Noi’s exercise of diplomatic negotiation skills that actively engaged everyone saved the deal from further delays.¹³ In fact, that commitment to the regional process is not surprising for Viet Nam. In another study examining ASEAN’s leadership, we identified Viet Nam’s increased role, particularly in the security agenda when it comes to traditional and maritime security and issues related to the South China Sea, but importantly support to sustaining a well-functioning and strong ASEAN. That

¹³ Interview with the author, January 2022.

requires, as we argued, a constant commitment to the organisation and putting it as a foreign policy priority – something that is neither apparent nor automatic in other ASEAN Member States (Emmers and Le Thu, 2021).

RCEP for Viet Nam did not mean all the positives either and there had been some concerns over its potential adverse impact too. Like most of the RCEP member states, Viet Nam was also, if not even more, concerned with China looming large in the group and potentially create even a larger trade imbalance which is already a concern in Viet Nam¹⁴ as well as in a number of neighbouring countries. But this is a risk that the government accepts and plans mitigation strategies towards. Viet Nam mainly imports raw materials and components from China, so it needs to manufacture enough value-added products to be able to export them as Vietnamese products. That's the logic of the supply chain, and Viet Nam intends to be a critical part of it. 'We are building a market economy – competition is indispensable. We cannot shut down from competition. The people support the market economy and competition. At the policy level there are some protection measures in place, but the room is small.'¹⁵ In fact, Viet Nam has already made a lot of concessions through the World Trade Organization and other successive FTAs, so RCEP would not change much in that matter anyway.

For Viet Nam, as well as other ASEAN members, the areas that would gain from RCEP are the new and evolving sectors such as e-commerce, telecommunications, and logistics. The different levels of infrastructure development, policy disparities, and legality of data access, etc. will remain an evolving process. But this takes us to another discussion on how the differences have been managed in a successful multilateral negotiation.

The differences are understandable given the disparity of individual members' economic calculations. This is neither new, nor problematic. The cases above illustrate the approach to managing the differences. Setting new standards and negotiating them can be seen as a form of norm-making. These 'items' are rules and norms of conduct in the international trade practice that the RCEP signatories are obliged to comply with. If seen as norms, then ASEAN has a significant extent

¹⁴ In 2021, Viet Nam had a trade deficit with China amounting to US\$39 billion. The trade deficit grew 150 times between 2001 and 2019 (Vietnam Ministry of Foreign Affairs, 2021).

¹⁵ Interview with the author, January 2021.

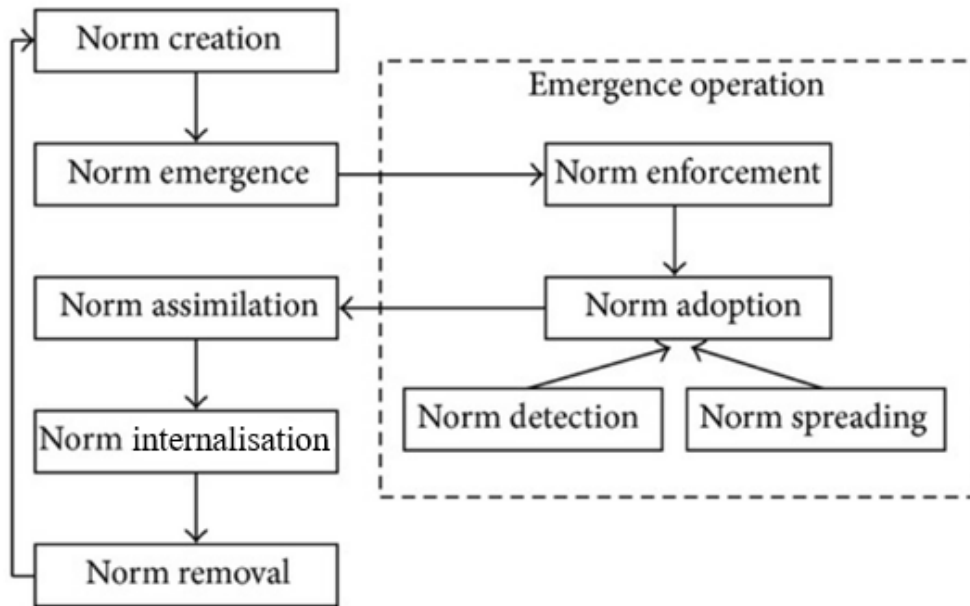
of experience in norms formation and adoption. Traditionally associated with political and security sets of norms, such as ‘non-interference in internal matters’, ‘non-use of force’, ‘consensus decision-making process’, etc. through its treaties such as the Treaty of Amity and Cooperation from 1976 and the ASEAN Charter 2018. ASEAN, however, has also through economic regionalisation processes created and sustained economic sets of norms and rules. The RCEP process, hence, is an example of norms persuasion. Whilst only a number of actors engage in the so-called ‘norm-entrepreneurship’ by actively designing and creating the norms. For the norms to successfully prevail, they need to be diffused and persuaded to others before finally internalising or rejecting them.

