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ASEAN in Great Powers' Rivalry: Observations in 2022-2023

ChyunglyLee

Ph.D. Professor/Research Fellow,
Institute of International Relations,
National Chengchi University



Geographically, the Associate of Southeast Asian Nations (ASEAN) region (mainly Southeast Asia), connecting the Pacific Ocean and Indian Ocean, is at the center of the Indo-Pacific region. It surely is relevant to great powers' strategic calculations in extending the sphere of influence. Nevertheless, is the ASEAN region simply an object to win in the eyes of great powers? Or can countries in the region be influential and shape strategic landscape of great powers' game? Is the ASEAN merely an agent for member states to share regional concerns? Or can/should the ASEAN play a proactive role to engage great powers and keep regional stability from disruption of great powers' rivalry?

Since the end of the Cold War, ASEAN has been credited for establishing regional forums and mechanisms that accommodate rival powers to build mutual trust. The ASEAN Regional Forum (ARF) not only includes great powers in region's strategic uncertainty but also invited chronic political adversaries such North Korea and South Korea, India and Pakistan to sit in the same forum. The ASEAN Plus Three (APT) was a balanced arrangement to mitigate Japan-China rivalry

during the post-Asian financial crisis period. The ASEAN Defense Ministerial Meeting Plus (ADMM Plus) is comprised of the top three world military powers: the United States, Russia and China. Overall speaking, despite its limited economic or security resources to leverage, ASEAN earned the chance to sit in the driver seat in the process of regional institutional building. Great powers' support of the so-called "ASEAN centrality" has not only granted ASEAN a fulcrum position in the region but also created an equilibrium in regional neo-liberal order.

The equilibrium, however, will be destabilized once any of great powers decides to shift to the dynamics of bilateral exchanges outside the multilateral setting or even pursues to form mutually exclusive new coalitions to contend for geostrategic dominance. In the past two year, the region's economic and security dynamics was indeed driven by the U.S.-China geostrategic rivalry. In response to China's Belt and Road Initiatives (BRI) and its expansion of the sphere of influence, the Biden administration realized Quadrilateral Security Dialogue (QUAD) among Japan, Australia, India and the United States,

inked a pact of Australia-the United Kingdom-the United States cooperation in security and defense industry (AUKUS), and initiated the Indo-Pacific Economic Framework (IPEF) under the umbrella of the U.S. Indo-Pacific Strategy. The emergence of U.S.-led minilateralism in the Indo-Pacific region and the globalized Chinese BRI have concerned many ASEAN member states. The ASEAN-centered regional multilateralism seems to wither away. Gradually, the ASEAN might lose its fulcrum position and become irrelevant in the power game.

In order not to be marginalized or trapped in great powers' rivalry, individual ASEAN member states as well as ASEAN as a whole have tried to pursue strategic autonomy and strive for the independence of foreign policy. The task was especially tough to Cambodia in 2022. Cambodia has an international image as a China's client. In its last ASEAN Chairmanship in 2012, ASEAN failed to reach a joint statement due to China's interference in discourses of South China Sea issues. When it resumed the 2022 ASEAN chairmanship, Cambodia deliberately took a proactive approach to promote ASEAN and tried to correct its pro-China image. By selecting the theme "Addressing Challenges Together", Cambodia hoped to present ASEAN's collective voices on various global challenges beyond the controversies over the U.S.-China head-on power struggle in the region. The ASEAN Chairmanship has passed on to Indonesia in the wake of ASEAN Summits last November. By selecting the theme "ASEAN Matters: the Epicentrum of Growth", Indonesia's intent to bring back ASEAN in the scene of great powers' game is crystal clear.

Both Cambodia and Indonesia try to drive ASEAN toward a status of being "free" from choosing sides in the U.S.-China rivalry. The approaches taken by both countries are indeed consistent with the updates of their respective foreign policies. In this article, after a brief overview on a broader strategic background of current regional dynamics, including incongruent stands of the United States and China as well as concerns of ASEAN, ASEAN's responses to the great powers' game will be discussed from the analytical perspective of foreign policy.

Basic Tones in the Game

Assuring supports of ASEAN member states, if not allying with them, surely is critical to the success of both America's Indo-Pacific strategy and China's peripheral foreign policy. However, the competition became complicated and tough when the United States explicitly prioritizes China as its "most consequential geopolitical challenge" in the 2022 U.S. National Security Strategy (NSS)¹ and when the notion of "integrated deterrence" is highlighted in the 2022 U.S. Defense Strategy. The U.S. has announced that it would use all instruments of national power to advance its geostrategic interests, i.e. preventing China's rise to a strategic threat against U.S. world leadership. At around the same time of these two documents released, the Chinese Communist Party (CCP) concluded its 20th National Congress (CCP congress) and consolidated Xi Jinping's unchallenged leadership in China. Despite the softer tones in Xi's 2023 New Year address,²

1.The White House, National Security Strategy, released on October 12, 2022. p. 11. <<https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>>

2.Ministry of Foreign Affairs, PRC, 2023 New Year Address by President Xi Jinping, December 31, 2022. <https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202212/t20221231_10999475.html>

most observers do not see fundamental shifts in China's assertive and ambitious rejuvenation dream.

