

## The regional comprehensive economic partnership: rationality and the power plays

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**Abstract:** The Regional Comprehensive Economic Partnership (RCEP) is an omnibus of five FTA agreements. Since 2010 the trade protectionism has expanded in the world economy and subsequently prompted ASEAN to suggest the RCEP to its FTA partners. Besides being a single trade bloc, the RCEP prime objective is to facilitate a deeper economic integration. Even though RCEP supports economic development, like in any FTA agreements, there are members that will receive trade creation and others trade diversion for those members that are less competitive in the international commodity market. Although ASEAN was the main driver of RCEP, it was unable to lead the group. Since China actively engage with countries in Southeast Asia (SEA), becoming a global economic power and increasingly enhancing its position in world politics, it tacitly leads the group. The objectives of this paper are firstly to review the economic benefits of the RCEP across the board, and secondly to analyse the domination of China in the RCEP, besides discussing how the US and its allies are disrupting and confronting China's influence in the SEA region. Based on a qualitative approach we show that the upsurge of China's role in the region as well as in the world has reshaped regionalism. The growing Chinese influence in SEA has diluted the dominance of the USA and its allies in the region. The USA allies that were embedded in the RCEP might distorted the progress of RCEP. The formation of the RCEP has disrupted the US position in SEA.

**Keywords:** RCEP, China, USA, ASEAN, Trade, Investment

### Introduction

At the ASEAN leaders' Summit in Bali, Indonesia in November 2011, ASEAN suggested the formation of the Regional Comprehensive Economic Partnership (RCEP). The RCEP basically is an ASEAN + 6 which comprises of 5 FTAs i.e ASEAN-China FTA, ASEAN-Japan FTA, ASEAN-South Korea FTA, ASEAN-Australian-New Zealand FTA and ASEAN-India FTA. ASEAN + 6 was turned into a single regional grouping that's RCEP. The main role of RCEP members was to streamline and harmonise those 5 agreements into a single and wider-based

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FTA framework. The multilateral aspect of the partnership had harmonised the different rules and regulations of the individual trade deals (Terada, 2018). In addition, the idea to incorporate the 5 agreements under one grouping is to reduce bureaucracy, government red tape on trading and investment, and operational costs among members. At the East Asia Summit on November 20, 2012, in Cambodia, the leaders of the 16 participating countries endorsed the formation of RCEP and thereafter launched the RCEP framework. Initially, India was a member of RCEP. The members of RCEP began the first negotiations in May 2013. At the 11th round of negotiations at Kuala Lumpur on 15 November 2015, the members had achieved a breakthrough in trade in goods, trade in services and mobility of investment. From 2012 to 2020 there were thirty-one rounds of negotiations which took place to finalise the agreement text. In short, the set of agreements comprising 20 chapters was agreed and signed in November 2020. The main subjects were agreed under ASEAN+6 such as trade in goods, trade in services and investment. Also, there were subjects in many areas had been encompassed in which those subject were excluded or not even discussed under ASEAN+6 for example chapter on intellectual property right and safe guard mechanism.

The RCEP came into effect on January 1, 2022. RCEP is a comprehensive agreement, besides the three mentioned subjects above. Other relevant subjects were included in the agreement, such as specific provisions for trade in goods, including rules of origin; customs procedures and trade facilitation; sanitary and phytosanitary measures; standards, technical regulations, and conformity assessment procedures; and trade remedies. Also, there is a chapter on trade in services, which includes specific provisions on financial, telecommunication, and professional services and the temporary movement of natural persons. Moreover, chapters on investment, intellectual property, electronic commerce, competition, small and medium-sized enterprises (SMEs), economic and technical cooperation, government procurement, and legal and institutional areas, including dispute settlement, are included. The agreement has eliminated in certain manners the overlapping subject of bilateral FTAs agreements among members of the RCEP. Those bilateral FTAs (ASEAN+6) are imprecise and uneasy to sort out since the agreement is trapped into a ‘noodle bowl’ that consists of multiple and different trade rules.

As stated above, India was a member of RCEP, but in 2019 the government withdrew from the group at the ASEAN Summit in Bangkok on November 4, 2019. The withdrawal is largely associated with domestic trade policy issues, including protecting some of their domestic market /industries. According to Monika (2021), due to the unfavorable trade balance, the negative impact on the dairy sector, the slumping economy, past experience with FTA’s, China factor, data localisation, rules of origin and the experience of ASEAN countries with Sino-FTA have been some of the reasons behind India’s decision to opt out of this mega multilateral agreement. The Indian government’s decision was surprising as it has actively participated in the negotiations that lasted for 29 rounds since beginning in 2013. Domestic pressures forced the ruling

government, the BJP, to withdraw India from the RCEP. The withdrawal indicated that domestic protectionist interests successfully undermined outward-oriented economic visions of the government's trade policy. RCEP never enjoyed domestic support in India (Palit, 2019). Another factor that caused the decisions was the fears that Chinese products would further flood the domestic market if the preferential trade treatments are granted (Palit, 2019).

This study was focused on a qualitative methodological approach in order to analyse the economic benefits of the RCEP for its members. A simple analysis or calculation based on the available data was used to examine the trade and investment flows across the board. Similarly, the discussion of China's power in the RCEP and steering the RCEP is based on the perspective of international political economy. Specifically, it scrutinises how China leverage RCEP as a mechanism to amplify its geopolitical and economic presence across Asia and the Asia-Pacific through strategic initiatives. In general, we have applied a plain analysis of the international political economy.

Previous studies on the economic benefits of the RCEP and China's political influence on the RCEP are organised according to the aforementioned subjects. Sections and sub-sections were created for each matter, as shown in the following sections. Section 2 discusses the existing literature on economic benefits or losses of RCEP, while sections 3, 4 and 5 explain the political economy of RCEP, i.e China's relations with RCEP and competition with the US in the Southeast and East Asia regions. Conclusions are presented in Section 6.

