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Multilateral Matters

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Expert Talk: The RCEP as a Political Exercise and a Tool for Deeper Economic Integration

The First Meeting of the Regional Comprehensive Economic Partnership (RCEP) Trade Negotiating Committee was held on 9–13 May 2013 in Brunei where officials of the 16 participating countries—the 10 ASEAN member states and its free trade agreement (FTA) partners Australia, China, India, Japan, South Korea and New Zealand—agreed that the RCEP will improve, rather than replace, the existing ASEAN Plus One FTAs and reiterated that “provisions for special and differential treatment plus additional flexibility to the least-developed ASEAN member states” will be included to make allowances for the different levels of development of the participating countries.

The flexibility clause has raised fears that the RCEP will ultimately result in bringing minimal changes to the region's current trade architecture. Achieving consensus among all RCEP participating countries may lead to agreements based on the lowest common denominator given the diversity among the 16 economies. In contrast, membership in the Trans-Pacific Partnership (TPP) involves a stricter set of standards, being a “high-quality, twenty-first century agreement” with ambitious agreements on areas such as intellectual property rights, labour standards and competition policy.

Given the upcoming deadline (end-2015) and the complexities of the current regional trade architecture, what are the prospects that the agreements will make a significant impact on the region's trade and investment liberalisation? Does the RCEP run the risk of being more of a political exercise to strengthen ASEAN centrality than a tool to further deepen economic integration in the region?

Peter Drysdale

*Emeritus Professor, Crawford School of Public Policy
Australian National University*

Negotiation of a traditional FTA (even a so-called high-standard twenty-first century agreement) is unlikely to address the issues that will drive deeper economic integration. Nor will the RCEP succeed in that unless it goes beyond the established framework of FTAs. So there are risks that it would not advance regional integration. But ***it certainly can if it first, sets goals for integration, consistently with those of the ASEAN Economic Community (AEC) and second, adopts an innovative approach to delivering its trade, investment and structural reform goals*** through front-ending down payments by 2015 and agreement on end-point goals (that will be appropriately delivered on differential paths) by say 2025. Hence, neither of the aforementioned limitations prevents the RCEP from being a radical and effective approach to regional integration.

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Source: ASEAN Secretariat

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Christopher Findlay

Executive Dean

University of Adelaide

The contribution of the RCEP will depend on whether it adopts a top-down or bottom-up approach. A top-down approach would require new negotiations and would lead to a greater “lasagne risk”, with many layers of overlapping multi-country agreements. A bottom-up approach would build on the existing plus-one agreements between each of the members. This approach would not be easy either because of the diversity of agreements, but it may offer a more substantial outcome and could strengthen existing supply chains. ***If the members can agree early enough, RCEP members can make significant progress because of their collective size and the complementary nature of their economies as long as it has some higher-level principles.*** Without them, there is still the risk of the “lasagne outcome”. The promotion of multilateralisation can be used as a guiding principle as members would pass on established preferences to non-members, providing a way to manage the “lasagne risk”.

These comments are based on an article written by the contributor ([The Living Noodle Bowl: ASEAN Trade Agreements, East Asia Forum, 29 March 2013](#)).

Helen Nesadurai

Associate Professor and Deputy Head of School (Education)

Monash University Malaysia

ASEAN’s preference for flexibility ***does not imply that the RCEP is merely “for show”***; ASEAN governments are well aware of the economic benefits that the RCEP will provide through access to a larger market, greater scale economies for production and other economic complementarities. In fact, experience shows

that flexibility has paradoxically been valuable in sustaining ASEAN commitment to regional liberalisation and integration. Thus, ***the RCEP will over the longer-term impact positively on regional trade and investment liberalisation but it is not a “magic bullet” for regional liberalisation and integration.*** On the political side, the RCEP is certainly a means through which members will maintain and enhance ASEAN’s centrality in the regional economic architecture, especially with numerous bilateral FTAs mushrooming in the region and with the TPP now making headway. But, ***we should not see RCEP purely as a tool to enhance ASEAN centrality.***

