



## The Economic Cooperation Potential of East Asia's RCEP Agreement\*

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East Asia's Regional Comprehensive Economic Partnership (RCEP) came into force in 2022 as the world's largest free trade agreement. RCEP was concluded, signed and brought into force in the face of major international uncertainty and is a significant boost to the global trading system. RCEP brings Australia, China, Japan, South Korea and New Zealand into the same agreement with the ten member ASEAN group at its centre. It keeps markets open and updates trade and investment rules in East Asia, a major centre of global economic activity, at a time of rising protectionism when the WTO itself is under threat. The agreement builds on ASEAN's free trade agreements and strengthens ASEAN centrality. One of the pillars of RCEP is an economic cooperation agenda which has its antecedents in ASEAN's approach to bringing along its least developed members and builds on the experience of capacity building in APEC and technical cooperation under the ASEAN Australia-New Zealand Free Trade Agreement. There is an opportunity to create a framework that facilitates deeper economic cooperation that involves experience-sharing, extending RCEP's rules and membership at the same time as strengthening political cooperation. The paper suggests some areas that might be best suited to cooperation — that is confidence and trust building instead of or before negotiation — and discusses how non-members may be engaged and the membership expanded. Options such as multilateralising provisions and becoming a platform for policy convergence and coordinating unilateral reforms are canvassed.

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## I. Introduction

East Asia's Regional Comprehensive Economic Partnership (RCEP) agreement came into force on 1 January 2022 as the world's largest free trade agreement covering close to a third of the world's population, 30 per cent of global GDP and 28 per cent of global merchandise trade. RCEP negotiations concluded in November 2019 at a time of rising protectionism globally and trade uncertainty from the Trump administration in the United States. It was then signed on 15 November 2020 during the large pandemic induced economic downturn and within the context of continued geopolitical uncertainty between China and the United States, the world's two largest economies and trading nations. United States – China trade tensions are a significant cause of the extreme pressure on the global trade regime.

RCEP is centred on ASEAN and consolidates four ASEAN + 1 free trade agreements with Australia-New Zealand, China, Japan and South Korea. India walked away from the agreement in November 2019. The agreement simplifies the 'noodle bowl' of bilateral agreements in East Asia. India walked away from the agreement on the eve of the conclusion of negotiations in 2019, missing an opportunity to integrate India into regional value chains and the East Asian economy.

RCEP brings the three large Northeast Asian economies into the same binding regional trade agreement for the first time (except for the China–South Korea free trade agreement). With ASEAN acting as the hub, it was possible to lock in new liberalisation and trade rules that help govern and deepen the China and Japan, and Japan and South Korea economic relationships. The three Northeast Asian economies were brought together in an agreement through the consolidation — and to an extent multilateralising — of their ASEAN + 1 free trade agreements.

The agreement builds on the ASEAN + 1 agreements and includes improvements in market access and new rules. RCEP has often been compared to the Trans-Pacific Partnership (TPP) that was being negotiated in parallel. It does not go as far in its liberalisation commitments as TPP or its successor the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP) and does not include disciplines on state-owned enterprises (SOEs) or chapters on labour or environment commitments. The commitments made in RCEP, however, are significant and will contribute towards integrating the East Asian economies. The 'negative list' approach in services exposes all sectors to foreign competition unless specifically excluded, and China committed to an investment 'negative list' for the first time, opening up all

sectors to foreign investment unless specifically excluded. Importantly, the simplified rules of origin in RCEP — as a single rule of origin — will help facilitate the growth of regional supply chains and help deepen economic integration in East Asia.

Where the RCEP agreement falls short on initial commitments, or in areas where rules and norms do not keep up with developments, there is the possibility of progress in its economic cooperation agenda.

One of the pillars of RCEP is an economic cooperation agenda that builds on the experience of capacity building in existing regional arrangements. The economic cooperation agenda will assist members to implement the commitments made in RCEP but it can also provide a framework that facilitates deeper economic cooperation and involves experience-sharing, the creation of a framework for extending rules and membership and political cooperation.

With an RCEP secretariat, joint committees of senior officials and subsidiary committees, regular Ministers' meetings and an annual Leaders' summit around the ASEAN-led East Asia Summit meeting, RCEP differs from other free trade agreements. The three features that distinguish RCEP reflect its ASEAN origins and diplomatic philosophic strategy are: its inclusiveness and openness to new membership; its whole-of-region approach to integration; its ongoing economic cooperation agenda that marks it as a 'living agreement' able to address issues of shared interest and priority as they evolve.