## **1. Literature review on RCEP and its economic benefits**

An economic argument is not the sole factor that motivates a country in forming, joining or signing an FTA agreement. The economic factor is assumed as a secondary reason. The primary factor for joining any form of FTAs or economic cooperation arrangements is international politics, which is usually linked to security and peace. In this sub-section, this paper will discuss the economic reasons for the formation of RCEP. For the economic issue, only two subjects will be considered, namely trade and investment. The two subjects are the backbone of the economic development of the members. Generally, most members of RCEP, particularly ASEAN countries, are export-oriented economies.

The leaders of the RCEP members stated that the RCEP was considered as a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement (ASEAN Secretariat, 2020). RCEP is the first multilateral agreement in Asia, and it is an exceptional mega regional trading arrangement that encompasses developed, developing and least developed economies of the region. Measured in Gross Domestic Product (GDP), RCEP is relatively one of the biggest Free Trade Agreements (FTA) in the world, larger than the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the European Union and the

MERCOSUR trade bloc in South America. The agreement was accomplished in establishing an open trade and investment environment in the region, in which to facilitate the expansion of regional trade and investment as well as to contribute to regional economic growth and development (ASEAN Secretariat, 2020).

Fukunaga (2013) believed that RCEP would improve the degree of tariff and non-tariff liberalisation in the region on the basis of ASEAN + 1, but would also reduce the internal “Spaghetti Bowl Effect”, which played a positive role in strengthening the central position of ASEAN. He also said that that ASEAN, besides playing a central role in RCEP from the perspective of the political balance of major countries, should strengthen the formation of its own ASEAN Economic Community by liberalising trade in services, improving trade facilitation, reducing non-tariff barriers, and other economic aspects. In addition, based on the perspective of economic cooperation, ASEAN should serve as a model for the future construction of RCEP. Das et al. (2016) suggested that the FTA signed between ASEAN and Australia-New Zealand (AANZ) is one of the best FTAs that was signed by ASEAN. Therefore, the AANZ FTA should be a benchmark for RCEP negotiations in the future. On the other hand, Kimura and Chen (2016) suggested a “Three-Step” strategy from simple to complex for the future of RCEP development. For instance, from tariff reduction to improving FTA utilisation rate, and finally achieving regional cooperation in infrastructure construction of various countries.

Until today, scholars are still evaluating the economic benefits of RCEP on participants; therefore, based on real data, there is relatively little literature about the influences of RCEP. Petri, Plummer, and Zhai (2011) concluded that if China joins TPPA (now known as CPTPP) this will lead to a decline of economic welfare and achieve negative effects, but accession to other economic cooperation mechanisms would stimulate the rapid growth of trade in varying degrees and achieve positive effects. Likewise, the Republic of Korea, Australia, Japan, and New Zealand could get different degrees of economic benefits in the mentioned economic cooperation mechanisms. The combination of five FTAs, as stated earlier, could bring the greatest economic benefits to member countries, and the industrial structure of each country would further converge (Lee and Itakura, 2013).

RCEP accounts for about 29% (US\$25.8 trillion) of global GDP, 30% (2.3 billion) of the world’s population, and 25% (US\$12.7 trillion) of global trade in goods and services. Petri and Plummer (2020) projected that the RCEP would be able to increase additional US\$186 billion to the world’s real income by 2030. The member is estimated to earn US\$174 billion in real income during the same period (Petri and Plummer, 2020). By eliminating tariffs on more than 90% of goods within 20 years from its date of entry, simplifying customs procedures, and harmonising rules of origin, the RCEP will improve the intraregional trade in the region. Dib, Huang and Poulou (2020) calculated that the implementation of a common rule of origin among RCEP parties may dramatically reduce trade costs and strengthen global value chains operating within the region. This fosters a more integrated

economic region, bolstering ASEAN's role as a central hub in Asia's trade network (Magno & Katigbak, 2024).

China, Japan, and South Korea were assumed to gain substantially from the RCEP mainly due to their huge market size and contain higher-value-added segments of industrial production. Within ASEAN, Indonesia, Malaysia, Thailand, and Vietnam are expected to enjoy incremental gains (Petri & Plummer, 2020). Estrades et al. (2023) anticipated that the manufacturing and agricultural products, such as textiles, chemicals, clothing, meat products, and food and beverages in the RCEP region would be expanded. The automotive and electronics sectors are also stated as major gainers for member economies. RCEP evidently represents a pivotal shift for ASEAN, supports the spread of global production networks, particularly among its members and reduces the inefficiencies of multiple trade agreements that presently exist. The integrated trade framework with the reduction of trade barriers across the board should be expected to attract more foreign direct investments (FDI) into ASEAN, namely in the manufacturing sector, particularly industries of electrical and electronics (E&E), the digital economy, and green technologies. Petri and Plummer (2018) forecasted that FDI liberalisation may generate a 0.53 per cent increase in real income in ASEAN by 2030. However, according to Banga, Gallagher and Sharma (2021) ASEAN will be a net loser in RCEP. The imports of ASEAN will increase more than the exports. Candidates like Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam will face a trade deficit. But non-ASEAN countries such as Japan and New Zealand will gain from the RCEP. In another study, by employing the GTAP model, Wang and Yan (2025) suggested that when RCEP is fully effective, in the short run, all member states will experience an expansion of regional trade, further increasing the GDP and welfare. However, in the longer term, the economic effects within the RCEP member countries vary, with most experiencing economic growth. Still, countries such as Japan, Cambodia, Australia, and New Zealand are witnessing a decline in social welfare.

### **1.1. Trade and investment**

The large regional trade grouping that involves all ASEAN economies is the RCEP. But under CPTPP there are only four members of ASEAN participating, namely Brunei, Singapore, Malaysia and Vietnam. RCEP and CPTPP are both considered as a mega trade deal; however, their breadth and depth are different. Overall, the degree of economic liberalization within the RCEP is not as extreme as of the CPTPP. As mentioned above, the RCEP agreement is less comprehensive than to CPTPP. Compared to the CPTPP, RCEP eradicated the subject of harmonising regulatory standards on the environment or labour markets. Obviously, the matter is well comprehended since a few members of RCEP are less developed nations; therefore the deeper economic integration with extensive subjects is not feasible for those countries experiencing a low level of economic development.