Edmund Sim

Adjunct Associate Professor, Centre for International Law

National University of Singapore

The mainstream media too often presents the RCEP and the TPP as a geopolitical choice for ASEAN between China and the United States. This is a false choice. Rather, the RCEP and the TPP offer two distinct opportunities for ASEAN and its trading partners. ***Despite the fact that much of the RCEP will inevitably focus on harmonisation of existing ASEAN Plus One FTAs, the enormous value of such an exercise should not be discounted.*** Furthermore, ***RCEP provides the “Plus One” partners a forum to push the ASEAN members to increase economic integration among themselves through the AEC.*** The impetus for the AEC was born from the external pressures of the 1997–1998 Asian financial crisis, so perhaps external pressure will help deliver the AEC by end-2015. The TPP, on the other hand, will remain more of an aspirational goal for most of ASEAN, which is as it should be, given the TPP’s very high standards. ***What we will see by 2016 is the birth of a two-speed Asia, with the TPP operating at a higher speed than the RCEP.*** This is not optimal, but it may be the best available outcome of these talks.

ADB Director of Research Gives Lecture on the Challenges Facing Asia’s Production Networks

ADB Director of Research Dr Ganeshan Wignaraja spoke to RSIS students and staff on “Asia’s Production Networks and Free Trade Agreements in Turbulent Times” on 8 May 2013 at the RSIS Lecture Theatre. The seminar was moderated by Associate Professor Pradumna B Rana, Coordinator of the RSIS International Political Economy Programme.

Wignaraja’s presentation focused on the dynamics of the region’s production networks, the prevailing policy landscape and challenges towards further trade liberalisation. He noted how East Asia’s rise as the global factory over the decades has led to the spread of global production networks and the movement towards outward-oriented strategies. However, residual impediments—such as limited involvement of

economies outside East Asia, slow participation of small- and medium-sized enterprises, multiple rules of origin and sluggish services trade liberalisation—hinder further progress.

Another pressing issue facing Asia’s production networks is the evolving trade policy landscape and the region’s multi-track approach in FTAs as it simultaneously pursues unilateral, plurilateral, regional and multilateral paths. Wignaraja raised the possibility of consolidating these overlapping FTAs into a comprehensive region-wide FTA, perhaps by combining the RCEP with the TPP to form the Free Trade Area of the Asia Pacific (FTAAP). The FTAAP offers significant income gains over the RCEP and the TPP but the way forward will not be easy as members deal with geopolitical considerations.

ASEAN Plays Positive Role Amid Sea Spats

By Ei Sun Oh

Southeast Asia has seen its fair share of happenings in recent months, ranging from the maritime incidents in the South China Sea to the recurring haze problems affecting some ASEAN members. Moreover, the much vaunted ASEAN Economic Community (AEC), which is supposed to mould ASEAN into a single market and production base, is scheduled to go into effect but two years from now in 2015.

It was against these eventful backdrops that the 46th ASEAN Foreign Ministers Meeting took place recently in Brunei Darussalam, followed by the expanded ASEAN Regional Forum (ARF) attended by the foreign ministers of many other ASEAN partner countries.

The ASEAN foreign ministers essentially recalled the so-called "ASEAN Way" as enshrined in the Treaty of Amity and Cooperation in Southeast Asia. Some of the more salient points of the "ASEAN Way" include mutual respect for sovereignty, and settlements of differences and disputes in a peaceful manner.

To put the "ASEAN Way" into action, the ASEAN foreign ministers set forth two concrete steps: to begin publishing an annual ASEAN Security Outlook for enhancing transparency in the sensitive security field, and to set up an ASEAN Institute for Peace and Reconciliation for research into conflict management and resolution.

On the South China Sea, the ASEAN foreign ministers called for dialogues and trust- and confidence-building initiatives, and stressed the importance of stability and security in the region. They also renewed their desire to continue ASEAN's engagement with China on the effective implementation of the Declaration on the Conduct of Parties in the South China Sea. But perhaps most significantly, the foreign ministers looked forward to impending formal consultations with China on the adoption of a Code of Conduct in the South China Sea.

