

# How the RCEP Opens the Asia-Pacific Region? A Chilean Perspective

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*The RCEP is the largest FTA in the world. It was negotiated at a moment in history when criticism concerning globalization, multilateralism, and FTAs as effective tools for growth and well-being abounded. Those concerns have been aggravated by COVID-19 and the war in Ukraine, which affected not only world health but also increased protectionist temptations and disruptions in GVCs. This paper aims to analyze the likely contribution of this mega-deal, its economic and political variables, including the leadership that China will exert, and the objectives pursued during the negotiation. The agreement is contrasted with other major FTA, namely the CPTPP, the FTAAP and the Pacific Alliance, mainly in relation to integration efforts. It is concluded that the RCEP will indeed increase intraregional trade, although its full impact will take years to be felt. To maximize its impact, the RCEP needs to incorporate key current issues and new members to the pact.*

**Keywords:** RCEP, ASEAN, ASEAN Plus Five, CPTPP, Pacific Alliance, FTAAP, Asia-Pacific, Regional Integration

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All the websites cited in this article were last visited on August 4, 2023.

## **I. BACKGROUND**

The various global shocks of the last few years, including the pandemic and its subsequent variants, the war in Ukraine, and geopolitical tensions, have greatly weakened the world economy. First, the pandemic led to what was described as a sudden triple stop; that is, it affected the mobility of people, financial flows and international trade. China, one of the main power engines of global growth, would normally be expected to provide much of the necessary drive for recovery. However, the country's "zero-Covid" approach poses risks to the economic outlook, as it makes the country prone to sudden shutdowns of ports and regional transport networks in response to outbreaks. Although the world economy showed some encouraging recovery in 2021, the ensuing war in Ukraine has caused strong inflationary outbreaks and financial disruption in practically all continents, and so it has slowed again. This downturn has strained the technical and political capacity of governments to strike a balance between the necessary support for their citizens while maintaining macroeconomic and fiscal sustainability. The immediate crisis has also taken away some of the focus from global efforts to achieve the United Nations Sustainable Development Goals (SDGs) by 2030, necessary to ensure sustainable and inclusive economic recovery.

International trade was one of the economic activities most affected by the pandemic and the war. Production and trade of manufactured goods are increasingly carried out through regional and even global supply chains, which are susceptible to national regulations and barriers. Since the end of World War II, the international community has sought to promote trade and minimize the impact of national barriers, both through multilateral initiatives such as the WTO, and bilateral or regional Free Trade Agreements (FTA). The most ambitious FTA being negotiated throughout the pandemic was the Regional Comprehensive Economic Partnership (RCEP), which included the largest trading partners in the Asia-Pacific region. Its signing in 2020 was very good news for those who convinced that trade liberalization and regional integration are fundamental pillars for the global economy and the long-awaited post-pandemic recovery, as trade has proven to create more resilient supply chains and be a strong driver of economic growth.

The RCEP was launched in 2012 and signed on November 15 2020. It is an agreement between 15 countries: the 10 members of the ASEAN forum<sup>1</sup> (Indonesia,

Thailand, Singapore, Malaysia, the Philippines, Vietnam, Burma, Cambodia, Laos and Brunei), as well as China, Japan, South Korea, Australia and New Zealand. The agreement represents 2.2 billion people (or around a third of the world's population), and the signatories together are responsible for USD 26 trillion or 30% of global GDP.<sup>2</sup> India was originally part of the negotiations, but withdrew from the deal in 2019 due to, according to its officials, “core concerns” with the agreement related to e-commerce sections and trade imbalances, particularly in agricultural and industrial trade.<sup>3</sup> According to several estimates,<sup>4</sup> the agreement could add around USD 200 billion to the global economy, 0.2% to the GDP of its members, and USD 500 billion to world trade by 2030.

The RCEP is focused on reducing tariffs on trade in goods, open markets to services, promoting investment, protecting intellectual property rights, establishing a dispute settlement mechanism, creating disciplines on e-commerce, small and medium enterprises, and economic cooperation.<sup>5</sup> It will facilitate trade through reduced costs and time for companies by unifying requirements for all member countries and open market and employment opportunities for businesses and people in the region, and therefore help emerging economies catch up with the rest of the world. However, although it covers intellectual property, other important issues – though controversial for some members – such as environmental protection and labor rights, have remained outside the agreement. This agreement came at an extremely opportune time to contribute to an open, inclusive, and rules-based multilateral trading system. It will have implications beyond regional borders, and signals a seismic geopolitical shift, for both the countries that are part of the deal, and those that are not.

Upon complete ratification by all its members,<sup>6</sup> it will become the largest preferential trade agreement by economic output in the world, with the potential to increase trade and integration among the economies of East Asia. Although the title of the largest agreement had previously been held by the Trans-Pacific Partnership (TPP), which came to represent 37% of global GDP, after the departure of the US in 2017, the CPTPP (Comprehensive and Progressive Treaty of Trans-Pacific Partnership or TPP11) lost preponderance and participation in the world economy (13%).<sup>7</sup> The participation in world exports for the year 2021 of the CPTPP countries for example reached 15.3%, compared to 30.8% of the RCEP countries. Regarding imports, the participation of the CPTPP countries reached 14.7% and for the RCEP

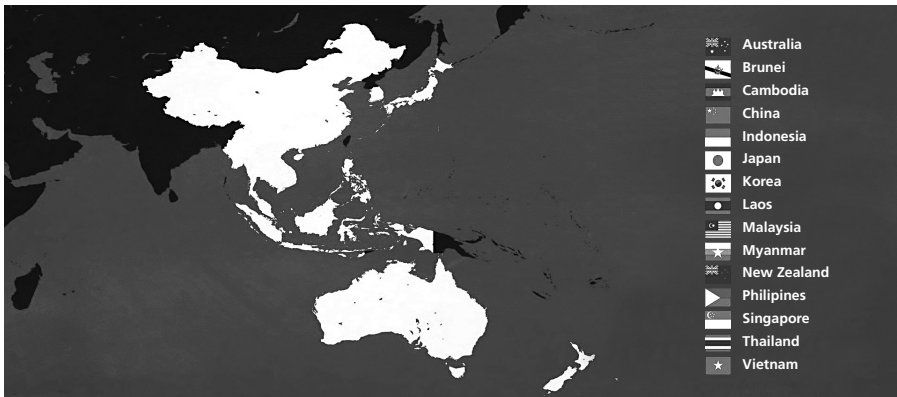
countries 30.2%.<sup>8</sup>

The primary purpose of this research is to analyze whether, in effect, the RCEP is the deepest agreement in terms of its contents, coverage and potential compared to other agreements such as the CPTPP itself and the Pacific Alliance (PA) with its associated states.

## II. DESCRIPTION OF THE RCEP: MORE THAN A FREE TRADE AGREEMENT

This unprecedented mega-treaty comprises a heterogeneous mix of economies (ASEAN+5) with different levels of development and includes several traditional areas of a more modern FTA, the central axis of which is undoubtedly tariff concessions and disciplines in rules of origin.