This paper reviews the main features of the RCEP agreement and examines some of the prospects for regional economic integration. It then describes what opportunities there are for the economic cooperation agenda, building on the experience of cooperation in ASEAN and APEC. The paper suggests some areas that might be best suited to cooperation — that is confidence and trust building instead of or before negotiation — and discusses how non-members may be engaged and the membership expanded. Finally options such as multilateralising provisions and becoming a platform for policy convergence and coordinating unilateral reforms are canvassed.

## II. Key Features of the Arrangement

RCEP extends the ASEAN + 1 free trade agreements with each of ASEAN's partners in the region significantly. Low or no tariffs are applied to a much larger proportion of intra-regional trade. It is comprehensive of about 90 per cent of trade, compared to 60 per cent in some of the bilateral ASEAN arrangements with regional

partners. Particular member countries, such as China, South Korea and Japan, did not have any free trade agreement among themselves prior to RCEP (except the low standard agreement between China and South Korea). Specifically, the RCEP agreement spans 20 chapters with provisions across trade in goods and services, trade facilitation, rules of origin, investment and intellectual property. The removal of tariffs and customs duties is accompanied by common rules of origin for all tradable goods, which allows originating goods from one member state to be considered as originating in a second member state. That common rule of origin allows ‘cumulation’ where products originating in one country can be further processed or added to products originating in another country, just as if they had originated in the second country. This is a significant advance on the bilateral rules of origin arrangements that apply in CPTPP.

The agreement includes provisions that extend the scope for liberalisation in trade in services. The ‘negative list’ approach in services exposes all sectors to foreign competition unless specifically excluded. These market access, most-favoured-nation (to treat foreign suppliers at least as well as suppliers and investors of any other non-RCEP country), national treatment (to treat local and foreign suppliers equally) and local presence provisions for services go beyond existing FTAs; at least 65 per cent of service sectors will be fully open. Measures protecting sectors of national security and technological importance are complemented by a chapter on transparency in public procurement, particularly in telecommunications. The section on public procurement goes beyond that of existing ASEAN + 1 arrangements and RCEP is the first agreement in which Indonesia, the Philippines and Thailand have made commitments of this kind (ADB, 2020).

The chapter on investment goes beyond countries’ WTO obligations in several respects yet rejects an Investor State Dispute Settlement (ISDS) mechanism for resolving disputes. Foreign investors will receive most-favoured-nation access and national treatment. China and ASEAN have for the first time signed onto ‘negative list’ commitments on foreign investment in non-services sectors such as manufacturing and mining (Australian Department of Foreign Affairs and Trade, 2020). RCEP requires those Parties initially utilising positive listing (China, New Zealand and 6 ASEAN Member States – Cambodia, Lao PDR, Myanmar, Philippines, Thailand and Vietnam) to complete their transition to negative list services schedules no later than 6 years after RCEP’s entry into force and no later than 15 years in the case of Cambodia, Laos and Myanmar. The agreement also includes provisions that prevent ‘performance

requirements' in respect of local content and technology transfer in exchange for market access.

On the digital economy, RCEP sets out a framework for the digitalisation of trade and addresses cyber security, consumer and privacy concerns in e-commerce. These provisions are similar to those in the CPTPP in that they commit members to the protection of personal data and maintain the current practice of refraining from imposing customs duties on electronic transmission between member states. Although the agreement nominally prohibits members from preventing cross-border data and information flows there are strong national security and public policy carve-outs for doing so.

Provisions to liberalise goods, services and investment are reinforced by provisions to eliminate non-tariff barriers and promote 'mutual understanding' between members about customs, technical standards and other regulatory barriers that might otherwise impose administrative or transaction costs on businesses.

The trade gain within the region is conservatively estimated to be in the order of US\$438 billion through to 2030 (Petri and Plummer, 2020). It is likely to be much higher. For countries not in the arrangement, the loss through trade diversion is estimated at US\$48 billion (Petri and Plummer, 2020). Overall, that is a significant net global benefit from RCEP, but there are some countries and some industries outside the region from which trade will be diverted.

Within the region, lower value-add producers in China will suffer as a consequence of the shift of production to lower labour-cost countries in Southeast Asia. But more sophisticated manufacturing and higher value-add exports from China should expand under the arrangement. There will be some big adjustments in production and trade over time, which will tend to follow where comparative advantage lies across the region and that will boost incomes and economic growth.