The RCEP, in terms of income, is much bigger than the CPTPP. The RCEP contributed about 29% of global GDP, 25% of global trade, and a population of 2.3 billion, while the 11 members of CPTPP accounted for 13% of global GDP, 14% of global trade, and a population of 507.7 million (ADB, 2020). Based on this information, the RCEP appears to be more promising than the CPTPP. Furthermore, RCEP is expected to spur renewed momentum for intraregional trade, inflows of foreign direct investment (FDI), and strengthen global value chains among members, as well as between each of them.

RCEP might develop the world's largest trading bloc compared to CPTPP. In terms of trade, the total trade of RCEP is much larger than CPTPP. The total export of RCEP to the world in 2002 was about 21.5% and the ratio soared to 32.5% in 2024 (Table 1). While imports of RCEP from the world in 2002 were 18.7% and the imports swelled to 27.5% in 2022. The high volume of trade of RCEP is directly linked to China and Japan. On the other hand, exports of CPTPP to the world in 2002 were about 18.2% but in 2024 the exports decreased to 16.3%. Imports of CPTPP from the world in 2002 were about 16.1% and the ratio declined to 14.6% in 2024. Based on Table 1, trade of ASEAN+3 is marginally lower than the RCEP but higher than the CPTPP. In the case of APEC, the trade in the world is about 50%. There are 3 major economic powers in APEC that contributed to the high trade, which are the US, Japan and China.

The USA, ASEAN and Japan are the major trade partners of China. China's total exports to the RCEP group in 2002 were approximately 29% of the total exports, but the ratio dwindled to 29.5% in 2024 (Table 2). While China's exports to the CPTPP in 2002 were about 23% but in 2024 slightly dropped to 22.5%. On the other hand, China's imports from the RCEP in 2002 were about 40.5% and the ratio declined to 37% in 2024.

**Table 1. International trade of selected FTA blocs (percentages)**

	Exports/World exports				Imports/World imports			
	RCEP	A+3	CPTPP	APEC	RCEP	A+3	CPTPP	APEC
2002	21.5	20.3	18.2	46.0	18.7	17.4	16.1	48.7
2005	23.4	22.1	17.1	45.1	20.4	19.0	15.1	47.7
2010	27.2	25.6	16.2	47.9	24.1	22.6	14.8	48.0
2015	29.4	28.0	14.9	50.7	24.7	23.3	14.7	49.8
2020	31.0	29.4	15.7	51.3	26.3	25.0	14.4	50.9
2021	31.6	29.9	15.9	52.1	27.0	25.6	14.4	51.4
2022	32.3	30.8	16.1	52.8	27.7	26.3	14.5	52.0
2023	32.1	30.6	15.9	52.4	27.5	26.1	14.3	51.6
2024	32.5	31.0	16.3	53.0	27.9	26.5	14.6	52.2

\*\*\*Notes = A+3 refer to ASEAN + 3 (China, Japan, South Korea)

Source: TradeMap Geneva, [www.trademap.org](http://www.trademap.org) and author's calculation

**Table 2. China Exports and Imports with Selected FTA Blocs (percentages)**

	Exports/Total exports				Imports/Total imports			
	RCEP	A+3	CPTPP	APEC	RCEP	A+3	CPTPP	APEC
2002	28.5	26.9	23.4	73.3	40.5	38.4	28.7	71.6
2005	24.5	22.9	19.6	68.6	40.9	38.2	26.4	66.4
2010	22.7	20.8	17.9	61.2	38.3	33.6	26.5	59.9
2015	24.6	22.6	18.8	63.8	34.9	30.2	23.4	58.7
2020	27.0	24.7	20.9	62.7	37.8	31.5	27.9	61.0
2021	26.0	23.7	20.0	61.9	37.1	30.4	27.3	60.4
2022	29.0	26.7	22.2	67.6	37.1	30.8	26.5	60.9
2023	28.8	26.5	21.9	67.2	35.8	30.0	25.5	59.2
2024	29.5	27.2	22.5	68.0	37.0	31.0	26.0	60.0

Source: TradeMap Geneva, [www.trademap.org](http://www.trademap.org) and author's calculation

Imports from the CPTPP dropped from 28.7% in 2002 to 26.0% in 2024. The low level of trade between China and CPTPP was linked to the trade between China and the US. These linkages occurred even before the formation of CPTPP. Trading with ASEAN+2 (Japan and South Korea) is more beneficial for China. China's exports to APEC in 2002 were about 73%; however, the exports fell to 61% in 2022. More than 60% of China's exports to the world go to the APEC region. In 2002, China's import from the APEC was about 72% and in 2022, the import ratio dropped to 60%. The high volume of trade between China and APEC is mainly attributed to the US, Japan and ASEAN. The trade pattern of China in the selected regional grouping as shown in Table 2 suggested that APEC is more crucial to China's trade development. The APEC region is an important source of trade growth for China as well as for Japan. Unfortunately, APEC is not yet an FTA group. The members of APEC plan for the FTA creation but the plan did not materialize until today.

**Table 3. Japan export-imports with selected FTA blocs (percentages)**

	Exports/Total exports				Imports/Total imports			
	RCEP	A+3	CPTPP	APEC	RCEP	A+3	CPTPP	APEC
2002	32.1	29.8	11.8	76.4	42.9	38.2	14.1	69.2
2005	36.5	34.0	11.2	76.3	45.1	39.8	14.1	66.1
2010	44.5	44.2	11.9	76.4	47.6	40.7	16.6	67.0
2015	42.1	39.7	12.8	77.8	49.8	44.0	16.3	70.0
2020	45.6	43.4	12.3	79.5	51.7	45.7	17.5	72.8
2021	46.0	43.6	12.5	79.6	50.0	42.9	18.0	71.0
2022	45.9	42.1	12.4	79.1	52.4	45.2	17.2	72.1
2023	45.5	41.4	12.0	78.4	50.9	43.3	16.5	70.1
2024	45.1	40.8	11.7	77.8	51.2	43.7	16.8	71.0

Source: TradeMap Geneva, [www.trademap.org](http://www.trademap.org) and author's calculation

Table 3 shows a picture of Japan's trade between the selected regional grouping. Japan's export and import between RCEP are much larger than the CPTPP. The reason the trade between RCEP is high is mainly due to China and ASEAN. Both China and ASEAN are the main trade partners to Japan. Japan's trade between APEC is much larger than the RCEP. Similarly, as in the case of China, the biggest Japan's trade partner is the US, followed by China and ASEAN. More than 70% of Japan's export went to APEC and about 70% on average Japan imported from the APEC region.