Figure 1: RCEP Members



Some analysts believe that the economic benefits of the RCEP are limited and could take decades to fully materialize, mainly because its members have already signed bilateral trade deals and benefit from reduced tariffs.<sup>9</sup> This argument is relatively simplistic though as it does not consider other variables, and it is therefore important to develop a more holistic analysis, as shown below.

**A. Chapter on Trade in Goods**

The RCEP tariff concessions seek to further boost trade within the newly formed association, not only by encouraging trade within it, but also by diverting trade from outside the region.<sup>10</sup> Specifically, the goal is to eliminate 92% of the tariffs within the bloc over 20 years, with eliminated tariffs/quotas covering over 65% of goods traded. The rest will be limited to specific products from sectors that are considered strategic like agricultural, in which the partners have decided not to liberalize trade. It is a complex tariff schedule scheme due to the existing FTAs, so not all tariff reductions are substantial for the parties. Furthermore, some members made single tariff commitments (one offer for all), while others made differentiated tariff schedules.

**B. Chapter on Rules of Origin**

This chapter is expected to deliver the highest gains due to the global structure of production and supply chains today. Currently, the benefits derived from the reduction of tariffs under the FTAs in place in the region have not been fully obtained. It is not specific to Asia, but rather a problem found everywhere due to the paperwork needed to invoke preferential treatment.<sup>11</sup> These new rules will allow for the removal of tariffs on goods traded between member states more simply than a series of bilateral trade agreements, making processes faster and more flexible for trade users and operators. And these aspects should have immediate impact.

**C. Chapter on Customs Procedures and Trade Facilitation**

Once implemented, companies from the RCEP countries will only require a single certificate of origin, without needing to worry about the specific rule of origin criteria in each country or for each manufacturing step. A common rule of origin for the RCEP bloc will lower costs for companies with supply chains across the bloc.

**D. Chapter on Trade in Services and Investment**

The RCEP also increases the liberalization of trade in services and investment. Some 65% of the service sector will be open to foreign investors, raising the ceiling for foreign ownership in various industries such as financial services, telecommunications, computer, logistics and professional services. Compared to existing ASEAN FTAs, some of the RCEP commitments in these matters go further,

allowing for more and better market access. For example, the RCEP prohibits broader performance requirements than previous commitments. In services, particularly, while seven members agreed to a negative list approach,<sup>12</sup> eight members including China, negotiated to keep a “positive list approach.”<sup>13</sup> However, those members agreed to transition to a negative list approach within a 6-year time frame.

### **E. E-Commerce**

With respect to e-commerce, parties commit to not impose customs duties on electronic transmission and prevent data localization requirements or cross border data transfers, subject to broad exceptions for national security and public policy reasons.

Although participating countries reached agreements in several other important areas (Table 1), we recognize that there are valid limitations of the partnership with regard to some key exclusions, exemptions, and the level of depth of the commitments, which have been mentioned by several critics. First, important areas of interest and global commitments such as environmental protection, labor, state-owned enterprises, designated monopolies, transparency and anti-corruption, were not included. Second, some chapters are excluded from the dispute settlement mechanism. The RCEP members also decided not to include an investor-State dispute settlement mechanism, but agreed to a provision for the mechanism to be operational if members decide to activate it in three years, when they review the provision.<sup>14</sup> The e-commerce chapter is not subject to general dispute settlement, either. The tariff elimination schedules are limited and primarily bilateral within the agreement, so that these schedules change based on which countries are involved. By contrast, the CPTPP provides comprehensive tariff elimination across all sectors. Once fully implemented, 99% of tariff lines among CPTPP parties will be duty-free.

## **III. RCEP VIS-À-VIS OTHER INTEGRATION INITIATIVES: CPTPP AND THE PACIFIC ALLIANCE**

It is claimed that the RCEP will not only surpass existing Asia-Pacific trade agreements such as the CPTPP in size and scope, but also other key regional

partnerships in advanced economies, such as the European Union and the US-Mexico-Canada Agreement (USMCA, formerly known as NAFTA). But how does the RCEP coexist and/or complement the CPTPP and the Pacific Alliance (PA) since both agreements are focused on strengthening ties in Asia Pacific? How do these different initiatives contribute to greater regional integration in this part of the world?

### **A. CPTPP**

Efforts to coordinate economic integration in the region after World War II date back to at least the 1960s. The creation of ASEAN is one good example of this.<sup>15</sup> Its regular work, together with periodic meetings and joint statements, would reflect it. In 1989, the Australian Prime Minister, Bob Hawke, proposed an initiative to create a permanent forum for dialogue among the countries of the Pacific Rim called the Asian Pacific Economic Cooperation (APEC), which has proved to be a fruitful platform to launch economic integration initiatives.

During the 2002 APEC Leaders' Meeting, the leaders from Chile, New Zealand and Singapore agreed to begin negotiations for a FTA to which Brunei subsequently joined, creating the so-called P4 (signed in June 2005). In 2008, discussions began to expand the agreement with eight new members: Australia, Canada, Japan, Malaysia, Mexico, Peru, the US, and Vietnam. This agreement became the Trans-Pacific Partnership or TPP. It was signed in February 2016, but was not ratified by the US Congress. Newly-elected President Donald Trump formally withdrew the US from the TPP in January 2017, so it could not be ratified as required and did not enter into force.

In May 2017, the other 11 TPP countries agreed to revive the agreement.<sup>16</sup> In March 2018, those countries signed the revised version of the treaty, the CPTPP. The agreement came into force on December 30, 2018, for six countries that had ratified it by that date (Australia, Canada, Japan, Mexico, New Zealand and Singapore). One of the main differences between the RCEP and the CPTPP are their members. RCEP has 15 members compared to the CPTPP's 11. RCEP members account for almost 30% of global GDP, compared to only 14% for CPTPP. However, if the US had signed on to the TPP, it would have covered 850 million people and 40% of world GDP.

There is some overlap in the members of both agreements: Australia, Japan,

Malaysia, New Zealand, Singapore, and Vietnam are part of both RCEP and CPTPP. However, China, an RCEP member, was excluded from TPP negotiations. It submitted a formal application to join the new agreement on September 16, 2021, and the withdrawal of the US from that agreement may open a window of opportunity for China's accession to the CPTPP. However, there is a high bar to entry: there must be unanimous consent of all active members. Additionally, Taiwan requested accession to the CPTPP less than a week after China, which will have an impact on China's accession talks. Korea, the only high-income RCEP member not a party to the CPTPP, applied to join in April 2022.

In terms of trade commitments, the tariff concession rates of the RCEP (91% on average) are lower than those in the CPTPP (eliminates 95%–100% of tariffs), and grants access to some 160 service industries. Additionally, the tariff reduction schedule of RCEP is relatively complex, allowing different preferential treatment by pair of member countries, unlike the common tariff concession rule applied to all CPTPP members.<sup>17</sup> As for other non-tariff issues covered by the agreements, the RCEP has lower depth of commitments than the CPTPP. Some of the issues covered by the CPTPP that are not regulated in the RCEP include Labor, Environment, Regulatory Coherence, and State-Owned Enterprises and Designated Monopolies.

