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# Multilateral Matters

*S. Rajaratnam School of International Studies  
Centre for Multilateralism Studies Bulletin*

## Making RCEP about Region-wide Liberalisation

By Sourabh Gupta

Officials of the 16 Asia Pacific nations comprising the membership of the Regional Comprehensive Economic Partnership (RCEP) are scheduled to hold the fourth round of talks in China later this month. When concluded, RCEP—covering 49 per cent of the world’s population, 30 per cent of world gross domestic product (GDP) and 29 per cent of world trade—will be one of the largest pan-regional groupings within the multilateral trading system.

For the agreement to be a stepping-stone to broader region-wide liberalisation, as well as a worthy successor to the “open regionalism” philosophy of trade deepening that was championed by APEC a quarter-century ago, RCEP must stay true to its Guiding Principles and Objectives.

First, RCEP must strictly adhere to its intent to observe GATT Article XXIV and eliminate substantially all tariff and non-tariff barriers, without any major sector exclusion, in the area of goods trade. Equally in the area of services, GATS Article V (which has similar liberalisation requirements to GATT Article XXIV) should be respected.

Second, RCEP should eschew the single undertaking approach (SUA) and, [as an eminent panel of experts has recommended](#), create a set of linked agreements that are simpler in design and reachable by different timelines. While RCEP member states should consensually arrive at common end-goals, different formats as well as adjustment paths—especially for less-developed member countries—must be accommodated. Deviations from a common final schedule should be minimised though.

Third, the spaghetti or noodle bowl effect resulting for the multiplicity of rules of origin (ROOs) need to be unwound and consolidated. Although every last eccentricity need not be reined-in, best practices should be observed. Ideally, one ROO per product should be established in the RCEP area; if this is too onerous, the current percent of tariff lines subject to a co-equal rule should be increased significantly. Equally, the agreement must not be festooned with carve-outs. The Partnership is an exercise in negotiated liberalisation, not

negotiated protectionism, and the exceptional nature of the exclusion list should reflect this fact.

Fourth, most of [the “Factory Asia” fragmentation](#) trade already travels across (much of) the RCEP area at very low tariffs or entirely duty-free. For RCEP to serve a meaningful purpose, its focus must therefore shift to reducing the cost of “beyond-the-border” barriers that can compound and tip the operation of a supply chain into the red. Such barriers that sequentially originate at the factory gate to the living room—road connectivity; domestic trucking cartels; port services bottlenecks; maritime transport price-fixing arrangements; customs delays and poor electronic document management standards; classic sanitary and phytosanitary measures/technical barriers to trade and product standard barriers; denial of entry to third-party logistics providers; distribution chain investment caps—must be reformed with the same comprehensiveness with which trade crosses RCEP borders today.

Fifth, RCEP must embed the trade liberalisation dimension within the broader pan-Asian and Asia Pacific-wide agenda of connectivity, regional cooperation and comprehensive integration. At a practical level, RCEP could set a roadmap to situate this liberalisation dimension within the overall blueprint of the ASEAN Economic Community and guide the two towards



Source: Ministry of Trade, Republic of Indonesia

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common end-goals. An East Asia Cooperation and Development Fund that builds regulatory capacity and coherence across developing Asia would provide a valuable complement.

Finally, RCEP must serve as a building-block to broader trade liberalisation and, to the furthest ability possible, advance trade multilateralisation's bedrock principles of non-discrimination, national treatment and peer-driven liberalisation. RCEP should adhere to the [Best Practice for FTAs](#) developed and endorsed by APEC's leaders in 2004. Countries sharing common membership in RCEP and TPP should

cross-share preferences with their non-RCEP and non-TPP peers. Over and beyond, RCEP and TPP countries might consider adopting a set of common principles and standards on the strength of which benefits could be shared reciprocally, and to a larger body of membership, on a non-discrimination basis. The Asia Pacific must not be carved up into two somewhat-overlapping but competing trade blocs.

