

## Looking at ASEAN Centrality in the Amidst of TPP and RCEP Mega-Regional Competition

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### **Abstract**

*This paper attempts to understand the progressivity of economic regionalism in Southeast Asia. Unlike previous researches, this paper will explain how the complexity of Southeast Asia region affecting liberalism in ASEAN. This can be seen from how the mega-regional competition between TPP and RCEP hinders ASEAN centrality, signified by the fact that Vietnam, Singapore, Malaysia, and Brunei chose to participate in both cooperation, despite knowing that RCEP should be part of ASEAN centrality agenda. This paper will pay attention on two types of condition: (1) understanding the transformation into mega-regional partnership in Asia-Pacific; (2) understanding the decision of four ASEAN countries who choose to participate in both mega-regional models. The theory which will be used in this paper will be the 'new trade strategy' developed by Aggarwal and Lee (2011). In the end, this paper finds that there is a renewal in perception, interest, and domestic institution in the creation of RCEP and TPP. Meanwhile, the decision of Vietnam, Malaysia, Singapore, and Brunei to participate in both RCEP and TPP is the result of rational calculation in terms of economic advantage, political economy, domestic structure improvement, and security. These four calculations can be seen in all country, especially those who utilize greater economic liberalization.*

### **Keywords:**

*FTA, RCEP, TPP, ASEAN*

## INTRODUCTION

Asia-Pacific region has been the centre of global economy. Despite facing the dark times known as 1998 Asian Crisis, the region has been able to rise to the top again and even maintain their position during the downfall of USA and European Countries in the year of 2008. By utilizing many strategic decisions to manage their crisis, the region is now known to the world as the new emerging power. In global trade sector, the trade volume percentage of East Asia region has increased from 10% in 1975 to 30% in 2008 (MacDonald & Lemco, 2011). Gradually, the nations in East Asia and Southeast Asia has transformed into an epicentre of world politics and economy. It is not an exaggeration that this era is also known as 'Asia-Pacific Century'.

It is worth mentioning that Asia-Pacific region has become an important economic locomotive during 2008 financial crisis. Since USA and Europe were unable to withstand the crisis, Asia-Pacific region became the sole actor which can prevent the great recession from turning into great depression. Because of that, Asia-Pacific region managed to gain more attention from USA which previously only concentrate in maintaining the stability of Middle-East region as a part of their 'War on Terror'.

The US shift into Asia-Pacific can be seen as a part of rebalancing strategy to China which has turned into their greatest rival by taking the most advantage from Asia-

Pacific success. This rebalancing agenda is very clearly seen from Secretary of State Hillary Clinton's article in 2011 Foreign Policy which stated that US agenda in Asia-Pacific is the newest priority. This strategy is later known as 'Asian Pivot'. One of the significant achievements made by Asian Pivot is the creation of Trans-Pacific Partnership (TPP).

TPP is an ambitious free trade agreement (FTA) which is said to be the biggest one in 21st century by involving 12 countries that represents 40% of world economy. The 12 countries involved in TPP are United States of America, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. By the virtue of its size, this cooperation model is known as mega-regional cooperation. At the same time, another mega-regional cooperation was also created that involves ASEAN countries, China, South Korea, Japan, India, Australia, and New Zealand known as Regional Comprehensive Economic Partnership (RCEP).

The existence of two mega-regional cooperation that is TPP and RCEP can be seen as a part of great power rivalries between China and USA. Between the rising China and US who wants to solidify their position in Asia, ASEAN is put in the middle as a contested prize. This situation becomes a challenge for either ASEAN member states and the regional institution of ASEAN itself. As the result of, ASEAN as an institution is getting weakened because four of its member states (Singapore, Brunei, Malaysia, and Vietnam) decided to ally to

both great powers by participating in both RCEP and TPP. In the end, this situation has put ASEAN's centrality agenda into question.

This paper is going to answer the question: Why Singapore, Brunei, Malaysia, and Vietnam decides to participate in RCEP and TPP eventhough it will sacrifice ASEAN's centrality agenda? However, before answering that question, this paper will first explore how the orientation of free trade partnership in Asia-Pacific changed from bilateral into mega-regional, especially in the case of ASEAN. The discussion in this paper will be separated into three parts. First, it will discuss the shift of free trade orientation in Asia-Pacific from bilateral into multilateral and then mega-regional. Second, it will answer the main question above. Finally, it will try to predict ASEAN's future.

## **THEORETICAL CONSIDERATIONS**

This study uses the theory of regionalism and new trade strategy. In the millenium era, regionalism are having significant development. The incorporation of economic activity in regionalism that evolved into expansion range can be seen clearly in the creation of TPP and RCEP. The change in FTA model from tight to expansive is seen as a policy reformulation agenda.

This paper will consider Aggarwal and Lee's New Trade Theory that mentions three main variables in explaining why the change happened (Aggarwal & Lee, 2011):

(1) Idea and Perception: A variable used by domestic actors who helped in developing policy to identify as well as translating external change in trade, where idea and perception from those main actors can give choice and alternative in trade strategy reformulation agenda for policy makers to tap into. (2) Interest: where main actors reconfigure their interest by giving preference to their choice of trade strategy reformulation policy. (3) Domestic Institution: where deep analysis regarding structure and process of policy making by government as well as the possibility of domestic retaliation to trade liberalization plan is an important factor in the reformulation of trade strategy.