One area included in both treaties, but with very different approaches, is Intellectual Property Rights (IPRs). The RCEP's Chapter 11 bases IPR rules on the WTO and its TRIPS Agreement. The protection and enforcement of IPRs are included in the RCEP as a measure to reduce barriers and difficulties in trade and investment. It focuses on the balance between rights and obligations to prevent the abuse of IPRs. Chapter 11 also encourages Parties to accede to international IPR Conventions; reaffirms the right to use flexible measures recognized in the Doha Declaration on TRIPS Agreement and Public Health; and includes provisions relating to Genetic Resources, Traditional Knowledge, and Folklore. In contrast, Chapter 18 of the CPTPP reflects a higher standard of protection for rights holders.

The CPTPP also includes a mechanism of accumulation of origin that is fundamental for strengthening global value chains (GVCs) in the region. Under Article 3.10, production undertaken on a non-originating material in the territory of a Party may contribute toward the originating content of a good for the purpose of determining its origin, regardless of whether that production was sufficient to confer originating status to the material itself.



A study from 2022 compared the impact of the RCEP and CPTPP.<sup>18</sup> It notes that intra-RCEP trade constitutes 44% of members' global trade, larger than that of the CPTPP (35.6%) in 2020. More specifically, the intra-RCEP trade value is USD 4.491 billion (13% of global trade in 2020), which is 2.4 times larger than the intra-CPTPP trade of USD 1.903 billion (5.5% of global trade in 2020). The study noted that the shallower depth of the RCEP relative to the CPTPP could hamper substantial long-term gains.

### **B. The Pacific Alliance**

On the side of the Pacific coast, Chile, Colombia, Mexico, and Peru signed in 2011, the Lima declaration, committing to deepening the economic integration among the member parties. The PA treaty was signed on June 6, 2012.<sup>19</sup> Since the birth of the PA, Singapore and Ecuador have become associate members,<sup>20</sup> over 50 countries have signed on as observers, and Australia, Canada, Costa Rica and Korea are undergoing accession procedures. This means that several CPTPP members are also, or will become, members of the PA (Canada, Mexico, and Peru, as well as Chile, once the CPTPP comes into force in that country). Korea would eventually become a member of CPTPP, RCEP and the PA.

The PA's additional protocol<sup>21</sup> covering trade issues was signed in February of 2014. It stipulated that trade of 92% of all goods would be tariff-free immediately, with the other 8% subject to progressive tariff reductions. The treaty also sets out to create uniform standards in other trade issues, such as technical obstacles to trade, sanitary and phytosanitary issues, trade facilitation, government procurement, telecommunications, and rules of origin. An RCEP-PA agreement would impact most export sectors. A 2018 Global Trade Analysis Project (GTAP) simulation<sup>22</sup> of reduced tariffs between the RCEP and the PA concluded that PA members' exports could increase by up to 3.62%, and up to 3.08% in case of a partial reduction.

### **C. Overlapping Agreements**

As noted, several countries are simultaneously members of two of the agreements outlined above. What does that mean for exporters looking to rely on their provisions? In most cases, exporters can rely on those rules that provide greater liberalization or protection. For example, when Chile fully implements the CPTPP, an exporter of manufactured goods from Chile to Mexico will be able to rely on the reduced tariffs

established in the CPTPP, PA or even the bilateral FTA. However, complications can arise. For example, the treaties have different approaches on the rules of origin regarding transit rules and accumulation. This means that while one of the treaties may be more convenient in terms of tariffs, it may be more difficult to meet the standard for qualifying as originating under that agreement. These additional complications may translate into greater costs for exporters and may reduce their willingness to use the treaties.

The potential overlap of the regional FTAs have led many observers to question the wisdom of concurrent membership in the different treaties among the same members. The greatest fear is that multiple sets of trade rules – and particularly rules of origin – may overwhelm exporters and actually lead to lower use of the treaties overall. This so-called “Spaghetti Bowl Effect” will be discussed in the following section. However, a counterargument is that multiple FTAs push countries to ever-higher commitments that can act as starting points for new negotiations. In contrast, the WTO, with its single negotiating process, has shown comparatively little in terms of trade liberalization over the past decades.

## **IV. THE PATH TO THE LONG-AWAITED ASIA-PACIFIC AGREEMENT: FTAAP**

### **A. Overview**

A lively debate has been going on for more than a decade about the impact of the growing number of FTAs and mega-trade agreements on end users. Undoubtedly, in most countries, trade liberalization has been a powerful strategy to promote greater growth and economic development, and most countries in the Asia-Pacific region are highly dependent on international trade and investment for their livelihoods. However, for many, overlapping trade deals have threatened real integration due to the multiplicity of trade rules that must be managed and the consequent transaction costs.

Considering multilateral strategies, within the framework of APEC, the idea of reaching a Free Trade Area of the Asia Pacific (FTAAP) arose several years ago and had a long-term goal to unite the Pacific economies from China to Chile and the US. With many agreements in place, the FTAAP came to harmonize the bilateral

and regional FTAs that have proliferated since the Doha Round, including the TPP and the RCEP. But let's look at how the world is configured today, in terms of major deals – or mega deals – to understand their magnitude. The following table compares the RCEP with other regional agreements:

Table 1: Comparison of RCEP and Other Regional Agreements<sup>23</sup>

Agreement or region	GDP	Goods exported	Goods imported	Population	PGB	Goods exported	Goods imported	Population
	In nominal USD billions			Millions of inhabitants	As percentage of world total			
RCEP	29.4	6.9	6.8	2,287	30.6	30.8	30.2	29.0
CPTPP	11.8	3.4	3.3	514	12.3	15.3	14.7	6.5
EU-27	17.1	6.6	6.5	472	17.7	29.7	28.7	6.0
USMCA	26.3	2.8	4.0	499	27.3	12.4	17.6	6.3
World	96.3	22.3	22.5	7,875	100.0	100.0	100.0	100.0

Some of these agreements have overlapping membership with different preferences and trade disciplines between the same parties (Spaghetti Bowl Effect). The term was first used by Professor Jagdish Bhagwati in 1995,<sup>24</sup> who noted that FTAs create a production network of countries different from that which would arise from principles of economic efficiency.<sup>25</sup>

Additionally, FTAs contain different depths of commitments, as well as diverse enforcement mechanisms. This results in increasing administrative costs for exporters seeking to take advantage of the FTAs. As Forbes magazine pointed out, this leads to many exporters opting to not claim the benefits of FTAs to which they could have access.<sup>26</sup> “In sum, instead of promoting trade, the multiplication of RTAs might instead result in trade-diversion effects because of higher transaction costs due to a mass of overlapping rules.”<sup>27</sup>

The “Spaghetti Bowl Effect” is particularly prevalent in the Asia-Pacific region. The Economic and Social Commission for Asia and the Pacific (ESCAP) noted in November 2022 that the region continues to be the largest contributor to the worldwide build-up of preferential trade agreements (PTAs), and that “the noodle-

bowl of Asia-Pacific trade agreements now comprises 333 PTAs with at least one party of the Asia-Pacific [...] between January 2022 and October 2022 alone, eight new PTAs were signed, and six PTAs were under negotiation.”<sup>28</sup>