**Table 4. Inflow of FDI by group (percentages)**

Year	ASEAN+3	RCEP	CPTPP	APEC	World (US\$'bil)
2014	20.0	24.4	22.3	56.8	1397.4
2015	12.6	14.0	12.7	50.4	2049.9
2016	13.7	16.3	25.0	50.4	2019.3
2017	19.4	22.4	20.2	52.4	1651.2
2018	22.3	27.4	25.9	56.2	1376.1
2019	19.1	21.5	19.6	46.2	1729.2
2020	29.4	31.3	23.7	60.4	984.6
2021	27.5	29.2	15.8	70.1	1621.8
2022	34.8	40.1	30.1	78.8	1355.7
2023	32.0	34.5	19.8	73.7	1331.8

Source: UNCTAD

With respect to the foreign direct investment (FDI), from 2014 to 2023, almost 60% of the total FDI in the world on average goes to the APEC region. As indicated in Table 4, APEC is the major destination of the world FDI. In regard to RCEP, the group received on average about 26% of total FDI for the same period. On the other hand, ASEAN+3 received FDI inflows of about 23% on average, whereas CPTPP received FDI from the world of about 21% on average, respectively. Table 4 depicts that the RCEP region would be one of the major destinations for multinational corporations (MNCs) investment in the future. In general, the trend of trade and FDI as elaborated above implies that there would be a major shift of the centre of growth in the world from the West to the East.

Since there would be enormous economic potential in Southeast and East Asia countries (hereafter, SEA), an intense competition of major economic powers to dominate the region is inevitable. Given that, the constantly prosperous economic growth displayed by the SEA economies and the region located strategically, mainly ASEAN, had become a ground of power struggle between the Americans and the Chinese. The previous US President, Mr Obama, strived to meddle and manoeuvre the regions through their TPPA initiative; however, the plan was broken off after President Trump withdrew the US from the TPPA in 2017. The departure from the TPPA does not mean that the US has left SEA and the Asia Pacific. The US

government remains active, interfering in these regions either directly or through its allies. Few members of RCEP are American allies. The anonymous or shadowy American alliances in the RCEP and CPTPP, besides guiding their own interest, will also safeguard the American interests in the region.

## **2. RCEP versus CPTPP. A political power plays**

Both trade blocs, the RCEP and CPTPP, are multi-track and multi-speed arrangements that would reconfigure and remodel regionalism in SEA. Both regional grouping seems to be competing to each other currently and perhaps the future. The anchors of the two groups are “different”. China seems to have a large influence on RCEP, while Japan and Australia seem to be monitoring the CPTPP. Both Japan and Australia are US allies.

One of the central factors related to the relevance of CPTPP in the world economy is essentially related to Japan and Australia, in which both of the countries are close to the US politically. These allies implicitly sideline China’s regionalism in the SEA. Since 1995, China has largely engaged trade with SEA countries (Bernard, 2005). Until today, China is still an outsider of CPTPP. The TPPA<sup>1</sup> which was led by the US, deliberately excluded China from the group. Growing economically and politically, China had changed the power balance equation and eventually the US and Japan readjusted their focus and foreign policies in Asia Pacific and beyond (Calder, 2009) Essentially, the exclusion of China is to avoid a worse confrontation, economically and politically, within the group, as well as in SEA regions. Additionally, the move is to suppress China ascendency in SEA. Logically, the suppression is necessary to deter China’s economy enlargement, to dampen establishment connectivity between ASEAN members and to diminish political interference in the region. Hence, one of the possible solutions in preventing the Chinese advancement in the US was aggressively pushing and promoting the TPPA to countries in the region. In addition, the move by the US was also to strengthen political and economic relations with countries in Southeast Asia, East Asia as well as in the Pacific. The US government believed that by creating a large economic bloc such as TPPA, it could possibly hinder China’s economic progression and political influence in that region (Aslam, 2015). The TPPA was a tool for the US government to enhance their presence in Southeast Asia and Asia-Pacific. However, when Mr Trump became the US 45<sup>th</sup> President he squashed the Mr Obama plan by withdrawing the US from the TPPA. Consequently, the US government failed partially to influence the regions directly. Till today, the US has not had a single pact of FTA that covers ASEAN and East Asia regions. Even though the US is no longer

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<sup>1</sup> We differentiate between TPPA and CPTPP. TPPA was promoted by the USA, and in short, the TPPA is led by the USA. While after the withdrawal of US from the TPPA, the group FTA was renamed CPTPP. This CPTPP is led by the Japanese and Australian government.

a member of TPPA, it nonetheless has an indirect influence through its allies, primarily Japan, Australia, United Kingdom (a newly member of CPTPP), and to a certain extent, New Zealand and Singapore.