To navigate the U.S.-China geostrategic competition, including countering China's expansion of authoritarian model in the region, the U.S. NSS specifies three lines of effort: 1) investing in underlying sources and tools of American power and influence; 2) building the strongest possible coalition of nations to enhance collective influence to shape the global strategic environment and to solve shared challenges; and 3) modernizing and strengthening the military.³ In contrast, by stating "external attempts to blackmail, blockade and exert maximum pressure on China" in the report to the CCP National congress, Xi seemed to suggest a scenario that the United States is taking offensive moves against China while China needs to take actions to defend its deserved interests. Instead of presenting a head-on conflictual posture, the CCP's 20th Congress Report interestingly portrays China as a benign hegemon that plays an active role in the reform and development of the global governance system and works to make global governance "fairer and more equitable".⁴

The years of 2021 and 2022 were eventful in ASEAN's bilateral relationships with China and the United States. In November 2021, ASEAN and China held a special summit to commemorate the 30th anniversary of the ASEAN-China Dialogue Relationship and elevated ASEAN-China bilateral relationship to a Comprehensive Strategic

Partnership (CSP). Six months later, ASEAN leaders were invited to the White House for the 2nd U.S.-ASEAN Special Summit held on May 12-13, 2022. Last November, Biden flew to Phnom Penh, Cambodia for the 10th ASEAN-U.S. Summit and the commemoration of the 45th anniversary of ASEAN-U.S. Dialogue Partnership. The bilateral tie was also elevated to the U.S.-ASEAN Comprehensive Strategic Partnership. How these two CSPs would play out remains to be seen, but the political wills and intents of both China and the United States to win over the ASEAN are clear.

ASEAN's Uneasiness

Although both China and the United States have elevated their relationships with ASEAN into Comprehensive Strategic Partnership, ASEAN remain cautious in handling them delicately. Many observers consider Southeast Asia is in China's pocket, but to ASEAN member states, at least two fears from China are pushing them to move toward the United States: the fear of China's economic coercion, and the fear of armed incidents in the South China Sea.

According to the survey report released by the ISEAS-Yusof Ishak Institute in December 2022,⁵ despite the fact that vaccine diplomacy in the Covid-19 pandemic period has brought Southeast Asia and China closer, and that the trade has jumped 15% after the Regional Comprehensive Economic Partnership (RCEP) came into effect in 2022, China remained as the most mistrusted

3. The White House, National Security Strategy, released on October 12, 2022. p. 11. More details are presented in the Part II of this document. <<https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>>

4. The State Council, PRC, The Report to the 20th National Congress of the Communist Party of China, delivered on October, 2022, p. 3 and p.54. <http://english.www.gov.cn/news/topnews/202210/25/content_WS6357df20c6d0a757729e1bfc.html>

5. ISEAS-Yusof Ishak Institute, The State of Southeast Asia: 2022 Survey Report, <<https://www.iseas.edu.sg/articles-commentaries/state-of-southeast-asia-survey/the-state-of-southeast-asia-2022-survey-report/>>

major power to ASEAN in 2022. As reference, the percentage of respondents who feared China climbed from 51.5% in 2019 to 60.4% in 2020, peaking at 63% in 2021, and then slightly dropped to 59.6%.

Although ASEAN had become China's largest trading partner since 2020, trade alone seems not able to reduce mistrust. 76.3% of Southeast Asians agree that China is the most important economic player in the region but ironically 72.3% are worried about China's abuse of its economic influence. More than 51% respondents to the survey worry that China's economic and military power could threaten the interests and sovereignty of ASEAN member states. In other words, ASEAN's uneasiness about an economically giant China is the possibility of "economic coercion", that is, China's use of its growing influence and power to punish other states' foreign policy decisions.

On the "new normal" in the South China Sea, China continues to militarize islands which it physically occupied, including artificial islands, and to accuse that the U.S. freedom of navigation operations is an offense to China's sovereign claims. New satellite images from private sectors in 2022 showed that China has built a surface-to-air missile battalion on Woody Island, the largest natural land feature that China occupies and the headquarters for Sansha City, to boost its air defense capabilities.⁶ Both China and the United States are indeed competing for securing "military access" to the region. It will be not hard to image that there will be close calls in the race. The fear of incidents at sea urges ASEAN member states to build up military capability and enhance their own crisis-responding capacity. The United States is of course their first choice of seeking helps.

In addition to U.S.-China dynamic, competition for resources between China and ASEAN member states in the South China Sea also increases the risk of incident at sea. China has been harassing "foreign" oil and gas explorations within the so-called nine dashed line. One of the most recent cases showed in ship tracking data was that the China Coast Guard (CCG) patrolled near Indonesia's Natuna Islands in late December 2022, possibly to intimidate Jakarta from developing offshore energy resources in its Exclusive Economic Zone (EEZ). Back in April 2020, when a Chinese vessel harassed a Malaysia-sanctioned drilling rig in the West Capella field, the United States and Australia sent warships to back up Malaysia. Although Malaysia was uneasy about this military approach back then, a year later it reacted strongly to flights of Chinese warplanes near Sarawak in April 2021 Chinese scrambling jets and filing a formal protest.

