

# RCEP vs. TPP: The Pursuit of Eastern Dominance

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## 1 Introduction

The notion of economic regionalism retains an amalgamation of meanings in geography, sociology, demographics and diplomatic relationships. According to Hettne (2005), regions are socially constructed, politically contested units that depend on the perspectives of political actors to ‘exist’. This regional integration can be extended to the concept of different levels of interests, in relation to an individual country’s multifarious demands.

Regardless of the elevated value of the Asian trading bloc, the focal point behind the construction of regional institutions has been disparate, as a result of conflicting economic objectives and prior social struggles. Thus, various attempts in implementing new rules and agreements have stalled or have been hindered due to contrasting interests and as a result of deep-rooted historical altercations.

Why are the Association of Southeast Asian Nations (ASEAN) economies integral on a global scale, and in what way are they indispensable for the development of both the US and Chinese economies? First and foremost, the regions are known to be strategically significant, partially due to the transport links that bridge Asia to the Middle East and Europe via its narrow waterways. It is further a viable flashpoint from a regional security perspective inter alia due to conflicting national ownership claims of the South China Sea. Nonetheless, despite its fragile setting, Southeast Asia possesses a vast history of remaining renitent in the face of domination, and it has further intricately manoeuvred her way among the great powers of Asia and the West.

Next, the ASEAN regional bloc is an emerging economic powerhouse. Its GDP exceeds US\$2 trillion (3 % of world GDP) and is likely to grow at an average rate of 6 % for the forthcoming two decades (World Bank 2015). Furthermore, the bloc can

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be considered as being one of the most prominent outsourcing destinations for a plethora of nations ranging from the USA and the European Union (EU) to China and Japan.

Furthermore, economic ties with the rest of emerging Asia have heightened: China's share of the ASEAN trade market has almost tripled from 5 % in 2001 to 13 % in 2011, while the US and EU share has nearly halved, from 30 to 18 %, exemplifying the fact that Chinese influence has greatly intensified in recent years. Also, it is evident that manufactured exports now account for three-quarters of ASEAN exports, ranging from low-wage products in Cambodia and Vietnam to advanced electronics and textiles in Malaysia and Thailand and further leading financial service from Indonesia and Singapore.

These factors have resulted in the ASEAN regions becoming a sought-after partner in terms of both regional security and trade initiatives. In relation to the matter of trade, ASEAN has completed many free trade agreements (FTAs) with subsequent Asian partners, commencing with a path-breaking initiative with China in 2003, and it is now attempting to knit these together under the Regional Comprehensive Economic Partnership (RCEP) as one of the prominent members and the Trans-Pacific Partnership Agreement (TPP) as a partial member. Four ASEAN economies joined 12 countries from around the Pacific to negotiate the TPP. Both projects have critics: some perceive the RCEP as being too slow and too weak to make a difference, while others consider the TPP as being greatly intrusive for countries in the early stages of development.

This paper as a whole examines the notion of the Chinese integration effort within the ASEAN region focusing on the comparative analysis of the TPP and the RCEP and its further development into the Silk Road project. Furthermore, Sect. 2 illustrates the brief historical process for the development of the ASEAN bloc and the manner in which it has burgeoned continuously throughout the past years. Next, Sect. 3 presents the comparative analysis between the US-led TPP and the ASEAN-planned RCEP. The final section delineates various concluding comments and the limits and recommendations of the Chinese approach on both agreements are further exhibited.

## **2 A Historical Approach to the East Asian Regional Integration Effort**

Since the Plaza agreement in 1985, the notion of international trade in the East Asian region was upheld by the Japanese and American trade ties. When contrasted to the intra-regional trade intensified European Union, which accounts for more than 60 % of their trade, the prominent source of internal trade in the Asian region depends largely on the action of extra-regional markets, such as those in the EU and the USA. Facets similar to technology innovated Japanese goods and a populous domestic market in the USA resulted in the majority of the Asian economies having

**Table 1** Economic volume of ASEAN economies

Country/region	Growth year on year (%)	2013 ( US\$ billion)	2012 (US\$ billion)
ASEAN	20.00	426.33	370.77
Brunei			1.63
Cambodia	26.71	3.7	2.92
Indonesia	1.46	67.2	66.23
Laos	59.30	2.74	1.72
Malaysia	11.89	106.07	94.8
Myanmar	31.33	10.15	6.97
Philippines	13.79	14.61	12.84
Singapore	31.95	91.4	69.27
Thailand	1.52	64.96	63.99
Vietnam	29.96	65.5	50.4

Source: China-briefing.com 2015

to rely upon the spillover impacts in relation to technology from Japan and cheap labour products from the USA; thus, the major trade-related countries had no need to adhere to any forms of regional integration (Table 1).

In addition, historical and ethical animus are subsequent problematic issues within the Asian region. In comparison to Germany in the early twentieth century, the notion of Japanese imperial policy and the impact of World War II are further sources of chagrin within the Asian region. Furthermore, these issues are to this day sources of intense conflict between Japan and subsequent nations similar to China and the Koreans. This sort of historical dilemma has been a persistent source of struggle during the last century.

Following the disappointing progress of the Uruguay Round Ministerial meeting in 1990, the Malaysian Prime Minister Mahathir Mohamad offered the formation of a regional trading bloc including members of ASEAN and China, Hong Kong, Japan and Korea, which was to be known as the East Asian Economic Group (EAEG). The prominent aim was to establish a regional trade arrangement for the group in response to the emergence of preferential regional trade arrangements elsewhere, such as that in North America. It was blocked from progressing further due to the US and Japanese objection of the proposal and increased pressure from the USA on her Asian allies to restrain from supporting the deeds of the EAEG. Thus, although the project was unable to proceed, it was deemed as being what many perceived as a signal of a re-ascendant East Asia and was further the seed of the ASEAN-Plus-Three project.