The US departure means that the members of ASEAN + 5 were confidently able to conclude the RCEP talks; subsequently, they created the world's largest preferential trade agreement. Both the CPTPP and RCEP have developed new economic and geopolitical significance, consequently instigating the intensification of great power competition and generating multipolar political power in the world. The establishment of RCEP and CPTPP tacitly intensified simultaneously the competition for political power in the SEA as well as in the Asia-Pacific regions. The US withdrawal from the TPPA left the rest of members of the group bewildered about what would happen to the group in the future. Furthermore, the US withdrawal had triggered the rest of TPPA members to abandon the group or to move forward without the US. The former Japanese Prime Minister, the late Shinzo Abe, the former Australian Prime Minister Malcolm Turnbull, the former New Zealand Prime Minister Bill English and the former Prime Minister of Singapore Lee Hsien Loong suggested to proceed with the TPPA without the United States' participation. During the APEC's ministerial meeting in Vietnam on November 11, 2017, the 11 members of TPPA had reached an agreement to proceed, the group was renamed as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the existing agreement was modified. Under the CPTPP, about 20 subjects of the TPPA agreement have been suspended or removed. The suspended provisions were all pertinent to the United States' interest. The suspension of that provision related to the trade disciplines such as investment treaties, intellectual property rights as well as labor clauses in the mega regionals. The rationale of the disciplines was basically to reduce the share held by the emerging economies in world trade (Krishnakumar, 2018). Therefore, the removal of the provision will eventually enhance the economic share of affected countries in the world.

The CPTPP agreements were agreed upon by the members in 2018. Most of the commitments related to goods, services, procurement, and investment remain unchanged. The US departure from the TPPA was, in fact, a big loss to the group. Moreover, the market potential was reduced by more than 40%. Since 2018, Japan and other members enthusiastically marketed the CPTPP to European and Latin American countries. There is a proposal by CPTPP members to negotiate with the European Union and South Korea to join the CPTPP. However, many countries shy away from the CPTPP. The usual reason is that the CPTPP agreement is very comprehensive and there are subjects which countries are unwilling to accept, because those subjects are thought to harm their economies in the future. In addition, the CPTPP sets higher standards and includes a broader range of rules, whereas the RCEP takes a more flexible approach with less stringent requirements. Therefore, RCEP is more acceptable to many developing countries.

As stated earlier, CPTPP is competing with the RCEP. To be able to compete with RCEP, CPTPP has to enlarge the group by inviting more participants. The United Kingdom (UK) joined in December 2024 and became the 12<sup>th</sup> member of the CPTPP. The move by the UK government was seen as a significant action in its post-Brexit trade strategy. The UK is the first member from the European area and outside of the Indo-Pacific to join the CPTPP. The UK government assumes that the CPTPP will grant larger market access to their industries and that the FTA will be a gateway to the Indo-Pacific which is believed to offer an unparalleled economic opportunity (Malhotra & Auplish, 2025). Now, within the CPTPP, the UK is the second largest economy after Japan. The participation of the UK as a new member of CPTPP would not make the group a solid institution, as the country is no longer an economic power nor has much political influence. The UK's accession in CPTPP is not just an economic move but a strategic decision to enhance its influence and presence in the Indo-Pacific (Malhotra & Auplish, 2025).

Certainly, the UK is a close ally to the US, but we doubt that the country will make a significant adjustment in the region, such as reshaping the international trade rules or rewriting the geopolitics of the region or realigning the regionalism in SEA and in the Asia Pacific regions. Now, CPTPP seems to be a toothless trade bloc compared to RCEP. If the CPTPP is to be used as a tool to shrink China's soft power in Southeast and East Asia nations, this would be a great mistake. The SEA countries foresee that the Chinese government is reliable particularly in term of trust, compared to the US government. Since the early 1990s, the Chinese government is actively building a good relationship with SEA nations, beside engaging tightly in trade and investment. China has smartly positioned itself as an essential partner for many ASEAN nations, leveraging economic, political, and cultural influence (Hong, 2019; Seth & Sean, 2021). Consequently, China has become a major economic partner to SEA. China has increasingly become a more promising leader in the region, as well as in the world. The acceptance of SEA countries towards the existence of RCEP is stronger. Even though ASEAN was the main driver of RCEP's existence, due to leadership and political power issues in manoeuvring the group, China's presence and role were more desirable compared to other major members such as Japan. Japan was given a chance in the early 1990s to lead the EAEC, but the government blindly turned down the offer (Aslam, 2009). However, since 2000, Japan has started to revise their trade policy and adjust its existing position in Southeast Asian markets, searching for new opportunities to use new instruments and preserve its influence in the region. The shrinking domestic market and greying population act as 'push' factors for Japan and Japanese companies to develop external opportunities for boosting their economic growth (Murashkin & Emelyanova, 2025). As one of the influential members of RCEP, China, with its economic power house and political influence might guarantee the continuous economic advancement, able to maintain a sustainable economic growth, and capable ensuring political stability in the region. Although there are political and

border frictions among RCEP members, these can be resolved at the negotiating table, as in the case of the Spartly Islands.

### **3. ASEAN centrality diminishing and China “Soft Power” ascendancy**

One of the major issues of RCEP is a collision between ASEAN’s centrality and China’s soft power in the region. RCEP is frequently assumed as a China-led initiative, but in truth, it is not. Since the early 1990s, ASEAN in fact occupied a core position in the economic integration of Southeast Asia, as well as in East Asia. ASEAN was the main architect, and a driving force in integrating all countries in Southeast Asia and East Asia into a form of bilateral economic partnership, i.e., free trade area (Aslam, 2009). The development of the East Asia Economic Caucus (EAEC), ASEAN+1, ASEAN+2, ASEAN+3, ASEAN+6 and the East Asia Summit and RCEP were initiated by ASEAN.

ASEAN’s role and centrality in economic integration in the SEA region was highly recognized. However, the ASEAN centrality has been challenged obliquely by numerous new and overlapping economic cooperation arrangements, such as the CPTPP, Asia Pacific Economic Cooperation (APEC), Asia Pacific Trade Agreement (APTA) and China-Japan-South Korea FTA (under negotiation). ASEAN’s goals were to safeguard its centrality in economic collaboration within Southeast and East Asia nations. If ASEAN does not respond effectively, there will be an intense competition within the RCEP to manipulate or manage the group. Since there are power struggles in RCEP, it may mean that ASEAN’s role as a driving force in the various regional arrangements in the region and in the future will probably deteriorate. The rivalry between the US and China in the region is a potential candidate to interrupt the ASEAN role and relevance in Southeast Asia. Some have argued that ASEAN will likely be able to take the helm of the region because the RCEP was put forward to prevent Japan and China from wrangling to manage regionalism in Southeast Asia.

