ASEAN in the Middle of US and Chinese Rivalry: ASEAN Cooperation with RCEP in Reducing the Impact of the Trade War

HAREN KE
Taiwan Normal Research, Taiwan
Email: haren.ke@gmail.com

Abstract

Competition between the US and China over trade wars has a significant impact on many countries in the world, including ASEAN. The ASEAN region is a central market in the Pacific. Because of this competition, each Chinese export to the US will decrease by around 10%, and also reduce economic growth by 1.1% in ASEAN. This phenomenon raises significant questions about the role of ASEAN. This research paper will answer the purpose of ASEAN as a multilateral organization in balancing its interests amid a trade war. After that, this paper focuses on the topic of competition between the US and China related to the economy. This discussion is divided into two main points, first is about the trade war, and the second is the role of RCEP to build ASEAN economic balance. International cooperation on a liberal perspective is used to analyze the problems in this case. This paper argues that ASEAN seeks to encourage collaboration between its members to face the challenges of the US and China trade wars. Cooperation is the best way for ASEAN to see this phenomenon.

Keywords: US, Cina, Trade War, Economy.

A. INTRODUCTION

Noted as a country that cooperates on a bilateral and multilateral level with ASEAN, the rivalry between the US and China currently has a significant impact on ASEAN as a whole. The reality that takes place between the two superpowers also does not occur without reason. In March 2018, President Donald Trump issued a motion for sweeping tariffs on all Chinese imported goods entering the US to reach the US $ 60 billion. This is a response from President Trump regarding China's allegations to the US regarding the theft of technology and intellectual property. In fact, according to the Senior White House Officials, the US Trade Representative has identified 1,300 other types of goods that can reach a tariff of US $ 50 billion as the next potential target. These items include aerospace, information and communication technology, and machinery.
In response to the US policy, China imposed "revenge" measures in early April on various US products, triggering fears of a trade war between the world's largest economy (Council on Foreign Relations, 2018).

The trade war between the United States began to escalate in July 2018. The Trump administration imposed a new tariff of US $34 billion in goods imported from China. More than 800 Chinese products in the industrial and transportation sectors, as well as goods such as televisions and medical equipment, will be subject to a 25% import tax. In response to the policy, China adopted a policy of self-determining tariffs for more than 500 US products worth a total of US $34 billion, targeting commodities such as beef, milk, seafood, and soybeans. President Trump and members of his government believe that China is "damaging" the US, taking advantage of free trade rules, to the detriment of US companies operating in China. In response, China criticized the Trump administration's steps as "trade intimidation" and warned that tariff policies could trigger global market unrest (Council on Foreign Relations, t.t).

The trade war between the US and China has a real impact on the stability of ASEAN member countries, especially in economic matters. This impact was felt mainly by countries that depended on the export activities of the two countries, such as Singapore, Vietnam, Malaysia, and Thailand. Vietnam and Malaysia have the most exports to the US and China, making the two countries more exposed. Moreover, Singapore, Malaysia, and Thailand have a large enough production sector, which is integrated with the global network, so that the applicable tariffs can disrupt production activities. However, the enactment of these tariffs can also benefit several countries in ASEAN, such as the Malaysian chemical industry and the Vietnamese consumption sector. Also, taxes imposed by China on US primary goods can help Thai fruit exporters and Myanmar cattle ranchers to take advantage of the market (Reynolds, 2018).

In addressing this impact, ASEAN seeks to enhance cooperation with six other countries that are members of the Regional Comprehensive Economic Forum (RCEP). RCEP works together to increase trade and investment, hoping to strengthen the economies of its member countries. Cooperation is seen as the most effective way to deal with the adverse effects that occur, especially the rivalry between the US and China relating to the economy has become a problem for all countries. RCEP in this paper will be the main focus as a form of cooperation in seeing ASEAN’s ability to maintain its interests amid the US and Chinese rivalry in the economic field.

This paper will be divided into four parts. The first part will discuss the concept of international cooperation in the perspective of liberalism as a framework of thought that will be used to answer the problem formulation in this paper. The second part will discuss the trade war between the US and China, where this section will explain how the trade war between the two countries can occur up to now. The third part will discuss the role of RCEP about the US and China trade wars, how RCEP as an institution
functions to assist ASEAN in maintaining economic stability amid the ongoing trade war. Then, the last part will contain conclusions from all the explanations in the previous section.