These cordial sentiments were perhaps unfortunately overshadowed by an unexpected press release by the Philippine Department of Foreign Affairs, which expressed concerns over the alleged "increasing militarisation" of the South China Sea.

Later, Philippine Foreign Secretary Albert del Rosario referred specifically to the presence of Chinese military and paramilitary ships in Huangyan Island and Ren'ai Reef (known as Scarborough Shoal and Second Thomas Reef in the Philippines).



Source: AFP/Roslan Rahman

Chinese Foreign Minister Wang Yi, who attended the ensuing ARF, made his rebuttal to the Philippine positions, and stressed that both his country and other coastal states are making efforts towards a stable South China Sea, and that contrary moves by individual claimant countries would not enjoy majority support and would not succeed.

At first glance, it would appear that the territorial dispute between China and the Philippines in the South China Sea has once again escalated, at least diplomatically. Upon closer examination, that gloomy scenario is manifestly and fortunately not the case.

In his speech, Wang Yi actually laid out very specific suggestions for maritime cooperation between China and ASEAN countries, including the good use of the China-ASEAN Maritime Cooperation Fund. He also called for the stepping up of Sino-ASEAN cooperation in defence and security, for common, collective and cooperative security. All these can and should be construed as China's calls for peace, particularly in the South China Sea.

Rosario, in turn, when speaking to reporters, also disfavoured the use of force in resolving the Philippines' territorial disputes with China.

It can thus be argued that although both sides spoke on "different wavelengths" during the recent Brunei meetings, both China and the Philippines were implicitly assuring their regional friends that armed conflicts were perhaps the last thing on their respective minds.

In addition, a more comprehensive regional picture also looms large in the background.

China is a major trading partner of ASEAN and vice versa. In these economically challenging times, ASEAN countries, including the Philippines, could make good use of Chinese trade and investments. Conversely, raw materials and natural resources from ASEAN countries are also indispensable to China's rapid national development.

As such, China and the Philippines, and indeed other ASEAN countries, should carefully weigh their overall relationships with each other, and set their respective domestic priorities right. Both sides should refrain from provocative acts which would be detrimental to this sort of cordial and symbiotic international relationship.

The ASEAN Foreign Ministers Meeting and ARF inadvertently provided some parties to the South China Sea disputes an opportunity to vent their views, which might at times be diagonally different from one another. But even in such an unforeseen scenario, ASEAN was actually playing its traditional role of gathering its collective wisdom and summoning its famous collegiality for enhancing the peace, security and development for the region.

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This article previously appeared in [Global Times \(China\)](#) on 9 July 2013.

R2P Discourse and Myanmar's Minorities

By Rachel J Gunn

Under Thein Sein's leadership, the Myanmar government has struggled to find a coherent strategy to addressing the problem of the stateless Rohingyas and the continuing armed conflict between ethnic and state militaries. Responsibility to Protect (R2P) is an international doctrine that addresses the tension between responding to mass atrocities and non-interference of a sovereign state's internal affairs. Some R2P experts in the region have issued calls for R2P to be invoked, especially in the case of alleged genocidal activity against the Rohingyas. There are significant concerns with the appropriateness of such discourse, as the situation is undoubtedly more complex than a simple "state versus ethnic minority" scenario that is often depicted in the Western media.

There is a need for a multi-faceted approach towards understanding the present situation in Myanmar, one that looks through the lenses of the country's history, political realities and economic problems to assess whether R2P is still useful for present purposes.

Firstly, historical memory complicates perception of external intervention. The numerous ethnic conflicts and rebellions are by no means monolithic in nature, stemming from different legitimate grievances during the creation of modern Myanmar. There still exists a general animosity towards external interventions in domestic affairs because of the perceived and real consequences of British colonialism. Interventions on behalf of ethnic minorities are sure to give more cause for discrimination towards them.