In the face of this reality, the 21 Pacific-basin economies that are parties of APEC have sought to untangle the multiple overlapping agreements by negotiating the FTAAP. The first proposal for this regional FTA was put forward by the APEC Business Advisory Council (ABAC) in its 2004 recommendations to the APEC Leaders’ Meeting in Santiago, Chile. In its report, “Coping with the Challenges of Globalization,”<sup>29</sup> the ABAC noted that: “we also explored the idea of a FTAAP that may have the potential of bringing significant economic benefit to the region as a whole. [...] We therefore recommend that APEC Leaders establish a high-level task force to examine the concept in more detail.” In their 2010 Declaration in Yokohama, Japan, APEC Leaders stated that “we instruct APEC to take concrete steps toward realization of an FTAAP, which is a major instrument to further APEC’s Regional Economic Integration (REI) agenda.”<sup>30</sup> Further, an FTAAP should do more than achieve liberalization in its narrow sense; it should be comprehensive, high quality and incorporate and address ‘next generation’ trade and investment issues.”<sup>31</sup>

FTAAP was conceived as an end goal to consolidate the ongoing integration efforts in the region. As the APEC Leaders noted in their 2016 Lima Declaration on FTAAP Recommendations: “... Thus, we reaffirm our commitment that the FTAAP should be built upon ongoing regional undertakings, and through possible pathways including the TPP and RCEP. We welcome other regional integration undertakings to make meaningful contributions to the eventual realization of the FTAAP.”<sup>32</sup>

It may seem puzzling that APEC Leaders identify different “pathways” to FTAAP, rather than committing to a single consolidation process. This is due to the political realities behind the different negotiating processes and, ultimately, to the problematic trade relations between China and the US. The first pathway, the TPP, left out a key regional actor of the negotiations. As Professor Daniel C.K. Chow noted in the *Chicago Journal of International Law*: “The U.S. led the TPP negotiations and deliberately excluded China from the negotiations. This ploy by the U.S. was a calculated effort to contain China and to shift power in trade in the Asia-Pacific to the U.S.”<sup>33</sup>

However, this strategy suffered a significant blow when President Trump

withdrew the US from the TPP in 2017.<sup>34</sup> The remaining 11 members regrouped to sign the CPTTP, a version of the text that excluded several provisions for key interests of the US, particularly regarding IPRs. However, as noted by the APEC Policy Support Unit in 2019, even without the US and China, the CPTTP would be a significant building block for trade in the region.<sup>35</sup>

On September 16, 2021, China formally announced a bid to join the CPTTP,<sup>36</sup> though some analysts have said that the application process seems to have been rushed by the country's central leadership under Xi Jinping, rather than through the Ministry of Commerce or the Ministry of Foreign Affairs and may be a response to Taiwan's interest in joining the agreement.<sup>37</sup> It remains to be seen whether the current CPTTP members and China can agree to the terms for the latter's accession.

In summary, while the RCEP and the CPTTP have different strengths and weaknesses, these two pathways are not mutually exclusive. Even if China does not ultimately join the CPTTP, the negotiation process to achieve such objective may show China's willingness to advance in key areas that could be useful for subsequent FTAAP negotiations. Similarly, the RCEP's inclusion of Asian economies that are not part of the APEC can also help to bring new actors to the negotiating table. It seems likely, then, that both the RCEP and the CPTTP can make significant contributions to long sought-after goal of a comprehensive FTAAP.

Is the FTAAP viable and necessary? There are several headwinds that the APEC economies have had to overcome to advance in the FTAAP over the past decade. Globalization and global trade liberalization have stalled. The war in Ukraine has worsened the outlook, considering Russia being one of the APEC economies. COVID-19 limited the mobility of people, capital, goods and services and induced disruption to global supply chains and growing protectionism. Geopolitics has prevailed over decisions and economic developments. These developments as well as the US-China trade war and the recently proposed US Indo-Pacific Economic Framework – which is also not a useful initiative or building block for FTAAP – hinder the essential objective of deep regional integration.

The latest APEC host in 2022, Thailand, called on member economies to 'refresh' discussions on the FTAAP. Thailand stressed that while differences over the FTAAP persisted, there were opportunities for cooperation in many areas. Although trade ministers scaled back their ambition for FTAAP, they welcomed a "refreshed conversation on the FTAAP in the COVID-19 pandemic and beyond"<sup>38</sup>

and called for a multi-year FTAAP work plan. In addition, the Asia-Pacific region has not just RCEP, the PA and the CPTPP, but also innovative agreements on digital trade and other new generation trade and investment issues. Under the APEC umbrella, economies have been working on an inclusive agenda on trade and investment issues and proposing interesting initiatives, consistent with existing WTO rules, which in turn can help to revitalize it and all of which are ultimately contributing to the completion of the FTAAP.

In the near future, the FTAAP is unlikely to be enforced. What is important for Asia-Pacific countries is thus to continue to push initiatives like the RCEP to keep markets open, more competitive, and less restricted, so that all participants can trade in the rules-based trading order. This would particularly benefit small businesses and the most vulnerable groups of the population.

### **B. Chile and the RCEP**

Since 1990, when Chile returned to a democratic system of government, its economic strategy has focused on promoting exports. It has pursued this objective both through multilateral fora such as the WTO and the APEC, and through the negotiation of FTAs with countries on virtually every continent. During the 2000s Chile began an active strategy to improve market access and its positioning in Asia-Pacific given its geopolitical and economic relevance worldwide, signing trade agreements with several countries in the region, starting with Korea, China, and various ASEAN members.<sup>39</sup> With the multilateral negotiations deadlocked, Chile embarked on negotiating mega-regional initiatives such as the PA and the CPTPP. In that context, Chile sought a rapprochement with ASEAN and then made efforts to be invited to negotiate the RCEP.

### **C. Chile and the ASEAN**

Since 1962 Chile has had diplomatic relations with Southeast Asia. The importance of increasing trade with the area becomes more evident,<sup>40</sup> which materialized in 1994 with the inclusion of Chile in the APEC, facilitating communication and exchange with the economies belonging to the ASEAN with the idea of becoming a partner. Chile is aware of the region's potential as a purchasing market and cornerstone of the production chains in East Asia and Asia-Pacific, as well as a strategic space in both political and security matters.

On July 24, 2016, as a new step in its determined projection to the Asian continent, Chile adhered to ASEAN's Treaty of Amity and Cooperation (TAC), becoming the second agreement, after Brazil. This Asian subregion establishes with a Latin American country. In addition, Chile's accession represented a fundamental step towards fulfilling its interest in becoming an ASEAN Dialogue Partner, allowing the establishment of a work agenda in various sectors and take advantage of production chains, trade facilitation and elimination of non-tariff barriers for Chilean exports.