Consequently, private sectors invited by ASEAN member states for energy exploration often ask security guarantee of military protection. For instance, when the Philippine opens the Reed Bank for Forum Energy to proceed with petroleum exploration, the company asked the government for protection against China's harassment. The Indonesian navy also participate in securing the upstream oil and gas project in the Tuna Block from China's harassment. In fact, both the Philippines and Indonesia have started to strengthen military cooperation with the United States to show their determination of defending maritime resources. Vietnam and Indonesia have reached an EEZ deal. When rival claimants, in collaboration with the United States, continue to equip themselves

6. Radio Free Asia, January 25, 2023, "China puts missile bases on disrupted South China Sea islands, analysts say", <<https://www.rfa.org/english/news/southchinasea/woody-island-missiles-01252023013003.html>>

to counter China's harassments, more deterrent moves and coercive activities from China are expected in the coming year.

Cambodia's New International Images

Cambodia was the rotating chair of ASEAN in 2022. It has "successfully" hosted the 40th and 41st ASEAN summits and other related meetings in Phnom Penh when the world is facing a wide range of political and economic challenges. Cambodia was criticized as China's proxy in its last ASEAN chairmanship in 2012. Many ASEAN watchers were disappointed that ASEAN failed to produce a joint statement after summits. Last year, however, under the theme "Addressing Challenges Together", Cambodia clearly showed its political will to stand together with its ASEAN fellows. It first changed its position on the South China Sea issues. Unlike what happened back in 2012 and 2016 when Cambodia blocked mentioning of the dispute from ASEAN statements, it followed the group's moves to work on concluding the negotiation on the Code of Conduct (COC) in the South China Sea despite it continued to stagnate.

As a small state, Cambodia uses international stages to voice out and stay relevant. It tries to be at the table, or it will merely on the menu.⁷ Naturally Cambodia also used the chance as the ASEAN chair to express its position on global issues. In fact, according to Article 53 of Cambodia's constitution, the country should adopt a neutral and non-aligned foreign policy.⁸ Therefore, instead of taking sides on the Russia-Ukraine

war in the ASEAN meetings, it takes side with the international law, especially the UN Charter. This is consistent with promotion of rule-based international order and open and inclusive multinational system in Cambodia's foreign policy. During the summit, Cambodia supported the signing of Ukraine into the Treaty of Amity and Cooperation in Southeast Asia to protest Russia's military operation in Ukraine. On the sidelines of ASEAN Summits, Cambodia even offered to mediate peace talks between Russia and Ukraine.

In response to current geopolitical rivalry, Cambodia smartly refers to the non-alignment principle in the Constitution, pursues the rule-based foreign policy and weighs more on multilateralism. Recently, Cambodia have "modernized" its foreign policy in the multipolar world and introduced an "economic diplomacy strategy" in 2021. Recognizing the so-called "economic pragmatism" that the political independence of a small state in the great powers' game can only be realized when it is economically independent and strong, Cambodia started to prioritize building national unity and consensus through economic prosperity. The Economic Diplomacy Strategy 2021-2023⁹ aims to integrate itself deeper into regional and global trade and investment systems. This is a whole government approach. It seeks an "equilibrium" in which Cambodia keeps stable engagements with all great powers but not necessarily in equal distance. If economic prosperity has to come first, opportunities offered by China seem to be more crucial to Cambodia's national interests.

7. An interview with Chheang Vannarith, President of the Asian Vision Institute, by Khmer Times) (<https://www.khmertimeskh.com/501222615/insight-into-cambodias-foreign-policy-in-the-new-era/>)

8. Chansambath Bong, "Cambodia Edges towards an Independent Foreign Policy", February 14, 2024. <<https://www.eastasiaforum.org/2023/02/14/cambodia-working-towards-independent-foreign-policy/>>

9. Ministry of Foreign Affairs and International Cooperation, Cambodia, Economic Diplomacy Strategy 2021-2023. <[https://www.mfaic.gov.kh/files/uploads/S2QKPXXAOTPW/\[En\]_Economic_Diplomacy_Strategy.pdf](https://www.mfaic.gov.kh/files/uploads/S2QKPXXAOTPW/[En]_Economic_Diplomacy_Strategy.pdf)>

In other words, in great powers' geostrategic games, Cambodia will not trap itself into equal-distance diplomacy or join the fashion of "hedging". It will develop its own "smart and independent" foreign policy to maximize national interests.

Indonesia's ASEAN Outlook

Indonesia has been following its own "independent and active" foreign policy doctrine across different administrations to stay away from choosing sides in great powers' geostrategic competitions. In facing today's multipolar world power landscape, Indonesia has modified its foreign policy orientation and defined itself as a middle power which upholds the idea of dynamic equilibrium. With this new orientation, Indonesia tried to expand its global influence. Recently, Indonesia's president Jokowi reiterated the country's position to prioritize domestic demands, including green economy and sustainable development, in the pursuit of foreign policies. In other words, it is national interests that drives Indonesia's independent and active foreign policy.