Historically, China plans to turn ASEAN+ China, ASEAN+Japan and ASEAN + Korea into a single FTA. However, due to the surfacing of the US government in the regions of East Asia and Southeast Asia, and the US plans to contain the rise of China, the Chinese government had re-aligned their foreign policies, namely its engagement with ASEAN. Due to the reconfiguration of China’s move, the American government produced a kind of mega free trade area deal, such as TPPA, to counter China’s progression and dominance in the region. The American government purposely ignored China from joining the TPPA. The intense and disengagement between the US and its allies may have provoked China to rejuvenate her foreign by adjusting from focusing of ASEAN Plus 3 toward ASEAN Plus 6. When ASEAN promoted the RCEP, China instantaneously supported the idea. RCEP was assumed as the newest economic cooperation to the Chinese government. In addition, the economic cooperation was regarded as the latest international

political strategy to China in terms of influencing and manoeuvring regionalism in SEA. According to Pomfret (2021), the move as a repulsive tactic to counter the USA's old and decaying containment policy. China basically will not participate in TPPA or CPTPP. There were quite number of provisions under the agreements rejected by China, specifically on intellectual property rights (IPR) and Investor State Dispute Settlement (ISDS), as stated earlier. In the RCEP agreement, these two subjects are non-existent. Implicitly, China disapproves of open regionalism or the inclusion of any type of trade discipline such as IPR, ISDS or attaching labour and environment to trade. The Chinese government is pleased with a modest economic cooperation that covers trade, services and investment. Even though the US was no longer a member of TPPA or CPTPP, the Chinese government remains persistently displeased with any kind of FTA agreement, such as the TPPA.

The CPTPP, that led by US alliances (Japan and Australia) and ASEAN-led RCEP, may fall into political conflicts. The competition between the two groups has the potential to divide ASEAN member states politically, i.e breaking up the group or supporting either the US alliances or China. The Indian government withdrew from the RCEP, and subsequently, the power struggle in the RCEP collapsed. China has risen as a solid contender to steer the RCEP alongside ASEAN. However, ASEAN faces an inadequacy in terms of technological development, including expenditure on R&D, a lack of indigenous brand and mode of production, and a shortfall in militarism development. ASEAN is considered a "soft" middle power that is unable to overthrow other entities, unlike the US and China. RCEP is often labelled inaccurately as "China-led", but actually it is not, as discussed above. Without such "ASEAN centrality", RCEP might never have been launched (Petri 2020). However, China could utilize RCEP to reconfigure regionalism games in SEA and subsequently construct a great challenge to the CPTPP. Actually, both CPTPP and RCEP are game-changers in regional economic governance and architecture. At the moment, there is no solid indicator which group will emerge as a winner in the regionalism game. The US, with its alliance and China appear enthusiastic to shape economic cooperation in Southeast Asia and Asia Pacific region, in order to secure each of its economic interests. China endeavours to challenge existing regionalism and cooperation, particularly in the ASEAN region (Bharti & Kumari, 2024). Consequently, the rivalry between China and the US might become the predominant factor in how the regional economic cooperation will be structured or restructured further, for future benefits.

Among ASEAN members, Brunei, Malaysia, Singapore and Vietnam are part of the CPTPP. If the outcome of CPTPP on economic enhancement is huge, it may attract other members such as Thailand, the Philippines and Indonesia to join the group, and finally all ASEAN members would be part of CPTPP. Other ASEAN members were concerned that if some of them joined the CPTPP, this could possibly create disharmony among their political and economic ties within ASEAN as well as within the RCEP. For example, the role of ASEAN in Southeast Asia may become

impotent and may lose as a driving force in integrating countries in the future. ASEAN countries realise that its role in economic integration in Southeast Asia may be diminished if the CPTPP becomes more constructive and flexible than the RCEP. Eventually, Japan and the US allies will marginalize the ASEAN role in the region thereafter. This is really scary news for ASEAN as an established organization in the world.

The US government has regularly engaged with the ASEAN nations to keep China at bay. The USA introduced QUAD and AUKUS keeps on inspecting the Chinese trade and naval activities (Corbin & Perry, 2019). The US government has been able to strengthen economic and political ties with a number of ASEAN countries since Obama's presidency. The US rebalancing strategy during Obama's period has affected the ASEAN centrality. There were quite number of commenters suggesting that the CPTPP is being used to counteract China's economic influence in the region and to pressure China into adhering to international trade rules and international law. With the new US government tariff policy on Chinese products, the intention to pressure China seems to wade off. The Chinese government retaliated on the Trump 2.0 tariff imposition effectively and caused damage to the US trade. China is an important driving force for the formation and achievement of the RCEP objectives.

China constantly respects and supports the ASEAN role in regional cooperation. As elaborated in the previous section, substantial economic benefits would be generated in RCEP; therefore, it is obvious that China will support and drive the RCEP into a potential economic region. China uses RCEP as a non-confrontational means of influence, emphasising trade, connectivity, and mutual growth. This approach reinforces China's soft power by making economic cooperation, not containment, the defining feature of regional engagement. RCEP serves as both an economic instrument and a geopolitical device for China. It strengthens regional economic dependence on China, it enhances Beijing's rule-setting power, and it provides a peaceful yet powerful alternative to U.S. strategic containment. Through RCEP, China consolidates its image as a regional leader and defender of open trade, while subtly advancing its long-term goal of shaping an Asia-Pacific order, centred around Chinese influence.

#### **4. China-US trade disputes contesting regionalism in Asia**

The growing uncertainties of US-China relations cause the regional activities in East Asia, Southeast Asia, as well as in the Asia Pacific to become very challenging. China has an impressive economic advancement, including a rapid expansion of technological development and has become a strong nation in terms of international politics, implanting a strong contented confrontation with the US alliances. Given the significance of US-China relations for future economic development and stability, in a certain way, they had created new opportunities for

cooperation. However, the conflict and dispute between China and US in certain segments of economic and politics have raised the costs to trade partners of both nations. The United States and China are the major players in the maritime, nuclear, cyber, and space domains, which heightens the stakes for global security as the two countries blaze their paths forward in these areas. Since both sides' interests are firmly rooted in broader geopolitical, security, and economic interests, even a slight change in one of the countries' positions will most certainly alter the calculus of the other. The future course of the US-China relationship has ramifications both for regional security and for international trading, as well as the monetary system.