At the same time, this paper will use another theory proposed by Aggarwal and Lee to see the reason or motive behind state's action in trade structure. This theory will be relevant to understand the decision of Singapore, Malaysia, Brunei, and Vietnam to participate in two mega-regional cooperation of TPP and RCEP (Aggarwal & Lee, 2011):

First, economic advantage. Aggarwal and Lee affirm that economic advantage calculation is one of an important part in trade liberalization agenda. Two indicators can be derived from this variable: (1) collective preference; (2) geographical factor.

Second, political economy consideration: Political economy factor shows that trade agreement between states in minilateral or bilateral model can create 'domino effect'

or bigger cooperation impact between each parties. Moreover, compared to making economic calculation as the sole basis to decide the direction of trade agreement, political economy consideration will push a country to initiate trade agreement and choose the right trade partner to reduce the negative impact of trade liberalization to domestic ground. Fundamentally, trade agreement should not only push forward the intensity of trade, investment, and technological transfer, but also have a role as an instrument to resolve domestic problems in both parties.

Third, motivation for domestic reformation: Initiative to create a trade agreement can also be caused by agenda to reform domestic industry. A country can make a trade agreement as an instrument to support industrial policy, whether to protect local industry or increase said industry's competitiveness. According to Aggarwal and Lee, negotiation in bilateral trade agreement can help to facilitate a country in making economic simplification, enhancement, or restructurization. In that kind of condition, trade agreement is utilized to support domestic reformation so the government can use that agreement to increase their political influence and reduce the retaliation to trade liberalization.

Fourth, diplomatic and security consideration: Strong country such as US connects diplomatic and security consideration in negotiating trade agreement, where it will be a form of appreciation to their allies. Not only US, China and Japan has a similar diplomatic strategy. As explained by

Aggarwal and Lee, trade initiative between China and ASEAN is basically Chinese diplomatic attempt to increase their political influence in ASEAN countries. The same can also be said to Japan that initiates free trade agreement as a part of strategic policy to affirm their existence in the region.

## METHODS

This study uses qualitative methods as an effort to relate one variable to another in a close and constructive manner using a general theoretical basis. Thus, this research in turn uses a case study approach. This approach is relevant because it helps the author to compare a country's attitude towards the choice of mega-regional cooperation. In the case study approach, it does not only help the author to describe an object of observation, but also illustrates the theory to interpret the secondary data through the theory of 'regionalism and new trade strategy'.

The case study approach in this research uses data elements that are sourced from literature studies. That is, this research positions the literature study as secondary data. The data sources come from official reports, scientific journals, books and monographs, and several other credible sources. The stages and strategies of the secondary data collection process are: (1) preparing the data to be used; (2) read the entire data that has been collected; (3) managing data to be classified as parts that will be described and elaborated through a theoretical guide; (4) linking all

distribution results to be described and explained in depth; (5) presenting the analysis as a qualitative report; and (6) classifying the meaning of the data that has been presented.

## RESULT AND ANALYSIS

### *Understanding Asia-Pacific: From Bilateral to Mega-Regional*

Economic Architecture in Asia-Pacific has displayed a condition of expansive regionalism. Economic partnership motive has been strengthened by the involvement of many countries from global power, middle power, to low power. Through free trade process, most country involved in the process has the same interest, that is to gain the most advantage. The atmosphere of economic liberalization can be felt very strongly in the current political-economy epoch. The continuation of that agreement is then directed to many kind of cooperation from bilateral, minilateral, to mega-regional.

Before entering the millenium era, the implementation of trade liberalization is still under the jurisdiction of World Trade Organization (WTO). In the end of 1990s, a number of Asia-Pacific countries have started to care about partnership scheme which centered on FTA. The FTA starts from the smallest form, that is bilateral. Bilateral FTA is actually an agreement that goes against WTO rules to reduce trade barrier.

Asia-Pacific has become the home of FTA in this millenium era (Dent, 2010). There

are some factors that explain how the orientation of this region moved from multilateralism to bilateralism. First, many countries has been frustrated by the lack of progress in WTO meeting (even Doha Round is yet to be finalized until today) and decided to lean on bilateral agreement as a pragmatic choice in trade liberalization (Desker, 2004). Second, some developed countries in this region tends to lean on the ‘WTO Plus’ model to deal with trade problems, such as investment, service, and intellectual property – and making FTA an instrument to develop liberalization in those sectors (Thangavelu & Toh, 2005). Third, the increasing intensity of developed countries in Asia-Pacific in practicing FTA has caused other countries to create their own FTA to neutralize the projected loss that they will experience (Dent, 2010).

This paper believes that the third condition happened as a shallow preference taken by developing countries. Indeed, the situation experienced by countries in the region is no more than geopolitical respond, instead of purely economic goals. Richard Higgot explains that this situation is a part of reward structure from security partner (Higgot, 2004).

The consequences from FTA proliferation is the affirmation that trade system in Asia-Pacific is no longer plain in the multilateral scheme, instead it is dominated by the complexity of bilateral agreement with its different purpose and designs. Aggarwal and Lee’s argument can be used to understand the sustainability of multilateralism model in Asia-Pacific that is getting

tighter and tighter between minilateral and bilateral. One of the important thing explained in Aggarwal and Lee's paper is that the changing partnership orientation in Asia-Pacific is caused by external shock. That external shock is meant to be 1998 Asian Crisis that strongly affects the transformation of trade liberalization.

