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# Assessing the Impact of RCEP: Unravelling China's Strategic Manoeuvre in the Global Economic Arena

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**29 August 2024**



**Analysis**

<https://nileandkaplan.au>  
**NK00197703-24**

## **Nile and Kaplan Publications**

*“Assessing the Impact of RCEP: Unravelling China’s Strategic Manoeuvre in the Global Economic Arena: Tipping the Scales in the Sino-American Battle for World Domination”*

**Approved 06/2024**

**Published on 29 August 2024**

ID: NK00197703-24

### **Abstract**



In recent decades, China’s rapid economic growth has transformed the nation into a global economic powerhouse. The country has become a major player in international trade, technology, and finance, challenging the historic economic dominance of the United States. This competition is evident in areas of trade policy, technological advancements, and control over critical global supply chains. Whilst the relationship between the United States and China has fluctuated over the decades, from periods of cooperation to phases of intense rivalry, tensions have escalated under recent administrations.

From trade wars to diplomatic confrontations over matters in the South China Sea, both countries continue to vie for greater influence and power, unlocking a dangerous game of chess in which both player’s strategic decisions and counteractions have the power to shape the future world order. For now, as China attempts to strengthen its position across the borders of Southeast Asia, the international community must watch closely as this lethal contest unravels.

**Publication last updated 31 August 2024**

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## **Introduction:**

The Regional Comprehensive Economic Partnership (RCEP) is a major free trade agreement in the Asia-Pacific region. This monumental pact encompasses nearly a third of the world's population and gross domestic product (GDP). Signed on November 15, 2020, by 15 countries: the 10 member states of the Association of Southeast Asian Nations (ASEAN) – Brunei, Cambodia, Indonesia, Laos, Malaysia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam – and five of ASEAN's major trade partners – China, Japan, South Korea, Australia, and New Zealand (ADB, 2021), the agreement has been hailed as one of the most significant trade agreements in recent history.

Formed against the backdrop of escalating trade tensions and protectionist tendencies, this mega-trade deal aims to foster economic integration, streamline trade procedures, and propel regional growth (ADB, 2021). However, amidst the applause for this colossal economic pact, a fundamental questions looms large: Is RCEP merely a trade agreement, or does it serve as another strategic chess move in China's grand strategy to outmanoeuvre the United States in the global power play?

To unravel this intricate conundrum, this report embarks on a meticulous evaluation of the RCEP's effectiveness, dissecting its provisions, assessing its impact on participating economies, and discerning its geopolitical ramifications. And by conducting a thorough analysis of trade flows, economic indicators, and strategic considerations, this report aims to provide nuanced insights into the true nature and implications of this landmark agreement.

## **Regional Comprehensive Economic Partnership (RCEP): What is it? And why is it significant?**

The Regional Comprehensive Economic Partnership (RCEP) signifies a pivotal shift in the economic landscape of the Asia-Pacific region (ADB, 2021). With aims to streamline and deepen trade and investment among member countries, this agreement is not only a testament to the growing economic interdependence of the region but also a strategic response to the shifting dynamics of global trade (Cheong, 2021). One of the central objectives of the RCEP is to reduce tariffs and other trade barriers among member countries, thereby creating a more efficient and integrated trading environment (Cheong, 2021). By lowering these barriers, the agreement facilitates easier access to markets, allowing for a

smoother flow of goods and services. This tariff reduction is expected to significantly boost intra-regional trade, providing new growth opportunities for businesses and enhancing the overall competitiveness of the region's economies (ADB, 2021). For instance, countries like Vietnam and Thailand, which have robust manufacturing sectors, stand to benefit from expanded export markets, while nations with strong service industries, such as Singapore, will find new avenues for service trade (Ravenhill, 2021).