In November 2022, Indonesia successfully hosted the Group of Twenty (G20) Summit amidst the Russia-Ukraine war and U.S.-China tensions. With the advantage of G20's membership structure, which comprises of states from diverse political and economic blocs, this informal forum brings chances of dialogues and exchanges among geopolitical rivalries and promotes North-South economic and development collaboration. As a host, President Jokowi ensured the invitation to be extended to all the state leaders, including the unwelcomed President Putin, and charted the agenda to involve all G20 member states. This is

consistent with President Jokowi's leadership style, which focuses on attaining harmony and achieving common ground among all related parties. During the Summit's sessions, Jokowi and his ministers approached leaders from different sides in the global power competition and tried to play down any potential clashes between different blocks. In the wake of 2022 G20 Summit, Indonesia managed to get all member states to agree on the G20's Bali Leaders Declaration that addresses essential current issues, including global energy, food insecurity, global economic recovery and global health governance. In addition, as the President of G20, Indonesia included the notion of "condemning Russian invasion to Ukraine" based on the UNGA Resolution No. ES-11 in the declaration¹⁰ to mark ASEAN's stand on rule-based security order.

Now the next important role for Indonesia to play in the international stage is chairing ASEAN in 2023. This is the fifth time Indonesia has held the ASEAN Chairmanship – previously it was in 1976, 1996, 2003 and 2011. Both ASEAN Bali Concord I (1976) and II (2003) which marked milestones of ASEAN Community building were signed under Indonesia's chairmanship. In 2011, Indonesia proposed a post-2025 ASEAN agenda and hope a unified ASEAN that can expand its role in the global affairs. Even when it did not serve as the rotating Chair of ASEAN, Indonesia played a leading role to call for ASEAN's collective voice in great powers' game. Refusing to be an object in various Indo-Pacific strategies from regional powers, ASEAN announced the ASEAN Outlook on the Indo-Pacific (AOIP) in 2018 to strive for strategic autonomy and manifest its own regional vision.¹¹

10. India's G20 Presidency: Lessons Learned from Indonesia – Stratsea <https://stratsea.com/indias-g-20-presidency-lessons-learned-from-indonesia/> 2/7

11. https://asean.org/asean2020/wp-content/uploads/2021/01/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf

This year, Indonesia is taking up the chairmanship at a time that the ASEAN centrality is being questioned, mainly due to the US-led minilateralism that does not value ASEAN's voices and China globalized BRI. Many ASEAN member states and ASEAN watchers are holding high hope that Indonesia will exert its leadership to bring back ASEAN-centered regional multilateralism. Failing to do so might not only push ASEAN to the periphery in great powers' game but also lose platforms to bring competing powers together to work out common concerns and tough issues. The theme ASEAN matters: epicentrum of growth is actually a call to realize AOIP and resume ASEAN centrality in regional cooperation. Jokowi affirmed that ASEAN must become "a peaceful region and anchor for global stability, consistently uphold international law and not be a proxy (for) any powers..." and "ASEAN must be a region with robust, inclusive and sustainable economic growth".¹²

Concluding Remarks

Tensions between China and the United States are not likely to be mitigated soon. In order to be "free" from the pressure of choosing a side, individual ASEAN member states have gradually changed diplomatic rhetoric from "hedging" to "independent"; from keeping a "balance" to staying an "equilibrium"; and from "equal distance" to "national interests". In other words, ASEAN member states will develop independent foreign policy based on their own national interests. Keeping equal distance to powers might not serve

countries' best interests. Instead of following a "balanced" formula, searching for an "equilibrium" seems to be a better approach to the region's stability.

More and more ASEAN elites agree that an open and free ASEAN envisioned in AOIP can not depend on great powers' mercy. ASEAN has to be more active in making initiatives and carrying out projects. Many commentaries indicate that Indonesia's task this year would be to overcome the divisions within ASEAN and solidify the bloc's role as a credible regional actor.¹³ Nevertheless, an unified ASEAN in all issue domains seems to be unrealistic to efficiently move ASEAN forward. Many ASEAN watchers have suggested that intra-ASEAN issue-specific minilateral cooperation should be a pragmatic starting point of ASEAN's institutional reform. If so, how Indonesia makes a balance between intra-ASEAN minilateralism in search for organizational efficiency and the ASEAN unity manifested in the ASEAN Charter would be something interesting to observe in the coming year.