Meanwhile, ASEAN member states has also been the center of attention in the shift of Asia-Pacific FTA. ASEAN countries have signed no less than 19 bilateral FTA since 2000 (World Trade Organization, 2017). The FTA partnership in this region is mostly between Asia-Pacific countries only. In 1993, all of the ASEAN member states have created their own free trade area known as ASEAN Free Trade Area (AFTA) – that decides on effective preferential tariff in between 0-5% for most of the intra-ASEAN trade. ASEAN's intention was to make the most out of economic globalization by expanding their FTA with other developed countries in Asia-Pacific, such as China, Japan, South Korea, India, Australia, and New Zealand. This practice is later known as 'ASEAN Plus'.

Table 1.  
ASEAN's FTA Activity

	<b>Start of Negotiation</b>	<b>Effective From</b>
<b>AFTA</b>		1993
<b>China</b>	1999	2005
<b>South Korea</b>	2004	2007
<b>Japan</b>	2005	2008

<b>India</b>	2004	2010
<b>Australia – New Zealand</b>	2005	2010
<b>European Union</b>	2007	<i>Under negotiation</i>
<b>ASEAN+6 (RCEP)</b>	2013	<i>Under negotiation</i>

*Source: ADB, 2017.*

However, the emergence of bilateral FTA has caused two problems which have serious consequence to the process of regional integration in Asia-Pacific. First, in accordance to the 'quality' and the quantity of the FTA. Most of the bilateral FTA in this region are having a relatively low trade volume which suggests that there are still many trade sectors unaccommodated by the FTA (Dent, 2010).

Many important sectors are actually excluded because of excessive state protection, such as finance and agricultural (Ravenhill, 2008). To put it simply, ASEAN-China FTA rarely resolves or deals with the 'WTO Plus' problems – investment, intellectual property, and technical limitation in trade (Capling & Ravenhill, 2011). Consequently, bilateral FTA in Asia-Pacific fails to fulfill its promise to actualize trade liberalization (Capling, 2008). Second, the bilateral FTA condition has created 'noodle bowl' syndrome due to the lack of coherence between the overlapping FTA. The term noodle bowl or spaghetti bowl refers to a region that has many different trade agreement and overlaps each other. For

developing countries, this situation is a hindrance to their middle-level business activity. This situation happens due to many trade commitments that make it hard to be organized.

Unlike multilateral cooperation through WTO (that imposes single rules on trade and consistent to each members), bilateral FTA has a complex and expansive rules. Every agreement covers and even exclude different sectors which allows every country to have different commitment in reducing tariff. It also has different rules, such as technical standard, rules of origin, and investment protection. In the end, those inconsistency hampers regional trade system since every country will definitely have different rules for each FTA partners (Capling & Ravenhill, 2011). This condition eventually deepens the trade conflicts (noodle bowl).

The bilateral FTA phase has happened for a long time, at least one decade. Slowly but surely, the countries involved in it are starting to realize the problem of Bilateral FTA. Still, they insist to take advantage of this momentum in market liberalization. On 2010, Asia-Pacific countries are making a reorientation on their trade policy by emphasizing regional initiative instead of bilateral. The shift in discouse takes place as soon as the negotiation for the creation of mega-regional cooperation known as TPP and RCEP began. The existence of this two mega-regional cooperation can be seen as the solution to noodle bowl syndrome. Ironically, despite their previous attempt to put an end to multilateralism by using only

bilateral agreement, Asia-Pacific countries now try to revive multilateralism again by using regionalism.

Mega-regional cooperation is a new phase for Asia-Pacific. By using Aggarwal and Lee's theory, we can see a reformulation for trade policy in this phenomenon by three factors: (1) through idea and perception, some developed countries in Asia-Pacific experienced great loss due to many sectors in FTA tends to be protected. This creates an urgency to create new agreement; (2) the interest agenda is the derivative of previous activity by the virtue of reconfiguring their interest and offering new preference, such as TPP that covers a lot more issue; (3) Domestic institutions then became the feedback of previous interest in which a country must gained a confirmation from their domestic institutions, such as Japan that is currently waiting for the confirmation from Japanese parliament (The National Diet).

On the other side, John Ravenhill assess the strenghtening of regionalism will increase the coverage range of an FTA. This assessment is based on East Asia activity. Ravenhill emphasizes the strategic role of regionalism as a trigger for countries to initiate or join FTA (Ravenhill, 2004). One of the strategic role of regionalism is to strengthen the capacity of member states in a regional organization to negotiate better in the creation of an FTA. Moreover, regionalism also contributes by giving positive influence and confirmation to countries previously resistant to FTA. But on the other side, an ineffective regionalism

can also cause the creation of new approach in trade liberalization.

This paper believes that the emergence of mega-regional cooperation is caused by APEC's failure. This led many countries to reformulate their trade liberalization policy in the regional level. TPP starts from an FTA known as 'Pacific 4' agreement – signed by Brunei, Chile, Singapore, and New Zealand on 2006. The P4 Agreement slowly became popular in many countries (especially Asia-Pacific), since it offers a 'high quality' agreement. On 2008, USA shows their interest to participate in TPP. This paper sees US' preference as not only a move to promote economic liberalization and financial service, but also two main agenda: (1) to deal with the external shock caused by 2008 Financial Crisis; (2) to rebalance China's dominance in Asia-Pacific.

