

thing already, but it is not so robust. Malaysians are more excited about the AEC, which is closer to their hearts.

— **John DELURY** Leave your last word in two to three sentences on the topic of Asia's contribution to the global open market.

— **Wan Saiful WAN JAN** We can only make a positive contribution to the world today if we maintain our commitment to our internal reform. And we need to appreciate that external pressure may not continue to be there, but despite that we must continue our unilateral commitment to reform.

— **KIM Young-Han** Talk for the sake of talk really matters in terms of re-establishing multilateralism. So you should continue to talk even if that talk does not produce any real, feasible and imminent benefit in a multilateral format. That is how the WTO could prevent another global trade war.

Keywords

Asia, Trump presidency, New protectionism, China, Global trade war, Multilateralism, Global open market, Liberal economic order



Policy Implications

- The Trump presidency is a threat to the global open market. It is inclined to erode the liberal economic order which the U.S. has provided in Asia for the past 70 years.
- The U.S. presence in Asia is still necessary, in providing a security platform as well as enforcing the liberal economic order.
- China will definitely assert its role, particularly in Asia, but it has its own severe weaknesses. China's leadership is a dangerous one and the worst kind of capitalism. Moreover, the European Union is unable to fill the vacuum.
- New protectionism could possibly create trade wars if tit-for-tat retaliation occurs, and that could lead to a disastrous outcome. However, in a today's globalized world, with complex and interwoven global value chains, and other countervailing forces, especially in the U.S. itself, the extreme effect is an unlikely scenario.

The Trump Administration and the Geopolitics of Regional Economic Integration in the Asia-Pacific



Moderator	SHIN Sung-won Director-General, Department of International Economy and Trade Studies, Korea National Diplomatic Academy
Presenter	Malcolm COOK Senior Fellow, ISEAS-Yusof Ishak Institute, Singapore KANG Seon-jou Professor, Department of International Economy and Trade Studies, Korea National Diplomatic Academy Jagannath PANDA Research Fellow, Institute for Defense Studies and Analysis, India Takashi TERADA Professor, Faculty of Law Department of Political Science, Doshisha University, Japan
Rapporteur	RO Yoo Kyung Researcher, Department of International Economy and Trade Studies, Korea National Diplomatic Academy

— **Malcolm COOK** The U.S. withdrawal from the Trans-Pacific Partnership Agreement(TPP), President Trump's first executive order, drew attention to the importance of China's role in the economic integration of the Asia Pacific region. The Regional Comprehensive Economic Partnership(RCEP) is also being highlighted as the most promising path toward the Free Trade Area of the Asia-Pacific(FTAAP). However, there are four challenges that China is facing in leveraging the RCEP negotiations to achieve the FTAAP and spearhead regional integration.

First, given the progress made so far, the RCEP negotiations are unlikely to make a significant impact on the opening of markets, but rather are likely to cause complications. For example, China and India, two major participants in the RCEP negotiations, have been caught up in political rows and trade imbalances. A fragile, complex RCEP may discourage other countries in the Asia Pacific region from taking part in the RCEP.

Second, the Trump administration's withdrawal from the TPP does not seal the debate on the TPP. Members of the TPP and the RCEP, such as Australia and Japan, are anticipated to seek to apply

the TPP standards to the RCEP agreement, which should draw opposition from RCEP members such as China, which are not TPP signatories.

Third, the U.S. under the Trump administration is not without challenges. If the FTAAP is pursued within the frameworks of the Asia-Pacific Economic Cooperation(APEC), U.S. intervention is inevitable.

Fourth, the Asia Pacific region's trade agreements such as the TPP, the RCEP and the FTAAP are not China-led initiatives, making it difficult for China to exercise influence that matches its economic power. Measures should be devised to expand China-led initiatives such as the Asian Infrastructure Investment Bank(AIIB) and the One Belt One Road Initiative to ensure China will be able to lead the economic integration of the Asia Pacific region.

— **KANG Seon-jou** Given the economic effects, the TPP is likely to become a mega FTA. The TPP applies new, stricter standards to diverse areas such as intellectual property rights, service, investment, e-commerce, state-owned companies, labor and environmental protection. The TPP serves as a geopolitical vehicle, in that it helps balance regional orders and power dynamics and provides a counterweight

to China, a rising power in the region. That is, the TPP is instrumental in rebalancing the Asian region from the U.S. perspective and a risk hedging vehicle, which enables other participating countries to counter the threats of China through partnerships with the U.S. However, the U.S. withdrawal from the TPP and China's tightening grip on the regional economy will likely reshape the economic order and geopolitical landscape as seen in the following scenarios.

First, an acceleration of the RCEP negotiations. The TPP without the U.S. would force TPP signatories to rely more on China. This would motivate China to show leadership to see to the rapid conclusion of the RCEP and take trade liberalization discussions to a higher level.

Second, move toward the TPP-11. The TPP signatories, including Japan, may pursue a TPP without the U.S. The remaining 11 signatories are expected to be swayed by Japan's leadership and leave the door open for the U.S. to rejoin the TPP in the future.

Third, move toward the FTAAP. A trade agreement can be constructed in a way that coordinates disparate trade policies under the TPP and the RCEP. The APEC may serve as a platform for the U.S. and China to take the lead in this regard.

Fourth, regained leadership by the U.S. A trade agreement structure can be devised, separate from a TPP. Should the U.S. return to the negotiating table, it is expected to win more favorable terms compared to the TPP.