12.Quote from Hariz Baharudin, "ASEAN Must Become Peaceful Region and not be Proxy for any Powers: Jokowi", < <https://www.straitstimes.com/asia/asean-must-become-peaceful-region-and-not-be-proxy-for-any-power-indonesia-president-joko-widodo>>

13.For instance, Laura Southgate, "Indonesia's ASEAN Chairmanship: Promoting ASEAN Relevance in 2023?" The Diplomat, January 19, 2023. <https://thediplomat.com/2023/01/indonesias-asean-chairmanship-promoting-asean-relevance-in-2023/>

The Challenges and Responses of Net Zero Emissions and Global Supply Chain Restructuring in the Post-epidemic Era

ChenYi Lai

Candidate for MSc
Economics & Strategy
for Business,
Imperial College
Business School



Lawrence L. Lee

Associate Professor,
National Taipei
University of Business



Introduction

The unprecedented COVID-19 pandemic has severely impacted lives around the globe and exerted stress on the global economy. According to Mena et al. (2022), the two major global events represent a low-probability, high-impact systematic risk that has disrupted international trade and transformed globalisation. The uncertainty caused by these events has significantly increased the economic impact of the pandemic.

The initial outbreak of COVID-19 in China, “the world’s factory”, a country being responsible for nearly 30% of the world’s manufacturing in 2019 (United Nations, 2019), led to a disruption in the world’s production and trade. The covid-19 made factories shut down, logistics disruption, and lockdowns led to a shortage of workers, causing the prices of products to skyrocket, delayed shipments, and a lack of supply despite demands remaining

high. As COVID-19 spread across the globe, many other countries faced a similar situation which aggravated the global economy and the trade flow. The major global event has led to instability in the global supply chain, which is viewed as a threat to a firm’s growth and a nation’s economic development.

According to Accenture (n.d.), 94% of the Fortune 1000 experienced supply chain disruptions from COVID-19, and 75% of companies were negatively impacted by the disruptions. To address this issue, governments and firms reassess and re-evaluate ways to manage and regain control of their supply chain to ensure their country's and firms' future growth. In response to the supply chain instability, companies and countries started to look for an alternative to source their goods and services, and reduce their dependence on other countries.

This led to the awareness of being resilient and agile when managing their supply chain, ultimately leading to the restructuring of the global supply chain.

The restructuring of the global supply chain alters the current interdependent international patterns of globalisation. The reconstruction of global trade fuels the resurgence of protectionist policies, which led the world from a free-trade, laissez-faire approach to a restricted way of international trade. As a result, it is evident from countries' efforts to promote localisation of production to encourage supply chain resilience, involvement in bilateral and regional trade agreements as opposed to multilateral trade agreements, and the political reasons behind such decisions.

At the same time, in recent years, climate change and infectious diseases have threatened all of humanity's social and economic development. The world community has begun to focus on sustainable development, hoping that human beings and the environment can coexist, prosper, and live forever. To achieve this goal, environmental, social and governance reporting (ESG) has become a significant performance indicator and the importance of ESG to enterprises' management performance. Due to the fact that the enforcement of ESG will increase the competition of an enterprise while increasing cost. The ESG becomes a vital indication that a company will be forced to comply with ESG reporting.

In the post-epidemic era, supply chain resilience and ESG are complementary factors towards the long-term success of businesses, countries, and the global economy. A supply chain considering the ESG components can perform better risk management and operational

sustainability. For example, ESG prepares the supply chain for unexpected environmental risks, gives more consideration to its stakeholders, and ensures sustainability in the long term. Moreover, the ESG factors would also contribute to the development of communities by promoting diversity, inclusion, and social sustainability.

Economic Uncertainty

Supply chain resilience can be defined as the ability of a country can resist a supply chain disruption and the ability to recover after the disruption (Mena et al., 2022). Improving a country's resilience and independence when facing unexpected events is crucial. The dependence on global supply chains has left many countries vulnerable to disruptions and shortages. A way for a country to enhance its supply chain resilience is to reduce the dependence of its production on other countries through localization. It is also a way to encourage internal production and stimulate its economy's growth.

In early 2020, the demand for personal protective equipment (PPE) and ventilators increased because of the spread of the virus. Countries with the ability to produce such products withhold their exports to support their own needs and to build up stock that was hardly any before the pandemic. As of April 2020, 72 WTO members and eight non-WTO members have banned or limited the export of face masks, protective gear, and other relevant goods (Shalal, 2020).

Whilst the nations are stocking up and expanding their production lines, these export restrictions worsened the vulnerable global supply chain of vital medical supplies and put frontline workers in danger. However, once the producing countries have control over their supply and maintain a certain control of the virus, these

nations start providing these medical goods to other countries in need.

PPE and medical supplies have been sent from countries with a surplus of supplies to countries severely impacted by the virus. These recipient countries need more production of such vital resources to support their own country during unexpected times, demonstrating the weakness of its overreliance on globalisation and its inability to respond to supply chain disruption. It also showed that export restrictions are not a viable solution when facing a supply shortage; instead, they cause a domino effect (Esser et al., 2020). As a highly integrated global economy, restrictions on medical exports only exacerbate situations in countries that don't initially produce such goods.