In 2019, Chile became the first country in Latin America to be named as an ASEAN Development Partner, being the second country in the world, after Germany, to obtain this type of relationship with the bloc. It represents a milestone in Chile's foreign policy and paves the way for its link with the RCEP. To date, Chile has trade agreements with six out of ten economies of the bloc: Singapore and Brunei Darussalam (2006), Malaysia (2012), Vietnam (2014), Thailand (2015) and Indonesia (2019).<sup>41</sup> This has favored growth in reciprocal trade between Chile and the ASEAN, which has increased from USD 1.61 billion in 2009 to more than USD 4.4 billion in 2021.<sup>42</sup> In 2021, the Ministers from ASEAN, Australia and New Zealand welcome Chile's interest in joining AANZFTA, the Free Trade Agreement between the ten countries that make up ASEAN plus Australia and New Zealand. For Chile, the AANZFTA area is a highly attractive global hub for trade and investment, and would also pave the way to join the RCEP.

#### **D. Chile and the Pacific Alliance and Their Ties with Asia Pacific**

Given its relatively isolated location, Chile has historically been prone to seeking physical and economic integration with its neighbors in Latin America, though this has been a gradual - and to date, only partial - process. Chile has also been an active participant in plurilateral fora such as CELAC<sup>43</sup> in Latin America and the APEC in the Asia-Pacific. However, it has maintained a position of independence through this process, particularly by not pursuing full membership in Mercosur. Chile's successful negotiations of FTAs with the then NAFTA countries, from the late 90s to early 2000s, was seen as further evidence of different trade strategies, which made full integration with Mercosur an unlikely proposition.<sup>44</sup> In contrast, Chile's membership in the PA was fully compatible with its trade strategy, and amenable to different form of integration with new partners.

The RCEP was negotiated on the basis of an "ASEAN centrality,"<sup>45</sup> with that

organization leading the negotiations, and current membership is limited to Asian countries.<sup>46</sup> This means that any expansion of the treaty or association beyond the Asia-Pacific must go through the ASEAN. Thus, Chile's efforts to join the RCEP will be well served not only by fostering closer ties to the ASEAN, as mentioned above, but also by promoting closer ties between the PA.

The PA and the ASEAN have already begun collaborative efforts. The ASEAN-Pacific Alliance Framework for Cooperation was adopted at the Third AP-ASEAN Ministerial Conference, on September 24, 2016. Both sides have since then been working on strengthening bilateral economic and commercial ties, through the execution of a new ANSEAN-AP Working Plan for the 2021-2025 period, which includes several areas of work.

For Chile and the other countries of Latin America and the Caribbean, forging stronger links to the Asia-Pacific through the ASEAN and the RCEP will be fundamental for their future economic growth. First and foremost, improving ties will help to gain access to one of the largest markets in the world, whose population and consumer power continue to rise. This will be particularly true if India can be brought into the RCEP fold. Second, as China's economic and political importance continues to grow, strong ties will help to avoid their being sucked into the trade wars with the US. As mentioned previously, such trade conflict can lead to disruptions in GVCs, to the benefit of regional chains within Asia. If Latin American countries wish to take a part of those nascent production networks, they will have to do so through trade deals that ensure which components they can supply and gain preferential treatment under the rules of origin of the RCEP and similar treaties.

This reality can be a strong incentive for Latin American countries to continue to press, either individually or as a group, for membership in the RCEP and other mega treaties in the Pacific region. The region's undeniable dynamism and Latin America's growing dependence on Trans-Pacific trade make it evident that Chile and its neighbors must make economic integration between the two regions a priority of their trade policy. But at the same time, it is also an incentive for the ASEAN economies and the RCEP members to strengthen ties with a region having enormous potential, rich in natural resources, resources of great interest to the industrial sector of Asia such as copper, lithium and green hydrogen. It has a population of 670 million inhabitants with increasing educational levels. Geopolitically, Latin America has been a region free of armed conflicts between neighboring countries for 25 years.<sup>47</sup>



In that context, how likely is it that Chile could eventually expand its horizons in the Asia-Pacific, by negotiating its entrance to the RCEP? Or should it seek to promote a rapprochement through the platform represented by the PA? Chile already has FTAs with a majority of the RCEP members, except for Cambodia, Laos, and Myanmar. Though the situation was similar in the case of the CPTPP, the significant depth of the commitments in that treaty meant that signing on to the new treaty improved market access and trade disciplines in favor of Chile's exporters.

Looking forward, there are several variables to consider in deciding whether to continue pushing to join the RCEP: the ongoing trade war between the US and China; protectionist measures in several countries; armed conflicts (and therefore the search for stability and supply alternatives for the population); and trade diversions that may favor local value chains in countries with close geographic proximity to China. Membership in the RCEP, and eventually in the FTAAP, can help Chilean exporters avoid being locked out of these international chains and ensure another source of growth and development for Chile and all Latin America.

## **V. CHALLENGES AND OPPORTUNITIES OF the RCEP**

The pandemic has reinforced a discussion and criticism that has been ongoing for more than a decade about the benefits and costs of the globalization process: how beneficial it has been for different countries? and how this process intensified the development of a new productive architecture based on GVCs? However, COVID-19 has led governments to reassess their approach to globalization – even with protectionist measures – and supply chains (especially overreliance on China), which has been severely affected in recent years.

This current reality makes it imperative to improve trade links, trade diversification, and increase resilience. In this regard, the RCEP can be the main tool for this approach. With free flow of products and reduced trade barriers among its 15 member states, the RCEP provides various benefits and opportunities for the bloc to diversify their markets and enhance their production capability.

It is also expected that the RCEP will inject new momentum into foreign trade growth and deepen regional economic integration. Countries should promote a greater utilization of the agreement to materialize these gains. Experts from John

Hopkins University predict that the RCEP will add more than USD 200 billion a year to world income and more than USD 500 billion to international trade by 2030, mainly among its members, thanks to the more integrated and strengthened trading area.<sup>48</sup>

The RCEP will also help to foster multilateralism. Specifically, the parties agreed not only to harmonize and make the rules of origin more flexible to facilitate and promote intra-RCEP trade, but also to help companies from third countries to send their products more easily through this area, avoiding the different criteria of rules at every step and reducing burdens for companies with supply chains throughout the region.

In terms of trade value gains, the United Nations Conference on Trade and Development (UNCTAD) calculations indicate that the tariff concessions will help increase exports within the new alliance by almost 2%, to some USD 42 billion more than the USD 2.3 trillion registered in 2019.<sup>49</sup> This result includes, on the one hand, trade creation, as lower tariffs would stimulate trade between members by nearly USD 17 billion, while, on the other, trade diversion, as lower tariffs within the RCEP would redirect trade away from non-members to members, equivalent to nearly USD 25 billion.

It is both an opportunity and a challenge for member economies to continue advancing towards the inclusion of issues that were left out of the agreement or improve disciplines that were weaker or limited in scope. The most important chapters that were left out and are currently an imperative are the environment and labor rights. Several Asian economies are openly concerned about the due protection of the environment in production processes and labor conditions of workers in sectors such as manufacturing.