The TPP is said to provide greater impact than the usual bilateral FTA which was said to have 'low-quality' and 'low-impact'. The actos behind TPP truly intends to liberate every trade sector and improve WTO's rules. More than 20 trade sectors were planned to be a part of this agreement, such as government procurement, environmental standardization, financial service, intellectual property, and investment protection (TPP, 2017). Every TPP members commits to be able to give a confirmation in the form of comprehensive agreement that covers all of the existing trade sector and avoids any form of exclusion or protection which was a common practice in bilateral FTA.

Clearly TPP was seen as a 'living agreement' which pushes all of the countries involved to join in the negotiation rounds of TPP. For Capling and Ravenhill, TPP's ambition can be seen as its main advantage, since this trade institution is the best strategy to deal with the problems of quality in the previous Asia-Pacific FTA (Capling & Ravenhill, 2011). The US' involvement definitely gives significant influence since they have their own motive in trade liberalization. Meanwhile, the mega-regional discourse in Asia-Pacific is followed by the resolution of RCEP. This agreement began with two FTA proposals created on 2006. The two FTA proposals are East Asia Free Trade Area with China as its leader and Comprehensive Economic Partnership in East Asia led by Japan. After the discussing session, it was decided that the two proposals will be fused into single initiative led by ASEAN on 2011 and the official negotiation began on 2013.

The main purpose of RCEP is to multilaterate every regional trade system by combining all of ASEAN's trade partners. The fundamental difference between TPP and RCEP is that while TPP tries to resolve the quality problem in the current FTA, RCEP actually concentrate on dealing with the noodle bowl problem which causes inconsistency and overlap. The attempt to resolve noodle bowl phenomenon by RCEP can be seen by its form of agreement which is more relax compared to TPP. RCEP's main focus is on the trade of goods and integrating ASEAN +5 FTA into single agreement which is immediately followed by negotiation to reduce tariff (RCEP,



2017). The RCEP itself has six non-tariff issues (compared to TPP which has twenty). RCEP's downside is that the parties who negotiate is not very specific on what they truly agreed in this sector. In the end, RCEP has a much more limited coverage compared to TPP.

The parties involved in RCEP has agreed that they will put emphasize on "ASEAN Centrality" as their guiding value. ASEAN centrality is a principle that stated how

ASEAN as a regional body can deal with its external relations, including but not limited to negotiation and trade. However, concrete definitions are very scarce and the commonly used one is very broad to be called a definition. To put it simply, ASEAN centrality refers to solidarity between ASEAN members to face problem from outside of their region (Petri & Plummer, 2014). The table below lists the difference between these two mega-regional cooperation.

Table 2.  
Comparison between RCEP and TPP

	<b>RCEP</b>	<b>TPP</b>
<b>Membership</b>	16 Asian Countries <ul style="list-style-type: none"> <li>• 10 ASEAN Countries</li> <li>• 6 ASEAN Partners: Australia, New Zealand, South Korea, and India</li> </ul>	12 Countries in Pacific Area <ul style="list-style-type: none"> <li>• 7 members from Asia (who also participated in RCEP): Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam</li> <li>• Along with Canada, Mexico, Chile, Peru, and US</li> </ul>
<b>Status of Negotiation</b>	<i>Ongoing</i>	<i>Concluded</i> <ul style="list-style-type: none"> <li>• Signed on February 2016</li> <li>• Japan and New Zealand is currently waiting for confirmation from their respective legislative institute</li> <li>• US under Donald Trump has decided to withdraw from TPP membership</li> </ul>
<b>Coverage</b>	Contains six area of discussion <ul style="list-style-type: none"> <li>• Goods, service, investment, e-commerce, intellectual property, development, legal framework, and some standard</li> </ul>	Contains thirty area of discussion <ul style="list-style-type: none"> <li>• More than RCEP where there are more complex agreement that is government procurement, regulatory coherence, competition policy, environment, labor, legal framework, standardization, etc.</li> </ul>
<b>Depth of Coverage - Goods</b>	Medium <ul style="list-style-type: none"> <li>• Agreements are not yet finalized and the early</li> </ul>	Very Deep <ul style="list-style-type: none"> <li>• Each kind of goods</li> </ul>

