



**Center for Global & Strategic Studies,
Islamabad**

**Economic Integration of ASEAN and its Dialogue Partners
through RCEP: Options and Benefits for Pakistan**

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In the modern era, economic integration between multilateral states has become an indicator of regional stability and geo-political dominance for countries worldwide. Many states



with immense geo-political and socio-economic potential have carved their way out of the dark era of colonization after getting liberated from their European exploiters. In this aspect, Indonesia and its immediate neighbors rightly fall under this category. These countries have gone through different transitional phases since their independence and have finally embarked on a journey of economic prosperity through the Association of Southeast Asian Nations (ASEAN). The article elaborates the substantial efforts of Indonesia, as a leader of ASEAN, and other countries within this organization, to strengthened their economic interests vis-à-vis RCEP. Moreover, the study highlights significant initiatives by this association for engaging Regional Comprehensive Economic Partnership (RCEP) for integrated economic prosperity. The study also provides future options and benefits that Pakistan can acquire through this broader economic alliance.

Introduction:

With the ever-increasing socio-economic and political strength of ASEAN countries, the need for the advanced partnership for sustainability with other countries in the region

was felt in the South-East Asian region and beyond. After numerous rounds of RCEP negotiations during the previous decade, it was finally signed by 15 member states on 15th November 2020 via video link due to travel restrictions imposed because of the COVID-19 pandemic. The states include Asia



Pacific nations i.e., China, Japan, South Korea, Australia, and New Zealand, plus ten countries of ASEAN. Moreover, because of the pivotal role of ASEAN countries in making RCEP a reality, the Secretary-General of this Association was made RCEP network's depositary. As a relatively new free trade alliance with immense prospects of enhancing economic cooperation, it is necessary to evaluate the existing and future potential. Economic development within RCEP network presents signatories of this agreement and for other Asian countries like Pakistan, with inclusive economic potential.

Economic Benefits for ASEAN and its Dialogue Partners through RCEP:

The economic powers in the ASEAN region have decided to transcend beyond their previous economic block to engage other economic countries far and wide through RCEP. In this aspect, it is imperative to know how efficacious this free trade agreement

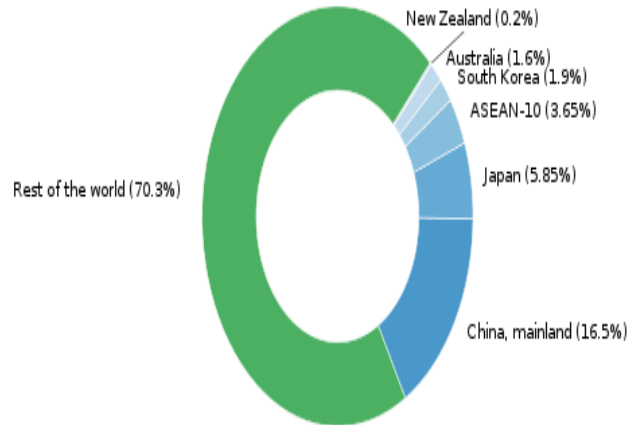


can be in the time to come. The following points elaborate the efficacy of this economic alliance in considerable length:

a. Huge Population and Economic Weight of RCEP member States:

Many agreements for multilateral trade and other economic acts have been signed among states. However, billions of people and multiple global economic and political powerhouses in this agreement speak volumes about the economic potential of this block. RCEP is in its initial phase, but it is anticipated

that it will create a combined market of 2.2 billion people. Furthermore, it will account for 29 percent of the world's Gross Domestic Product (GDP).¹



b. Reduction of Tariffs and Non-tariff Barriers:

By reducing trade barriers, RCEP can enhance credible economic linkages between its member states. With China's inclusion, it is expected that other countries in this free trade alliance will get huge dividends from its economic growth by conducting incentivized international trade with it. Moreover, the reduction of such barriers can

