Ringing in RCEP?

The dawn of a new decade comes with the legal scrubbing and impending entry into force of the Regional Comprehensive Economic Partnership. Though negotiations took years, the mega-regional trade deal is expected to bring benefits to its member countries, such as Singapore (pictured above), and encourage continued commitment and engagement not just in the areas of trade and economic multilateralism but also vis-à-vis the broader Indo-Pacific project gaining importance in geopolitical circles. Photo courtesy of Wengang Zhai’s Unsplash account, tagged under the public domain.
The outcomes of the 3rd RCEP Summit in Bangkok mark an important milestone for regional trade cooperation. To ASEAN, beyond its economic benefits, RCEP is more than a trade pact due to its political and strategic dimensions. All these factors combined render RCEP the deal that cannot fail.

Commentary

AGAINST ALL odds, the Regional Comprehensive Economic Partnership (RCEP) made an important headway at its 3rd Summit in Bangkok, Thailand over the weekend. Although only seven chapters were finished last year, the Joint Leaders’ Statement released on 4 November 2019 announced that 15 RCEP members “have concluded text-based negotiations for all 20 chapters and essentially all their market access issues; and tasked legal scrubbing by them to commence for signing in 2020”.

As anticipated, India is adopting a wait-and-see approach due to some concerns at home. If their concerns are successfully settled, the agreement is expected to be signed in Vietnam in 2020, paving the way for the world’s largest free trade area – even without India.

Economic Logics Behind RCEP

The business communities were especially delighted by the outcome of the Summit. This is understandable given the bloc’s economic potential. RCEP is a free trade agreement (FTA) among ten Southeast Asian countries and six of ASEAN’s Dialogue Partners (Australia, China, India, Japan, New Zealand, and South Korea).

It is aimed at not only consolidating five existing ASEAN+1 FTAs into a single arrangement but also accomplishing “a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement”. As the world’s largest trade bloc, the pact will have a combined market of 3.4 billion people, covering 45 percent of the world’s population. It will also encompass about one-third of the global GDP.

Critics may claim that RCEP’s quality may not be as high as that of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This is another trade deal among eleven
economies which China and India are not parties to. Nevertheless, one should note that RCEP terms can later be amended or upgraded, yielding even greater economic gains in the future.

Moreover, RCEP helps accomplish the ASEAN Economic Community 2025 (AEC 2025) which is an economic integration scheme among ten Southeast Asian nations. AEC 2025 has five objectives, all of which aim to further integrate a “Global ASEAN” economy that is cohesive, competitive, innovative and resilient. RCEP has the potential to quicken the region’s drive to be a “Global ASEAN”.

The Summit’s success was due to other economic factors, chiefly the trade war between the United States and China and the resulting rising uncertainties in the world economy.

Against this backdrop, a regional bloc makes sense as it will restore market confidence in the region and help RCEP economies cushion some undesired effects of the trade war. In short, while Southeast Asian nations’ desire to realise AEC 2025, the US-China spat incentivised RCEP participants to further enhance their economic cooperation.

Beyond Economics
However, these economic factors alone cannot capture the whole RCEP story. From ASEAN’s viewpoint, RCEP is more than a trade pact. Hence, to comprehensively understand this grouping, one must look beyond economics and focus on its political and strategic dimensions as well.

For one thing, the outcome coined at the 3rd Summit illustrates the grouping’s use of ASEAN Centrality to influence others’ policy behaviour and shape regional governance. While often mis-portrayed as a China-led bloc, RCEP has been an ASEAN-led project since its inception. The group’s Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership clearly posit that the talks will recognise ASEAN Centrality.

Also, the progress made at this Summit was partly attributed to the strategic posture of ASEAN Centrality. For instance, Singapore’s Prime Minister Lee Hsien Loong lauded the pivotal roles played by ASEAN. He remarked that “ASEAN’s involvement as a trusted, neutral group, has enabled many countries to come together and cooperate under the umbrella of RCEP”.

The fact that less than half of 20 chapters were agreed last year and four participants, Australia, India, Indonesia, and Thailand – were preoccupied with their elections in the first half of the year connotes that most of the heavy-lifting was carried out in the second half of this year.

ASEAN-centred Indo-Pacific?
In other words, finishing all chapters within this timeframe was a daunting task, but the regional bloc was able to pull it through ASEAN was able to summon different parties to the talks as well as persuade them to work together to reach the outcome. In short, the Summit’s result was an example of ASEAN Centrality in action showcasing the group’s ability to wield its influence to shape regional architecture beyond Southeast Asia.

Moreover, RCEP can be seen as one of the elements contributing to ASEAN’s strategy in the Indo-Pacific. In June 2019, ten ASEAN member states coined the ASEAN Outlook for the Indo-Pacific (AOIP) which reflects the regional bloc’s view and approach pertaining to the Indo-Pacific concept.

The AOIP was developed to reinforce ASEAN-centred regional governance as it envisions “ASEAN Centrality as the underlying principle for promoting cooperation in the Indo-Pacific region, with ASEAN-led mechanisms”. RCEP was listed as one of the projects that can help realise the AOIP.