Since the early 1990s, East Asian countries have liberalised their financial systems and have further increased the provision of capital accounts. This has further resulted in an influx of long- and short-term capital investment and has dredged their market-orientated growth policy. However, the imminent vulnerabilities of the global financial market stimulated the Asian financial crisis in 1997, and it exposed the need for an abridged regional paradigm and a new wave of regional integration in Asia, which allows it to stand without the aid of external Western

partners. Furthermore, prior to the financial crisis, the USA dominated the trading market and was a lead importer in terms of internal trade with the members of the ASEAN. The national wealth of the member nations depleted due to the influence of Western financial institutions similar to hedge funds, and as a result, the members of the ASEAN started to search for a subsequent nation to enable the level of trade to sustain. The answer they found was China. This was greatly aided by the considerable number of Sino-businesses within the ASEAN region that enabled the integration process to proceed with greater ease.

The financial crisis in East Asia signalled for the emerging economies to embark on various feats to further the notion of economic regionalism in the areas of international trade and global finance. The crisis further stimulated the region's economies, which were in prior years progressively interdependent towards the US market, to acknowledge the value of the regional economic cooperation among themselves and to proceed to institutionalise such interdependence. Since November 2001, the notion of regional economic integration was initiated via the free trade agreement between the Chinese and the ASEAN nations, and from then on, more than 30 agreements were penned between subsequent members. Throughout the course of this period, the majority of the East Asian economies acknowledged the fact that unless they were to develop their own method of regional trade, they will undoubtedly be disadvantaged in the field of international trade and multilateral agreements. Also, after the financial crisis, certain nations similar to Thailand and Indonesia have identified the prominence of uniting themselves to reap the benefits of the bargaining power against the EU and the USA.

Government technocrats in East Asia, akin to China and Korea, were further made greatly aware of the need to amass a bigger market on a domestic scale, in order to exploit the scale of economics and dynamic efficiency gains. Thus, they perceived that the East Asian regional agreement could elevate both productivity and international competitiveness within their respective nations. Furthermore, it can make way for trade and investment and promote the notion of harmonisation when rule making and standard setting and various procedures in order to administer an efficient resolution. Thus, this would imminently bolster the calibre of the economy in that the service, labour mobility, investment, competition policy and intellectual property rights sectors would be increased in terms of their provision. Therefore, it is evident that this effort was essentially fundamental in developing the economy of the nations via the deepening of trade and investment integration.

The notion of an 'East Asian Community' was first proposed by the East Asian Vision Group in 2001 and sought to improve economic cooperation, financial cooperation, political and security cooperation, environmental cooperation, social and cultural cooperation and institutional cooperation. This eventually materialised in November 2004, when the East Asian Leaders proposed to form the East Asian Community and the idea of holding an East Asian Summit was further approved. Regardless of the fact that the prominent objectives were fairly expansive, the matter can be summarised within economic cooperation, ranging from the establishment of the East Asian free trade areas, expansion of the framework agreement on an ASEAN investment area to all of East Asia to promoting the notion of a

technological and knowledge-based economy. Further feats that were introduced ranged from various financial cooperation schemes including the finding of a self-aid regional facility for financial cooperation to the adoption of a better exchange rate coordination mechanism that was in tandem with both financial stability and economic development.

Amid the financial predicament of 2007 in the USA, China was a prominent economy which sought to achieve a monumental growth rate of over 10 %, and Beijing announced a pragmatic package for the ASEAN to surmount the global financial crisis. In April 2009, the then Prime Minister Wen Jiabao originally planned to make a three-point proposal at the abortive ASEAN summit in Pattaya, Thailand, to embrace the members of the ASEAN.

Wen proposed three focal points: first, put countering the financial crisis at the top of the East Asian cooperation agenda and focus on addressing the most pressing issues facing this regions; second, seize the opportunity of the crisis to make cooperation (sic) in all areas more substantive and robust and advance regional integration; and third, bear in mind common, long-term interests, unswervingly advance East Asian integration and promote regional peace and prosperity (Wang 2009).

There was even a direct financial support programme to strengthen the relations with the ASEAN nations; notably China–ASEAN investment cooperation fund totalling US\$10 billion was initiated and sought to provide around US\$39.7 million in special assistance to Cambodia, Laos and Myanmar to meet urgent needs and to offer, over the next 5 years, an extra 2000 government scholarships and 200 master’s scholarships for public administration students from developing countries in the ASEAN (Ibid. 2009).

The notion of regional trade agreements has smeared the East Asian countries’ development in that the multilateral trade system, which was the by-product of the US administration, has resulted in the increase in the division between the rich and the poor. International regulatory schemes, akin to those initiated by the WTO, have encountered difficulty in removing international trade barriers and have instead had a more detrimental impact on the nations’ economies. Furthermore, there have been brewing credential issues towards the ASEAN regions from the US-planned financial scheme which was implemented by the World Bank and IMF.

Embracing similar goals of trade liberalisation and economic integration, the TPP and RCEP are two schemes of regional economic integration that have gained widespread attention in the Asia-Pacific region since 2010. It is somewhat outlandish that the China-supported RCEP does not include the USA, while the US-led TPP does not involve China at present, and what is more, the intrinsic notion of the latter scheme, will undoubtedly impede the Chinese administration from joining due to the hefty costs that a membership would bring about.