4.2. RCEP as a Norm-Making Exercise

As such, the RCEP process can be seen as a norm-negotiation process. Whilst the early norm-entrepreneurship process was arguably easier as the trade agenda itself was not an invention of RCEP, the norm-persuasion and diffusion took much longer. We are yet to arrive at the internalisation process because that would only occur after the ratification and implementation by individual members and most likely the upcoming few years would pan out. But the signing of RCEP by the 15 members means that there is an agreement to buy-in and internalise the norms and rules under this trade liberalisation process, and only India opting out – rejected the norms.

The traditional model of norm-making can be explained in the visualisation Figure 1.

Figure 1: Traditional Model of Norm-Making



Source: Krantz (no date).

4.3. What is in There for Us?

Beyond the important ASEAN centrality and agency exercise, but intangible for everyday citizens, is the question: what are the tangible gains from RCEP to the region? A number of economic projections have pointed out that RCEP in fact will benefit most of the non-ASEAN members, particularly the Northeast Asia trio: China, Japan, and the Republic of Korea. Their trade within RCEP will significantly grow, whereas for the ASEAN economies, the intra-RCEP trade should get a boost, but their primary markets will remain outside RCEP. This seems to be confirmed by the Asian Development Bank estimations (Park, Petri, and Plummer, 2021).

If taking this argument that economic benefits were not the primary driver for ASEAN to push for the RCEP finalisation, then it would point to other objectives, such as norm leadership and political signalling of support for trade and regionalism. In other words asserting ASEAN's centrality and ability to lead a larger architecture, as well as rejection of the trade war and anti-trade agenda led by the US under the Trump administration that is apparently continued also under the Biden administration (Ramesh, 2021).

Hesitancy in Indonesia was pointed to the chaos caused by the COVID-19 pandemic, particularly the Delta outbreak. The legislation stalled the ratification in ASEAN's biggest member. It is in Indonesia's interest to ratify, particularly as it heads to chair the Group of 20 (G20) in 2022, and regional and global credentials in economic leadership are desired. RCEP would help integrate Indonesia further into the regional value chains, attract investments and help create more jobs, particularly in the manufacturing sector – all very needed in the post-pandemic context. At the time of writing, it was estimated that millions of jobs have been lost over the course of the last 2 years.

But there are reasons for slow progress in ratification in Indonesia (Springer, 2021). Indonesia's trade law basically says any comprehensive and strategic trade treaty that could 'impact broader Indonesian society' must go through a legislative process in the People's Representative Council (Dewan Perwakilan Rakyat), taking the power away from the president to ratify them himself.¹⁶

Lobbying forces related to the agricultural and natural resources sectors appear to have led to slow approval of the trade deal. Indonesia only ratified the RCEP on 30 August 2022,¹⁷ just a few months ahead of hosting the G20 Summit – with its theme of economic recovery – in Bali in November. Another common concern heard amongst some ASEAN members, above all the Philippines and Viet Nam, is the possibility of a growing trade deficit with China. China is the RCEP's largest economy, and is already enjoying trade surpluses with many Southeast Asian economies. For many Southeast Asian economies, RCEP may only exacerbate the trade deficit with their largest trading partner.

This is even more interesting when noting that Indonesia played a critical role in the earlier phases of the RCEP negotiations. It was Jakarta and its key diplomats and economists that were behind conceiving this trade pact and led the negotiations. Mari Elka Pangestu, Indonesia's former Minister of Trade, currently at the World Bank, was informally known as the 'Mother of RCEP'.

In an interview, a Filipino analyst summarised the RCEP calculations as: 'Concerns about potential tariff revenue loss, worsening of trade deficit and harmful

¹⁶ <http://extwprlegs1.fao.org/docs/pdf/ins49202.pdf>

¹⁷ <https://www.straitstimes.com/asia/se-asia/indonesian-parliament-approves-membership-of-trade-bloc-rcep>

effect on vulnerable sectors like farmers.’¹⁸ The Philippines underwent a presidential election in 2022, and the economic agenda, particularly the rising cost of living since the Ukraine war outbreak as well as in post-COVID-19 reality, became a major election issue.