On the other hand, the equipment, ventilators, and other medical supplies were seen as assets during the pandemic and often used as diplomatic tools. The aiding of medical supplies demonstrates both solidarity for other countries and a form of political leverage. Firstly, by donating a surplus of PPE and medical supplies to other countries, it boosted the donor's public image on the global stage. For example, the campaign slogan "Taiwan can help" was shown on the cargo when delivering masks, gloves, vaccines, and other medical supplies to other countries. It portrays Taiwan's strategic planning when faced with unexpected situations and a positive image that Taiwan is great for reaching out and participating in global issues. Moreover, Taiwan uses medical supplies to strengthen diplomatic relationships and boost its image on the international stage.

Nevertheless, using medical supplies as a political tool and as an aid to other countries highlights the importance of essential goods. It brings attention to the benefits of acquiring such a resilient supply chain. This leads governments to

favour legislation for the domestic production of PPE, pharmaceuticals, and other medical goods. By encouraging domestic firms to produce goods with high essential interest for the country, the country could break away from the possible supply chain disruption and uncertainty. In addition to medical supplies and pharmaceutical sectors, other sectors should be considered to reduce dependence on the global supply chain—for example, food and agriculture, electronics, and raw materials. By gaining control over these sectors, the government can reduce the volatility during an unexpected event and ensure access to these critical and essential goods, which could be a key to national security. Therefore, localization is a favourable, contemporary way for a country to improve its supply chain resilience.

WTO Deterioration

"At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible" (WTO, 2023).

As the unprecedented strikes the world, although we see the efforts of WTO in maintaining a multilateral trading system, the organisation may accelerate the progress of countries adopting protectionist policies. As in the previous section, when COVID-19 first impacted the globe, countries hoarded resources and placed export restrictions to ensure they acquired sufficient stock before trading it off. The lack of international cooperation and restricting access to medical products for import-reliant countries hamper urgent supply response (Shalal, 2020).

As a result, countries lost faith in large multilateral trade systems and realised the importance of localised production for necessities.

The realisation deepens the concept of national sovereignty as multilateral trade agreements are rigid and lack the flexibility to adjust terms to accommodate economic changes. Moreover, multilateral trade agreements withdraw the country's ability to set its trade agreements and regulations. This can be perceived as a loss of sovereignty. Consequently, it leads governments to be indecisive between free trade and protectionism. However, the indecisiveness between upholding national sovereignty and participating in a multilateral trading system can threaten global economic growth and development as continuing to fulfil the multilateral trade agreements benefit the global economy.

With the awareness of uncertainty in mind, “homegrown reliance” became a prevailing concept for governing. Despite the protectionist policies coming with a potentially higher cost of production, technology implementation costs, and research and development costs, the benefit of building a strong and independent economy with the ability to manage and control its supply chain became the selling point for homegrown reliance. With this concept in mind, governments will reduce their dependence on WTO and renegotiate new trade agreements with countries with similar future endeavours and perspectives.

Bilateral and Regional Trade Agreements

Multilateral trade agreements have adequate policy space and compromise, which restrict the agreements from reaching their full potential. Lengthy negotiations, future unpredictability, and difference in trading views may all lead to countries falling in interest in participating in a large multilateral trading system, WTO. Multilateral trade agreements may negatively

impact smaller nations with more competition, limited bargaining power, and decreased market share. Instead, smaller nations negotiate bilateral and regional trade agreements with countries with similar perspectives. This is important for smaller countries with a high level of trade openness as their economies depend heavily on cross-border free trade.

The Doha Round of Trade Negotiations commenced in November 2001 and was an example of the falling popularity of multilateral trade agreements. The Doha Round intends to achieve major reforms of the international trading systems by introducing lower trade barriers and revised trade rules and improving the developing countries' trading prospects (WTO, 2015). Despite the intentions to promote economic growth and reduce poverty, the Doha Round failed. The 157 WTO members at the Doha Round showed that the negotiation round was too ambitious, and members lost patience in WTO to negotiate a multilateral agreement (Fry, 2022). Instead, bilateral trade agreements were made during the period but were outside the supervision of the WTO. During the time of the Doha Round, the significant free-trade agreement made was the Trans-Pacific Partnership (TPP). In 2008, President George W. Bush announced the United States to join TPP, expanding the original Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) of four members into a free-trade agreement between twelve Pacific Rim countries. TPP later become one of the biggest trade deals, contributing 40% of the global GDP (McBride et al., 2021). The failure of the Doha Round shows the difficulty of negotiating a multilateral trade agreement. It also shows the potential of a regional trade agreement with countries in similar strategic positions.

Digital Trade

Digital trade has become increasingly important in the global economy. As COVID-19 hits, more businesses conduct their daily activities online. Although trades are easier to be conducted across borders, it led to more complex international transactions. Governments must manage the arising issues from digital disruption and ensure opportunities and benefits from digital trade can be shared mutually (OECD, n.d.). In addition, the multilateral rules and agreements rules need to be updated for the issues that arise in the digital era (Nemoto & González, 2021). Its growth in significance has led to it becoming a separate segment within multilateral trade agreements. For example, the EU FTAs included its approach to digital trade, which consists of no customs duties on electronic transmissions, prohibition of data localisation requirements, consumer protection against unsolicited direct marketing communications, protection of software source code, and provisions regarding the conclusion of contracts by electronic means and e-signatures (EU, n.d.).

