The RCEP and a Geopolitical Pivot to the Asia-Pacific

By:

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The idea that the 21st century is the “Asian Century” and that the West is in decline has been a recurrent leitmotif in much academic writing. The Asia-Pacific, understood in its geographical designation, (that includes East Asia, South Asia, Southeast Asia, and Oceania), hosting vital transport links between Asia, the Middle East, Europe, and Africa, has become strategically essential. It is also one of the most dynamic regions in the world and an important trading bloc where intra-regional trade has soared in the past decade. In 2017, approximately 54 percent of the Asia-Pacific region’s exports and 57 percent of its imports were within the region; between 2015-2016 and 2017-2018, the number of newly signed Preferential Trade Agreements (PTA) in the region doubled. Despite its economic integration and relevance, the institutional construction of the Asia-Pacific region is still far from complete and, in many ways, remains an aspirational political expression. In this context, the recently signed Regional Comprehensive Economic Partnership (RCEP) signals an important step forward towards its integration. The trade Agreement reflects ‘ tectonic shifts’ in the global political economy that emphasize not only new

patterns of South-South and North-South cooperation, but also a pivot to Asia: For the first time, no Atlantic partner was present in a mega-regional agreement.

On November 15, 2020, after eight years of negotiations, 15 countries in Asia and the Pacific signed arguably the largest trade deal in history, giving new substance and actuality to Asia-Pacific regional aspirations and centrality. Building on existing trade agreements among its members, the deal aims to broaden and deepen economic ties in the Asia-Pacific region, facilitate trade by cutting tariffs and promoting investment flows while increasing protection and regulations for e-commerce and intellectual property. India—originally part of negotiations— withdrew from the Agreement in 2019, partly over concerns that its industries would have been harmed by Chinese imports and, most importantly, driven by Modi's protectionist "Made in India" strategy. Especially at a time of increased protectionism from the US, India, and the EU—as seen through rising screening mechanisms and trade tariffs—the RCEP, covering a population of 2.2 billion people and a GDP of 30 percent of the world economy, highlights not only the geopolitical and geoeconomic centrality of the Asia-Pacific region, but also that globalization and multilateralism are not dead.

From a legal perspective, it was wrongly considered an "old generation agreement" that does not go beyond trade in goods like the new generations agreements that instead cover important new areas such as intellectual property, data, and services. It is also viewed as a regression from its rival ' megaregulator,' the Trans-Pacific Partnership (TPP), which was aborted by the Trump administration in 2017 and transformed into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018. Megaregulators like the TPP are characterized by "high standards" and a comprehensive coverage of the flows in goods, services, capital, and data. They are also thought to advance a neo-liberal vision of the state and its relation to markets that deliberately contrasts with China's party-state economic order that relies on state-owned enterprises (SOEs). It is true that the RCEP has fewer standards beyond a general consensus on trade and investment promotion. Contrary to the TPP, the RCEP does not have chapters on "Environment," "Labour," and "State-Owned Enterprises." Although the RCEP notes that it "aspires" to "create new employment opportunities, raise living standards, and improve the general welfare of their peoples," it departs from the TPP's more

specific aims to “protect and enforce” labor rights and “improve working conditions.” Along similar lines, the TPP’s preamble stresses the need to promote “high levels of environmental protection, including through effective enforcement of environmental laws.” Meanwhile, the RCEP’s language is much tamer on this matter, “recognizing” that “economic partnership can play an important role in promoting sustainable development”; it does not elaborate further on ways to accomplish this sustainable economic growth. However, the RCEP is far from being an “old generation agreement,” as it contains chapters dedicated to “Intellectual Property,” “Electronic Commerce,” and “Competition.”

Even if it does not set a new “gold standard” of international trade law as the TPP was thought to establish, from an economic perspective, the RCEP will be significant—with or without India. By formalizing the removal of tariffs on many items already exempted under other free trade deals, it has the potential to increase annual global income in 2030 by $186 billion. As with any trade agreement, it will create sticky patterns of international trade that will structurally reorient trade within the Asia Pacific region. By promoting intraregional collaborative manufacturing and decreasing the cost of trade among members of the Asia-Pacific region, it will accelerate the process of decoupling between the Asia-Pacific and the US, and it will contribute to the shifting of patterns of global trade and supply chains.