The Chinese leadership has been developing a relatively pragmatic approach to China's Asian neighbours for over twenty years. The Chinese government has worked hard to sustain regional stability and has sought greater economic advantage and political influence, without compromising its primary territorial, security, or other interests. According to Sokolsky (2000), the Chinese government has employed a new security concept based on the five principles of peace and has used high-level diplomacy and other extensive political, economic, and military exchanges to build contacts and influence throughout its territory. A rising tension between China and the U.S. has spurred fears that the two countries could end up in conflict or recreate Cold War 2.0. The conflict between them is not inevitable, however, and unnecessarily aggressive strategies - the sources of rivalry- are likely to be counterproductive.

The economic frictions between the US and China are not a new issue. China's economic progression started in the early 1990s. From blaming China as the currency manipulator that resulted in a reduction of commodity prices in the global market in which caused a trade deficit to the US economy, eventually the US government constantly pressures China for Yuan reevaluation. The pressure for Yuan reevaluation has started since the time of former President Bush Jr.'s administration. During the Bush period, the government pressured the Chinese to correct the trade deficit so that American goods would be able to penetrate the Chinese market. The American government argued that the low cost of Chinese products had caused American goods' inability to compete with Chinese goods in the world's commodity market. The US government's attempt to invent trading disputes, intended to "manage" or force China by making their goods more expensive or less competitive via exchange rates in the world economy, has failed (Aslam, 2015).

The US government also accused China of practising unfair trade by subsidising its export price, which prompted the US government to impose a higher tariff rate on Chinese products in the early 2000s. Since the beginning of 2025, a second round of high tariffs, more than 100%, has been imposed on Chinese goods. The tariff policies not only hurt Chinese producers and exporters but will also dent exporters of the SEA countries. In trade, China and ASEAN members are connected through network trade or more specifically, the global supply chain. Therefore, the US trade protection measures will cause significant damage to the global supply

chain that was created by China and ASEAN. To tackle the impact of the US tariff policy, ASEAN and China had further engaged and strengthened economic ties in May 2025. RCEP, in general, has adopted a policy to strengthen the supply chain synchronisation amongst the regional members that has been disrupted by the US trade policies. RCEP consolidates China's role in setting trade and investment norms across Asia. The agreement's unified rules of origin, e-commerce provisions, and tariff reductions create a framework where Chinese firms benefit from scale and integration, while other countries adopt standards compatible with China's economic system.

Basically, the economic measures took by the US government to deprive China's economy in general had collapsed. As discussed earlier, the US government under the former President Mr. Obama adopted "political tools" through its TPPA initiative. By disregarding China from the TPPA, the US government was determined to segregate and discriminate against Chinese goods in the region. Furthermore, the government's policy was to restrain the ascendency of China's economic performance, besides weakening China's political influence in the region (Aslam, 2015). However, the move of Mr. Obama failed. The US government under Mr. Trump withdrew from the TPPA in 2017. Based on its trade policies and actions to sideline China in joining Free Trade Agreement (FTA) groups, the U.S. government has failed to curtail China's economic advancement and political influence. The strategies undertaken by the Chinese government i.e engaging closely, economically and politically, with the neighbours, such as participating in ASEAN-China FTA, ASEAN + 3, as well as in RCEP, have upgraded her profile exceptionally in the region and in the world, as well. RCEP is essential to SEA regionalism. China is the largest economy in SEA and plays a significant role in production networks and supply chains in the region (Yunling, 2022). The foundation of RCEP is rules-based economic networking and sustainable dynamism. RCEP is a unique opportunity for China to deepen its reform and opening up and enhance close relations with SEA (Yunling, 2022). China has become a trustworthy partner for members in the SEA region than the US.

Trade frictions between the US and China, although they have negative consequences for China and its trading partners and Trump's tariff policy have strengthened the economic cooperation between China and its partners in RCEP, especially ASEAN. China and ASEAN's economic partnerships, demonstrated in geopolitically turbulent times, show the propensity of regional economic integration. The RCEP and ASEAN+ China has made it easier for the economies to navigate global tariffs and supply chain disruptions (Armstrong & Drysdale, 2022; Huong, 2025).

To a certain extent, the RCEP is a rescuer for the economies of the RCEP countries. The establishment of regional production networks (or the establishment of supply chains) which was developed since 3 decades ago across SEA regions and given that the mega-FTAs such as RCEP was developed, this directly constructing a bigger network production in the region. ASEAN, plus China and Korea were deeply

integrated into regional supply chains. Under the clause of the rules of origin (ROO) of RCEP agreement allows products from one member to be processed or and repressed the products in another or second member. The product will be granted tariff concessions even the product re-produced in that second member (Terada, 2018). This system reinforces regional supply chains by allowing firms to easily move parts from one country to another. On the other hand, to minimize the effect of tariffs, Chinese companies, mainly involved in producing electronics and electrical and scientific instruments products move to ASEAN. Eventually, the investments stimulate economic growth and trade expansion. Therefore, in the long run, the US trade policy might have a small negative impact on RCEP members than on non-RCEP members.