RCEP was negotiated in parallel to the TPP agreement and has been compared with that agreement since both negotiations began (Hamanaka, 2014). The TPP was said to have higher standards than RCEP given the US-led push for stronger intellectual property protections, stricter rules on state-owned enterprises (SOEs) and other rules more suited to developed economies. After US President Donald Trump withdrew the United States from the TPP in 2017, the remaining membership salvaged the agreement in the form of CPTPP in the hope that the United States might join at a later date. The CPTPP included exemptions from those stricter rules for many countries yet retains measures on SOEs, labour and environmental standards that are not included

in the RCEP agreement. RCEP is liberalising for its members and committed its members to new rules where none existed before. Some of the provisions go further than the TPP. Estimates by Park et al. (2021) suggest the economic benefits from RCEP are likely to be double those of the CPTPP and the two agreements together can offset the costs to the region of the US-China trade war. Important features of RCEP are its phase-in liberalisation with built in support for less developed members, its economic cooperation agenda and its institutional base in ASEAN. The single rule of origin is more liberalising for supply chains than the TPP approach which was a set of bilateral tariff concessions — albeit with many countries committing to zero tariffs across all imports — with complicated rules of origin.

While the RCEP agreement does not have some of the disciplines of other agreements such as CPTPP, it does represent a big commitment to economic liberalisation by the East Asian group. It allows developing countries in the arrangement to phase in their liberalisation over considerable periods of time, in contrast to many other free trade agreements, while it still ensures an endpoint of substantial liberalisation across a comprehensive range of goods and services. That approach recognises the wide range of economic development and market conditions found in member countries and helps countries meet commitments through cooperation rather than with the threat of punishment or sanctions. Indeed, RCEP provisions on government procurement, intellectual property and the digital economy signal the willingness of member states to commit to a shared ‘rule book’ for emerging areas of trade despite bilateral disagreements and intersecting FTAs.

RCEP has modern architecture that is better suited to the region than the TPP, including on services and investment commitments, with built-in agendas, and innovative institutional arrangements. The establishment of an RCEP Secretariat, an annual Ministers meeting and the move away from traditional FTA (siloed) committee structures was coupled with a focus on outreach and broader engagement. An RCEP Joint Committee with subsidiary bodies usefully reflects the integrated and crosscutting nature of trade, investment, and global supply chains: Goods, Services and Investment; Sustainable Growth (Economic and Technical Cooperation, SMEs, and emerging issues); and Business Environment (cooperation and dialogue on Intellectual Property, E-Commerce, Competition, and Government Procurement). There are also provisions for the Parties to engage with business, experts, academia, and other stakeholders.

RCEP also reinforces ASEAN's neutral broker role within the region. The agreement brings Northeast Asia into a single agreement, helping China, Japan and South Korea make progress in economic integration despite political tensions. The China-Japan-Korea trilateral has persisted and made slow progress but the broader framework that is centred on ASEAN has made it possible to have the three Northeast Asian economic powers to open their markets towards each other and to commit to new rules and disciplines. It is in this way that India's participation in RCEP would have made its dealings with China easier — a sticking point politically — as it would have been able to manage the bilateral economic relationship in a broader context.

Only four of the ten ASEAN members, Brunei, Malaysia, Singapore and Vietnam, are members of CPTPP with others including Thailand and Indonesia having expressed interest in joining. The risk of trade and investment being diverted for four ASEAN members towards CPTPP countries (Deardorff, 2014) is less of an issue with the conclusion of RCEP.

### III. ASEAN Centrality and Institutional Underpinnings

RCEP is often and incorrectly said to have been China-led or China-centred: ASEAN is central to the agreement, which had its genesis in Indonesia and which relied on the leadership of Indonesia and ASEAN towards its conclusion. When ASEAN initiated RCEP, its core ambition was to protect and extend the centrality of ASEAN in Asia Pacific economic and political cooperation.

ASEAN remains central to broader regional cooperation and institution building. The process of its economic integration underpins its centrality in Asian affairs. RCEP is important to ASEAN as it entrenches and expands its centrality in the management of economic and political security interests with its neighbours. Originally conceived for security purposes, ASEAN helps its member states manage relations with its big power neighbours, the United States, Japan and China. Better connecting existing regional economic and political cooperation arrangements will help ASEAN and its partners navigate and manage the present and future challenges to regional prosperity (Drysdale et al., 2022b forthcoming).

Regional cooperation arrangements such as APEC, the ASEAN plus frameworks or the RCEP arrangement are not hardwired institutionally into ASEAN, but they were born of the same parentage and are genetically inseparable from the principles and

practices that sustain ASEAN's success economically and politically (Drysdale, 2017). They are also tightly aligned with multilateral goals.

RCEP was designed by ASEAN policy strategists to buttress regional trade reform and lift Asia's growth potential in the global economy. At the time of its conclusion and ratification, RCEP was the only active, credible multilateral endeavour anywhere in the world positioned to deliver a significant push-back on the retreat from globalisation.

ASEAN pursued ASEAN centrality mainly by establishing free trade agreement networks with its dialogue partners. RCEP is an extension of that framework which consolidates its free trade agreements and is a mechanism for securing it in the future. And it is strategically linked to the AEC Blueprint 2025 (Armstrong et al., 2019).