The most significant novelty, however, is the geopolitical transformation that the RCEP will produce: the pivot from the Atlantic to the Asia-Pacific. It marks the first time that an Atlantic member is not present in a major regional trade agreement. It is also a re-assertion of the “Asia-Pacific” rather than “Indo-Pacific” region—as India did not join and is uncertain whether it will do so in the future—and of Chinese centrality, although not of its leadership. The RCEP was not conceived or pushed by China. Instead, the Agreement represents a “successful example of Asian regionalism” and a way for ASEAN to “incorporate China into a multilateral bond that maximizes the positive externalities of China’s rising.” In the face of China’s hostile actions in the South China Sea, there is little will among its neighboring states to recognize China as a regional leader. From the perspective of other RCEP members, the Agreement will continue to be seen by its members as a way to tame China through multilateralism. For instance, in its current form, it constrains China’s capacity

to fully disrupt the market of the countries that participate in it as it does not promote wholesale market liberalization. Moreover, there are other important countries like Japan, South Korea, and Australia, which together can help check and balance China. Japan and South Korea are also likely to speed up the conclusion of their Free Trade Agreement with China as a way to further balance China. Moreover, if Xi Jinping is truly "actively considering" to join the CPTPP, China will be further constrained and balanced.

At the same time, the RCEP will increase dependence on China's supply chains; the nation of 1.3 billion people is poised to become the largest beneficiary of RCEP in economic terms, with a possible gain of $100 billion. The new Agreement will enable China to strengthen its economic ties and relations with its neighbors and open new markets to Chinese goods, which has become particularly crucial because of an extant trade dispute with the US. The Agreement also conspicuously does not constrain China with rules on SOEs or stricter standards on labor and the environment. The RCEP will also facilitate exchanges of high-tech equipment and know-how between China, South Korea, and Japan, aligning with China's pursuit of its "Made in China 2025" policy initiative. Moreover, the lack of alternative guidance from the US or India provides some leeway for Chinese leadership in the future. Without India's participation to the RCEP, the notion of the Indo-Pacific, which has gained augmented usage in geopolitical discourses since 2007, seems to lose relevance in face of a reconstructed "Asia-Pacific."

The RCEP can be seen as a crucial step within the longer process of integrating the Asia-Pacific region and of its increased geopolitical centrality. This process started with the idea of the "Asia-Pacific" and then, with the establishment of ASEAN in 1967, and later ASEAN+3 in 1997 that improved dramatically the relationship between nations in Southeast Asia and in the Asia-Pacific, allowing to avoid major conflicts. However, there remains a deficit of trust among Asia-Pacific members—complicated by China's rise and a lack of an Asian identity—necessary to respect commitments on trade, investments, and intellectual property. While we are witnessing a pivot to the Asia-Pacific region, the Atlantic bloc and "the West" more broadly are far from disappearing. However, if it must reinvent itself amidst this tectonic shift, the question is "how." For the Biden administration it will be not easy to simply re-join the CPTPP given the lack of Congress support, the difficult re-inclusion of 22

stringent provisions related to intellectual property, patent protection and investor-state dispute settlement and the inclusion of new more progressive provisions on labor enforcement pushed by the Democrat, that the other members of the partnership might be unwilling to re-include or include. A way forward is to leverage the US allies into new forms of multilateralism and push India to join the RCEP as a way to give substance to the Indo-Pacific strategy and QUAD. The international arena will also see the emergence of new regional blocs and actors. The RCEP, for example, is likely to reinvigorate efforts both in Latin America and Africa to accelerate their regional and cross-regional integration to respond to the new competitive landscape. What is certain, among this reshuffling, emergence, and re-emergence of regional trading blocs, is that major geopolitical movements of the future will play out in the Asia-Pacific region.

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