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*An expanded version of this article was posted on the [East Asia Forum website](#) on 23 February 2014.*

## Expert Talk: Political Tensions, Economic Incentives and the China-Japan-South Korea Free Trade Agreement

Economic cooperation in Northeast Asia has traditionally been seen as an exercise of "pragmatic regionalism". Despite the diplomatic impasse over historical and territorial issues, China, Japan and South Korea have resolved to continue negotiations for a trilateral free trade agreement (FTA), with the fourth round held in Tokyo from 4 to 7 March 2014. All three countries acknowledge the value of a trilateral FTA. When the negotiations started last year, there was a sense of urgency to push the initiative given the proliferation of FTAs in the region, including the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

*Multilateral Matters* invited four eminent analysts to share their views on these issues. Given recent developments, what are the prospects and challenges for realising a Northeast Asia trilateral FTA?

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### T.J. Pempel

*Jack M. Forcey Professor of Political Science for Study of East Asian Politics  
University of California Berkeley*

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I think a trilateral China-Japan-South Korea FTA would be terrific. It would recognise and enhance the trilateral economic interdependence that already exists. It would also push both Japan and China to undertake some structural reforms that are tough to enact domestically. Finally, if agreed to, it would do a lot to defuse security and diplomatic tensions among the three, which are now quite deplorable. Equally importantly, a trilateral FTA would not necessarily impinge on the RCEP, TPP or the South Korea-United States (KORUS) FTA but could serve as both an economic and diplomatic complement to them all.

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### Kaoru Nabeshima

*Chief Senior Researcher  
Interdisciplinary Studies Center, Institute of Developing Economics  
-Japan External Trade Organization (IDE-JETRO)*

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The underlying study for the trilateral FTA was conducted in 2001. From then onward, the economic importance of this FTA has been recognised, yet these three countries were

unable even to initiate negotiations. Finally, they managed to start the negotiations in 2013 but with the current political situation prevailing in these three countries, it will be hard to think that any real progress, that is a successful conclusion of the agreement, can be made soon unless there is a substantial improvement in the relationship between Japan and South Korea.

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### Christopher Dent

*Professor of East Asia's International Political Economy  
University of Leeds*

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The idea for a Northeast Asia FTA between China, Japan and South Korea was first proposed by Beijing back in November 2002. However, Tokyo and Seoul were not that favourable to the idea back then, being more focused on setting up negotiations for their own bilateral FTA talks but failed due to irreconcilable positions on agriculture and territorial disputes. There is, of course, a strong likelihood of the same issues scuppering any chance of a trilateral Northeast Asia FTA being concluded. However, the advantage that the Northeast Asia FTA project has over, for example, the TPP is that its negotiating parties are significantly more flexible on economic policy matters and modalities (agriculture the only exception). Furthermore, China, Japan and South Korea all share a similar "economic partnership" conceptual approach to FTA formulation. This is essential not just for the chances of negotiating success but also for what a concluded FTA could evolve to become, that is, a foundation for future Northeast Asia regional community-building. If they successfully progress, the trilateral FTA talks will probably need at least 15 rounds of negotiation and therefore some years to be concluded. I estimate around 2016 if all goes well, 2017 or 2018 or even beyond if they hit bumps on the road ahead.

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### Wang Yuzhu

*Associate Professor, Institute of Asia-Pacific Studies  
Chinese Academy of Social Sciences*

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The China-Japan-South Korea FTA was promoted actively during former Chinese Prime Minister Wen Jiabao's term. However, the negotiation process was not smooth, especially since Sino-Japanese relations worsened after Japanese Prime Minister Shinzo Abe's Yasukuni Shrine visit.

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Looking forward, the road towards the realisation of the China-Japan-South Korea FTA will be rugged. On the one hand, the diplomatic impasse is very difficult to overcome for both China and Japan, with nationalism rising in both countries. Relations between South Korea and Japan are also facing challenges even though the United States is trying to soften their frictions. On the other hand, the benefit calculations of the three countries will cause problems for the realisation of the China-Japan-South Korea FTA, even if they are free from the negative effects of the hostile relationship between China and Japan. South Korea is not eager to conclude an FTA with Japan because South Korea believes that there is more competition than

complementarity between their economies. China gave priority to the China-Japan-South Korea FTA for a long time, but it will be a tough challenge to fulfil the requirements that the other two parties raised, including the high level of liberalisation and the issue of national treatment of investors before accession, among others.