However, the RCEP is not merely an economic arrangement; it is a strategic geopolitical manoeuvre that enhances regional cooperation and stability while challenging traditional Western-dominated trade systems (Huang, 2020). For example, the inclusion of major economies like China, Japan, and South Korea in a single trade agreement is a significant development. Historically, these countries have had complex and often tense relationships, marked by historical grievances and territorial disputes (Huang, 2020); including several disagreements over the sovereignty of the Senkaku Islands that reached its climax in 2010 (reference). As a result, the RCEP provides a platform for these nations to engage in constructive economic cooperation, which can help to not only mitigate existing tensions but build mutual trust (UOB, 2021). In addition, enhanced economic interdependence can lead to increased political stability, as empirical evidence suggests countries that are economically intertwined are less likely to engage in conflicts. For Beijing, deepened ties with the Asia-Pacific significantly reduces likelihood of conflict within the region and has the potential to rally alliances against potent American sentiments.

The RCEP also serves as a counterbalance to other major trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which does not include China. By encompassing China, the RCEP strengthens Beijing's influence in regional trade and geopolitics, shifting the centre of global economic power eastward (Huang, 2020). As member countries begin to reap the economic benefits, the RCEP has the power to incentivize these countries to prioritize diplomatic engagement over conflict, not only contributing to regional peace and stability but solidifying pro-China attitudes across the Asia-Pacific (Ravenhill, 2021). As aforementioned, this notion is particularly relevant in the context of the ongoing strategic competition between the United States and China with RCEP often seen as a tactical response to U.S. trade policies and its strategic pivot to Asia.





**Figure 1:** Group photo of leaders of RCEP member states at 2nd RCEP Summit 2018, Singapore (November 14, 2018)

*Used in accordance with attribution*

## The Economic Impacts of RCEP on China and the Asia-Pacific: Opportunities and Threats

The RCEP agreement represents a significant milestone in global trade, bringing together 15 major economies (ADB, 2021). In turn, the RCEP is poised to offer numerous opportunities, including the stimulation of economic growth, the strengthening of supply chains, and the promotion of trade and investment flows among member countries (Yap, 2020). One of the primary benefits of RCEP, however, is the reduction of tariffs and non-tariff barriers among member countries (Yap, 2020). For China, this translates into improved access to a vast regional market, potentially increasing exports and economic growth. Other Asia-Pacific nations also stand to benefit from the increased trade flows. RCEP is also expected to strengthen regional supply chains by simplifying rules of origin and harmonizing trade standards, enhancing both the efficiency and competitiveness of regional manufacturing hubs (Yap, 2020). China, with its established manufacturing infrastructure, can thus further integrate into these supply chains, benefiting from both economies of scale and scope. Finally, for smaller economies in the Asia-Pacific, RCEP offers a platform to diversify their economic activities. For countries like Indonesia and the Philippines, that are considered more economically homogenous, RCEP offer the opportunity to attract greater investment and

expand their industrial bases, reducing their reliance on any single economic partner (Petri & Plummer, 2020).

However, the RCEP agreement also presents a significant threat, particularly for smaller economies and specific sectors that may struggle to compete with more advanced industries within the bloc (Lim, 2021). Additionally, the agreement's perceived lack of stringent labour, environmental, and intellectual property protections has raised concerns about its potential social and environmental impacts (Yap, 2020). Similarly, whilst enhanced market access is considered to be beneficial, it can also lead to increased economic dependence on larger economies like China. Smaller RCEP members might find their economies increasingly influenced by Chinese economic policies and market fluctuations, potentially undermining their economic sovereignty (Lim, 2021). In addition, the integration of markets under RCEP will also mean heightened competition across the region. Less developed economies may struggle to compete with more advanced industries in China, leading to potential market share losses in key sectors, which will only act to exacerbate existing economic disparities within the region (Lim, 2021). Finally, RCEP may also lead to significant trade diversion, where trade is shifted from more efficient global producers outside the agreement to less efficient producers within the RCEP region (Yap, 2020). This could result in suboptimal economic outcomes and inefficiencies, further contributing to the wealth gap across the Southeast Asian Region.

Whilst critical evidence suggests that, despite the downfalls of this agreement, the RCEP has the potential to develop strong economic growth across the region, the pact has not been without international scrutiny. Critics from outside the region have raised concerns about the agreement's broader implications, questioning the strategic incentives behind Beijing's facilitation of the agreement and whether China's contemporary foreign policy is motivated by a simple desire to expand existing trade routes or whether this decision was just another play in China's never-ending game of chess with the West.