Digital trade can benefit small countries' economies by opening the global market and providing businesses with more opportunities. These opportunities are significant for countries like New Zealand, an economy primarily composed of small and medium enterprises (SMEs). Digital trade would help businesses to overcome the challenge of distance and scale and enter the global market, which was only accessible to larger firms (New Zealand Ministry of Foreign Affairs and Trade, n.d.).

The Digital Economy Partnership Agreement (DEPA) is a partnership agreement signed by Singapore, Chile, and New Zealand in June

2020. The partnership represents a new form of economic engagement and trade in the digital era, which will facilitate end-to-end digital trade, enable trusted data flows, and build trust in digital systems (MTI, 2020). Partnering with countries with similar future outlooks and acknowledging the benefits of digital trade could be a trend for smaller countries to compete and trade globally. This also demonstrates the possibility for countries to participate in trade agreements of smaller size in which governments can gain more sovereignty over their decisions and regulations.

Political Pressure

Drawing the concept from the Ricardian Trade Model states that countries should specialise in the production of goods in which they have a comparative advantage. Then, if all countries export the goods they have specialised in, all countries will benefit from mutual trade. Although this 19th-century model may not be 100% applicable to the current world, it does provide a key concept in which trade can be viewed as a new production technology. Trade allows countries to produce with higher productivity and break the original production and consumption link. Although globalisation could lead to a more integrated global economy and provide the world with mutual benefits, we see a deterioration in globalisation and a rise in protectionist policies and localisation. Countries opt for protectionist policies due to economic uncertainty, national security, political pressure, and to balance trade.

The China-United States trade war started in 2018 when the US government-imposed tariffs on Chinese imports to address the issues of unfair trade practices and intellectual property theft. These protectionist policies and retaliatory actions started by the US may arise from the recent rapid Chinese

economic growth. In 2010, China surpassed Japan in GDP to become the second-largest economy in the world. The threat from China to overtake the US becomes more apparent. The effort from the US to reduce the level of trade deficit with China can be seen as the US reducing the level of dependence on Chinese manufactured goods. COVID-19 became the perfect scapegoat for such a purpose.

The global supply chain disruption made countries realise the importance of reducing reliance on other countries. At the same time, it provides governments with a perfect opportunity to shift the production of goods out of China and back to their countries. Using the China-United States trade war as an example, the high tariff for Chinese imports encourages companies to shift production to the US to avoid the impact of the high tariff. This could motivate companies from different sectors to reposition their production to the US, which would benefit the US economy with a much more stable and reliable US supply chain than the Chinese-dependent supply chain. Moreover, the US targets China's "Made in China 2025" national strategy to suppress Chinese technological advancements. This shows the power struggle between the two major global economies camouflaged under the reasons of localisation to control and manage their supply chain through unexpected times and disruption.

ESG Reporting

In 2004, the United Nations Global Compact (UN Global Compact) put forward the concepts of "ESG, Environmental Protection (Environment), Social Responsibility (Social) and Corporate Governance (Governance)", which are the performance indicators for the sustainable operation of companies.

At the United Nations Climate Change Conference in 2021, after nearly 200 countries gathered to sign the Glasgow Climate Agreement, the global ESG wave rose. Companies must pay attention to environmental sustainability, social responsibility and corporate governance to gain market recognition. These three indicators are also the core spirit of ESG. The Content of ESG explains as follows:

Environmental protection (Environmental) means that companies must pay attention to environmental sustainability issues, covering greenhouse gas emissions, carbon emission reduction, climate change, environmental sustainability, carbon emissions, pollution treatment, etc.

Social responsibility (Social) covers how the company manages its employees, suppliers, customers, working environment, information security, suppliers, community programs, etc.

Corporate governance (Governance) covers senior management, executive compensation, auditing, internal control, shareholder rights, corporate ethics, information transparency, diversity of directors, and corporate compliance.

Applying ESG: Reducing the Risks of Climate Change

The Global Risks Report released by the World Economic Forum in 2020 pointed out that the risks of climate change and economic stagnation are less optimistic than initially expected. The well-known insurance management group Aon (Aon) put forward the "Weather, Climate and Disaster Insight: 2021 Annual Report" in 2021, pointing out that the economic losses caused by natural disasters in the global industry are as high as US\$343 billion, which is higher than the catastrophe losses in 2020 15% off. It is worth

noting that more than 60% of the companies affected by natural disasters have not purchased relevant insurance or conducted climate risk management in advance. As the damage caused by the climate becomes more serious, companies must pay more attention to managing climate risks and planning ESG plans to qualify for insurance.

Applying ESG: Gaining the Favour of Investors

As early as the global financial tsunami occurred in 2008, the financial market observed that companies with higher ESG scores in the United States were less affected by the financial crisis. Because usually, companies with higher ESG scores indicate that the company has a more stable constitution and can achieve financial transparency and a low-risk business model. Investors have high confidence in this type of company, and it is not easy to withdraw their capital. Therefore, compared with companies without ESG ratings, the investment risk of companies with a high ranking on ESG is lower.