## **Conclusion**

One of the major issues in regional economic integration development in Southeast Asia and the Asia Pacific is the role of China and the US and its allies in confronting the emergence of Chinese power in the region. The US is more concerned with how to control the region politically; however, Japan, in particular, is more concerned with economic matters or trade gain rather than building a coherent and sustainable relationship with Asian nations including members of ASEAN. Since China has established economic linkages with ASEAN and has become the second largest trade partner to the organization, this has posed a great concern to the US and their close allies. The US and Japan are worried to a certain extent about the growing economic and political influence of China in Southeast Asian. Therefore, they plan to block the realization of the Chinese government's vision to become the leader in economic cooperation regionalism in Southeast Asia. The US administration committed to safeguarding itself and its allies' interests in the Asia-Pacific and in Southeast Asia. One of the solutions to marginalize China's domination in the region was the formation of TPPA (CPTPP) in December 2009. Through the TPPA, the US was determined to marginalize China's economy through trade and market access in the region. If the move is a success, the government believes that China will be affected economically and politically. China noticed the US government's motive via the TPPA, so to hedge the US strategy, China has promptly developed new economic engagements or strengthened the existing cooperation with neighbor countries. China reinvented itself, with a new economic and diplomatic approach to dismiss any unwanted outcome of the US economic policies directed at it. Conversely, the issue of the South China Sea, which emerged in the early 1990s, may disrupt China's effort in maintaining pleasant economic and political ties with members of ASEAN (Rodolfo, 2006). If the relationship between China and ASEAN is heading toward political tension, we may see the US leading the Southeast Asia and Asia Pacific regions.

The US re-balancing strategy in the Asia-Pacific region has motivated ASEAN to form a new framework of economic cooperation and to speed the realisation of ASEAN+6 or RCEP. This move would maintain ASEAN's centrality and relevance in the region. RCEP is the most significant outcome of SEA's economic integration. The development of RCEP is crucial to stand against the CPTPP. Many developing countries ignore the CPTPP, since issues that are covered under the agreement will require significant reforms in domestic industrial and economic policies. These may raise challenges for developing countries that need economic reforms and for economies that have state-owned enterprises.

Even though RCEP and CPTPP have quite similar objectives, such as trade liberalization and economic integration, the RCEP is less ambitious than the CPTPP. The RCEP is less ambitious since the coverage of the agreement is less than the proposed one by the CPTPP. The CPTPPA is not an "ordinary" FTA agreement. It is a mini-multilateral trade liberalization which covers not only market access, and a number of critical subjects negotiated under the Doha round were brought into the CPTPP. The CPTPP covers not only those issues included in a regular FTA but also includes provisions for non-economic issues, which will be difficult for developing countries to agree on. In contrast, the RCEP offers flexibility, for example, allowing for decisions to be made through any agreed modality and enabling special and differential treatment of ASEAN members, enabling a more generous consideration of each nation-state's needs. RCEP appears to be more inclusive and flexible as it was designed to cater to diverse circumstances and development gaps within ASEAN and between ASEAN and its FTA partners. The RCEP is more an 'Asian approach' that's gradually liberalizing trade and investment. On the other hand, CPTPP agreement implicitly maintain modalities that were employed by the American government. The US allies in CPTPP are Japan, Australia and Singapore, and these nations strongly supported the American approach towards any policies that dealing with the Southeast and East Asian countries. Those nations, as discussed above, reluctantly favour the ASEAN approach on regionalism. Until today, the CPTPP is unable to undermine the effectiveness of ASEAN and China to a certain extent in developing fair and equitable trade liberalization through the RCEP, to a certain extent. While it is possible that RCEP and CPTPP may generate competition between the two trade arrangements, both had potential benefits to the participants.

RCEP is a trade bloc to integrate international trade, services and investment. Generally, the three modalities mentioned are also the main parts of the five FTAs mentioned at the beginning. The main objective of RCEP is to harmonize all agreements and facilitate economic integration. RCEP is good for economic development; however, in any FTA agreements there are members that will receive trade creation and others trade diversion. Usually, members that face trade diversion are less competitive in the international commodity market. Some will gain and some will lose.

The RCEP is not only an economic milestone for China, but also a geopolitical tool that reflects Beijing's broader strategy in the Asia-Pacific. China's participation in RCEP aligns with its goal to reshape regional economic governance that links to their own interests. China positions itself as a leader of multilateralism and economic cooperation, especially at a time when the United States has turned to selective and security-driven trade frameworks like the TPPA or CPTPP. Through RCEP, China strengthens economic interdependence with ASEAN, which is now its largest trading partner, ensuring that regional economies remain linked to China's market and supply chains, which in turn reduces the impact of US or Europe economic decoupling.

This paper has critically discussed China's influence within the RCEP. The RCEP integrates economic development with geopolitical objectives by establishing new global trade relations. As expected, the power transition theory illuminates the potential for shifts in global economic leadership and the associated geopolitical ramifications arising from China's strategic engagements within RCEP (Bharti & Kumari, 2024). From the 1970s and early 1990s, the SEA region was largely controlled economically by Japan. Japanese multinational investments established a network production in the region. However, politically, the Japanese government failed to lead the region, i.e the initiative created by ASEAN. The political gap remaining vague in the region was an opportunity for China, and since the early 1990s, China has gradually filled the gap. The establishment of RCEP provides a good platform for China to lead the region. The RCEP seems to serve as a conduit for China to apply hegemonic influence or to function as a more balanced platform for regional economic integration. The nations have received China's ascendance and thereby intensified the strategic rivalry with the United States (Bharti & Kumari 2024).

This paper suggests that China should play a leading role in RCEP without harming members economically and politically. Moreover, China should continue to strengthen diplomatic relations with RCEP members. Das (2015) suggested that RCEP must be established based on a harmonious society among economies. In recent years, political disputes between countries in RCEP, especially between China and Japan, have caused serious adverse effects on economic cooperation between the two sides. On this basis, China should actively improve its political and diplomatic relations with other member countries and strengthen their political and economic exchanges to ensure the smooth progress of RCEP negotiations.

This study had two limitations. First, an economic analysis of the benefits of the RCEP for each member is conducted. As presented, this study is descriptive rather than employing either a static or dynamic economic model. Advanced econometric methods are suggested to investigate the impact of RCEP on each member. The examination of economic benefits or losses should not only look at the aggregate level but should also focus on the industry level. Therefore, we can identify which type of sector or industry is affected positively or negatively. Secondly, the discussion about China's influence on the RCEP is generally a simple analysis without any perspective or tool of IPE. Therefore, to observe China's influence or the development of China's

soft power in the region, a specific perspective should be employed, such as realism, new regionalism, or other theories of IPE.

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