B. RESULT AND DISCUSSION

1. International Cooperation in the Perspective of Liberalism

International cooperation can be interpreted as cooperation carried out to meet the needs of each country. International regimes, as a result of international collaboration, are a set of instruments that states can use to achieve their respective goals (Poletti, 2017). International cooperation occurs when international actors adjust their behavior and attitudes to each other’s preferences through a policy coordination process (Clackson, 2011). Collaboration should lead to rewards that will be obtained by the countries involved. As with conflicts, international cooperation must include two or more actors. An understanding of the existence of common interests is used as a basis for international collaboration (Hasenclever et al., 2007).

According to liberals, the use of military instruments is not the essential thing in this modern era, so that cooperation between countries will be of global concern, even though it was previously thought to be impossible. This phenomenon strengthens the perspectives of liberals who take a positive view of human nature. As one of the main theories of international relations, liberalism believes that freedom, cooperation, and peace bring people to the advancement of the global world so that war can be avoided (Jackson & Sorensen, 2013). However, because it is considered too idealistic, this theory perfects itself in a more modern direction. It adjusts the times so that it can be more widely accepted by the world and leave a Utopian impression. The name neoliberalism then emerged as a liberal approach that was updated by using ideas from classical liberals (Jackson & Sorensen, 2013). Neoliberalism itself is considered a more recent theory than its predecessor, namely liberalism. The scope of neoliberalism also expanded, namely regarding security, prosperity, economy, social, culture, and environment. The theory of neoliberalism is closely related to international cooperation characterized by complex interdependencies because there are many forms of relations between people other than the government. Neoliberalism raised the theme of the existence of organizations and international cooperation based on economics (Martin, 2007). The state is not the only actor in international relations, and institutions are considered important as a link between one actor and another.

In the study of international cooperation, the main focus of neoliberalism is the global political economy and environmental issues. It can be seen that neoliberalism is very close to the practice of the political economy, which leads to welfare for the country
Then, neoliberalism also views that a set of international rules and institutions can mitigate the potential for global conflicts, by influencing relations between countries that come from different backgrounds (Tarzi, 2004). In other words, neoliberalism can withstand battles and change state behavior (Tarzi, 2004).

Neoliberalism in viewing international cooperation through institutions still refers to the consideration of the benefits that will be received by the state. However, in contrast to the concept of zero-sum games in neo-originalism, neoliberalism believes that every country involved in cooperation must benefit, even though in different portions (Tarzi, 2004). The concept of profit in neoliberalism is known as absolute gains. The idea of total gain does not see differences in the results of the quantity of cooperation carried out. For example, there is cooperation between parties A and B, party A gets a 40% profit, while party B gets a 60% profit. It is not a problem; what is preferred is that both parties understand the benefits regardless of the quantity.

Economics, as one of the focuses of international cooperation in neoliberalism, makes the concept of ecological domains used in this chapter. The environmental area means the need for the dominance of an institution in an "ecological system," which in social science can be interpreted as the environment around the country (Jessop, 2012). This includes ecological dominance, which is a discussion of the positive and negative impacts of the benefits received by the state, market mediation, and crisis-prone of the capital system (Jessop, 2012). In conducting international cooperation, the state is indirectly required to surrender a bit of its sovereignty. Neoliberalism views this as a tool for barging resources, which in turn will allow the country to carry out negotiations with other countries, even strengthen its position in international cooperation (Keohane, 2012).

International cooperation was chosen by neoliberalism because it was considered more productive, and the costs incurred would not be as harmful as the use of military instruments that could potentially cause collateral damage (Powell, 1991). The liberal tradition in The Rise of Trading States states that an open economic system will increase the country's economic growth, without having to involve military instruments (Rosecrance, 1986). When the economy grows, the whole country will feel the benefits, so cooperation is very much needed, especially in the economic field.

One of the most influential forms of international cooperation is regional cooperation. Each geographically adjacent country has formed its own regional alliance. ASE-AN is a form of regional cooperation, which over time, continues to develop cooperation in various sectors. In the history of its formation, ASEAN aims to restrain the movement of communism in Southeast Asia. However, this regional organization further strengthens ties by creating joint commitments in the economic and security fields (Galbreath, 2008). RCEP, as ASEAN’s continued goal of the AEC, is one manifestation of the focus of the commercial area. In the view of neoliberalism, this
cooperation will undoubtedly bring significant economic benefits to member countries. This encourages ASEAN’s need for a set of rules in the form of collaboration to be able to provide economical power to its member countries, following the concept of ecological dominance from neoliberalism.