Secondly, political realities in the form of "disciplined democracy" also limits the prospects that R2P is the right solution. Thein Sein appears to lack influence over the military's dissenting policies towards ethnic minorities, partly due to the fact that the military continues to enjoy constitutional protection removing judicial accountability. As such, the state is not simply unable or unwilling to protect its citizens, but quite divided over more fundamental questions of political authority. An external intervention might give cause to the military to reassert complete authority.

R2P seems quite inadequate for a problem of such a chronic and sensitive nature, and continued use of R2P language in communications towards the governing elite might only bring more harm than good to Myanmar's most vulnerable.

Lastly, with respect to economic problems, Myanmar is a resource-rich state and this has complicated each ethnic minority's attempt to gain local or complete autonomy over their



Rachel J Gunn, CMS summer intern

respective territories. Long-term peace and national reconciliation is difficult without first attending to how resource/territorial claims might first be fairly settled among the different parties, especially in light of the incoming influx of foreign investment that the state government now welcomes. Where economic gains (or losses) are concerned, talk of external interventions might prompt the government to look towards quick and coercive solutions instead of more time-consuming reconciliation processes.

Discussions arguing for a regional approach also fail to agree on a definitive solution. ASEAN, as the most appropriate regional body for dealing with Southeast Asian issues, is constrained by the region's strictly adhered to norm of non-interference, and suffers from a lack of human rights institutionalisation. In light of escalating violence with no solution in sight, some R2P experts are attempting to invoke support for an R2P justified United Nations military intervention if and when genocide does occur. This goes deeply against ASEAN's prevailing diplomatic practices, but it cannot let Myanmar's behaviour go unrestrained without suffering damage to its credibility, as Myanmar's situation could destabilise the entire region.

R2P seems quite inadequate for a problem of such a chronic and sensitive nature, and continued use of R2P language in communications towards the governing elite might only bring more harm than good to Myanmar's most vulnerable. The country's ethnic problems are symptoms of broader government dysfunctions and limitations; still, there are many within the state who seek to take action. Recent research has demonstrated that cooperative approaches (such as reducing emphasis on aid conditionality, non-confrontational language towards human rights issues) have shown to be more likely to effect change in Myanmar's government policies. At the regional level, ASEAN members have made some ground through their long-held policy of engagement (as opposed to isolation) with the country, and they should continue to lead international efforts in addressing Myanmar's most critical developmental issues through such non-confrontational means.

Rachel J Gunn is an intern at the RSIS Centre for Multilateralism Studies. She is in her second year at the University of Toronto and plans to pursue a Specialist in International Relations with a minor in Economics. This fall, Rachel will be serving as a Senior Analyst for R2PLive at the Canadian Centre for the Responsibility to Protect.

RSIS and ADBI Regional Conference Stresses Critical Role of Global Production Networks and Supply Chains in Emerging Asia's Economic Growth



Speakers during Session III (L-R): Prof Soedradjad J Djiwandono (Professor, RSIS), Dr Daisuke Hiratsuka (Executive Vice President, IDE-JETRO), Prof Yuichiro Yoshida (Professor, Graduate School for International Development and Cooperation, Hiroshima University) and Dr Yuqing Xing (Director of Capacity Building and Training, ADBI).

Emerging Asia's economic expansion since the early 1990s has been fuelled by the proliferation of global production networks (GPNs) and global value chains (GVCs). Apart from facilitating the flow of goods and services across the region, GPNs and GVCs have fundamentally altered trade patterns in manufacturing goods and led to shifts in development paths and strategies. Their role in facilitating innovation, industrialisation and international trade is of particular importance to Emerging Asia's continued economic growth as it adapts to an increasingly competitive global economy.

