

RCEP trade deal an important step forward for the region

It is not all about China, as some wrongly claim. Rather, it a good baseline emphasising Asean's multilateral cooperation.



Prime Minister Lee Hsien Loong and Trade and Industry Minister Chan Chun Sing at the signing of the Regional Comprehensive Economic Partnership (RCEP) agreement on the last day of the Asean Summit on Sunday. The writer says what has driven RCEP is economic logic and business opportunity, and that the agreement can help Asia recover from the economic impact of the pandemic. PHOTO: MCI

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It is too early to expect the incoming Biden administration to seriously relook American policies in Asia. Domestic concerns will be paramount – the pandemic and economic recovery.

Yet, with less than full attention on developments in Asia, there is a danger that misperceptions could arise. Look at how the Asean Summit, which ended last week, has been reported on, especially the Regional Comprehensive Economic Partnership (RCEP). This is a new trade and economic deal that will cover 2.2 billion people and most of East Asia. Yet more than a few overseas media reported that it is led, and even dominated, by China.

Perhaps such a view plays conveniently into the narrative of Sino-American conflict.

Yet that is wrong. What is right is more complex but essential to understand. Begin by understanding that not everything

is about China.

EIGHT YEARS OF TALKS

Negotiations on RCEP lasted for over eight years, enduring many rounds of bargaining and meeting delays. Even before that, it was Asean that acted to craft a framework of principles to guide the process forward with its other partners. This prior preparation by Asean and the long and challenging path shows that RCEP was never the case of China or any single country dictating terms.

Consider its broad and inclusive membership. Japan and South Korea are members, with their own production chains across the region – and they are now trending to link more to Asean, rather than to China.

The same is true for Australia and New Zealand. Altogether, count up the number of United States allies and friends in the group, and ask why they might agree to anything designed to be dominated by China. What has driven RCEP is economic logic and business opportunity.

High trade volumes affirm that strong economic

interdependencies already exist among these economies – accounting for 28 per cent of global trade. The agreement will make interconnections more seamless in preferences and rules of origin, to further facilitate the flow of intermediate components as well as final products. That connectivity is also supported by provisions for improved Customs procedures and trade facilitation.

Another benefit is to provide arrangements among the North-east Asian trio of China, Japan and South Korea. A trilateral free trade agreement has been intermittently discussed since 2007, but without completion. Until that might be agreed on, RCEP will serve to link the three – no easy achievement, given historical and ongoing tensions and rivalries.

A third achievement is clearest when we look at the growing protectionist sentiment. With world trade slowing in volume and value and the World Trade Organisation (WTO) under scrutiny, RCEP stands out as an exception. Asia is coming together and RCEP can help the region's

recovery from the economic impact of the Covid-19 pandemic.

WHO'S IN OR OUT

It is not China which is at the centre of RCEP, but Asean that initiated and chaired negotiations. Even before the agreement, Asean had trade pacts with all key regional partners. Indeed, RCEP began with the intention to consolidate those different Asean-centric agreements.

Many struggle to understand how this group of 10 medium- and smaller-sized countries offers leadership without the heft of larger economies like China or Japan. A slew of recent books by some Western observers suggest that some Asean members are dominated by Beijing. Yet Asean continues to be central for many in the region.

Its long-term partnership with Japan was reinforced during prime minister Shinzo Abe's years in office and new Premier Yoshihide Suga made it a point to head first to Indonesia and Vietnam, two key Asean members. Similarly, South Korea has its New Southern Policy, and intra-Asean economic

integration is also proceeding.

While far from perfect, Asean has played a central role in the wider region with its East Asia Summit for leaders, and meetings for foreign and defence ministers. In this context, RCEP is no aberration but another example of how Asean has consistently pushed regionalisation forward. As Asean secretary-general Lim Jock Hoi noted, the agreement "underpins Asean's role in leading a multilateral trade agreement of this magnitude, despite global and regional challenges".

There are limits to Asean's leadership and influence that must be managed. Consider how India has finally decided to stay out of RCEP, after so many rounds of negotiations. Yet the South Asian giant is welcome to continue as an observer with the explicit option to join as a full member. There is also scope to bring other economies on board, if willing.

The US remains absent. It was never intended that the US would join RCEP, as the country has never had an agreement with Asean. Instead, the Obama

administration's strategy was to push its Trans-Pacific Partnership to set the highest standards to lift economic ties and strategic engagement across the Asia-Pacific.

The US has only President Donald Trump to blame for offering no alternative. After he abandoned the Obama initiative, 11 countries, including Asian friends like Japan, Singapore and Vietnam, continued with the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Add to this Mr Trump's absence from the annual East Asia Summit – hosted by Asean – since 2018. When the US has come calling, it is usually to ramp up anti-China rhetoric, as exemplified by Secretary of State Mike Pompeo's most recent five-nation visit to Asia. RCEP shows the limits of inconsistent and one-issue engagement.

WHAT'S NEXT

It is a difficult time for globalisation and economic integration. The institutions and rules for international trade are under attack at different levels – from domestic protectionist sentiments to great powers breaking rules and using trade to punish others, and the squabbling in the WTO. RCEP is not a panacea to all ills.

Most acknowledge that while the agreement is a good baseline, RCEP commitments are not as deep or as far-reaching as those in the CPTPP. But RCEP serves a much more diverse array of members, from large to small, and from advanced economies to those still emerging into the global economy.

RCEP supports the rules of global trade and investment and can play an important role in building up resilience in the regional economy. Signatory governments can maximise those benefits with quick ratifications and by sharing information with businesses widely, reaching not only the big players but even the small and medium enterprises.

India may yet join RCEP and the US can well consider new ways to engage the region, when ready, and perhaps in areas of the digital economy. But those outside cannot simply gainsay the RCEP, and expect others in the region not to move ahead on what makes sense for them.

The pandemic is forcing countries to rethink pathways to prosperity. In addition to RCEP, a comprehensive recovery framework and implementation plan to address health and economic impacts from the pandemic was also launched at the Asean Summit.

The future in the region cannot stand still for anyone. In tandem with recovery efforts, what Asean and other partners offer in RCEP are next steps that emphasise multilateral cooperation with an appropriately inclusive recognition of diversities. That is a future that may well be worth having.

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