Therefore, although the negotiations continue, any achievement depends on a breakthrough in the political relationship, because the compromises that promote the negotiation can only be made in a relaxed bilateral relationship—at least for China and Japan—if we believe that an FTA is essentially a political decision.

## From a Regional Power to a Great Power: Professor Andrew Hurrell Gives His Own Take at RSIS Lecture

It is commonly presumed that great powers first gain influence within their own backyards prior to becoming major players in the global system. Andrew Hurrell, Montague Burton Professor of International Relations at Oxford University and a Fellow of Balliol College, challenged this view at the RSIS Distinguished Public Lecture entitled “Do You Have To Be A Regional Power To Be a Great Power?” held on 16 January 2014 at the Marina Mandarin Hotel in Singapore.



Professor Andrew Hurrell and Professor Khong Yuen Foong

Hurrell focused on the relationship between being a regional power and a global one and pointed out that there is little historical evidence to suggest that great global powers were once regional powers. He argued that avoiding entanglement in regional affairs is a fundamental part of being a great power; it is not a power's capacity to control or dominate that is the key factor in maintaining influence in the global sphere but its capacity to set limits and withdraw—or what Hurrell calls “discretionality of regional involvement”—that is most important. Hurrell argued that the links between the regional and the global levels are more complex than what is traditionally observed. The trajectories of regional powers are shaped by how they define and understand their interests and how these are balanced with global ambitions. Hurrell used the cases of the United Kingdom, the United States and the former Soviet Union to illustrate his point.

Questions raised during the open discussion centred on the constraints faced by regional powers (including the role second-tier states and regional competition) in their aspirations to become global powers and the extent to which a regional power can be selective and elude involvement in certain regional issues.

## MFA Deputy Secretary Shares Views on ASEAN and the Evolving Regional Architecture in East Asia

How can ASEAN maintain its relevance in a rapidly changing geopolitical environment? Mr Vanu Gopala Menon, Deputy Secretary (Southeast Asia and ASEAN) at the Singapore Ministry of Foreign Affairs, shared his thoughts on this issue at a talk on “Regional Architecture in East Asia—Emerging Challenges and Implications for ASEAN.” The event, organised as part of the RSIS Seminar Series on the Practice of Diplomacy and International Affairs, was held on 14 March 2014 at the RSIS Lecture Theatre.

Menon emphasised how the transition from a unipolar to a multipolar world has significant repercussions for East Asia as the region has become an arena for great power rivalries.

Managing these relations will be vital for regional security and prosperity. He expressed his concern that the current action-reaction dynamic might jeopardise stability in East Asia.

Southeast Asia must ensure that it is able to respond and adapt to these changes and a strong and cohesive ASEAN has an important role to play in this regard. ASEAN must provide the platform and act as the main driver of regional cooperation activities in East Asia and use all existing forums (e.g. ASEAN Regional Forum, ASEAN+3, East Asia Summit) to this end. Menon believed that there is value in the current overlapping structure as it reflects the diversity in the region and enables all key players to participate.

## Professor Zhu Feng Speaks on the Changes and Continuities in China's Regional Security Strategy

Professor Zhu Feng, Executive Director of the China Center for Innovative Collaboration of the South China Seas at Nanjing University and Professor of the School of International Studies at Peking University, was the featured speaker at the RSIS Distinguished Public Lecture on "China's Security Strategy in the Asia Pacific: Whither, Why and Implications". The talk was held on 7 March 2014 at the Sheraton Towers Singapore.

China's rise has been characterised by an increasing emphasis on military capacity (highlighting a growing sense of uncertainty and the importance of war readiness), a growing nationalist sentiment (fuelled by a sense of insecurity amidst greater engagement with the global community and persistent domestic tensions) and a turn to assertiveness (as evidenced by maritime ambitions and naval build up). Despite these changes, Zhu does not see a turnaround in China's security strategy. He pointed out that leaders in Beijing continue to prioritise domestic affairs over foreign policy and equate national security with territorial security. Zhu also argued that the prevailing ideology remains to be a huge barrier and the traditional narrative (i.e. the West is destined to be hostile) is a big impediment in national security thinking.