	<p>signatories are not yet promising</p> <ul style="list-style-type: none"> <li>• Example: tariff coverage can reach 80% (20% for exception) and not every tariff reach 0% even on the full implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Tariff goes down to 0%, including goods that belong in exception</li> </ul>
<b>Depth of Coverage - Service</b>	<p>Medium</p> <ul style="list-style-type: none"> <li>• So far, service sector is not getting enough attention and some sectors remain closed</li> </ul>	<p>Very Deep</p> <ul style="list-style-type: none"> <li>• Every service sector is opened widely, except for some companies stated explicitly</li> </ul>
<b>Depth of Coverage - Investment</b>	<p>Deep</p> <ul style="list-style-type: none"> <li>• This sector is much more promising than the others because all RCEP members need inbound investment</li> </ul>	<p>Very Deep</p> <ul style="list-style-type: none"> <li>• Each investment sector is opened widely for every company belongs to the member states</li> <li>• Strong insurance for investment who wants to enter trade activity such as tobacco</li> </ul>
<b>E-Commerce</b>	<p>Should be correct</p> <ul style="list-style-type: none"> <li>• RCEP members should get more benefits from this sector, especially for small sized company</li> </ul>	<p>Great</p> <ul style="list-style-type: none"> <li>• The agreement has protected digital trade and e-commerce. New rules included for the data flows, encryption, and source code.</li> </ul>
<b>Government Procurement</b>	<p>Not yet created</p>	<p>Opened for each company belongs to member states</p>
<b>Competition</b>	<p>Created, but unclear</p> <ul style="list-style-type: none"> <li>• A strong willingness from domestic government is required, because the commitment for competition policy is still low</li> </ul>	<p>Created and strong</p> <ul style="list-style-type: none"> <li>• Mechanism for competition policy is stated in two articles, including rules for state-owned companies.</li> </ul>
<b>Trade Facility and Customs</b>	<p>Created but unclear</p> <ul style="list-style-type: none"> <li>• This should be a place to actualize a rules-abiding ASEAN centrality</li> </ul>	<p>Special rules</p> <ul style="list-style-type: none"> <li>• TPP covers many new requirements, including self-certification, advanced decision, and deadline for some customs</li> </ul>
<b>Intellectual Property</b>	<p>New rules</p> <ul style="list-style-type: none"> <li>• Members of RCEP is currently expanding rules on intellectual property, especially for digital trade</li> </ul>	<p>New rules</p> <ul style="list-style-type: none"> <li>• TPP creates new requirements for intellectual property sector in almost every existing category</li> </ul>
<b>Environment</b>	<p>Not exist</p>	<p>TPP rules explains environmental aspect in a special article that stated trade commitment that protects environmental wealth, such as the</p>

		banning of illegal logging, trades of engangered species, etc.
<b>Labour</b>	Not exist	TPP has a special article to regulate labour that covers labor rights protection
<b>Small &amp; Medium Enterprises (SMEs)</b>	Not exist but should be included in a special article	TPP cares about the development of SMEs but has not include it in a special article yet
<b>Development</b>	Strong commitment <ul style="list-style-type: none"> <li>RCEP explicitly accepts trade development and allows flexibility for development state followed by capacity-building program</li> </ul>	Limited commitment <ul style="list-style-type: none"> <li>TPP has a normative power to make each member complies with the agreement without exception</li> </ul>
<b>Accession Clause</b>	Not finished <ul style="list-style-type: none"> <li>The criteria for appointing new members done through ASEAN agreement (FTA pattern)</li> </ul>	Finished <ul style="list-style-type: none"> <li>The criteria for appointing new member is not limited to only APEC members</li> </ul>
<b>What's Next?</b>	Continuing negotiation <ul style="list-style-type: none"> <li>RCEP has four rounds which are scheduled to be finished around 2017</li> </ul>	Domestic ratification? Deadlock? <ul style="list-style-type: none"> <li>There is no clarification for the future of TPP after US withdraws its membership</li> </ul>

### Why Chooses Both?

In answering the question regarding the reason Singapore, Malaysia, Brunei, and Vietnam decides to participate in TPP and RCEP, this paper will refer to five main factors. The first is economic advantage. In recent years, trade liberalization has paved the way for these four's economy. At least three out of this four has gained significant advantage under the free trade model such as FTA and ASEAN +6. The data below shows trade interdependence in different activities:

Table 3.  
Trade Interdependence

ASEAN +3		RCEP		TPP	
2002	2012	2002	2012	2002	2012

<b>Singapore</b>	123.14%	131.28%	133.95%	148.22%	124.18%	83.09%
<b>Malaysia</b>	85.25%	77.84%	91.79%	87.49%	89.13%	55.63%
<b>Brunei</b>	61.57%	74.99%	68.75%	91.99%	54.97%	62.32%
<b>Vietnam</b>	48.94%	80.8%	54.4%	86.89%	37.87%	48.44%
<b>Cambodia</b>	25.19%	48.11%	25.68%	49.37%	33.63%	38.64%
<b>Indonesia</b>	22.61%	25.83%	25.55%	29.04%	22.98%	19.08%
<b>Laos</b>	-	84.5%	-	85.7%	-	-
<b>Myanmar</b>	-	80.80%	-	90.5%	-	-
<b>Philippines</b>	39.89%	24.98%	42.09%	26.34%	52.4%	20.1%
<b>Thailand</b>	48.62%	67.69%	52.35%	74.67%	52.61%	51.05%

Source: NEAT China, 2014.

Then, Singapore, Malaysia, and Vietnam has gained significant advantage under free

trade scheme (see Table. 4). The second factor is political economy consideration. This factor has a different approach with economic advantage. Political economy consideration shows that trade agreement between states can create ‘domino effect’ or wider impact of cooperations for each parties. The trend of ASEAN countries (see Table. 5) shows that Singapore, Malaysia, and Brunei have a significant GDP, but Vietnam’s GDP is the smallest compared to those three. However, political economy consideration can unite their preference to TPP and RCEP as a full liberalization act. Under the intensity of free trade process that requires wider actor coverage, those four view RCEP narrow-mindedly – they want a far-reaching trade of goods that goes beyond Southeast Asia which is provided by TPP in which members included country from Latin America. The next step for these four countries by participating in TPP is to resolve trade conflicts which is not possible under ASEAN FTA. Therefore, TPP becomes an instrument to resolve political conflicts of parties involved.