Similarly, Malaysia’s domestic political turmoil has slowed down its ratification of RCEP. Malaysia’s domestic politics have been unstable since the watershed elections in 2018, and as the aftermath of the 1MDB scandal. But the pandemic and discontent has further destabilised the power in the country, making Prime Minister Muhyiddin resign amidst the Delta peak in 2021. The COVID-19 response and party politics have become the primary focus for the ruling elites and the slow progress in ratifying RCEP is no surprise.

A negotiator from an ASEAN member country observed: ‘The slowest are the big democracies (in the region). Domestic politicking tends to be a bigger issue. Hopefully, RCEP does not become an election item for them.’¹⁹

4.4. The Least-Developed Countries

There are more expectations towards positive effects of RCEP for the least-developed countries (LDCs) in the group like Cambodia, Lao PDR, and Myanmar. Cross-border supply would promote investment in the country, including job creation and skills training and transfer of ‘know-how’. Cambodia committed to allow foreign firms to operate in the areas of legal services (with some exceptions), accounting, auditing, management consulting, and transport (Khmer Times, 2022). It is also expected that RCEP will push the manufacturing for even larger amounts of export.

For Lao PDR, RCEP is thought to be a good booster to this small economy. Bounleuth Luangpaseuth, vice president of the Lao National Chamber of Commerce and Industry said: ‘The RCEP agreement has great importance for business in Laos, as it will create favorable conditions for more trade, foreign investment and tourism in Laos’ (Xinhua, 2021). Any further facilitation of Laotian tourism, connectivity, trade, and services is considered a good opportunity for a small country that would have struggled to attract these on its own. Moreover, in

¹⁸ Interview with the author, January 2022.

¹⁹ Interview with the author, December 2021.

the new areas that need more adjustment, like e-commerce, IP, or ROO, Lao PDR, as an LDC, is likely to receive technical support and training from the partners. This was the case when the Economic Research Institute for ASEAN and East Asia (ERIA) offered training in ROO for Lao PDR officials (ERIA, 2021). So from that perspective, there are also non-monetary benefits, such as knowledge transfer, from greater cooperation and integration.

At the moment of writing, the situation in Myanmar remains unstable in the post-coup reality. The country is in disarray and the economy is suffering from political turmoil. The challenges of Myanmar participating in the ASEAN processes grow as violence on civilians by the Myanmar military Tatmadaw challenges ASEAN's mediation processes. As a result at the most recent ASEAN Summit in 2021, the coup leader senior general Min Aung Hlaing was disinvited to attend. Myanmar's participation in the regional process a year after the coup is still under question marks as there has neither been a formal recognition nor rejection of junta seizure of power (Le Thu, Engel, and Mansour, 2021). So the real extent of the RCEP role in Myanmar's economy is beyond predictable modelling.

4.5. Compromises

The RCEP text describes itself as a 'modern, comprehensive, high quality and mutually-beneficial' trade pact. An Asian Development Bank study provides a case-by-case comparison between the provisions under the RCEP and the CPTPP trade pacts and assesses that in general the former is less rigorous than the latter. RCEP estimates to reduce 90% tariffs, whilst the CPTPP aims at 94%. It is also less ambitious in terms of IP provisions, it does not include chapters on labour rights, environment protection, or distinction for private companies and state-owned enterprises (Crivelli and Inama, 2022). But given the difference in memberships and scale of the countries involved, the RCEP's achievements are impressive for the conditions. Compromises are seen as a form of norm-persuasion. Through lowering the threshold, and going for 'low-hanging fruit', the group ensured a buy-in of the larger RCEP framework. It was more important to have the 'less-ambitious' agenda but accept the trade framework, than pursuing more rigorous provisions but risking a fall-out of the entire project. India would be a counter-example of that. Proponents of RCEP had been both surprised by India's sudden

withdrawal and wanting to prevent the bloc chipping off further and hence willing to push for a more accommodative RCEP content.

5. Conclusion

Many external critics point to the low value of RCEP, because most of the tariff reductions can and have been achieved by respective earlier FTAs, and conclusion of this large trade deal is more symbolic than practical. The ASEAN members often take a different view and that is to provide a unified voice and exercise the organisation's centrality.