### **3 The Trans-Pacific Partnership Agreement and the Missing Role in China**

In the latter stages of 2002, Chile, New Zealand and Singapore agreed to form a 'Common Economic Partnership' which was a forum that prioritised open trade, and when Brunei joined in subsequent years post the free trade negotiation, it was known as the 'Trans-Pacific Strategic Economic Partnership Agreement'. It was eventually renamed as the 'Trans-Pacific Partnership', as more countries proceeded to join. The agreement was both extensive and vast, and the ramifications it brought about were further expansive, affecting trades in manufacturing, environmental and employment legislations and intellectual property issues. In 2009, when the US President Obama formally entered the TPP negotiation, the membership at that time included Australia, Malaysia, Peru, Singapore and Vietnam, and in April 2013, Canada, Japan and Mexico followed through. All applicants were successful in obtaining a membership besides South Korea. Although there are solely 12 members in the scheme, the combined GDP of the TPP parties stands at US\$27.7 trillion, comprising 40 % of global GDP and one-third of world trade.

The prime objectives of the TPP are to augment trade and investment among the TPP members, to promote innovation and economic growth and development, and to aid in the creation and retention of jobs to take the helm and to 'craft a high-standard, twenty-first-century agreement, which was proclaimed by the US Trade Representative. These objectives are set to be achieved via the construction of a free and open business environment through the establishment of a comprehensive, next-generation regional agreement and liberalising trade and investment. Furthermore, it is vital that the traditional trade issues and subsequent twenty-first-century challenges are embraced'.

#### ***3.1 TPP from the US Perspective***

The main yardstick with which Washington measures Asian initiatives is how they affect its ability to be the dominant power in the region. The thrust of US foreign policy, in the words of the former US Secretary of State, James Baker, is always to avoid any institutional device that 'would draw a line down the middle of the Pacific and threaten to divide East Asia and North America' (Bergstern 1997). In relation to the US regional policy, there are two major pillars in terms of economic and diplomatic progress. The Trans-Atlantic Trade and Investment Partnership (TTIP) enables the USA to economically and politically integrate the European Union, and the TPP scheme further serves as the gateway for the USA to merge their value and ethics with the Pacific Rim countries. After more than a decade of minimal focus on the APEC, and with the Doha Round being discussed without much avail, due to the preference for bilateral trade agreements, the US government has now embraced the TPP negotiations in its place.

It is apparent that the Anglo-American financial crisis has mercilessly unveiled the perils of the USA's dependence on the international trade, and the gravity of the problem is being burdened with large trade and financial deficits and debts. Since the considerable trade deficit is the primary drive for America to resort to its debt-financed economy, increasing exports to reverse the trend and to reduce the trade deficit has become the key issue and objective in the Obama government's economic recovery plan. On his 2010 State of the Union address, Obama addressed to renew and revitalise efforts to promote American export. He promised 'to boost American exports, support American jobs, and level the playing field in the growing markets of Asia, we intend to complete negotiations on a TPP. And tonight, I am announcing that we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the EU, because trade that is fair and free across the Atlantic supports millions of good-paying American jobs' (Union address 12 Feb. 2013). The agreement expected a double in the quantity of exports and it further forecasted the creation of two million employment opportunities by the year 2015. It was at almost the same time that the TPP talks started to unravel. The President's 2012 Trade Policy Agenda issued by the US Trade Representative pointed out that TPP is primarily engineered to create new opportunities for trade and cooperation in the Asia-Pacific region, in order to elevate the US economy and to stimulate employment. It is thus evident that it would have undoubtedly caused a fracas due to conflicting Chinese interests in the same regions.

The TPP is further regarded as a provisional arrangement or stepping stone towards a broader, all-encompassing Free Trade Area of the Asia-Pacific (FTAAP) that is viable within the forthcoming decade, as conceived by the Asia-Pacific Economic Cooperation (APEC) leaders in Bogor in November 1994 and advocated more recently by them in their meeting in Honolulu in November 2011. The TPP negotiations are not only contemplating the inclusion of further nations but are also preparing and constructing the trade protocol with an aim for further extensive collaborations with subsequent APEC members, including China.

From Washington's perspective, her economic policy has always been in tandem with the regional strategic policy. Thus, it is apparent that the TPP served as a viable route to bridge her economic relations with the ASEAN regions via the implementation of a newly reenergised strategic approach to East Asia. The 2007 crisis which sent a ripple through the Western financial world, however, was instrumental in disengaging the trade barriers and obstacles that impeded investment and was thus greatly influential in enabling the USA to ascend in the hierarchy of foreign policy via increased regional engagement with the East Asian nations.

Furthermore, the notion of the TPP synthesises with the idea of combatting heightening Chinese influence in the East Asian region. In a world of propagating FTAs, the US government is powerless to hinder East Asian governments from establishing agreements among themselves, and thus, the creation of a subsequent trade group that includes the USA serves as a beacon of US influence in contesting increasing Chinese prestige in these regions.

Next, regardless of the unceasing administration protestations, it is evident that the TPP serves as an efficient pressure point on China. The entry of the USA into the

TPP negotiations occurred in tandem with a period of erratic relations with the Chinese government, due to the elevating nationalistic and intrusive nature of Chinese domestic and foreign policies.