Table 4.  
Implication of Regional Trade Liberalization

	Worldwide	FTAA	ASEAN+6	ASEAN+3	TPP
<b>Singapore</b>	3.53	2.42	3.15	2.71	0.97
<b>Malaysia</b>	12.34	9.43	8.27	7.53	4.57
<b>Vietnam</b>	37.50	34.75	23.42	23.13	12.81
<b>Indonesia</b>	4.71	3.64	3.69	3.00	-0.36

<b>Philippine</b>	6.00	6.07	4.60	4.42	-0.39
<b>Thailand</b>	26.35	20.24	17.03	16.31	0.89

Source: Kenechi, 2011.

Table 5.  
ASEAN Countries: GDP/Capita in U.S. Dollar

	2008	2010	2012	2014
<b>Indonesia</b>	2,418.04	3,178.13	3,744.53	3,533.61
<b>Malaysia</b>	8,646.57	8,920.48	10,655.46	11,008.87
<b>Singapore</b>	39,722.15	46,569.40	54,716.74	56,959.32
<b>Philippines</b>	1,941.41	2,155.41	2,591.63	2,849.27
<b>Thailand</b>	4,379.53	5,065.38	5,850.27	5,933.27
<b>Brunei</b>	42,678.82	35,437.22	47,736.29	41,630.54
<b>Cambodia</b>	741.86	781.91	945.17	1,091.49
<b>Laos</b>	1,013.82	1,242.96	1,640.94	2,075.14
<b>Vietnam</b>	1,154.49	1,297.23	1,751.68	2,048.95
<b>Myanmar</b>	704.11	996.63	1,181.92	1,275.29

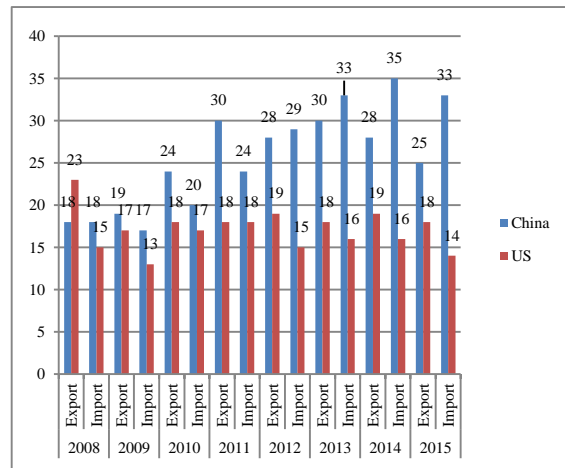
Source: Statista, 2018.

The third factor is motivation for domestic reformation. The most significant thing pursued by some countries, such as Malaysia, Brunei, and especially Vietnam is to change their trade model which previously concentrates on raw goods to manufacture. This is achieved not only by changing trade orientation, but also by reforming domestic industry. A country can make trade agreement an instrument so support industrial policy, whether to protect

small local industry or increasing its competitiveness.

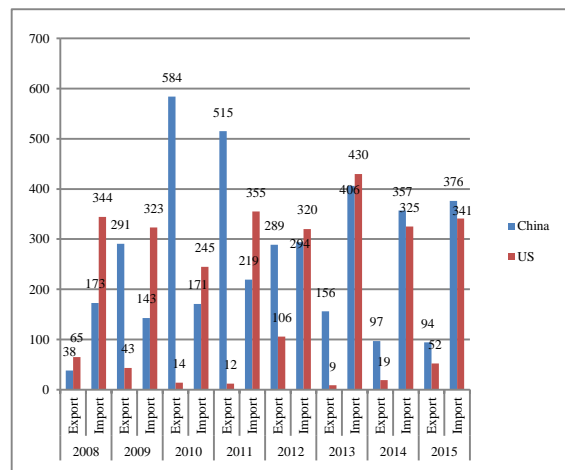
The last factor is diplomatic and security consideration. The existence of powerful country such as US and China becomes an important preference to explain why Singapore, Malaysia, Brunei, and Vietnam decides to participate in RCEP and TPP. US and China has a high trade interdependence with those four countries, as well as political relations. This paper views that decision as a bandwagon to place themselves between great power. The trade liberalization phenomenon requires strong backing from powerful and hegemonic country. The four ASEAN countries have different behavior in positioning themselves to those powers. The political relations between US and Singapore and Malaysia is relatively close, but economic trends show that they are closer to China. Brunei is pragmatic in their position, while Vietnam is a special case due to their tenuous relationship with US as the result of Vietnam War. However, Vietnam has risen to be an economic power specialized in manufacture which needs TPP. This move is not to be seen as Vietnam’s effort to fix their relations with US but as their effort to participate more in trade liberalization.

Graph 1.  
Malaysia 2008-2015 (in billion)



Source: Data processed from aseanstats.org.

Graph 2.  
Brunei 2008-2015 (in million)



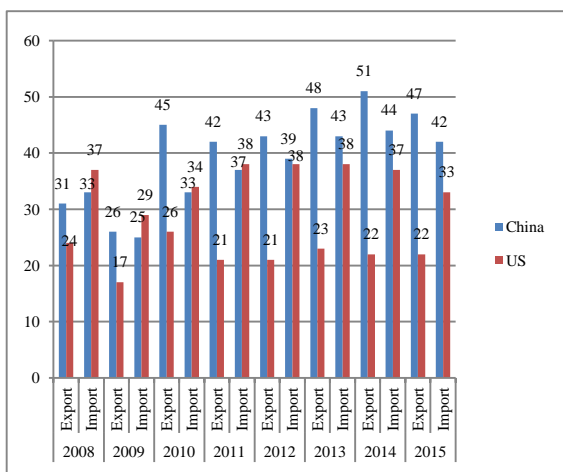
Source: aseanstats.org.

