

Regional Comprehensive Economic Partnership „Blood, Sweat, and Tears“

Uwe Hoering, November 2020

This is the result of "eight years of negotiating with blood, sweat and tears," Malaysian Trade Minister Azmin Ali reportedly told the press on the occasion of the conclusion of the *Regional Comprehensive Economic Partnership* (RCEP) in Vietnam's capital Hanoi. The dramatic characterization echoes the famous inaugural speech of Winston Churchill as prime minister in 1940, in which he prepared the British population for the impending sacrifices of the war with Nazi Germany. However, Churchill, unlike Minister Ali, was referring to the future. And it is to be hoped that RCEP will not become a devastating course-setting exercise for a number of the countries involved in the years to come.

When fifteen Asia-Pacific countries signed the free trade agreement RCEP in Mid-November it was an event with exceptional dimensions: It creates an economic zone with a population of 2.2 billion people and around one third of the world's economic output, an area that seems to have been able to absorb the effects of Corona relatively well. There are three of Asia's four leading economies - China, Japan and South Korea - first time together involved. Over the next 20 years, it was agreed to reduce import tariffs by 90 per cent. It also includes joint regulations for e-commerce, trade and intellectual property rights.

A double-point score for Beijing

The agreement is for Beijing in several respects an important gain by points, if not a triumph. Two months before the U.S. President elect Joe Biden - most likely - takes office, the fruits of President Trump's withdrawal in 2017 from the *Trans-Pacific Partnership Agreement* (TPP), which was supposed to isolate China economically, will be reaped. Already at the end of October 2018, seven economically strong Asia-Pacific countries, including Japan, Australia and Vietnam, and American countries such as Canada, Chile, Mexico and Peru signed a slimmed-down TPP agreement (CPTTP) excluding the USA. It is now the USA that has been left standing isolated in Asia as a result of its own policies.

At the same time, important political allies of the U.S. in Asia are becoming increasingly embedded like Japan, which back in 2016 refused to join the Beijing-dominated *Asian Infrastructure Investment Bank* AIIB at Washington's request, South Korea and the Philippines. Even Australia has not pulled out of the RCEP negotiations despite its own limited trade war with China.

Needless to say, that Taiwan is not participating. But also the regional superpower India preferred 'splendid isolation' in the end, in view of the conflict over Chinese-Pakistani cooperation in the *Belt&Road Initiative* and the border disputes in the Himalayas, and out of fear of China's economic supremacy and of nationalistic overconfidence.

Next steps into the 'Asian Age'

It remains to be seen how the benefits of the RCEP and the resulting intensified regional integration of countries with very different levels of economic strength will be shared with the smaller, weaker countries in the region - the European Union sends its regards. However, they have little choices. Many of the ten countries of the *Association of Southeast Asian Nations*, ASEAN, which form the bedrock of the new economic zone, so to speak, are already firmly in the grip of Chinese and Japanese investors, unequal trade relations and problematic infrastructure plans, for example within the framework of the New Silk Roads. In the coming days and weeks, more thorough analyses and forecasts will certainly be published about who is likely to benefit from the new "Comprehensive Partnerships", and who is more likely to lose. In any case, in a few years it could turn out that this was another important step on the route to the 'Asian Age'. And then we will also know whether this will bring a flow of milk and honey for everyone.

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