Although the RCEP includes provisions on services, investment and standards, the rules are relatively weak because members are using a mix of positive and negative lists for services, while the CPTPP members opted for a more ambitious format, using only negative lists. The RCEP also includes a competition chapter; however, unlike the CPTPP, it does not include disciplines on state-owned enterprises. On the positive side, the section on intellectual property was stronger than expected, and the digital copyright rules go beyond what was included in the CPTPP.

The commitments on digital trade and e-commerce were another point of conflict during the negotiations, given the growing importance of this issue

worldwide, but particularly in Asia where several Asian countries have positioned themselves strongly in sectors such as the mobile phone industry, or online sales. For the same reason, it was expected that the countries would agree to reduce the barriers to e-commerce and establish coherent rules for more fluid trade in the region. However, that was not the case, and the agreement does not include bans on data localization or barriers to cross-border data flows like the CPTPP or USMCA do, a key aspect for businesses. The moratorium on customs duties on electronic transmissions is not made permanent,<sup>50</sup> as is the case with the CPTPP.<sup>51</sup> Adjustments to this RCEP provision are tied expressly to further WTO ministerial decisions. If the WTO moratorium lapses, an RCEP party could unilaterally adjust its practice accordingly.

On the other hand, for trade agreements to be beneficial, they require a political balance among their members. In the RCEP, the preponderant weight of China in the pact, the dependence of its members on that world power, without India or other economies that could have been invited from the other side of the Pacific such as Canada, Mexico or Chile, and also the absence of the US in trade pacts with that part of the world, leaves the agreement unbalanced. So, despite China's clear leadership, the RCEP must be prevented from being used as a tool to influence the region.

In summary, although the trade pact has been described as more superficial compared to other large agreements, it provides a framework for future negotiations and changes. Therefore, member countries can improve the commitments and continue to update and modernize their disciplines, which will allow them to take full advantage of the agreement. Among them, they need to improve tariff concessions in protected areas, such as agriculture and the automotive industry; increase commitments in services and digital trade; and broaden the RCEP's scope of action in government procurement, state enterprises, and subsidies. Related to that last point, one interesting feature of the agreement is that it will have a secretariat that can allow members to meet regularly to encourage further improvements in the agreement.

Regarding the possibility of accession of new members, a significant gain will be the entry (or re-entry) of India. India will need to reassess the factors that led it to withdraw from the RCEP, considering the outcomes of the first year of operation, the prevailing political conditions, and the need to strengthen trade ties as part of the recovery and economic growth strategy. This will not be an easy task, as India

had major concerns about trade imbalances (it runs trade deficits with most RCEP members) which seemed the most compelling reason to withdraw from the deal. Opening up competition with lower tariffs raised fears that manufacturing and agricultural products would “invade” the market, and the government faced strong opposition from all sectors. Dairy, for example, is a very sensitive industry. Again, the “China factor” raised substantial fears of strong and potentially devastating competition from cheaper products.<sup>52</sup>

Regarding the services sector, where India is a global supplier, India pushed for a provision on “data localization.” This aspect is not only India’s concern. There had been significant discussions under the context of FTA negotiations such as the CPTPP or the USMCA due to the growing awareness of the importance of data and, subsequently, the barriers – which have been increasing – and control over the flow of data.<sup>53</sup> Thus, during the RCEP negotiations, opponents to India’s proposal argued that the provision would hinder the function of e-commerce and provide opportunities for governments to mishandle data.<sup>54</sup>

### **A. Who are the “Winners”?**

The signing of the RCEP allows China to ensure broad economic and political influence in Asia, especially considering that neither the US nor India are parties. Although the agreement does not imply a radical change in the already established commercial relations between the ASEAN and China, it does represent a great success because it brings Japan together with the other economic and political heavyweight of Asia. Even though the Japanese government has been reluctant in the face of China’s increasingly expansive foreign policy, Japan is interested in boosting its trade. Furthermore, abandoning an initiative like the RCEP would have meant the Japanese giving up some of their influence in the rising Asian economies in favor of China. In fact, according to the forecasts made by the UNCTAD,<sup>55</sup> Japan could benefit the most in absolute terms from the tariff concessions of the agreement (Figure 2), thanks in large part to the effects derived from trade diversion. Thus, these calculations suggest that Japanese exports to the rest of the RCEP members could grow by close to 5.5% compared to what was achieved in 2019, which would mean an increase of more than USD 20 billion.

Australia, Korea and New Zealand also appear as other countries benefiting from a positive trend in exports. However, there is less consensus between experts

when it comes to assessing its effects on other intermediate and small economies, which, like Vietnam, could be affected by the disproportionate advantage of the great powers. Even so, for the rest of the smaller member economies, the RCEP will motivate more investment through the “China +1 strategy”<sup>56</sup> to lower-cost members of the FTA such as Cambodia, Myanmar, Indonesia, and Vietnam for more labor-intensive processes, such as garment manufacturing.

Figure 2: RCEP trade effects on members (billions of dollars)<sup>57</sup>

Japan	20.2
China	11.2
Republic of Korea	6.7
Australia	4.1
New Zealand	1.1
Malaysia	0.2
Singapore	0.2
Lao People's Democratic Republic	0.1
Myanmar	0.1
Brunei Darussalam	0.0
Thailand	0.0
Philippines	-0.1
Cambodia	-0.3
Indonesia	-0.3
Viet Nam	-1.5

While the deal was originally conceived by the ASEAN, China is set to gain the most financially from the RCEP (an estimate of USD 100 billion), followed by Japan (USD 46 billion) and Korea (USD 23 billion).<sup>58</sup> The direct economic benefits for the ASEAN economies may be more limited due to their existing free trade deals (USD 19 billion) because they already have more than 70% of intra-trade with zero tariffs.

## B. Geopolitics and Economics

The RCEP could also lay the foundations for stronger economic partnerships in the future, particularly between members that do not already have FTAs among them, as is the case with China, Japan, and Korea. The three East Asian nations have been in negotiations for two decades without concrete results, but Japan and Korea have close ties in terms of economic and security issues with the US, unlike the

contentious diplomatic relationship with China. With regard to China and Australia, both are members of the RCEP despite their difficult political relations.

The RCEP is also the first multilateral FTA for China, which is by no means a minor issue; on the contrary it is seen as a political and economic victory. Actually, this agreement comes at a time when the US and China have been in conflict over a series of issues, including economic ones, such as the dispute over 5G, supply chains and the trade war, and geopolitical ones, such as the South China Sea.

As the US is not part of this trade deal, China could sidestep pressure for major economic reforms, including the one related with IPRs. Companies that were already shifting supply chains away from China due to the country's trade war with the US may still be able to source products from the country under the new agreement. The RCEP could also strengthen China's ambitious Belt and Road Initiative,<sup>59</sup> while reducing the US economic activity and influence in the region, with consequent economic losses for the latter. India may also be affected by its non-participation as it will lose power and be impacted by the fact that the smaller Asian countries will become more dependent on China, and, in turn, Beijing will have more leverage in the region. It will therefore be necessary to monitor the type of leadership that China exercises in this trading bloc, as well as the economic responses that the US may have under the Biden Administration.<sup>60</sup> The Indo-Pacific Initiative<sup>61</sup> is one of them.

