



A Shift in East Asia's Balance of Influence is Coming: The Regional Comprehensive Economic Partnership Agreement

By: Adriel Arguelles

Adriel Arguelles is a Master of International Affairs student at the Bush School of Government and Public Service at Texas A&M University studying grand strategy and China.

The greatest impact of East Asia's newest multilateral free trade agreement, the [RCEP](#) (Regional Comprehensive Economic Partnership) Agreement, may prove to be a power shift among states in their capabilities to influence the region rather than an increase in the region's economic prosperity. The RCEP is difficult to ignore given how encompassing the agreement is - its signatories make up nearly one-third of the world's population and a similar percentage of global GDP. The agreement's fifteen parties include all ASEAN member states as well as Australia, China, Japan, South Korea, and New Zealand. The RCEP's breadth makes it the world's largest trade agreement, so it is easy to overlook the fact that its provisions aren't new to many of the participants and [don't effectively account for](#), or in some cases even include, several aspects consistent with modern free trade agreements. Many provisions are redundant with those of subregional and bilateral agreements already in effect, making the RCEP more of a [consolidation](#) rather than a new trade agreement. In the [full document](#)'s approximately 500 pages, the agreement doesn't address [labor rights, the environment](#), or state-owned enterprises, and its provisions on the protection of [intellectual property](#) are lax.

Accordingly, potential economic gains from the RCEP seem to be lacking. The agreement is [projected](#) to gradually produce, in ten years, an increase to global GDP of approximately \$186 billion annually through the reduction of barriers to trade, equal to less than half of one percent of the projected annual global GDP growth without the RCEP agreement. On top of this, about 45% of the gains are projected to be for China, and alongside Japan and South Korea, the three are projected to see about 83% of the gains. The RCEP agreement's modest benefits, low standards, and inability to effectively enforce its own provisions follow a long-term strategy consistent with other Chinese policies within the ["win-win"](#) framework.

The United States-backed Trans-Pacific Partnership, which didn't include China, was well into its negotiations when China seized an opportunity in 2011 to back a competing trade agreement. The China-backed RCEP, which didn't include the US, was proposed at the 19th ASEAN summit, and began negotiations the following year. Then, China was presented with an even greater opportunity in 2017 when the US pulled out of the TPP negotiations. Notably, this meant that the US was no longer in talks involving any regional multilateral trade agreement and was effectively ceding some influence. Instead of completing a China-led agreement that competed with a US-led agreement, the RCEP established China as the sole economic leader of the region through multilateral legitimacy and further binding it to ASEAN, the region's most influential institution.

Effectively, China has stepped up in the absence of the US and prepared the region for its long-term ascent into the role of East Asia's most influential actor. China's economy is by far the largest



of the agreement's participants and while it has leveraged it in the years prior to exert influence, this new agreement formally places China in the central, leading role of the region's economy. Over time, this centrality and leadership may transition from interdependence to an overdependence on the Chinese economy and provide China with the opportunity to exert increasing influence even in non-economic sectors such as diplomatic and security affairs for the region. In this position, China will have greater influence over setting the standards, the priorities, and, to some extent, the relationships of the region. The Belt and Road Initiative is indicative of the influence China can exert over its debtors, and Taiwan's loss of formal diplomatic relationships over the last three decades shows that states which are economically dependent are vulnerable to China's influence even in non-economic affairs. This may come into play regarding territorial disputes involving China since other states involved will be increasingly dependent on China and may also be less confident in receiving US assistance. To combat this, the US must return to playing a large role in establishing a free and open Indo-Pacific. In this case that means pursuing high-standard, preferably multilateral, free trade agreements with states in the region. The US should look to include India, which is not an RCEP participant, and pursue closer economic ties with strong US allies – Japan, South Korea, and Australia – to increase its influence in the region.