Professor Zhu Feng

In the coming years, an action-reaction cycle will shape China's security policy in the Asia Pacific. Zhu stressed that while China's naval aspirations are growing, the country is still grappling with the kind of maritime power it wants to be. Its evolving power relations with other key players, particularly Japan and the United States, will also determine the future direction of China's security strategy.

## RSIS Staff Present at the First ASEAN Defence Interaction Programmes

Organised by the Ministry of Defence, Brunei Darussalam, the inaugural ASEAN Defence Interaction Programmes was held in the sultanate's capital, Bandar Seri Begawan, from 18 to 22 March 2014. Two RSIS staff members presented at the half-day roundtable convened as part of the programmes, which saw junior-level officers from the defence ministries and armed forces of the ASEAN member states interact and network over roundtable discussions, cultural visits and recreational activities.

Ms Sarah Teo, Associate Research Fellow, presented on "The Role of Defence Diplomacy in ASEAN Community-Building", and Mr Dylan Loh, Research Analyst, presented on "ASEAN-China Relations: Possibilities for Enhanced Functional Security

Cooperation?" A third presentation at the roundtable focused on the Philippines' perspective of future security and defence cooperation.

In his welcome remarks, Colonel (Retired) Pengiran Dato Paduka Haji Azmansham Pengiran Haji Mohamad, Permanent Secretary (Defence Policy and Development), Ministry of Defence, Brunei Darussalam, noted the importance of regional cooperation to manage transnational security challenges. Haji Adi Ihram Dato Paduka Haji Mahmud, Acting Director of Defence Policy, Directorate of Defence Policy, Ministry of Defence, Brunei Darussalam, delivered the opening remarks.



Participants at the First ASEAN Defence Interaction Programmes

# CMS Staff Delivers a Lecture at ASEAN-India Confab

Associate Professor Pradumna B. Rana, Coordinator of the International Political Economy Programme at RSIS, delivered a lecture at the Inaugural Seminar on ASEAN-India Strategic Partnership. The event was organised by the ASEAN-India Centre of the Research and Information Systems for Developing Countries in New Delhi, India on 29 January 2014. The seminar brought together diplomats, senior policymakers and academics to exchange views on issues confronting ASEAN-India relations.

Rana focused on presenting the findings of a recently conducted perception survey of opinion leaders from South Asia and East Asia on economic integration between the two regions. The survey focused on the costs, benefits and modalities of integration between the two regions.

Rana mentioned that the majority of opinion leaders believed that closer integration between the two regions would lead to faster and more resilient economic growth and a win-win situation for all. Many were of the view that integration between South Asia and East Asia should be market-led rather than policy-led. The survey also established the important role of improved connectivity in transport, energy and communication in promoting South Asia and East Asia integration.

Opinion leaders also felt that India should be more actively involved in various initiatives to promote economic integration in East Asia. Majority felt that India should be represented in some capacity at the various ASEAN+3 initiatives.

## SELECTED PUBLICATIONS

### [Is ASEAN a Pipe Dream?](#)

Farish A Noor  
The Straits Times  
1 January 2014

### [South Korea's Foreign Policy in 2013: Building Trust in East Asia](#)

Sarah Teo  
E-International Relations  
6 February 2014

### [Abe Calls On the World to Stand Up to "Bullying Beijing"](#)

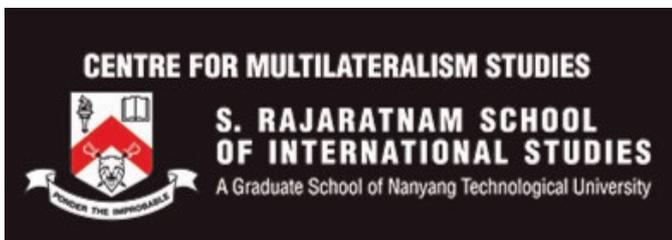
Benjamin Ho  
The Nation (Thailand)  
8 February 2013

### [Japan's Courtship of ASEAN Doomed to End in Tears?](#)

Dylan Loh Ming Hui  
East Asia Forum  
21 February 2014

### [MH370: Limits of China's Soft Power](#)

Benjamin Ho  
RSIS Commentary  
31 March 2014



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## ABOUT THE CENTRE

The Centre for Multilateralism Studies (CMS) is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

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