2. US and Chinese Trade War

The US, under the leadership of Donald Trump, has the slogan "America First" (BBC, 2017). Through this slogan, the US wants to be the best and become the number one country in the world. However, China has become one of the US rivals in realizing this desire, given the rapid progress being experienced by China. This makes the two countries currently known as high power countries, especially in the context of military capacity and powerful economic capabilities.

In the military field, the US spent an allocation of at least US $ 610 billion, while China only US $ 228 billion (Forces.eu, 2016). This shows that the US is still the best in the military field, so US concerns about China are considered unnecessary. However, in the industrial area, the US feels threatened by China. Historically, the US has the title as the country with the most robust economy for 140 years. However, this predicate is threatened by China’s being because the growth of China’s Gross Domestic Product (GDP) is higher than the US (Desjardin, 2015).

Through the report of the 2018 Annual Growth Rate GDP, it can be learned that China is more stable in terms of economy, as evidenced by the average GDP reaching 6.75%, proliferating compared to US GDP, which reached 4.2% as of July 2018 (Economy Trading, 2018). This phenomenon is increasing US vigilance towards China so that every US policy in economic matters requires paramount consideration so that concerns related to America First can be realized.

Under the administration of Donald Trump, the US tried to make an economic strategy in dealing with China through the policy of raising tariffs on goods from China. During this time, the US considers that China has stolen US intellectual property, causing considerable losses to the country (BBC, 2018). The US has also booked a trade deficit with China, amounting to the US $ 375 billion in 2017. The number reached 2/3 of the total US trade deficit, which reached the US $ 566 billion, or in other words, around 2/3 of the reported global surplus (Wirayani, 2018). In theory, the imposition of high import duties will make US-made products cheaper than imported goods, thus encouraging consumers to buy more US-made goods. The effect of increasing the consumption of domestic products will ultimately grow local businesses and support the national economy (BBC, 2018). Under the Trump administration, the policy is expected to make the US GDP higher and more stable than China.

Since July 2018, the US has recorded three times the policy of increasing tariffs on goods from China with a total of US $ 250 million (BBC, 2018). Imported goods that are
subject to taxes include luggage, carry-on bags, toilet paper, to wool. Through this policy, food products are also subject to import duties, including frozen meat, various types of fish, soybeans, fruits, and rice. The aggressive US action certainly caused a backlash from China. At present, the bamboo curtain country has also imposed tariffs on US imported goods with a total of US $ 110 billion (CNN, 2018). Actions of mutual retribution by the two countries have finally become events of the trade war in this modern era.

The United States is the one who initiated a trade war by aggressively charging high tariffs on Chinese goods. However, retaliation of Chinese tariffs on US imported goods shows fewer items and lower numbers than the US. The Chinese government says that China will not be in a hurry to rival the value of the US, given tariff figures (CNN, 2018). From the response, it can be seen that China did not want a war that could potentially hamper the country’s economy. Retaliation by China is a logical step taken to maintain economic stability. If China does not retaliate, then China will suffer a massive loss by letting the US take all the economic potential that China can develop. This retaliatory step must ultimately be carried out in the national interest of his country. Mutual response by the two countries raises an international concern about the possible adverse effects and their effects on the global economy. The US and China are the world’s two most significant economic powers, and if economic instability arises on either side, it will have a domino effect. One region that feels this effect is ASEAN. This is because ASEAN member countries are noted to have a dominant export and import relationship with the US and China.

ASEAN is predicted to experience collateral damage (Matsumoto, 2018). This is because every time the reduction in Chinese exports to the US reaches 10%, it will reduce at least 1.1% economic growth in ASEAN countries (Political Insight, 2018). The US-China trade war will also harm ASEAN as an institution because it has the potential to hamper the realization of the ASEAN Economic Community Blueprint 2025. China is the largest trading partner of ASEAN member countries, while the US is in the fourth position. Export products from these two countries contribute 20% of the total exports of ASEAN countries. If the trade war between the two countries continues, the production of export goods between the two will stagnate, and of course, will impact the empty supply and the high demand for products in ASEAN member countries.

However, the impact caused by the trade war varies for each country in ASEAN, depending on how closely the dependence on exports and imports from the two countries. For example, for the impact of the US and China protectionism, the most affected were Thailand, Singapore, and Malaysia. As for the depreciation of money, it has affected Indonesia and the Philippines (Kushaka, 2018).