## **International Criticism of RCEP: Friend or Foe?**

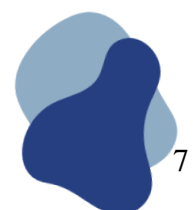
International scrutiny of RCEP often centre on concerns regarding the agreement's potential geopolitical implications. Many critics argue that RCEP is strategically designed to enhance China's economic influence across the region, contending that the agreement serves as a



counterbalance to the influence of the United States and its trade alliances, particularly in light of the ongoing US-China trade tensions (Ulfah, 2023). Some analysts also suggest that RCEP's extensive trade provisions and economic integration efforts could consolidate China's regional dominance, potentially undermining the competitive positioning of other countries and limiting the economic leverage of smaller member states (Huang, 2020). Whilst these concerns are difficult to validate, global perceptions of the strategic motivations behind RCEP, and the subsequent backlash following its establishment, has already begun to fray already fragile ties between China and the wider international community.

A key condemnation of the RCEP, is that the agreement facilitates the expansion of China's infamous Belt and Road Initiative (BRI). The BRI has already been labelled by the international community as a dangerous economic scheme to push forward Beijing's strategic political agenda (Mohan & Power, 2020), and while it was launched back in 2013 (Council on Foreign Relations, n.d.), international criticisms of this ambitious, large-scale infrastructure project continue to infiltrate prominent media platforms today. So, by encompassing several signatories of this initiative, the RCEP plays a pivotal role in this context. As trade barriers decreases and economic integration deepens under the agreement, the RCEP will allow China to more effectively channel its BRI investments into members states (Mohan & Power, 2020). Countries in which consider themselves more economically vulnerable, with high debt-burdens and weak public infrastructure, will be more inclined to accept these investments as a means of economic relief, but while ostensibly beneficial, these investments will often come with strings attached (Mohan & Power, 2020). This level of debt dependency will only act to create a strategic leverage for Beijing, allowing China to extend its control over the host nations' economic policies and, by extension, their political stances. Whilst without the RCEP, these vicious debt cycles continued to turn, this newly established trade agreement has the ability to intensify the implications ten-fold.

In this way, China's more conciliatory approach toward Asia, with the establishment of the RCEP, has enabled the stronger legitimisation of Beijing as a truly global hegemon. As the RCEP continues to strengthen the expansion of the BRI, the agreement can only act to accelerate an already waning U.S. presence. Can Washington conjure up a response to rebalance the scale?



## **Checkmate or Stalemate: The U.S Response to the RCEP Agreement**

On 23 May 2022, roughly two years after the RCEP's accession, Washington invited Australia, Brunei, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and Vietnam to join the Indo-Pacific Economic Framework (IPEF) (DFAT, n.d.). Unlike traditional free trade agreements, the IPEF was designed to address a broad range of economic issues beyond trade, including supply chain resilience, clean energy, digital trade, and anti-corruption measures (Oustr, n.d.). In this way, its primary objective was to foster a more equitable and sustainable economic environment within the region, while also promoting U.S. interests and countering the influence of China and the RCEP (USSC, 2023). However calculated, can the establishment of the IPEF be considered a successful rebuttal to the strengthening of pro-China sentiments across the East? Or has the IPEF been another failed attempt to reassert Western dominance on the world stage?