With ASEAN at its core, the 15-member RCEP grouping is the first inclusive regional effort at a binding economic agreement. The non-legally binding and voluntary cooperation that has guided ASEAN integration until now has been a feature of cooperation in APEC as well. That mode of international cooperation has been replicated in the G20. Such a mode of cooperation builds confidence and consensus over time and encourages unilateral action in concert — or concerted unilateralism (Garnaut, 1996).

ASEAN has practiced open regionalism that involves regional cooperation that does not come at the expense of economies outside of the region. The multilateralization of preferential tariffs in the ASEAN Free Trade Agreement (Hill and Menon, 2014) combined with the cooperation process has led to ASEAN's successful integration into the global economy. The trade to GDP ratio for ASEAN is more than 100 per cent, down from a peak of around 130 per cent before the global financial crisis. Europe's trade to GDP ratio is around 64 per cent, while the ratio for North America is below 50 per cent. The outward oriented approach has led to intra-regional trade in ASEAN being much lower at around 24 per cent than Europe at 60 per cent or North America at roughly 40 per cent (Pangestu and Armstrong, 2021).

The mode of cooperation in ASEAN has led to a sustainable integration process. There may be frustration about the slow pace of reform and integration within ASEAN, but the region has made substantial progress in economic opening and reform. The nature of the integration process which has been to go only as fast as domestic processes will allow, with regional consensus and no supranational authority or hegemon, has meant a mostly sustainable regional integration process suited to the political economy and circumstance of Southeast Asia.



RCEP's institutional setting within ASEAN will reinforce its inclusive character and encourage its multilateral orientation and role. More immediately, RCEP provides a mechanism for routine economic dialogue among ASEAN and its regional partners.

Like all ASEAN-led agreements, RCEP includes a chapter with institutional provisions that promote its evolution. The ASEAN Secretariat will provide the locus of coordination among members. There is provision for regular ministerial meetings, joint committees of senior officials and subsidiary committees. Officials are mandated to establish a secretariat for these purposes and provide technical support, which establishes a framework that can evolve and develop as required.

The RCEP secretariat will likely become a platform from which this Asia-wide liberalisation and integration is managed, and a coordination mechanism for the economic cooperation process, which is a pillar of RCEP. It also has the potential to deal with, and manage, many economic processes such as those related to infrastructure investment, including China's Belt and Road Initiative (BRI). Internationalisation of BRI is something that China should wish to encourage in this context.

Regular ministerial level and leader level meetings of RCEP around the ASEAN plus summits will reduce political uncertainties and build a foundation for political cooperation. Indeed, the agreement stipulates that RCEP Ministers meet at least annually to consider matters concerning the agreement (RCEP Secretariat, 2020). These meetings are vehicles for dialogue among leaders. A Joint Committee will establish four subsidiary bodies: the Committee on Goods, the Committee on Services and Investment, the Committee on Sustainable Growth and the Committee on the Business Environment (RCEP Secretariat, 2020). While these bodies will oversee the implementation of the agreement, they will also provide an outlet for discussions about matters related to the economic and political architecture of the Asia Pacific.

ASEAN's institutional arrangements at the centre of RCEP are also important insulation for the agreement from today's geopolitical competition across the region, especially given that China is a participant in the agreement. The pressure on US allies and partners to decouple their trade and especially technology from China has grown. China's assertiveness in its dealings with the United States and internationally and its use of economic coercion, particularly in its regional neighbourhood — earlier against Japan and South Korea and recently more blatantly against Australia — have aggravated uncertainties about the nature of its rise. There is a growing attenuation of trust between China and other powers. The multilateralism that helps to restrain and

shape great power settlements and is essential to East Asia's prosperity and security, is harder to sustain.

RCEP is not simply another free trade and investment arrangement. It incorporates a cooperation agenda which is an essential element in building capacity for economic reform and mutually reinforcing regional development in Southeast Asia over time (Armstrong et al., 2019). A narrow conception of the cooperation agenda is the provision of capacity building to help the less developed RCEP members to implement commitments. A broader conception involves experience-sharing, economic and political cooperation and the creation of a framework for extending rules and membership. It incorporates elements which will see the partners continuing to deepen their economic integration.

RCEP's cooperation agenda has a political and security pay-off that will assist in ameliorating regional tensions and managing relations with bigger powers, like China, Japan, and perhaps eventually India (on economic and geopolitical issues such as the BRI for investment in connectivity and geo-strategic territorial issues). It facilitates collective leadership, ASEAN centrality, and strengthening the ASEAN institutional ecosystem and its dealings with those outside it, like the United States and Europe (in staking out Asia's interest and claims to ownership in and support of the global public good of an open international economy).