This paper justifies the participation of those four countries in TPP and RCEP as a balancing instrument with China and US. Before US withdraws from TPP, some views that the economic rivalry in Asia-Pacific will be much greater with China. TPP can be seen as US’ expansion of their ‘Pivot to Asia’. Jagdish Bhagwati

mentions that this is a strategy to deter China’s economic power in the region (Bhagwati, 2017). On the other hand, China’s position is to balance US’ pivot by actively pursuing RCEP. This rivalry situation means that countries did not only choose between TPP and RCEP out of economic calculation only but also political consideration. US and China is the true rival in this era. The economic expansion of those two countries can be seen in their fierce trade competition. On 2008, the Global Financial Crisis has slowed down global economy, especially US. However, the crisis did not affect China significantly. Because of that, China can catch up to US in terms of economic power. This factor might explain why Singapore, Malaysia, Brunei, and Vietnam view China as a special country. Therefore, it can be said that those four countries decide to participate in RCEP and TPP due to the existence of US and China that can guarantee them advantage in terms of trade.

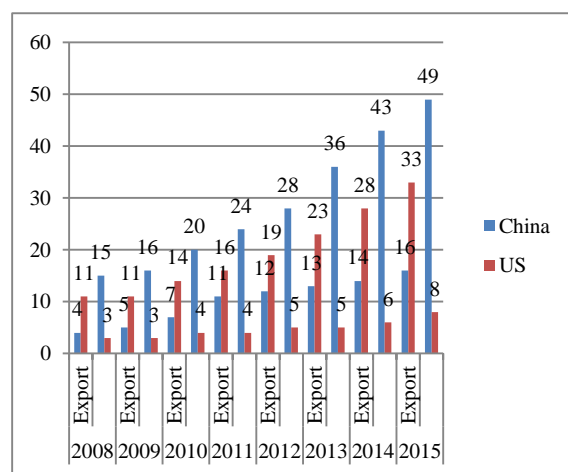
After looking at five factors above, the next questions that must be asked is whether countries in this region ready to move into total trade liberalization? It seems that in every free trade agreement, development country always tries to make an exception to some sectors. If this kind of condition remains, then RCEP might be the more effective institution. The reason being is that RCEP does not need its members to concede on some sensitive area, such as investment, intellectual property, and agriculture. Moreover, the huge gap in development between members of TPP from Latin America and Southeast Asia (except Singapore) to the rest means that developing countries must compete with developed industrial countries such as Australia and Japan. There is a possibility that only developed countries with more capacity who will be able to fully utilize the benefits of trade liberalization.

Graph 3.  
Singapore 2008-2015 (in billion)



Source: aseanstats.org.

Graph 4.  
Vietnam 2008-2015 (in billion)



Source: aseanstats.org.

### ***The Current Challenges for ASEAN's Centrality***

It can't be denied that the existence of powerful countries, such as US and China, provides opportunity and threat for ASEAN. To put it simply, the opportunity can be seen from how those powerful countries will be able to protect and maintain a trade cooperation as huge as RCEP and TPP. On the other hand, the threat can be seen as the potential for ASEAN Centrality principle to be weakened due to some of ASEAN members were more outward looking instead of inward looking. The mega-regional competition that approaches ASEAN between TPP and RCEP has put a big question mark for the attempt of regional integration in Southeast Asia.

Based on ASEAN's current experience, there are two main challenge that they must deal with: (1) The deepening of intra-ASEAN integration; (2) the conflicting and competing interest between powerful countries. However, before dealing with those two problems, we must first understand ASEAN's characteristic in global economy. Some of ASEAN's defining characteristics are: (1) ASEAN is an open regionalism; (2) economic growth of the member states are increasing in a complex manner; (3) ASEAN belongs to a geographical condition known as Asia Pacific Century.

Basically, ASEAN must deal with those two problems by managing the rivalry between great powers in Southeast Asia and creating a regional stability. In order to

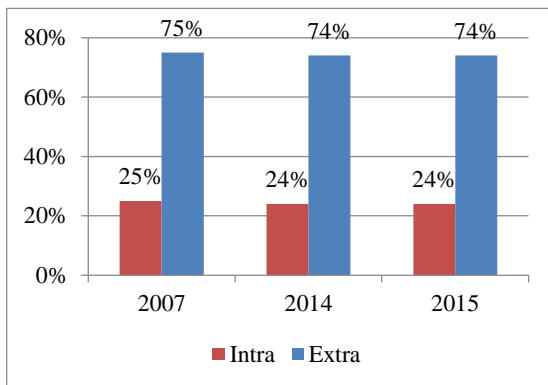
do that, ASEAN should return to the principle of centrality and solidarity as a complete nexus. ASEAN's internal solidarity is the only way for this institution to prevent any political economy risk that could happen. Solidarity is an inevitability from the collective power of uncertain global change, such as the US under Donald Trump that withdraws their TPP membership. The complete existence of collective power can have strengthen ASEAN's bargaining power in facing the interests of powerful countries, instead of fighting it all out which will provide more risk. One of the risk is the weakening of regionalism.