However, countries that do not depend strictly on export-import activities with the US and China have also experienced significant adverse impacts. For example,
Indonesia and the Philippines experienced the collapse of financial markets as a negative impact of this, despite having a large domestic market. This is due to the weak position of the two countries, so they can experience depreciation as seen from the uncertain value of the rupiah and peso. This results in economic uncertainty and is very detrimental to the country (Reynolds, 2018). Therefore, ASEAN countries, which are mostly in the development phase, need cooperation in dealing with the effects of the trade war between the US and China.

3. The Role of RCEP in Responding to the US and Chinese Trade War

As explained earlier, ASEAN had a significant adverse impact on the occurrence of a trade war. Based on the principle of neoliberalism, the state will strengthen cooperation in dealing with a problem or conflict, especially in the economic field (Powell, 1991). Although the RCEP had been formed long before the trade war occurred, the RCEP had been used as a means of cooperation between ASE-AN + 6 countries to reduce the threat of trade war. RCEP is considered as an expansion of participation in the ASEAN economic field in the context of facing a trade war involving six other countries outside ASEAN. The formation of RCEP is a means to achieve modernity, high quality, and mutual economic benefits among members (ASEAN, 2018). The countries in RCEP have strong reasons to work together because there is a common interest in efforts to win over the harmful effects of the ongoing trade war between the US and China. This common interest is strong enough to be the basis of practical cooperation for RCEP. The US-China trade war had become a significant phenomenon in international relations, and the issue has frightened many countries in the world. This form of cooperation is also following ecological dominance, which means ASEAN needs a set of rules which in this case is RCEP as regional cooperation for the achievement of mutual benefit.

The existence of a trade war between the US and China resulted in an effect, namely the occurrence of protectionism that was avoided by many countries in the world. The principle of protectionism is also not following neoliberal-ism thinking because it will result in economic losses and result in state welfare. Protectionism has become an enemy of market liberalization, even though market liberalization is desirable in the global era because it can spur economic growth in all regions. With the emergence of protectionism, the ASEAN region, which has members that have close trade relations with the US and China, has particular concerns because it will feel a direct impact. The results of protectionism will shape the imposition of high tariffs, which are considered to be detrimental to the country, especially developing countries, because they cannot freely expand markets due to high tariff barriers.

At the beginning of the establishment of RCEP, this cooperation already had a frame-work aimed at eliminating tariffs and trying to secure market access among its
members (ASEAN, 2018). However, in the early stages of its formation, RCEP was not very optimal because of the lack of regular meetings and adequate results. Then with the phenomenon of a trade war, RCEP can be used to reduce the anxiety or fear among RCEP member countries regarding tariff increases. The role of RCEP, which had not been too optimal before, began to show its seriousness in dealing with the problems that occurred. It can be seen in several more intensive meetings in 2018 three times, namely in March, July, and October. In fact, before the RCEP meeting was only held once a year.

Beginning at a meeting in March, which coincided with the heating up of US-China relations, RCEP produced several agreements related to world economic instability. First, that is discussing the discussion of tariff modalities and parameters, and further intensification of the supply and demand process. RCEP increases offerings in all types of supply and becomes a means of cooperation in solving extraordinary problems. The meeting also produced an agreement to accelerate negotiations on rules, which were directed at facilitating trade and investment in supporting the expansion and deepening of the regional value chain. The emphasis on the enormous potential of the RCEP negotiations is not only aimed at increasing economic growth, providing more jobs, and improving the livelihoods of people in the RCEP region inclusively, but also contributing significantly to the growth of global trade (RCEP, 2018).

When the US and China officially launched a trade war in July, RCEP resumed its fifth meeting and conducted negotiations relating to trade wars. This negotiation discusses the importance of resolving RCEP negotiations quickly and consistently with the guiding principles and objectives in RCEP, taking into account the current global trade environment situation is facing grave risks from unilateral trade actions and reactions, as well as implications that weaken ASEAN countries in the multilateral trading system. Also, this negotiation sought the creation of facilities for movement towards supply, including the intensification of requests and offer consultations (RCEP, 2018).