In addition, the fact that the TPP consists of an array of participants in the Asia-Pacific region serves as a great advantage. It is the common consensus among economists that the regional free trade areas are a more feasible route to reaping benefits that outweigh the trade diversion liability of this approach. However, the fact that the TPP allows a regional approach that averts from the problems encountered by the APEC in the late 1990s is more prevalent. The APEC provided the Obama administration with a scene at which they could push for the ideologies presented by the TPP, but the negotiations themselves were not an initial APEC objective.

En masse, the TPP is a reflection of the US pledge to markets with a sparse role for government in their economy. This American perception on the suitable role of a government in the market is also reflected in the ruminations of the WTO. The TPP, however, departs from the WTO commitment and instead adheres to the notion of multilateralism. The ongoing FTA negotiations between the USA and the EU are a subsequent exemplar of this trend in steering away from multilateralism. This exodus from multilateralism in international trade is an antiphon to the rise of China and the realisation that for the first time since the end of World War II, another nation possesses the economic capacity to exercise leadership in Asia, with conflicting views from the Western norm on how economies should burgeon.

Despite Washington's calls of affection, the mainstream US media have nevertheless continued to portray the TPP as being a ballast to impede the rise of China. According to *Forbes*, 'American trade policy is trying to contain China, notably through the mega-regional TPP, from which China is excluded'. Another report from the *Wall Street Journal* said, 'In the run-up to the APEC summit, people familiar with the matter say, the US blocked China's effort to begin negotiations on a regional free-trade agreement. The Free Trade Area of the Asia Pacific, because it conflicted with a Washington-backed alternative known as the TPP that excludes China'.

### **3.2 Japan and the TPP**

In July 2013, Japan joined the TPP negotiations in July 2013 despite fervent opposition from the domestic agricultural lobbies in contrast to strong support from the corporations. In tandem with the concept of 'Abenomics', the TPP will strive to achieve economic prosperity post two decades of the 'missing' period and to restore sustained growth. Without growth, Japan will be powerless to solve the prominent areas of concern, similar to the matter of securing and increasing the provision of employment, sustaining a dependable social security system in an ageing society and reducing public debt to a level that is maintainable.



During his speech to the Centre for Strategic and International Studies on the 22nd of February 2013, Prime Minister Shinzo Abe stated that ‘Firstly, when the Asia-Pacific or the Indo-Pacific region becomes more and more prosperous, Japan must remain a leading promoter of rules. By rule, I mean those for trade, investment, intellectual property, labour, environment and the like. Secondly, Japan must continue to be a guardian of the global commons, like the maritime commons, open enough to benefit everyone. Japan’s aspirations being such. Thirdly, Japan must work even more closely with the US, Korea Australia and other like-minded democracies throughout the region’. (CSIS speech 2013)

The crux of Abenomics in line with the TPP agreement can boost foreign investment in Japan, which would in turn increase Japanese manufacturers’ access to goods and services in the markets of member countries with whom Japan had no prior economic relations with, similar to the USA. This would further stimulate the confidence rates for Japanese MNEs investing in subsequent member countries through egalitarian treatment of foreign investment and intricate intellectual property rights protection in the host countries. It would further be greatly beneficial for small- and medium-sized firms to conduct business through simpler trade procedures. In addition, the TPP would undoubtedly intensify Japan–USA political relationships and make way for the diversification of Japanese trade, given the fear of overdependence on China and the perceived risk that increased relations with China entail.

Next, China has been playing an effective advocating role. Beijing has further exercised self-restraint over the East China Sea dispute (including the Diaoyu/Senkaku islands) with Japan, and the fracas that arose over territories in the South China Sea with several Southeast Asian regions were dealt with ease. Abe’s repeated visits to the controversial Yasukuni Shrine, where some 2.5 million souls of Japan’s war dead are honoured as patriotic heroes, catalysed the strained diplomatic relations with subsequent Asian nations similar to China and South Korea. This was due to the fact that many of those souls perturbed both Korean and Chinese citizens alike, and thus, Abe’s act of respect merely stimulates aggravation. Furthermore, the fact that 14 Class-A war criminals convicted at the Tokyo tribunal, including war leader Tojo Hideki, are enshrined at Yasukuni further serves as a source of strife between the two nations. However, in recent years, Beijing and Tokyo have averted their perceptions to focus on the future rather than dwell on the past. The notion of being ‘hot economically, cool politically’ was penned to aid this cause. Nonetheless, Abe’s continuous comments of respect and erratic behaviour on this matter greatly impede any forms of bilateral trade agreement and instead strain the relations further.

Geopolitically Japan is considered to be an Asian powerhouse, and that fact is unalterable. However, it is apparent that Japan’s partners and competitors have long been in the West, and that fact remained constant post World War II. Moreover, having burgeoned under US tutelage and protection, post-war Japanese identity became disparate and progressively reliant upon the West. Furthermore, post the Cold War, the fact that Japan was the gateway to increased US influence in the East was acknowledged by China and Korea, and thus, this deteriorated relations

significantly in terms of trade. Thus, when Abe, a staunch supporter of Japan–USA relations, was re-elected in 2012, this galvanised the friction between Japan and her neighbouring nations.

### 3.3 *China in the TPP as an Observer*

Akin to Turkey and the EU membership, China was not greeted favourably. In Beijing's view of the TPP, joining the existing TPP with minimal opportunity for discussion on any of the existing provisions bestowed a multitude of predicaments at the domestic level. In May 2013, a spokesman for the Ministry of Commerce, Shen Danyang briefed that China will 'analyse the pros and cons of joining the TPP, based on careful research and according to the principles of equality and mutual benefit. We also hope to exchange information and materials with TPP members on the negotiations' (Reuters, 30 May 2013).