#### IV. Economic Cooperation Platform

One of the pillars of RCEP is its economic cooperation agenda which has its antecedents in ASEAN's approach to bringing along its least developed members. The cooperation agenda also builds on the experience of capacity building in APEC and technical cooperation under the ASEAN Australia-New Zealand Free Trade Agreement. At a bare minimum the economic cooperation agenda will assist members to implement the commitments made in RCEP.

The inclusion of economic cooperation in RCEP as a key outcome is likely to be one of the main determinants of how important the agreement is in supporting economic growth and development in the region. There is opportunity to go well beyond capacity building and technical cooperation in RCEP to create a framework that involves experience-sharing, the creation of a framework for extending rules and membership, and political cooperation.

The cooperation agenda among members in RCEP provides an opportunity to demonstrate good intentions and a direction in economic reform and political accommodation. RCEP offers a valuable space for articulating and implementing the reforms and liberalisation to which China has committed, and which will extend market opening in China and lift its trade and economic performance. Doing so with commensurate market opening in key East Asian economic partners and with consistent rules will deepen regional economic integration.

Reform and market opening will have more impact if extended multilaterally, beyond the RCEP membership. That is where RCEP and its cooperation framework provides a platform for trialling and demonstrating progress in reform, including to the United States, building consensus and rule-making, as well as multilateralising the new commitments and rules. There is an opportunity to phase-in most-favoured-nation provisions to RCEP.

The opportunity is to help members make progress in areas that are not suited to negotiation such as cooperation on recovery from the coronavirus pandemic and regulation of the increasingly important digital economy. The economic cooperation framework also presents an opportunity to build cooperation on regional infrastructure investment, helping to manage China's BRI, China-Japan cooperation and other initiatives in a multilateral context. RCEP is open to embrace the participation of non-RCEP members, especially India, through the economic cooperation process, around particular agendas.

The economic cooperation agenda in RCEP has the potential to bring large gains over time beyond the negotiated market access and rules commitments of a free trade agreement, if the cooperation framework is properly framed. The development of a strategic framework can help tackle broader reforms and build institutional capacity, mutual trust, and enhance economic policy deliberations and political cooperation among members.

Economic cooperation can support implementation of the agreement and the realisation of the benefits of market access commitments, the domestic institution-building required by rules commitments, and the ongoing engagement between member economies that is essential if a trade agreement like RCEP is to be a living and evolving framework for strengthened economic integration.

East Asia has experience in building economic cooperation through ASEAN, APEC and the AANZFTA agreement. These arrangements include mechanisms that allow officials, and to a lesser extent businesses and other stakeholders, to interact routinely,

to build familiarity and understanding and ultimately to build trust. Structured economic consultations and cooperation on a continuing and regular basis will be a feature of RCEP that goes beyond the agreements that define traditional FTAs.

For China, South Korea and other ASEAN members with a declared interest in joining CPTPP, the RCEP economic cooperation framework provides a platform similar to that which APEC in the past offered on the way to WTO accession for China. For example, the CPTPP members in RCEP have significant incentive to assist China in its commitment to SOE and other reforms. This will in time elevate the prospects for a Free Trade Agreement of Asia and the Pacific (FTAAP) to build an economic bridge across the Pacific and engage the United States.

Not all aspects of economic integration can or should be negotiated between countries. Many behind-the-border issues are deeply embedded in domestic institutions and regulatory structures. To build community support to change them requires longer timeframes, capacity and understanding of their interlinkages with other policies.

The implementation of RCEP commitments and deepening economic integration can help build understanding of how to deal with the barriers in each country to progressing domestic reforms, including trade and investment barriers, conflicting policy priorities, sensitivities, and preoccupations. RCEP's economic cooperation agenda can help to socialise useful ideas and policy strategies that are not otherwise familiar to partners. Policy strategy convergence is an objective that can be achieved over time. Members of APEC built up common understandings over time of the importance of openness and progressively removing barriers to trade. Developing robust economic governance arrangements that converge around member interests is one important objective of the economic cooperation agenda.

To deal with many issues that require cooperation across East and Southeast Asia, it is necessary to build thicker interaction at the policy level on political and economic cooperation. To make progress on issues including regional approaches to cross border infrastructure and energy transition requires detailed consideration and consultation among relevant experts and stakeholders, including the business sector, and deeper consultation and confidence building over time among regional countries.

Issues such as the creation of stronger social safety nets and undertaking difficult reforms need to be promoted through sharing experience, capacity building and sometimes the use of peer pressure.

### *Engaging non-members*

The economic cooperation agenda will benefit from avoiding exclusion of the interests of non-RCEP members given the global interests of RCEP economies. A core focus of RCEP must be on the grouping's membership but that should not exclude the participation of others where relevant and where agreement can be forged over time.