¹ Pitakdumrongkit, Kaewkamol. "ASEAN's RCEP and Sustainability Challenges and Achievements." eastasiaforum.org. East Asia Forum, January 24, 2020. <https://www.eastasiaforum.org/2020/01/24/aseans-rcep-and-sustainability-challenges-and-achievements/>



help the post-COVID economic development of the countries involved in this agreement.

c. Strengthening the Supply Chain Synchronization: Post-COVID-19 Situation

Due to the travel restrictions during the COVID-19 pandemic, trade activities between various countries have been greatly disrupted. With the help of incentivized multilateral free trade agreement through RCEP, it is expected that many restricted protocols that are detrimental to multilateral trade will be relaxed for ease of doing business between the member States.

d. An Effective Forum for Promoting Multilateral Trade:

In an era, unilateral decisions like Brexit and America First prove to be detrimental for the socio-economic growth of the world. Initiatives like RCEP provides hope for enhanced multilateral trade between many small and big trading states within its ambit. The Chinese grand vision of a community with shared future compliments the cooperative ideals of multilateral trade found in RCEP objectives. Under such circumstances, it is needless to say how much economic growth can signatories of this agreement can have in the years to come.²

² Dong, Jinyue. "China: What Is the Implication of RCEP to Chinese and Regional Economy?" bbvaresearch.com. BBVA Research, November 23, 2020. <https://www.bbvaresearch.com/en/publicaciones/china-what-is-the-implication-of-rcep-to-chinese-and-regional-economy/>

e. RCEP's Potential to Include Non-ASEAN Countries:

Presently, the primary signatories in RCEP are the ASEAN countries. There are some hurdles in achieving the sustainable development goals of many ASEAN and RCEP states. However, to overcome certain challenges, continued facilitation between RCEP and non-RCEP countries can be decisive. Making this inclusive economic partnership for its non-member countries like Pakistan is important because multi-faceted and cross-sectoral nature.³

RCEP: Options and Benefits for Pakistan

RCEP's initiative of including countries with diverse economic development levels allows the valid opportunity for other non-signatory countries to have broader free and incentivized trade. Under such



averments, it is needless to say that Pakistan has much to gain and reciprocally contribute to the RCEP economic initiative. Following are the benefits which Pakistan can acquire by joining hands with the member states of RCEP and ASEAN:

³ Pitakdumrongkit, Kaewkamol. "ASEAN's RCEP and Sustainability Challenges and Achievements." eastasiaforum.org. East Asia Forum, January 24, 2020. <https://www.eastasiaforum.org/2020/01/24/aseans-rcep-and-sustainability-challenges-and-achievements/>



- **Pakistan's Need to Join Strong Regional Economic Groups:**

As mentioned before, a vital indicator of a country's development is its economic growth and wider economic cooperation with its allies. Pakistan has little cooperation with the mega-regional economic groups so far and is neither a member of the RCEP. These are the limitations that have made it difficult for Pakistani exporters to sell their products to either of them. However, joining RCEP would enhance economic development, provide more opportunities for cooperation and expand trade.⁴

- **Liberalizing Trade Activities: Opportunities and Prospects**

In the past, trade activities have been subjected to many strict and redundant rules and regulations. However, RCEP allows its member countries and other regional economies to conduct economic activities in a freer manner. Pakistan must avail of this great opportunity to sustain its economic growth. It will pave the way to match pace with other growing economies in the region. Moreover, foreign investors can also conduct their economic activities with relative ease in Pakistan. The reason is because the Pakistani government grants National Treatment status to foreign investors within its jurisdiction as there is little to no threshold for the foreign equity investment in any sector.⁵

⁴ Khan, Imran. "Standing Still Not an Option for Pakistan." tribune.com.pk. The Express Tribune, March 20, 2016. <https://tribune.com.pk/story/1069520/mega-regional-group-standing-still-not-an-option-for-pakistan>

⁵ Ibid.



agreement to boost their economies expeditiously. To achieve this goal, the ASEAN countries must work hard to make this partnership inclusive for all the big and small economies inside and outside its domain. In this regard, a win-win situation can be created for all the regional states that can transform development and economic cooperation patterns in the near future.