Despite frequent public announcements by the US leaders that the Washington welcomes a prosperous and strong China, Chinese technocrats possess an intrinsic suspicion of the real intentions of the USA. They are persistently vigilant of the possibility of a US-led coalition to deter China's continuous expansion in terms of her prestige and economic prowess. Chinese leaders further perceive that America always possesses the intention to politically 'Westernise' the mainland by prying on her domestic affairs and 'severing' the country by thwarting the reunification of Taiwan and meddling in Tibetan affairs.

In an article published in the *People's Daily*, the official newspaper of the Communist Party of China, it states that 'the US does not want to be squeezed out of the Asia-Pacific region by China . . . (the) TPP is superficially an economic agreement but contains an obvious political purpose to constrain China's rise (Ding 2011). In addition, Song Guoyou, Shanghai Fudan University notes that the current TPP member countries in negotiations are mainly military allies of the US, which demonstrates the fact that the US has followed its traditional pattern of choosing FTA partners—offering priorities to its military allies, and conclude the US collaboration with its military allies in East Asia will be strengthened through a closer trade relationship'. (Song 2011)

On a domestic scale, there are two prominent matters of consideration when adhering to the high standard of the TPP. China could, however, benefit from liberalisation in the manufacturing sectors, a high standard of protection and the promotion of investment, even from more rigorous anti-corruption rules; these issues are in tandem with the reform agenda of Xi's regime. As a result, Beijing became concerned with the possible economic adversities that were to arise due to rapid domestic alterations imposed by the new TPP regulation in domestic markets. Moreover, the high standards of the TPP may not be beneficial for Chinese standards, on matters similar to intellectual property rights.

From the Chinese perspective, the TPP, derived from the USA, is a gateway to obtaining indirect long-term economic and strategic benefits, including aiding

small–medium-sized American firms to exploit the free trade agreement environment, and ensuring that Washington’s role as the rule-maker in regional trade regulations is sustained. Furthermore, the TPP was regarded as the US-dominated unified free trade association that benefits US firms rather than acting for the members’ welfare. Li et al. (2014) assess the impacts of China being in or out of the TPP negotiations, via the use of a conventional static model with the two embellishments of trade costs in tariff form but with real resource use rather than revenue generation and endogenous trade imbalances. The report demonstrates that China loses in being astray from the TPP, but gains if inside a trade cost-targeted negotiation. Based on 2011 data, the effects are small (1–2 % GDP) and are much smaller and even negative for China in terms of their tariffs alone.

Beneath his shroud of suspicion, the US-led TPP is regarded as isolating Asia, as not all Asian members are entitled to a membership. In principle, the TPP is open to all ASEAN members who are willing and able to strive for a higher standard of rule, and the US strategy from the dawn was to commence negotiations with a minor association of economies with similar objectives to that of her own. As a result, it was met with a barrage of criticisms. For instance, it was met with great distaste by the Cambodian Prime Minister Hun Sen at the 24th World Economic Forum on East Asia in Jakarta, ‘We should review it again . . . why did the TPP not include ten ASEAN members? . . . What is the purpose, real intention of establishing (the) TPP. . . that they include half of ASEAN to be partners. . . and leaving the other half of ASEAN outside’ (The Diplomat April 2015).

According to Li, Wang and Whalley, ‘China’s strategy has been one of remaining flexible, in part, targeting each regional trade agreement to the preferences of China’s partner. There is no “one size fits all” approach to regional trade agreements as has been the case more so with the EU and the US’ (Li et al. 2014).

## **4 Regional Comprehensive Economic Partnership and Chinese Dominance**

### ***4.1 The Meaning of RCEP***

In the midst of the WTO’s declining credibility as a result of its inefficient ability to negotiate, the ASEAN and China led mega-regional trade deal, the RCEP due to be penned. The RCEP could create the world’s largest economic trading bloc and could further bring about a multitude of ramifications for the world economy.

The prime objective of the RCEP is to attain a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN member states and ASEAN’s free trade agreement partners. This would permit every nation in the agreement to contribute to sustain the economy of each country and to further strive for economic integration, equitable economic development and strengthening economic cooperation among the participants.

**Table 2** Key features of the TPP and RCEP agreement (August 2014)

	TPP	RCEP
First mooted	December 2009	November 2011
Official negotiations	March 2010	May 2013
Intended completion	Late 2014	Late 2015
Negotiating rounds completed	19	5
Primary goal	Address quality issues through a new ‘twenty-first-century’ free trade agreement	ASEAN-plus-X model, accession yet to occur
Relation to regional architecture	Not tied to any existing organisation	Affirms principle of ASEAN centrality
Scope and coverage	“WTO-plus” aspirations—20 non-tariff issues targeted	“WTO consistent” only—mostly focused on tariffs
Major sponsor	US led	ASEAN led
Current members	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, USA and Vietnam	ASEAN, Japan, South Korea, China, India, Australia and New Zealand
Significant ‘absent’ members	China, Indonesia and Korea	USA

Source: Wilson (2015)

It is the common consensus in China that the RCEP is a viable route for the promotion of the East Asian cooperation in a *sui generis* manner, via the combination of the 10 ASEAN members and their cohesive integration with their six major trading partners (Australia, China, India, Japan, New Zealand and South Korea). RCEP serves as the basis for the world’s largest free trade bloc with 3.5 billion individuals alongside three major proponents of global market growth: China, India and the ASEAN. According to Basu Das (2013), RCEP will adhere to the rules and norms mostly attuned to ASEAN conventions and guidelines, built on a consensus. Flexible trade negotiation standards will make the RCEP attractive and would bring closer affinity at the institutional level connectivity and push further the much-needed people-to-people contacts at the regional level (Table 2).