RCEP's potential openness to new members compared with other economic arrangements is one of its key strengths. The ASEAN philosophy of inclusiveness that has shaped the thinking behind RCEP gives more immediate priority to the important opportunities there are for embracing non-members where there is interest in its work on economic cooperation.

This interest is most prominent in respect of India, to which the door of membership has been left open.

RCEP members can define a protocol of engagement with India which keeps open a path for eventual Indian membership of the grouping but in the meantime actively promotes cooperation not only with India itself but also its neighbours in South Asia. Bangladesh among others have expressed interest in RCEP membership. That will help to keep markets open to Indian suppliers and ensure medical, food and energy supplies to India that help it manage the health and economic challenges it faces from the pandemic. As India is a potentially important producer of a vaccine and medical supplies, maintaining Indian openness to foreign investment and exports will be crucial in the global effort to fight the COVID-19 pandemic and sustain India's recovery and long-term development.

RCEP is a natural champion of open regionalism — regional cooperation that does not come at the expense of non-members and dedicated to global objectives — with structures that are open and flexible, that engage external interests. That cooperation can be extended without compromising on the core RCEP goal of deepening regional integration and help to entrench it. The RCEP grouping is systemically important enough to the global economy that its interests are best served with an inclusive approach that deepens trans-Pacific and trans-Asian economic integration.

The economic cooperation agenda can be used flexibly to involve key non-member countries and economies around issues where economic cooperation is mutually beneficial. The cooperation around recovery from COVID-19, the digital economy, energy transition and infrastructure investment are not exclusive to RCEP members.

With RCEP recognised as part of the pathway towards the FTAAP in APEC, engagement of Taiwan that is a member economy of APEC and WTO member should be possible. Taiwan is an important part of the regional economy and East Asian supply chains.

RCEP is positioned well to build understanding and confidence in economic integration through areas of mutual interest with non-RCEP countries that are in close proximity to the RCEP grouping. That can help socialise East Asian economic integration and the expansion of value chains across East and South Asia. That would prepare for possible eventual return of India to RCEP and facilitate expansion of membership in South Asia beyond.

## V. RCEP's Global Agenda

Multilateral cooperation and global institutions have never been more important than now. The global significance and impact of RCEP is to buttress multilateralism and entrench institutions for multilateral cooperation at a time when they are under threat. RCEP's institutionalisation can help in managing these dangers. The locus of RCEP in ASEAN in constraining big power behaviour that might damage and weaken the entire global trade regime is one aspect. Another is that in-built dialogue and cooperation among members makes the arrangement a potential vehicle for enlarging ASEAN's and Asia's voice on multilateral reform issues in global forums such as the WTO and the G20.

RCEP could help in working through issues that require time to reach common ground. The active engagement of key Asian economies is necessary to build high-level commitment for system repair and the consensus favouring multilateral solutions on which the RCEP settlement was promoted provides a useful foundation for pushing forward with reform of the global trading system.

The following are potential agenda items for RCEP's cooperation agenda consistent with regional priorities that will contribute to global public goods. ASEAN-centred and in the context of a binding agreement in RCEP, the agenda and mode of cooperation can be distinctly ASEAN in character and differentiated from cooperation in APEC.

### *1. COVID-19 Recovery*

Asian economies are central to recovery from the COVID-19 crisis because of their weight and potential in the world economy. Asia can help lead the exit from the COVID-19 crisis and be a vital driver of the global economic recovery. RCEP reinforces this claim to economic leadership by pioneering the opening up of regional value chains and trade openness, both of which have been shaken by ongoing vaccine protectionism and supply chain insecurity that have slowed the global vaccine drive.

Assembling the necessary scientific, medical and professional expertise to assist progress with the implementation of health, social and economic policy strategies will be important to constructive cooperation at all levels. Expert task forces engaging health, economic and business experts from each country established by the ASEAN-led group can be helpful to providing advice and setting out pathways for governments and engaging with civil society groups.

Collaboration among professionals is still needed to plan for countries' opening borders. Participating governments can issue public health certification to their citizens, who can then travel under agreed quarantine guidelines to other participating countries. This program can be opened to any country willing to comply with the necessary public health requirements.

### *2. Digital Economy*

The same platform can be used to support work to update rules for the digital economy. RCEP includes one chapter on the digital economy, which addresses multilateral rules, liberalisation of e-commerce customs duties on electronic transmissions and data localisation requirements. The provisions in RCEP are a good start but much more must be done.

RCEP can play a critical role in exploring rules for new economic opportunities and security challenges opened by new technologies such as 5G telecommunications and the growing importance of digital trade. Multilateral rules in the WTO may cover trade in goods adequately but are mostly non-existent for a large proportion of international commerce in the 21st century as services, investment, data flows and new forms of technology proliferate. The patchwork of rules from smaller agreements leaves major gaps at best and causes economic fragmentation at worst.