For its member states, the IPEF has offered several benefits. It has not only provided a platform for deeper economic cooperation and collaboration on critical issues such as technology standards and environmental sustainability, but by participating in the IPEF, countries have gained access to a framework that supports the development of policies aimed at improving economic resilience (Morrison, 2022), particularly in the face of global challenges such as supply chain disruptions and climate change (Oustr, n.d.). The IPEF has also emphasized the importance of inclusive growth and sustainable development, which aligns with the broader goals of member countries seeking to enhance their economic and environmental performance (DFAT, n.d.). In this way, the IPEF has allowed the US to not only bolster their economic growth and lengthen their reach across the East but do so in a manner that portrays US as both the docile and ethical collaborator in the eyes of international governing bodies (Ulfah, 2023). By leading this framework, the U.S. has also been able to counterbalance China's influence as the IPEF promotes high standards regarding both environmental and ethical issues that align with US values and priorities, helping to set norms and rules that reflect American interests and principles (USSC, 2023), thereby influencing the regional economic and regulatory environment in ways that benefit U.S. business and economic policies, whilst at the same time overbearing or discrediting dominant Chinese practices.



Yet, empirical evidence suggests that China's RCEP agreement provides more tangible benefits in terms of market access and economic integration than can be said for the IPEF. Whilst the IPEF emphasizes both strategic and economic policy alignment, the agreement itself does so without offering direct economic incentives (Liu et al., 2021), which may act to supply inadequate diplomatic leverage for the US over Eastern powers in any future disputes (Ulfah, 2023). For example, the IPEF does not include traditional trade liberalization measures like tariff reductions or market access improvements, whilst the RCEP has successfully included comprehensive provisions on tariff reductions, trade in goods and services, and investment, contributing significantly to the economic growth that has been witnessed over the last year across the Asia-Pacific region (Liu et al., 2021). Thus it can be said, the RCEP is more traditional in its approach, focusing heavily on reducing trade barriers and opening markets for its member states, as opposed that of the American IPEF (Liu et al., 2021). Additionally, the IPEF does not involve binding commitments and is not actually considered a formal trade agreement with membership obligations, and combined with America's geographical restrictions, Washington is restrained from establishing a cohesive economic bloc (Ulfah, 2023), that in which was witnessed with the signing of the RCEP agreement.

Despite its ambition, it seems the IPEF has not yet consolidated an American presence across the Asia-Pacific region, that in which was aspired to counteract Chinese dominance and establish an alternative model of economic cooperation to that of the RCEP agreement. It is clear that the IPEF represents a move in the larger game of economic diplomacy, but only time will tell whether this counteraction will pay-off, or only act to exacerbate existing global tensions between the East and the West.

## **What Happens Next?**

In summation, the Regional Comprehensive Economic Partnership (RCEP) emerges as a transformative force within the global economic landscape, wielding profound implications for both regional dynamics and international relations. As a monumental trade agreement, RCEP not only signifies a remarkable consolidation of economic power among its 15 member nations but also reflects China's strategic prowess in reshaping global trade norms. By reducing tariffs and enhancing economic integration, the RCEP fosters significant growth



opportunities and strengthens regional supply chains, thereby cementing China's influence in the Asia-Pacific.

However, it is safe to say that the RCEP is not merely an economic accord but a strategic manoeuvre in the broader geopolitical chess game. Its formation amidst rising U.S.-China tensions highlights the shifting balance of power, with China leveraging this agreement to bolster its regional dominance while countering Western influence. The potential for the RCEP to accelerate the Belt and Road Initiative underscores China's intent to consolidate economic and political leverage across the region.

Conversely, the United States' response through the Indo-Pacific Economic Framework (IPEF) reflects a concerted effort to reassert its presence and counterbalance China's growing influence. Yet, the IPEF's emphasis on non-traditional trade issues and its lack of direct economic incentives present limitations in matching the tangible benefits and strategic advantages offered by the RCEP.

As the international community watches this evolving geopolitical landscape, the realignment of economic and political power remains a critical point of analysis. The RCEP, with its expansive reach and strategic depth, represents a pivotal shift that will undoubtedly shape the future of global trade and diplomatic relations. The ongoing competition between the U.S. and China will continue to define the contours of international economics, with the RCEP serving as both a beacon of China's ascendancy and a challenge to Western dominance. So, what happens next? Only time will tell.

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## Images (p.5)



Attributed to MEAphotography, “Group photo of Prime Minister with leaders of RCEP member states at 2nd RCEP Summit 2018, Singapore (November 14, 2018)”, uploaded Nov 14, 2018 to Flickr.

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