As detailed by the figures above, it is evident that China and India, two of the prominent drivers of Asian economic growth, are absent from the TPP negotiations, while the USA, a subsequent powerhouse across the Pacific Ocean, is missing from the RCEP. As such, various government officials, technocrats and scholars from both nations (China and the USA) perceive that the TPP and the RCEP are conflicting in terms of their principles. This is as it is apparent that China and India are aiming to establish a regional framework that ostracises the USA, while the USA is adamant on establishing a regional bloc without the presence of China.

Table 3 exemplifies the fact that the RCEP countries are superior in terms of their population count at 3.4 billion than the TPP economies, which constitute for 0.8 billion of the global population. Nonetheless, the TPP members possess the higher GDP and PPP rates on average than their RCEP counterparts. All in all, the RCEP nations account for 48.3 % of world population, 29.2 % of world GDP and 28.3 % of world trade, in comparison to the TPP who account for 11.3 %, 38.8 % and 25.8 %, respectively. The data stated above coherently illustrates the fact that the TPP and the RCEP are prominent regional blocs in the world economy and that their respective coverage in the global economy as a whole is considerable. Furthermore, the data outlines the fact that the average GDP per capita is significantly larger for the TPP nations (US\$32,751) when compared to the RCEP countries (US\$18,879), echoing the fact that low income with the sino-ethnics diaspora countries primarily make up the RCEP.

The TPP, in particular, would reap a great deal of benefits for the ASEAN as a whole, especially if it were bolstered from the current four negotiators (Brunei, Malaysia, Singapore and Vietnam) to include Indonesia, the Philippines and Thailand. ASEAN's total acquisitions are perceived as being three times as great with the TPP, due to the presence of Western powerhouses similar to America, whereas under the RCEP, the majority of the nations, aside from China, are relatively mediocre in terms of their economic prowess. Furthermore, the TPP is perceived as being the gateway for a more profound integration and preferential access to greater new markets, while the RCEP overlaps in terms of its principles, as it is merely a network of FTAs between the ASEAN and its subsequent members.

The ASEAN policymakers should dismiss the belief that they must choose between the TPP and the RCEP, since both policies have proven to have their own merits. Moreover, it is apparent, however, that these perks are complementary. This can be deduced from the fact that the TPP predominantly focuses on greater synthesis with America, whereas the RCEP concentrates on continuing integration across the Asian markets, with China as the nucleus. The benefits of implementing and utilising both agreements simultaneously amount to approximately 90 % of the sum of the benefits derived from implementing each agreement alone; in other words, the agreements beget distinctive, interdependent gains. At the same time, however, nations who are members of both initiatives must ensure that they do not burgeon into alternate competing blocs (Table 4).

#### ***4.2 Implications of the TPP and the RCEP***

In essence, the TPP is a US-led scheme and is widely regarded as being a 'WTO-plus approach' that yearns for cohesive economic integration and trade liberalisation to stimulate economic activity on a global scale. However, since the TPP scheme comprises of members from different echelons of economic development, it will be an arduous procedure in attempting to reach a common consensus on the optimum way forward. This is because of contrasting labour laws due to the

**Table 3** Economic indicators of the TPP and RCEP members

	Population (million)	(%)	PPP (US\$)	GDP (US\$ billion)	(%)	GDP per capita (US\$)	GDP growth (annual %)	Trade (US\$ billion)	(%)
China	1350.7	19.2	10,920	8,227.1	11.4	6091.0	7.7	3866.9	10.4
South Korea	50.0	0.7	32,350	1129.6	1.6	22,590.2	2.3	1067.5	2.9
India	1236.7	17.6	5000	1841.7	2.5	1489.2	5.1	782.6	2.1
Cambodia	14.9	0.2	2710	14.0	0.0	944.4	7.3	19.2	0.1
Indonesia	246.9	3.5	8750	878.0	1.2	3556.8	6.3	378.4	1.0
Laos	6.6	0.1	4170	9.4	0.0	1417.1	8.0	5.1	0.0
Myanmar	52.8	0.7	n/a	52.5	0.1	861.0	n/a	20.4	0.1
Philippines	96.7	1.4	7310	250.2	0.3	2587.0	6.8	117.4	0.3
Thailand	66.8	0.9	13,430	366.0	0.5	5479.8	7.7	477.1	1.3
Brunei Darussalam	0.4	0.0	n/a	17.0	0.0	41,126.6	0.9	17.0	0.0
Malaysia	29.2	0.4	21,460	305.0	0.4	10,432.1	5.6	424.0	1.1
Singapore	5.3	0.1	74,150	274.7	0.4	51,709.5	2.5	788.1	2.1
Vietnam	88.8	1.3	4800	155.8	0.2	1755.2	5.2	228.4	0.6
Japan	127.6	1.8	11,400	5959.7	8.2	46,720.4	1.8	1684.4	4.6
Australia	22.7	0.3	41,700	1532.4	2.1	67,555.8	3.7	517.8	1.4
New Zealand	4.4	0.1	30,970	167.3	0.2	37,749.4	2.5	75.6	0.2
USA	313.9	4.5	52,220	16,244.6	22.4	51,748.6	2.3	3882.7	10.5
Canada	34.9	0.5	41,270	1821.4	2.5	52,219.0	1.7	929.7	2.5
Mexico	120.8	1.7	16,030	1178.1	1.6	9748.9	4.0	751.4	2.0
Chile	17.5	0.2	20,270	269.9	0.4	15,452.2	5.4	158.1	0.4
Peru	30.0	0.4	10,390	203.8	0.3	6795.8	6.0	88.2	0.2
RCEP	3400.5	48.3	17,941	21,180.6	29.2	18,879.1	4.9	10,469.6	28.3
TPP	795.5	11.3	29,515	28,129.8	38.8	32,751.1	3.5	9545.2	25.8
World	7046.4	100	13,878	72,440.4	100.0	10,280.5		37,006.6	100