Over 30 speakers and participants from across the region discussed these and other related issues in a regional conference on "Integrating Domestic Industries with Global Production Networks and Supply Chains" on 8–10 May 2013 in Traders Hotel, Singapore. The event was jointly organised

by the RSIS Centre for Multilateralism Studies and the Asian Development Bank Institute (ADBI). Professor Joseph Liow, RSIS Associate Dean, and Dr Yuqing Xing, Director of Capacity Building and Training at ADBI, delivered the opening remarks. The conference consisted of six sessions covering topics such as the functions and contributions of GPNs and GVCs to economic growth from country (Japan and Thailand) and sectoral (air transportation and smartphone) perspectives; the mutual benefits of developing inter-regional production networks between East and South Asia and policies firms can use to move up supply chains through innovation and R&D.

The open discussion highlighted the concerns and experiences of developing economies in Asia including Bhutan, Cambodia, Indonesia, Myanmar, Nepal and Sri Lanka as these countries look into opportunities to join GPNs and GVCs or seek to deepen their participation to benefit from exposure to new technology, easier access to foreign markets and integration between local and multinational firms. The exchanges between the speakers and the participants also probed into the role of public policy in facilitating innovation and supporting production networks as different cases emphasised the importance of striking the right balance between government intervention and market forces. Another key challenge raised during discussion was the need to look beyond East Asian networks and find ways to strengthen sub-regional and inter-regional links. Policies should encourage participation of South Asia in GPNs and GVCs as well as explore opportunities for Cambodia, Laos and Myanmar to take advantage of rising production costs and structural transformation in its more advanced neighbours.

For more details on the conference proceedings, the full report can be accessed [here](#).

For further reading on global production networks and supply chains, here are some of the latest publications on the topic:

[Trade Patterns and Global Value Chains in East Asia: From Trade in Goods to Trade in Tasks](#)
(WTO and IDE-JETRO, April 2013)



[Interconnected Economies: Benefitting from Global Value Chains](#)
(OECD, May 2013)



[World Investment Report: Global Value Chains](#)
(UNCTAD, June 2013)



[Global Supply Chain Operations in the APEC Region: Case Study of the Electrical and Electronics Industry](#)
(APEC, July 2013)



SELECTED PUBLICATIONS

[India-ASEAN Defence Relations](#)

Ajaya Kumar Das (editor), RSIS Monograph no. 28

[Enhancing Global and Regional Mechanisms for Conflict Management](#)

Ibrahim A Gambari, RSIS Working Paper no. 258

[ASEAN Unity: From Word to Deed](#)

Benjamin Ho, Kaewkamol Pitakdumrongkit and Sarah Teo, RSIS Commentary no. 078, 26 April 2013

[Achieving the ASEAN Economic Community: Are the Philippines and Indonesia Ready for 2015?](#)

Julius Trajano, RSIS Commentary no. 080, 30 April 2013

[“Going Niche” for ASEAN Economic Community](#)

Kaewkamol Pitakdumrongkit, RSIS Commentary no. 086, 6 May 2013

[Boosting Maritime Security Cooperation](#)

Collin Koh Swee Lean, *Straits Times*, 18 May 2013

[Re-opening the Silk Road](#)

Pradumna B Rana, *The Business Times*, 18–19 May 2013

UPCOMING EVENTS

Please visit our [website](#) for registration details.

Strategic Engagement in the Asia-Pacific: The Future of the ADMM-Plus
24 July 2013 (Wednesday), Marina Mandarin Hotel

Workshop on Governance of East Asian Regional Economic Architectures
10 September 2013 (Tuesday), Parkroyal on Beach Road

Seminars featuring Professor TJ Pempel, NTUC Professor of International Economic Relations, RSIS, and Jack M. Forcey Professor of Political Science for Study of Southeast Asian Politics, University of Berkley:

The Economic-Security Nexus in Northeast Asia
30 July 2013 (Tuesday), NTU Lecture Theatre 16

America's Pivot Toward Asia
31 July 2013 (Wednesday), RSIS Seminar Room 5

Two Economic Crises: Two Different Outcomes
7 August 2013 (Wednesday), Marina Mandarin Hotel



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ABOUT THE CENTRE

The Centre for Multilateralism Studies (CMS) is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia-Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia-Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

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<http://www.rsis.edu.sg/cms/>