It remains to be seen how the RCEP members will persuade India to endorse the agreement which will result in the signing ceremony next year. From ASEAN’s perspective, Southeast Asian nations will push hard for the final wrap-up. The stakes are high. RCEP’s economic, political, and strategic dimensions make the deal so important that these countries will not let it fail. ■

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Vietnam’s Experience: Two Decades of Membership in ASEAN

On 4 October 2019, Dr Le Hong Hiep, Fellow at the ISEAS-Yusof Ishak Institute’s Vietnam Studies Program and the Regional Strategic and Political Studies Program, spoke at the RSIS Seminar Series on Multilateralism Studies organised by the Centre for Multilateralism Studies. He explained that concerns about how to end Vietnam’s diplomatic isolation and how to develop the economy led Hanoi to make overtures to ASEAN after 1975. However, Vietnam’s military intervention in Cambodia ended normalisation prospects. ASEAN member states isolated Vietnam while providing assistance to Khmer Rouge and related factions. It was the late 1980s, when Vietnam withdrew troops out of Cambodia and normalised relations with ASEAN, which gave the region a chance to turn Indo-China from “battlefields into marketplaces”.

Dr Hiep highlighted Vietnam’s internal debate prior to its ASEAN membership. The pro-ASEAN views were that (i) ASEAN was essential to Vietnam’s economic reforms under Doi Moi; (ii) ASEAN membership helps end Vietnam’s diplomatic isolation; and that (iii) ASEAN membership provided Vietnam with leverage to deal with China vis-à-vis the South China Sea tensions. However, Vietnam also had doubts about joining ASEAN due to (i) a misunderstanding that ASEAN is an anti-Communist military alliance; (ii) ASEAN members are not willing to counter China’s advance in the South China Sea; and (iii) the burden of meeting ASEAN obligations.

As relations began to thaw in the late 1980s, Vietnam became an ASEAN Member State on 28 July 1995. Dr Hiep opined that economic integration with ASEAN members encouraged further economic reforms in Vietnam and presented an opportunity to catch up with ASEAN-5. ASEAN membership also prepared Vietnam for WTO membership and helped link Vietnam with extra-regional economies.

In political and strategic aspects, Dr Hiep explained that ASEAN membership and normalisation of relations with the United States in 1995 ended Vietnam’s international diplomatic isolation and enhanced its international posture. ASEAN is important for Vietnam’s “diversification and multilateralization” efforts and is key to Vietnam’s “institutional balancing” against China in the South China Sea.

For ASEAN, Vietnam’s membership adds economic weight under the auspices of a single market and production base. Dr Hiep further outlined the political and strategic impacts. Among them were that (i) Vietnam’s membership ended the Cold War division in Southeast Asia and facilitated the Asean-10 vision; (ii) ASEAN’s strategic importance and bargaining power were enhanced; and (iii) Vietnam’s membership complicates ASEAN’s internal dynamics and its relationships with external powers, especially China, due to the South China Sea issue.

In conclusion, Dr Hiep remarked that despite ASEAN’s limitations, Vietnam continues to value ASEAN as an essential avenue for its multilateral diplomacy and soft balancing against China. Vietnam develops comprehensive ties with all ASEAN members but lays special emphasis on Laos and Cambodia. Vietnam continues deepening ties with the major powers and like-minded ASEAN members to supplement ASEAN mechanisms.
The Centre for Multilateralism Studies (CMS), RSIS, organised the Singapore Trade Policy Forum held at the Sheraton Towers from 21-22 October, with support from the Singapore Ministry of Trade and Industry, the New Zealand Ministry of Foreign Affairs and Trade, and the Australian High Commission to Singapore. The forum brought together experts from government, business, and academia, and focused on key current and future trade policy issues, including determinants, impacts and coherence with other policy sectors. Although global in scope, the forum engaged in a regional perspective.

Professor Ralf Emmers, Dean, RSIS, delivered the welcome remarks in which he highlighted that for many countries, including Singapore, trade has been a force for prosperity and development. The multilateral rules-based trading order have supported such growth.

Mr Luke Goh, Deputy Secretary (Trade), Ministry of Trade and Industry, Singapore, delivered a luncheon talk where he outlined the challenges to trade arising from the rapidly expanding and intersecting areas of security, socio-political issues, and industry development. He mentioned security concerns to be one of the major non-tariff barriers to trade.

As with last year, the forum sessions deliberated on topics ranging from the cost of economic nationalism; World Trade Organization reform; rules for the digital economy; and the trajectory of globalisation.
Forum participants engaged in fruitful discussions on global trade and climate change.

This year’s forum, however, also put trade and climate change on the agenda, given the spotlighted urgency of solving issues of the global commons. A key point raised related to how trade and climate change have kept separate tracks in terms of governance and rules because of turf issues. However, climate change is not simply an environmental issue but an economic one. Keeping climate change and trade in separate bubbles is not going to be feasible. Current policies are not yet aligned to deal with both together.

The forum concluded with the agreement that there is no good time for a breakdown in multilateral cooperation. Global agendas require global collaboration and coordination. This holds true for 21st century trade issues, such as digital trade, as well as for making progress in climate change and other United Nations Sustainable Development Goals.

Highlights from the STPF event and related content can be found here.

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