Source: databank.worldbank.org 2015

**Table 4** Comparison of TPP and RCEP objectives

	TPP	RCEP
Market access for goods	<ul style="list-style-type: none"> <li>• Elimination of tariff barriers with significant WTO + commitments</li> <li>• Elimination of non-tariff barriers</li> <li>• Negotiated market access and trade facilitation for textiles and apparel</li> </ul>	<ul style="list-style-type: none"> <li>• Progressive elimination of tariff and non-tariff barriers on substantially all trade-in goods</li> <li>• Comprehensive and high level of tariff liberalisation</li> </ul>
Trade facilitation	<ul style="list-style-type: none"> <li>• Predictable, transparent and expeditious customs procedures</li> <li>• Strong and common rules of origin</li> <li>• Build on WTO commitments on sanitary and phytosanitary measures and technical barriers to trade</li> <li>• Facilitate regional value chains</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate trade and investment</li> <li>• Enhance transparency in trade and investment</li> <li>• Facilitate regional and global value chains</li> </ul>
Service	<ul style="list-style-type: none"> <li>• Fair, open and transparent markets for service across borders while preserving the right to regulate</li> <li>• Open trade and investment in financial services, e-commerce and telecommunications</li> <li>• Negotiate on a negative list basis</li> <li>• Transparency and efficiency in temporary entry</li> </ul>	<ul style="list-style-type: none"> <li>• Substantially eliminate restrictions and discriminatory measures on trade-in services</li> <li>• Build on commitments made by RCEP members under WTO and ASEAN + 1 free trade agreements</li> <li>• Negotiate on all sectors and modes of supply</li> </ul>
Investment	<ul style="list-style-type: none"> <li>• Liberal access for investment and legal protection for investors</li> <li>• Expeditious, fair and transparent investor-state dispute settlement</li> </ul>	<ul style="list-style-type: none"> <li>• Liberal, facilitative, competitive investment regime</li> <li>• Negotiate on promotion, protection, facilitation and liberalisation</li> </ul>
Competition	<ul style="list-style-type: none"> <li>• Promote competitive business environment, protect consumers, ensure level playing field</li> <li>• Establishment and maintenance of competition laws and authorities, fairness, transparency, consumer protection, private rights</li> </ul>	<ul style="list-style-type: none"> <li>• Promote competition, economic efficiency, consumer welfare, curtailing anticompetitive practices</li> <li>• Recognise differences in capacity in RCEP on competition policy</li> </ul>
Intellectual property	<ul style="list-style-type: none"> <li>• Ensure effective and balanced intellectual property rights</li> <li>• Reinforce and extend WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)</li> <li>• Cover trademarks, geographical indications, copyrights, patents, trade secrets, data exclusivity</li> <li>• Cover intellectual property enforcement, genetic resources and traditional knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce intellectual property-related barriers to trade and investment</li> <li>• Promote cooperation in utilisation, protection and enforcement of intellectual property rights</li> </ul>
Dispute resolution	<ul style="list-style-type: none"> <li>• Clear and effective rules for resolving disputes</li> </ul>	<ul style="list-style-type: none"> <li>• Effective, efficient and transparent process for consultation and dispute resolution</li> </ul>
Cooperation	<ul style="list-style-type: none"> <li>• Focus on needs of developing member economies in implementing high-standard provisions</li> </ul>	<ul style="list-style-type: none"> <li>• Build on cooperation agreement between ASEAN and dialogue partners</li> </ul>

(continued)

**Table 4** (continued)

	TPP	RCEP
	<ul style="list-style-type: none"> <li>• Establishing institutional mechanism for cooperation and capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on development gaps in RCEP and maximise the mutual benefits</li> </ul>
Accession		<ul style="list-style-type: none"> <li>• ASEAN free trade agreement partners may join negotiations as agreed by negotiating members</li> <li>• Accession clause to enable other ASEAN free trade agreement partners to join RCEP later</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Address trade and environment challenges</li> <li>• Discuss marine fisheries, conservation, biodiversity, invasive species, climate change, environmental goods and services</li> </ul>	
Government procurement	<ul style="list-style-type: none"> <li>• Ensure fair, transparent, non-discriminatory government procurement</li> <li>• Comparable coverage by all economies, transitional arrangements for developing economies</li> </ul>	
Labour	<ul style="list-style-type: none"> <li>• Address labour rights protection and ensure cooperation, coordination and dialogue</li> </ul>	

*Source:* US Trade Representative (2011) for TPP and ASEAN (2012) for RCEP and requested from Petri and Abdul-Raheem (2014)

difference in economic standards, which hinder unified and synchronised labour laws from being implemented. Also, intellectual property regulations may not strike the right balance between owners of the IP and the users.

The RCEP's history, however, is somewhat more varied than that of the TPP. It is considered to be a regional effort rather than a negotiation among 'like-minded' countries, and it is the by-product of nearly a decade of numerous attempts to initiate analogous discussions on the matter. Besides that, the RCEP synthesises with the ASEAN-Plus-One agreements between ASEAN and all the RCEP partners, and these have presumably already tested the curbs of regional liberalisation. Thus, it is apparent that the RCEP has a handful of prominent hurdles to surpass in order to elevate the status quo.