The internal divide was not economic-based. This is a familiar issue that has proven to be manageable. ASEAN had experience of resolving differences amongst each other with the previously discussed FTAs in gradually creating the noodle bowl and RCEP helps consolidation into the same ROO. The ASEAN Economic Community (AEC) had a well-oiled template of setting different timeline expectations according to the economic development level of the member states. As such, the group 'CLMV' (Cambodia, Lao PDR, Myanmar, and Viet Nam) previously, nowadays more often 'CLM' as Viet Nam graduated from this tier – often have a longer time to achieve the common economic goals. Similarly with RCEP, for example, the tariff reduction time for the CLM is extended to the 2050s. Moreover, ASEAN's approach to the RCEP negotiations was one of unity. The group would have sub-level meetings ahead and arrive at a common, albeit compromised, approach in front of other RCEP partners. As such, RCEP can be seen as a successful, and rare, exercise of unity and solidarity of ASEAN.

The individual role of particular member states that were more enthusiastic about the regional trade pact – Singapore, Viet Nam, as well as Indonesia and Thailand earlier – have been critical to finalise the deal. Without active diplomacy of the three consecutive ASEAN chairs – Thailand, Singapore, and Viet Nam – the multilateral negotiations would have likely dragged on longer. Eagerness, especially of Ha Noi in the final year, despite India opting out, ushered the completion of RCEP.

RCEP is to the economy what vaccines are to humans in the pandemic – a boost for recovery. It is also a reminder of the prevailing principle that is needed to

overcome this crisis – international cooperation. Because ultimately, RCEP is not only a trade pact, it is an economic cooperation framework that also contributes to cementing the political security dialogue amongst the member states. For example, the Australia–China relations are at a freeze – despite early signs of breaking ice after a change of government in May 2022 – no real progress has been made whilst trade tariffs are increasing the tension, besides a larger context such as the East Asia Summit where the two sit at the same table. RCEP is another important trade framework where the two disputed partners can find an example of cooperation.

RCEP is not meant to be the end game. Rather, it is considered a part of the larger and continuous process of trade liberalisation in the broader region. RCEP is a stepping stone towards a more comprehensive integration process in Asia and the Pacific. Continued commitment, following such milestones like the Asia-Pacific Economic Cooperation (APEC) and the ASEAN+ FTA mechanisms. As such, RCEP should not be seen, nor assessed, as a stand-alone project. Rather, RCEP needs to be considered for its contribution and facilitation in the ongoing process of Asian integration. Certainly, that was the intention of ASEAN to express their commitment and vision of the region that continues to integrate, trade and prosper, rather than being divided by the security–trade fault lines of the trade war. That is the agency ASEAN exercised in ratifying RCEP that trumped the internal domestic concerns as well as intra-regional differences.

It is hard to deny that ASEAN is experiencing an unprecedented crisis. It is more divided than ever and the internal commitment to the organisation amongst the members is at its weakest. ASEAN Member States do not agree on many things, including key security challenges facing the region like the South China Sea disputes, or the Myanmar crisis. This increasing rift challenges its core operational principle which is the consensus-based decision making mechanism. Without that unity of positions, ASEAN continues to face stalemate and even its ability to assert regional agency, let alone centrality.

But amongst the few things that the members agree on is the economic agenda. Development, growth and trade – despite differences in the details – remain the common objective for this group. Even more keenly felt after the outbreak of the COVID-19 pandemic that stresses capacity and derails the growth prospects for

many in the region. Economic recovery remains the number one concern, as well as agreement, in ASEAN.

In the 2021 regional survey of elite perceptions in Southeast Asia, the vast majority of Southeast Asians think that COVID-19 presents the single most dangerous threat for the entire region. According to the 2021 ISEAS survey, the three top challenges to the region are COVID-19 (73% of respondents from all 10 ASEAN nations), followed by unemployment (63%), and income inequality (41%) (ISEAS, 2021). RCEP becomes one of the tools to achieve the objective of economic recovery and get back on track of development and growth through trade. ASEAN has proven with RCEP that it can deliver on the goals it set. The important question going ahead though is if this testifies for a lasting ASEAN economic order success or 'last swan song' of the ASEAN way or regionalism? Only future implementation will show. The RCEP's political and geo-economic significance may be more important than economic significance. It reasserts ASEAN's much sought after centrality. It gives hope for post-pandemic recovery. It plays a role in norm-setting, including in trade and emerging areas such as the digital economy. But most importantly, it reminds implicitly that economic integration is not only a matter of economy, it is in fact, a source of security for the region.

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