The sixth RCEP meeting in Singapore was held on October 13, 2018, ago. There are several statements related to countering trade war action, encouraging open market intensification, and efforts to correct gaps between RCEP member countries. As is well known, RCEP members also come from developing countries, and the economy is not yet established, for example, Singapore, Japan, and China. Therefore, RCEP negotiations will be completed by the end of 2018 (RCEP, 2018).

Meanwhile, in November 2018, another meeting will be held. The issue of trade warfare is quite challenging to look at as a reason for the need for intensive sessions to determine the best solution, which also will not produce the wrong step through RCEP. The RCEP negotiations, which were held several times during 2018, prove that RCEP is increasingly active in efforts to minimize the adverse effects of the US and Chinese trade wars. RCEP strengthens the discussion and framework that has been created since its
inception so that RCEP’s path to tackling trade wars will become more apparent. Seeing the seriousness that was built, RCEP is no longer just floating cooperation but has been substituted with all forms of the framework that has become the basis of RCEP’s activities.

Regarding the trade war, indicators of discussion on the issue are no longer implicit but explicit at the July meeting. RCEP has emphasized that the economic situation is not conducive so that all RCEP rules are pursued in a quick time for the creation of a successful free trade. The indicator seems to refer to the current situation of a trade war, and RCEP is trying to be a solution to the job.

The cooperation in the RCEP shows that RCEP member countries prioritize participation without calculating who will benefit more. This can be proven from the formation of RCEP members, in which there are also countries with the right economic conditions, namely Japan and South Korea. One of the concepts of neoliberalism is absolute gains, which explains that in conducting cooperation, countries do not overly care who benefits the most, because the basis for total profits is not the quantity obtained. South Korea and Japan can work individually to deal with trade wars because the strength of their country is arguably strong enough. However, the joining of the two countries with ASEAN in RCEP indicates that international cooperation is the best way to overcome the adverse effects of a trade war. Commitments made in the RCEP negotiations in November 2018 state that RCEP creates mutually beneficial cooperation to establish an inclusive economic environment (Australian Government, 2018). The word mutual benefit refers to the meaning that no matter who gets the most profit, all will benefit from their respective portions. The role of RCEP is also hope and form of optimism for the countries that are incorporated in it. An example of that RCEP’s cooperation was able to provide buoyancy is when the Prime Minister of Singapore stated that he put his hopes and confidence in RCEP in the event of a war of war (Business Standards, 2018).

The total GDP of RCEP countries is vast, which is 30% of the entire world GDP, and the market potential of RCEP members is predicted to reach the US $ 21.6 trillion (Ministry of Industry of the Republic of Indonesia, 2018). The Director-General of International Trade Cooperation of the Indonesian Ministry of Trade, Bachrul Chair stated that the economic power of the 10 ASEAN countries is currently only 5% of the world’s gross domestic product (GDP), or around the US $ 2.6 trillion (Ministry of Industry of the Republic of Indonesia, 2018). With RCEP, the economic power of the countries involved reaches 30% of global GDP or the US $ 21.6 trillion. Also, the ASEAN market only reaches 600 million people, and the RCEP market target, which covers 16 countries, reaches 3.4 billion people (Ministry of Industry of the Republic of Indonesia, 2018). Therefore, the RCEP collaboration looks to benefit all parties involved in it. When the benefits are achieved, the welfare of the country will increase. As explained in neo-
liberalism, the state is said to be prosperous if there is a development in its economy, so cooperation is needed to realize this. In this case, the prospect of RCEP will become a global mega-trade. Its broad regional reach in the worldwide market will be able to eliminate tariff barriers that become a threat during the US and China trade wars for now and can also be a shield for other trade wars that are likely to occur in the future.

C. CONCLUSION

The trade war that took place between the US and China became an unavoidable phenomenon. As a regional organization that has relations with the two countries, ASEAN will undoubtedly be affected by the rivalry that occurs as a result of the trade war. The economic stability of ASEAN member countries will be shaken and will affect many sectors, so we need a way to resolve the problems between the US and China. The idea of solving the trade war will be challenging for ASEAN to complete if it wants to become a mediator because ASEAN must be neutral, so it would be wiser if this were resolved by ASEAN member countries (without representing ASEAN) and several other countries. Therefore, RCEP appears as a forum to overcome the effects of the trade war. Through RCEP, it can be seen that member countries have the will to cooperate regardless of the quantity to be gained, following the concept of absolute gains from the perspective of neoliberalism.

REFERENCES


IJSOC © 2019
http://ijsoc.goacademica.com

10