Nonetheless, the protocol for the RCEP adopted by ASEAN (2012) is somewhat audacious and envisages a modern, comprehensive agreement, covering many of the areas addressed by the TPP. However, the guidelines also take into consideration that 'the RCEP will include appropriate forms of flexibility including provision for special and differential treatment' (ASEAN 2012). Furthermore, multiple observers laud this commitment, but it is evident that it will be somewhat strenuous to transcend beyond existing agreements, due to the disparate nature of their



economies. So far, negotiators have impeded the implementation of special and differential treatment in the TPP.

In addition, one of the most focal areas of concern for the RCEP is to attain impartial economic development through the sino-ethnics oriented economic cooperation, notably within nations akin to Cambodia, Lao and Myanmar. In comparison to the RCEP, however, the TPP does not put a great deal of weight on the matter of economic cooperation. The members of the RCEP are closely knit to China economically as well as ethnically. They are all partners or plausible partners of China in its pursuit of the free trade agreements. Thus, the RCEP can be regarded being an idyllic podium for China to acknowledge its free trade aspirations and to push for regional economic integration and a tranquil development together with subsequent regional players.

### ***4.3 Why Not Both?***

The TPP and the RCEP are often regarded as being substitutes, but that is far from the case. Numerous ASEAN economies already participate in both negotiations—Brunei, Malaysia, Singapore and Vietnam—and one can acknowledge that there is no rationale to state that other middle-income countries should not do so as well. Regardless of the fact that certain ASEAN countries cannot liaise with the current phase of negotiations, the agreement is likely to anticipate enlargement and set the scene for accession. For countries who are inclined to adhere to both agreements, the idea of dual membership is compelling due to each scheme's merits.

However, the TPP and the RCEP offer benefits that are predominantly interdependent—one focuses on profound integration with the Americas, and the other on improved access to ASEAN markets, to stimulate increased economic activity. Coinciding memberships further aid to ensure that the two initiatives do not proliferate into competing regional blocs, which is the infamous drawback of regional FTAs. Countries involved in dual negotiations are most likely to align their provisions in order to simplify their internal policy adjustments and to synthesise with the requirements of both schemes. The similarity of the RCEP protocol and its TPP counterpart has been acknowledged already. This will not always be the case, but nonetheless, a significant overlap will make it more convenient to consolidate the agreements in the future or to proceed from shared provisions into subsequent global negotiations in future years.

The ultimatum for new members is the fact that the TPP template is likely to be more stringent and onerous than its RCEP counterpart and will, in part, mirror the interests of countries that are more advanced economically as well as politically (Perti and Plummer 2012). It is perceived that it will include greatly pressing provisions on services, intellectual property and competition policy, as well as permitting a fewer number of exceptions for sensitive sectors. Joining the TPP will require earlier and more difficult reforms than participation in the RCEP. At the same time, the benefits under the TPP template are predicted to be around twice as grand as those under the RCEP, on the basis that they are applied to the same group

of countries. Moreover, the necessary reformations with the ASEAN nations would in many cases emulate those required for the effective implementation of the AEC.

Furthermore, the fundamental difference is the fact that the TPP puts greater emphasis on a single and comprehensive form, whereas the RCEP pushes for a progressive and sequential approach, where different components are mediated and implemented under a different time table.

## 5 Conclusion

With the Obama administration at the helm, America has been readjusting her political and economic stance towards the Asia-Pacific and, in doing so, has exercised her power in curbing the rise of China in the East. Since Washington has taken the lead in advocating for the TPP, it has ceaselessly advocated for standards that Beijing cannot realistically adhere to in the near future and has, thus, effectively pursued a policy of isolationism on the Chinese. Wen emphasised that ‘the main reason behind the Obama Administration’s support for the TPP agenda is the US’s desire to use the TPP as a tool to economically contain China’s rise. . . . The TPP as superficially an economic agreement but contain an obvious political purpose to constrain China’s rise’ (Wen 2012). However, it is evident that this policy of isolationism has given way to the rise of the RCEP, a China-centred scheme that has efficaciously suppressed the American-led TPP scheme.

Furthermore, the fact that the majority of the middle class are Chinese ethnics in these regions has proven to be fundamental in bridging China’s relations with her Asian counterparts. Thus, the contribution of the sino-ethnics has been integral in forming relations in trade and politics with these regions, which has resulted in the China-centred RCEP prevailing over her Western counterpart.

According to Fitriani in the *Jakarta Post* (13 August 2010), ‘History teaches us that the reasons behind the absence of solid Asian regionalism and identity derive not only from domestic problems and inter-state distrust among Asian countries, but also from the presence of external powers like the US in the region’. In this way, one can acknowledge that regardless of the continuous endeavours of the Western world to permeate the Eastern region with their economic and political prestige, as displayed in America’s pursuit of the TPP scheme, they are powerless to curb the influence of Eastern powerhouses who serve as the irrefutable nucleus of Asian development.

Under the current circumstances, China is voraciously engaging in subregional cooperation processes with many of her neighbours, ranging from the Greater Mekong Subregion Economic Cooperation to the implementation of China-led economic cooperation zones with the relevant ASEAN members. Further schemes such as the Maritime Silk Road initiative and the financial connected Asian Infrastructure Investment Bank have reignited the engine of regional growth which has ousted her American competitors, in terms of social, cultural and political integration.

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