The RCEP provisions on e-commerce and the digital economy are similar to those included in the CPTPP, with carve-outs for national security and public policy measures which may stifle the free flow of data and information. Despite being narrower in coverage than agreements such as the Australia-Singapore Digital Economy Agreement (DEA), the provisions reflect the extent to which RCEP agreement represents the current consensus between countries of varying size and levels of development (Findlay and Pedrosa, 2020). Given that most RCEP economies, excluding Cambodia, Indonesia, the Philippines and Vietnam, are part of the WTO Joint Statement Initiative, the Agreement is a window into how any future multilateral agreement on e-commerce could be framed (Findlay and Pedrosa, 2020).

Despite their shortcomings, regional agreements with e-commerce provisions such as RCEP have a role to play in updating the global rules for the digital economy. The agenda in digital trade is rapidly evolving and a process of cooperation that builds trust and confidence among countries can contribute greatly to principles of engagement and eventually rules and norms backed by a multilateral regime. Ensuring that subsequent agreements pursue an open regionalism approach will guarantee this global perspective is reflected in the future governance regime for the digital economy in Asia and the Pacific (Armstrong et al., 2021).

### *3. Energy Transition*

Although RCEP does not contain any specific environmental standards or provisions and climate change mitigation is outside the scope of the agreement, RCEP can use its economic cooperation agenda to boost access to green technologies and help build cooperation on transition to cleaner energy sources. The Asia Pacific is one of the most climate exposed regions in the world, with a patchwork of member economies having committed to the Paris Climate Goals. Australia, Japan, South Korea and China have all set 'net zero' emissions targets for 2050 or 2060, respectively.

The agreement needs to play a critical role to encourage technical cooperation among RCEP members in renewable energy, fuel sources and research and development. Ongoing ministerial and technical discussions under the auspices of RCEP should be considered as an opportunity to expand formerly bilateral attempts at coordinating investment in alternative fuel sources.

The agreement can lower trade barriers and standardise rules to encourage foreign direct investment in green technologies and renewable ventures. RCEP provisions on



government procurement, intellectual property and other non-tariff trade barriers can reduce uncertainties that might otherwise stymie the commercialisation of low-carbon technologies. This positive-sum framework will help facilitate the green transition without resorting to carbon tariffs or other trade barriers, which jeopardise the international trade regime, reduce efficiencies and are likely to be poorly targeted.

The RCEP Ministerial and Joint Committee meetings can be used to standardise Environmental, Social Governance (ESG) regulations across East Asia and in global bodies such as the WTO. Although Asia is gradually adopting ESG regulations, mobilising private capital for green investments is still limited by a lack of common standards, dearth of quality information, and maturity mismatches, all of which raise the search costs of investment in green assets.

Consistent regulation and standards for sustainable and green finance will facilitate the energy transition and help channel investment to more environmentally friendly projects with higher returns. Getting financial markets right across RCEP members can help intermediate the region's savings for investment in the energy transition. Regional cooperation can help achieve common standards and regulations.

RCEP should be careful to avoid the fragmentation of global environmental, social and governance and the complexity brought to green investment opportunities that can result around green finance and investment. Building on the EU–China development of a common green taxonomy, RCEP could provide multilateral pushback against the splintering of green governance and regulatory principles that have the potential to hinder cross-border technology flows and climate cooperation.

#### *4. Regional Infrastructure Investment and the BRI*

RCEP has the potential to provide a coordinated and consistent approach towards BRI or other international infrastructure and connectivity initiatives, that the Master Plan on ASEAN Connectivity 2025 and other ASEAN initiatives do not yet provide. The BRI has been conceived and implemented largely bilaterally with China as a hub and individual recipients as spokes, even though its ultimate aim is to further multilateral connectivity along and among participating economies. Alongside the benefits that China's BRI has provided to recipient countries, there have been difficulties in its rollout globally with logistical, economic, political and financing challenges leading to scepticism and political pushback globally. This can be avoided through a more multilateral approach to BRI recipient countries.

A more cooperative and coordinated approach to BRI and cross-border infrastructure investment in East Asia will provide lessons and a model for sustainable infrastructure investment beyond the region. China and Japan are cooperating on infrastructure investment in third country markets; Australia, Japan and the United States have also initiated cooperative approaches that attempt to mobilize the private sector.