Meanwhile, we will continue to witness various events that will threaten a sustainable and integrationist recovery, among which are the recurring temptations of some countries to adopt protectionist, isolationist policies, or inward-looking strategies; an ongoing trade war between the US and China; and a multilateral system that has failed to respond to or reverse criticism of globalization (with the WTO trying to become stronger). Nevertheless, while it may be many years before the benefits of the RCEP fully materialize, the mere announcement of the agreement indicates that many Asian nations, and China in particular, are increasingly committed to better trade linkages that could shape the economic and political outlook for the coming years.

## VI. CONCLUSION

Asia has been a region open to the world economy. That is why many countries in this region have prioritized an extra-regional trade orientation. However, it also has a long history of intra-regional trade. If considering these tendencies together with current shift, in terms of cooperation and integration, toward combining globalization with the formation of regional blocs, what is then happening in Asia is not surprising.

Integration in Asia-Pacific was a process that began relatively late, since trade relations were basically multilateral in nature, although there were strong traditional intraregional commercial links, mainly motivated by the geographical proximity between the countries. Efforts to institutionalize integration-cooperation date from the late 1960s and the most significant achievement in that stage was the creation of ASEAN. This is the main integrationist scheme in the area, although its emergence had more political than economic motivations.<sup>62</sup> Today, the Asia-Pacific region has witnessed and hosts the rise of various integration initiatives and mega trade deals such as the TPP and then the CPTPP, the RCEP, and the PA, all of which share the objective of greater integration across the Pacific coast. These often-overlapping agreements have different levels of commitments and memberships.

However, a series of events such as the global economic slowdown, COVID-19, the trade war between the US and China, protectionist (and nationalist) temptations, and political events in various regions of the world – the most recent being the war in Ukraine – have shaken and cast doubt on the benefits of globalization, thereby leading to a critique of integration and opening processes such as free trade agreements. As a result, the conclusion and implementation of the long-awaited RCEP is a significant achievement and very good news for the Asia-Pacific region, which for decades has had trade as one of its main growth engines, and the rest of the world. On the one hand, it is a first step towards truly cementing a fairer and more balanced trade relationship between the regional powers and the countries of Southeast Asia in a less advantageous position despite their increasingly preponderant trade ties. Likewise, the RCEP also represents the first major trade agreement between China, Japan and Korea, who together account for nearly 85% of the bloc's GDP and, to date, did not have a trade agreement of these characteristic.<sup>63</sup> Secondly, it sends a powerful signal in favor of multilateralism and the need for international cooperation and regulated

trade without obstacles and then favors all sectors of the population. In this context, the entry into force of the RCEP reinforces the integration objectives achieved with the signing of the CPTPP. Tariff reduction commitments will not reach 100 percent (90% on average) as is the case with CPTPP, but those reductions in this larger group of countries will still have a significant impact.

However, some analysts consider that the RCEP continues to be an “old generation” agreement and a relatively weak instrument, since, despite consolidating trade agreements, it neither represents progress towards a liberal economic space, nor has the necessary potential to initiate a process of regional integration.<sup>64</sup> And, what is considered a great omission, especially with current world priorities, is the non-inclusion of chapters on the environment, labor, and sustainable development.

Undeniably, the treaty strengthens ties among its members, but its regulatory ambition has been considered modest where the members did not have to make or implement major reforms nor are their trade policies compromised to put the agreement into effect. Therefore, the RCEP must add value to the links already established and in operation between them, and make these economies more efficient, leveraging their strengths mainly in those sectors with competitive advantages such as technology, manufacturing, agriculture, and natural resources. By evaluating various economic and political elements of the agreement, we can conclude that it presents important opportunities for economic growth and regional integration in the Asia-Pacific, but several challenges still lie ahead.

Expanding the RCEP membership is one such challenge, starting with persuading India to reassess its membership, which would represent a significant qualitative and quantitative leap. Inviting other countries from the Pacific Rim would be another plus. Countries of the PA are perfect candidates for this purpose given their vocation for integration into the Asia-Pacific.

Membership growth would also contribute to the necessary balance in decision-making. The economic and political power of China will always be a variable to consider when reaching agreements. The ASEAN leadership (referred to as “ASEAN centrality”) during the RCEP negotiations was key to achieving a balanced result between economies with different levels of development and countries so diverse in income and size. This issue leads us to a more general one: who will write the rules of the 21st century? As these mega deals continue to grow and expand in scope and membership, there is a better chance that the world will be governed by



a multilateral trading system, which is representing the different realities between countries more than before.

What is difficult to quantify, but which has enormous potential, is making the most of productive integration thanks to the negotiated system of rules of origin. The RCEP's favorable rules of origin will stimulate productive linkages and global value chains,<sup>65</sup> attracting more foreign investment. Among regional members, it will also strengthen the synchronization of supply chains that were disrupted by the pandemic<sup>66</sup> and the US-China trade crisis.<sup>67</sup> Supply chain relocation from labor-intensive sectors within China to other ASEAN countries is another objective of the RCEP.

Finally, we can think of the RCEP as one more step in the Asian integration process and not as the final goal. During the more than five decades that the ASEAN has been operating, it has been a successful and reliable organization, which was key to achieving an agreement like the RCEP. The next step is to create better trade agreements and increasingly closer relations among these 15 countries. At the same time, governments, encouraged by this pact, have the potential and opportunity to push through important domestic regulatory reforms and implement all possible measures to mitigate the impact that these types of agreements can have in some sectors, and streamlines various overlapping preferential trading arrangements by establishing common trade rules. This should help reduce business costs for companies and mitigate the impact that these types of deals can have on SMEs, women, and entrepreneurs. Public-private cooperation is also a complementary tool towards a more inclusive and sustainable trade. Whether the ongoing efforts to expand the RCEP and adopt other regional trade deals result in an amalgamated agreement, such as the FTAAP, or in a widening diversity of commitments in the Asia Noodle Bowl, remains to be seen.