— **Jagannath PANDA** Following the 18th round of negotiations in May 2017, expectations are growing for the conclusion of a RCEP. The launch of the RCEP will likely accelerate the economic integration of the Asia Pacific region. However, the RCEP negotiations and the path toward the agreement have some sticky issues, such as economic interests in the Asia Pacific region surrounding China and geopolitical strategies by respective countries. As such, coordination and negotiation are essential to the launch of an inclusive, comprehensive RCEP. China and India, the major two economies among RCEP members, are pursuing the economic integration of the Asia

Pacific region with their differences remaining over the integration process and procedures. As the U.S. withdrawal from the TPP emphasizes the role of China in the economic integration of the Asia Pacific region, it may aggravate conflicts between India and China. China has been tightening its grip on ASEAN and Asia, while India bowed out of The One Belt and One Road Forum for International Cooperation held in May 2017, fueling tensions in bilateral economic relations. In addition, following the end of the TPP, countries in the Asia Pacific region are making more serious approaches to the RCEP. For example, members of the TPP and the RCEP, such as Australia and Japan, are seeking to revive the TPP and are actively participating in negotiations to bring the RCEP back to life. ASEAN members are quickening their pace to conclude the RCEP, through which they intend to drive economic development and improve the regional economic environment.

In the early stages of the RCEP negotiations, China intended to keep the U.S. from exercising influence on the Asia Pacific region through the TPP and to place ASEAN at the center of the regional economic structure by minimizing the influence of the West in general and the U.S. in particular. An ASEAN-centric economic structure would make it easier for China to exert its influence over the Asia Pacific region and take the lead in regional economic integration. In addition, China was able to expand its negotiating power within the frameworks of the RCEP by separating economic issues from geopolitical issues such as territorial disputes between ASEAN members. China may disregard the India's interest in the RCEP, as the latter has yet to announce political support for China's One Belt One Road initiative. While the TPP was restricted to East Asia and coastal areas of the Asia Pacific region, the RCEP has member countries across the region. Cooperation with China, which may leverage the RCEP to demonstrate economic leadership, is essential for India's Look East policy.

— **Takashi TERADA** TPP negotiating partners, excluding the U.S., show no intention of leaving the TPP

and are seeking to sustain the TPP without the U.S. This may have a negative impact that nation and open the door for America to backpedal from its decision to leave the TPP. First of all, the TPP without the U.S. will likely weaken the competitiveness of U.S. products in the Asian market. Currently, the U.S. has bilateral FTAs in Asia with Singapore, Australia and Korea, whereas Japan and China have more FTA partners in the region. This may undermine the U.S. employment market and widen U.S. trade deficits. President Trump is seeking to enter bilateral agreements with respective TPP members to replace the TPP, but negotiations are time-consuming, and bilateral FTAs cannot generate similarly strong effects or economies of scale as multilateral TPP agreements do. A TPP without the U.S. allows China to leverage other vehicles such as the RCEP to spearhead the economic integration of the region.

In response to President Trump's protectionist trade policies, Japan may consider the following three scenarios. First, the TPP can be revised in a way that satisfies the Trump administration, and Japan and the U.S. thereby implement the TPP. Revisions may include an increase in the use of locally manufactured parts, extension of the data storage period for biologics and the creation of a legally binding mechanism against currency manipulation. Second, a TPP without the U.S. may go into effect, with a few countries such as Japan entering bilateral FTAs with the U.S. Bilateral FTAs will ensure the U.S. will remain engaged in the Asia Pacific region. Third, a de-facto free trade zone may be established in the Asia Pacific region through the creation of a link between the RCEP and the TPP without the U.S. That is, TPP signatories such as Canada, Mexico, Chile and Peru join the RCEP to form a FTA encompassing 20 countries. China's participation in the TPP without the U.S. is useful only when China makes commitment to trade and investment standards under the TPP in areas such as labor and environment. Still, engaging TPP members in the RCEP is achievable and will make the RCEP more effective and ambitious.

Keywords

Asia Pacific region, regional economic integration, TPP, RCEP, FTAAP, APEC



Policy Implications

- TPP signatories such as Japan and Australia will likely continue their efforts to sustain the TPP without the U.S. As such, Korea, which is not a TPP member, should closely follow how TPP-11 negotiations will unfold going forward.
- Notably, the Trump administration has announced that it will seek bilateral trade agreements with individual TPP signatories. While the U.S. is designing strategic relationships to maintain its influence over the Asia Pacific region, Korea should clearly show where it stands on the economic integration of the Asia Pacific region.
- Although the RCEP negotiations are driven by China and ASEAN member countries, developing and advanced countries have yet to iron out their differences over various issues such as the opening of markets and trade standards. With the U.S. withdrawal from the TPP, the remaining TPP signatories are expected to take the initiative in maintaining high trade standards set by the TPP and at the same time seek to build inclusive, comprehensive economic relations by leveraging existing regional economic groups such as the RCEP and APEC.
- The RCEP is viewed as the most likely driver behind the economic integration of the Asia Pacific region. However, the development of the Free Trade Area of Asia-Pacific (FTAAP) in the Asia Pacific region is closely related to APEC, which includes the U.S. That is, should the U.S. continue to pursue trade protectionism and bilateralism, the economic integration of the Asia Pacific region would face tougher-than-expected challenges.
- Since the new administration came into office, trilateral relations between Korea, Japan and China have made positive progress, providing a momentum for the three countries to resume FTA talks. The end of the TPP and slow progress in RCEP negotiations are expected to incentivize Korea, China and Japan to push forward with a trilateral FTA.
- Korea should play a more active role that corresponds to its economic power, expanding its influence beyond Northeast Asia to the rest of the Asia Pacific region and the Indo-Pacific region. In particular, Korea should enhance economic cooperation and build win-win relations with India by expanding the Korea-India Comprehensive Economic Partnership Agreement (CEPA) to a FTA.