Solidarity and collectivity will make ASEAN tougher, especially in dealing with the external power of US and China. The creation of RCEP reflects ASEAN's principle on centrality. Therefore, RCEP can also be said as ASEAN's collective strategy to respond the changing nature of global economy. ASEAN as an economic power is one of the important aspect in RCEP forum. What we mean by economic power for ASEAN in this paper is an economy that is deeply integrated among its member states.

RCEP can be seen as ASEAN's modality in strengthening their integration along with their bargaining power against external power. However, despite how RCEP put ASEAN as a driving force, this privilege can not be taken for granted due to China's dominance in the forum. Sometimes, in a regional forum, some countries must face obstacle due to their different position in

implementing market liberalization. Hadi Soesastro expresses his anxiety to ASEAN by saying that “*ASEAN is too big, but too small* (Soesastro, 1995).” What he means by ‘too big’ is the economy of ASEAN member states which is very diverse and progressive in term of growth. The complexity in the end becomes a hindrance for ASEAN’s intra-economic integration. A shallow economic integration can be seen by the intra-ASEAN trade flows that shows how each members are competing to achieve more advantage in bilateral trade. This kind of practice will only obscure ASEAN’s regionalism further.

Graph 5.  
Trade of Goods Intra and Extra ASEAN



Source: ASEAN, 2016.

The pie chart above shows how extra-ASEAN trade is more common than intra-ASEAN trade. In fact, China is the number one country that interact with ASEAN in terms of export and import. Interestingly, China’s trade portion in ASEAN was only 9.1% on 2007 while US was 12.3%. On 2015, the position was reversed with China in 11.3% followed by US in 10.9%. The rise of China as the number one ASEAN’s

partner in trade correlates with the more outward looking structure of most ASEAN countries. Instead of growing together as a regional economic power, ASEAN countries decide to find their own money from outside of the region, proven by how the average value of intra-ASEAN trade never went above 40%. The only ASEAN country which commits to intra-ASEAN trade scheme is Laos that has 71.2% of their product exported to fellow ASEAN countries and import 56.1% product from ASEAN countries as well (ASEAN, 2016).

The explanation above has proven that ASEAN must still deal with its basic problem, that is weak internal integration. According the economist shows that the fundamental modality of process to deepening economic integration, ASEAN must increase intra-regional’s trade value above 40% (Zainal & Rosli, 2013). This is not easy to reach the level of trade from the average of the last 10 years which is only around 24%, because there are various obstacles. The biggest problem is the availability of physical infrastructure such as limited modes of transportation of goods.

Meanwhile, the external trade activity is more concentrated to China, US, and European Union. This means that the regional integration under the banner of ASEAN Community is still questionable at best. Comparing between RCEP and TPP, this paper believes that RCEP is more advantageous for ASEAN because its creation is largely based on the principle of ASEAN centrality. It means that RCEP truly reflects ASEAN’s interest the most.



RCEP members have agreed that ASEAN will be its focal point and will embrace the value of 'ASEAN Way' (Petri & Plummer, 2014). Termsak Charlermpalanupap believes that this situation is actually beneficial to strengthen ASEAN's centrality. The modality to strengthen it will appear when every ASEAN member collectively face the current dynamics of great power rivalries. ASEAN centrality will appear when this institution has helped to protect each of its member from excessive external pressure. This act will create a preference for each member to place one of the external power as an enemy (Charlermpalanupap, 2014).

In the end, RCEP also has a potential to strengthen ASEAN centrality, despite the act of four member states to participate in TPP as a pragmatic move to further their economic advantage. The next thing that must be anticipated is the future of TPP without US – will it last? Under that kind of condition, RCEP is the only way to strengthen ASEAN's position in the middle of increasingly-complex global trade situation.

## CONCLUSION

The trade complexity in Asia-Pacific is ever-changing. After 1998 Asian Crisis, countries in Asia-Pacific set their sight on bilateral model of FTA due to their belief that the multilateral one is ineffective. This situation changes again in the late 2010 with the return of multilateral FTA under the guise of regional integration. Two mega-regional cooperation rises from this

situation – the TPP and RCEP, each got endorsed by the vying great powers in the region – The US and China. ASEAN is situated in the middle of these rivalries between US and China and decide to pursue an agenda of centrality through RCEP. However, ASEAN's centrality agenda is stagnating due to the decision of four of its member states to also participate in TPP.

It can be concluded from the discussion above that the decision to participate in TPP as well as RCEP is caused by the lack of openness in RCEP. Singapore, Malaysia, Brunei, and Vietnam are countries that welcomes trade liberalization with open arms and has been able to gain significant adbantage from it. Because of that, TPP looks more promising in their point of view. Moreover, the existence of great power rivalries between China and US makes them feel much more secured if they can maintain good relationship with both of them by participating in RCEP and TPP. In the end, this country truly believes that pragmatism and national interest must come first before solidarity and centrality.

As for suggestion, this paper believes that ASEAN centrality is an agenda worth fighting for and that's why focusing on RCEP would be the wisest choice for ASEAN countries. However, this paper also notices that centrality as an agenda is still under developed and very lacking in terms of definition. A hard and clear definition is required to bind all of ASEAN countries into the same goal and create solidarity. This can be done by including more benefits for RCEP members to

prevent them from looking at other trade agreement. Once again, ASEAN centrality is an important agenda and ASEAN must use any possible means to solidify it.

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