Received: Mar. 15, 2023

Modified: May 15, 2023

Accepted: July 15, 2023

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39. Korea (2004), China (2006), P4 (Singapore, New Zealand & Brunei, 2006), Japan (2007), Australia (2009), Malaysia (2012), Vietnam (2014), Hong Kong (2014), Thailand (2015), & Indonesia (2019). Additionally, Chile became a member of the Digital Economy Partnership Agreement with New Zealand & Singapore in 2021.
40. For a detailed analysis of the importance that positioning in Asia Pacific has for Chile, see ASEAN, Chile's New Frontier in Asia [ASEAN La nueva frontera de Chile en el Asia] 65-85 (Cristian Castillo & Sofia Foxley eds., 2014), [https://obtienearchivo.bcn.cl/obtienearchivo?id=documentos/10221.1/44892/1/Libro\\_Asean\\_BCN.pdf](https://obtienearchivo.bcn.cl/obtienearchivo?id=documentos/10221.1/44892/1/Libro_Asean_BCN.pdf).
41. In March 2021, Chile and the Philippines signed an MOU for the creation of a Joint Economic Commission, creating a framework for the promotion of trade and bilateral economic cooperation.
42. Chile's main exports to ASEAN are copper cathodes, copper minerals and concentrates, Atlantic salmon, sawn timber, and chemical soda wood pulp. The country's main imports from ASEAN are mobile phones, trucks for transporting goods, touring cars, and tuna, among others. See Undersecretariat for International Economic Relations [Subsecretaría de Relaciones Económicas Internacionales], Country Tab [Ficha País], <https://www.subrei.gob.cl/estudios-y-documentos/ficha-pais>.
43. The Community of Latin American and Caribbean States was created in 2011 and it consists of 33 countries in Latin America and the Caribbean with a total population of around 600 million people. See CELAC, <https://celacinternational.org/celac-2-2>.
44. Leonardo Caceres, *Chile Slams the Door to Mercosur*, EL TIEMPO (Dec. 8, 2000), <https://www.eltiempo.com/archivo/documento/MAM-1301799>.
45. Peter Petri & Michael Plummer, RCEP: A New Trade Agreement that will Shape Global Economics and Politics, Brookings Commentary (Nov. 16, 2020), <https://www.brookings.edu/articles/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics>.
46. REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP): IMPLICATIONS, CHALLENGES, AND FUTURE GROWTH OF EAST ASIA AND ASEAN 1 (Fukunari Kimura, Shandre Thangavelu & Dionisius Narjoko eds., 2022), <https://www.eria.org/uploads/media/RCEP-Monograph-Launch-14-March-2022-FINAL.pdf>.
47. There has been an absence of conventional wars for territorial issues, and other conflicts were channeled through diplomatic channels. In addition, it is geographically far from epicenters of armed conflicts. All this makes Latin America a peaceful area, favoring the

- culture of good neighborliness.
48. Petri & Plummer, *supra* note 4.
  49. Alessandro Nicita et al., A New Centre of Gravity: The Regional Comprehensive Economic Partnership and Its Trade Effects, at 5 (2021), <https://unctad.org/publication/new-centre-gravity-regional-comprehensive-economic-partnership-and-its-trade-effects>.
  50. RCEP art. 12.11.
  51. *Id.* art. 14.3.
  52. Prime Minister Narendra Modi said: “The present form of the RCEP Agreement does not fully reflect the basic spirit and the agreed guiding principles of the RCEP. It also does not address satisfactorily India’s outstanding issues and concerns. In such a situation, it is not possible for India to join RCEP Agreement.” See *India Decides to Opt Out of RCEP, Says Key Concerns Not Addressed*, ECON. TIMES (Nov. 5, 2019), [https://economictimes.indiatimes.com/news/economy/foreign-trade/india-decides-to-opt-out-of-rcep-says-key-concerns-not-addressed/articleshow/71896848.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppstBy](https://economictimes.indiatimes.com/news/economy/foreign-trade/india-decides-to-opt-out-of-rcep-says-key-concerns-not-addressed/articleshow/71896848.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppstBy).
  53. While all FTA stipulate that using or locating computing facilities in a party’s territory shall not be required; they differ in their exceptions for achieving legitimate public policy objectives.
  54. Article 12.15(2) of the signed RCEP agreement provides that “A Party shall not prevent cross-border transfer of information by electronic means where such activity is for the conduct of the business of a covered person” (with some parties excluded). However, Article 12.15 (3) contains an exception that could lead to extended use of data-localization measures.
  55. Nicita et al., *supra* note 49.
  56. Alexander Koty, China Plus One Series: Understanding Vietnam’s Appeal to Investors in Asia, CHINA BRIEFING (Apr. 9, 2020), <https://www.china-briefing.com/news/china-plus-one-series-understanding-vietnams-appeal-investors-asia>.
  57. UNCTAD, Asia-Pacific partnership creates new ‘centre of gravity’ for global trade, <https://unctad.org/news/asia-pacific-partnership-creates-new-centre-gravity-global-trade>.
  58. Petri & Plummer, *supra* note 4.
  59. For a more specific analysis of the economics and geopolitics benefits to China of joining the RCEP, see Yuhan Zhang, *Chinese Gains from RCEP and Implications for US-China Competition*, 23 *BASC NEWS* 23-4 (2021), <https://basc.berkeley.edu/wp-content/uploads/2022/01/BASC-2021-Newsletter.pdf#page=21>.
  60. The US trade policies are affected by the shifting waves of domestic politics. For example, Trump’s “America First” policies resulted in the omission of the US from the two of the world’s largest trade deals.
  61. *Supra* note 9.
  62. Its main purpose was to contain the advance of communism in the region, particularly China. See *What Is ASEAN And Why Was It Formed?*, S. CHINA MORNING POST (Feb. 19,

- 2019), <https://www.scmp.com/week-asia/explained/article/2186774/explained-asean>.
63. Even now the three countries have indicated the possibility of negotiating an FTA between them, which will certainly take time, but the fact that they are open to discussing it would not have been possible without RCEP. *See, e.g.,* Xirui Li, *What's Next for the Long-Awaited China-Japan-South Korea FTA?*, *DIPLOMAT* (Jan. 28, 2022), <https://thediplomat.com/2022/01/whats-next-for-the-long-awaited-china-japan-south-korea-fta>.
64. Pramila Crivelli & Stefano Inama, *A Preliminary Assessment of the Regional Comprehensive Economic Partnership* (ADB Briefs No. 206, 2022), <https://www.adb.org/sites/default/files/publication/765606/adb-brief-206-regional-comprehensive-economic-partnership.pdf>. For a description of the contents of the RCEP versus other agreements, *see* HERREROS, *supra* note 8, at 15-28; Deasy Pane, Bappenas & Krisna Gupta, *Can RCEP Overcome Obstacles to Trade Reform?*, *E. ASIA. F.* (June 8, 2022), <https://www.eastasiaforum.org/2022/06/08/can-rcep-overcome-obstacles-to-trade-reform>.
65. Petri & Plummer, *supra* note 4. For a similar idea, *see* Gary Clyde Hufbauer et al., *China and the Trans-Pacific Partnership: In or out?*, *PIIE Trade & Investment Policy Watch Blog* (June 23, 2020), <https://www.piie.com/blogs/trade-and-investment-policy-watch/china-and-trans-pacific-partnership-or-out>. *See also* *RCEP, CPTPP and USMCA; Rules of Origin*, *OPPORTIMES* (June 9, 2022), <https://www.opportimes.com/rcep-cptpp-and-usmca-rules-of-origin/#:~:text=Redacci%C3%B3n%20Opportimes%209%20junio%2C%202022%20Photo%3A%20Pacific%20Customs,simplification%20and%20harmonization%20of%20the%20rules%20of%20origin>.
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67. *See, e.g.,* Ministry of Trade and Industry of Singapore, *Supply Chain Reconfiguration Amidst US-China Trade Tensions* (2020), <https://www.mti.gov.sg/Resources/feature-articles/2020/Supply-Chain-Reconfiguration-Amidst-US-China-Trade-Tensions>.