RCEP could focus on issues around project assessment, sustainable debt, environmental impact and dispute mediation and resolution that are important to both providers and recipients of investment capital. A coherent and consistent ASEAN response to BRI would insulate the individual ASEAN members and the investment projects from perceptions of weak governance, reduce the likelihood of failed projects and deliver higher returns to Chinese investments and the recipient communities. That cooperation can easily expand to consistent approaches to cross-border infrastructure investment and the principles and the framework for cooperation can be multilateral.

The RCEP grouping and its economic cooperation arrangements provide a congenial membership and framework to integrate the cross-border infrastructure investment issues into a broader connectivity agenda, with economies that provide capital, capacity to manage projects, and access to major financial markets and their disciplines, alongside a range of recipient countries with varying capacities to regulate and manage those investments. Many issues that surround the management of cross-border infrastructure include governance and capacity constraints that are not suited to negotiated outcomes. Instead, confidence and trust-building around a common set of interests can be pursued in a cooperation framework.

China's and Japan's joint infrastructure projects in third country markets — including in Southeast Asia where many of the over fifty projects are located — is an example of how Chinese policymakers may be open to working to lift the quality infrastructure standards to those that Japan made explicit in the G7 and later G20, and onto which China has signed. Japanese experience of infrastructure investment abroad could be brought to bear on and help shape China's BRI without Japan formally joining BRI (Armstrong, 2018). China-US strategic competition may mean cooperation in APEC is difficult, and not all ASEAN members are party to APEC. RCEP cooperation can aim to foster broader multilateral cooperation in APEC and elsewhere.

## VI. Conclusion

The huge growth of the Chinese economy has required substantial adjustments in other countries. Southeast Asia has made the most of the opportunities that a growing China has presented and has benefited from the expansion of global value chains that ASEAN's Economic Community agenda helped realise. The Northeast Asian economies, such as Japan, South Korea and Taiwan, have become more closely integrated with the Chinese economy and that has helped drive the development of regional supply chains.

Not all countries have managed the adjustment to the China shock as well as have countries in East Asia. In the United States, the impact of Chinese import growth, among other things like large-scale technological change, has put pressure on lower-end manufacturing activities and employment. The policies and institutions needed to cope with these social and economic pressures have been inadequate to the task and provided fertile ground for unleashing the populist protectionist sentiment and politics that were given full rein under the Trump administration.

The response to these changes and a withdrawal from globalisation are reflected in the surge in protectionism and a retreat from multilateralism. The conflicts and trade-destroying strategies that have emerged completely ignore or circumvent the established rules of international trade, which evolved from Bretton Woods institutions and the WTO. While there are big gaps in the rules and new issues to be dealt with, strategies that effectively tear down the established rules corrode the open multilateral order.

The weight and importance that Asia now has in the multilateral system recommends leadership to preserve and strengthen that global system must come from within that region. No one country can lead in Asia, which has several large powers with divergent interests. But Asian collective leadership is critical to global economic policy outcomes now and ASEAN is at its core.

RCEP embeds structures for dialogue and cooperation at the highest level that have the potential to make collective Asian leadership in reinvigorating the global economic system a practical proposition. RCEP's institutionalisation can help in managing these dangers. The nature of its structure and rules means that RCEP will further encourage the development of Asia-wide positions and strategies and strengthen their impact on the direction of global trade and commercial policy.

ASEAN centrality has been an organising framework for Asian economic policy cooperation over the past half century. The retreat of the United States from its leadership of the global economic order; the rise of China with its assertive stance on the South China Sea and its strategically challenging BRI; a ‘Quad’ configuration of Indo-Pacific powers around the United States, India, Japan and Australia; and the continuing North Korea crisis all present significant difficulties for ASEAN’s central role in the region. But RCEP helps restore the core role of economic integration to securing regional prosperity and political stability.

This will not happen automatically without significant regional political will.

Buttressing the multilateral economic order to create space for China, the United States and other large rising countries in South and Southeast Asia is a priority. But that is unlikely to succeed without strengthening and also building a security architecture around the alliance frameworks that embed mutual assurances about the use of political power across the region.

RCEP provides a region-wide organisational framework for continuing the unfinished business of achieving security for the peoples of Asia through economic integration and development. The cooperation agenda in RCEP has the potential to engage countries beyond the core membership, facilitating the expansion of membership over time and ensuring RCEP is an outward oriented and inclusive arrangement. Deepening economic integration across the Pacific to the United States and across Asia to India is important for East Asia. The opportunity is also there to deepen economic cooperation in new areas beyond the negotiated agreement, including digital economy standards, energy transition, pandemic recovery and cross-border infrastructure investment. Finally, the first region-wide binding agreement that appears to take ASEAN and East Asia away from open regionalism with preferential provisions can use the cooperation agenda to multilateralise those preferences over time. RCEP’s economic cooperation framework can be deployed to encourage concerted unilateral action that strengthens multilateralism beyond East Asia.

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