Moreover, the rise in social and environmental concerns changed investors' perspectives (Napoletano & Curry, 2022). Investors want a company to provide financial returns and positively impact the environment and society. Consequently, the financial market has seen a trend in ESG investments. Assets managed under institutional investors that have signed onto the Principles of Responsible Investment (PRI) significantly increased from \$6.5 trillion in 2006 to \$60 trillion in 2015 to over \$86 trillion in 2019 (Gillan et al., 2021; Friede et al., 2015). It is evident that investors favour companies with ESG commitment, and ESG positively impacted corporate financial performance (Friede et al., 2015).

Applying ESG: Enhancing International Competitiveness

Companies that prioritise ESG can gain international brand image, improve resource management, create partnerships, and attract investments. The Glasgow Climate Convention was adopted at the United Nations Climate Change Conference in 2021. Nearly 200 countries agreed to work towards the goal of reducing emissions by 45% in 2023. In addition, the United States and nearly 30 countries will also gradually reduce the use of renewable energy by the public sector. The investment quota fully supports the energy transition plan to achieve the net zero carbon emissions goal in 2050. In addition, many international companies require supply chain manufacturers to provide carbon neutrality-related reports or management measures before 2030. In 2018, 86% of S&P 500 firms released sustainability or corporate sustainability reports compared to under 20% in 2011 (Gillan et al., 2021). If companies cannot do so, they will not be able to cooperate with businesses including Apple, Microsoft, Amazon, and Google. ESG scores include details such as carbon emissions and product carbon footprints. Therefore, it is imperative for all companies worldwide to learn to collect and disclose ESG information.

Applying ESG: Compiling with the government promotes relevant policies

In response to the international trend of sustainable finance, Taiwan Financial Supervisory Commission launched the "Green Finance Action Plan 2.0" in 2020 to improve the quality of corporate ESG information disclosure. In view of the fact that most companies and investors

in Taiwan do not incorporate climate change factors into risk management and underestimate the impact of ESG information on operational decision-making and risk management, many companies are still accustomed to compiling Corporate Social Responsibility reports and do not provide ESG corporate sustainability performance indicators. Therefore, the "Green Finance Action Plan 2.0" lists "improving the quality of ESG information disclosure" as a priority goal of the overall plan, an investor reference to keep in line with international trends.

Conclusion

COVID-19 has impacted daily lives and the global economy for over three years. It moved the governments' stand on globalisation and led to a worldwide trend of protectionism. These protectionist policies intend to stabilise a country's supply chain in an unexpected global event and promote the country's supply chain resilience. However, maintaining access to a reliable supply chain is not solely the reason for the departure from globalisation. Economic uncertainty, a rise in national sovereignty, differences in prospects, and political factors should all be responsible for the trend of protectionism in the post-Covid era.

To further strengthen supply chain resilience, companies and countries should also take into account the ESG criteria. ESG act as a company's health inspection report, which evaluates the company's internal and external performance and evaluates the overall performance of a company. The company should not only focus on financial indicators, but on developing long-run sustainable operations through outstanding financial performance, building good relationships with its employees and shareholders, and undertaking more social responsibilities. In the post-pandemic

era, supply chain resilience and ESG should be considered complementary to ensure the long-term success of businesses, countries, and the global economy.

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Going Forward: Challenges in Asia-Pacific Economic Cooperation

Alexander C. Tan

Professor,
Political Science and International Relations,
University of Canterbury Christchurch



Even the most astute observer of global affairs could not have forecasted how difficult and challenging the start of the second decade of the 21st century would be. The COVID-19 pandemic that began in early 2020 is still around and the economic consequences are clear for all to see. Yet, in terms of economic interaction and cooperation in the Asia-Pacific, the disruption and instability began with the election of Donald Trump in the US in 2017 and China's tit-for-tat response as well as its increasing assertiveness in pursuing its national interests. In the ensuing four years of the Trump administration, the US quit the Trans-Pacific Partnership (TPP) trade agreement, scrapped NAFTA (and renegotiated a replacement agreement), weaponized trade (with friends and foes alike), and vilified multilateral/regional trade agreements. Trade under the Trump administration became a geopolitical 'hot potato' and sharpened the competition between the US and China. As the world's largest economy and an important economic partner to Asia-Pacific economies, US actions have immense flow-on consequences and certainly affected the conduct of

Asia-Pacific economic interaction and cooperation. The COVID-19 pandemic simply made the bad situation worse.

The trade-dependent Asia-Pacific economies face significant headwinds in progressing economic cooperation and economic integration, amongst these headwinds are the continuing fallout of the COVID-19 pandemic and its after effects, and the impact of geopolitical tensions between the United States and China. Let us briefly examine these challenges.

The fallout of the COVID-19 pandemic

The COVID-19 pandemic that began in early 2020 is now entering its fourth year although border closures have been lifted and lockdowns are no longer enforced to control the pandemic. As cross-border travel has been lifted and area wide lockdowns have given way to patient self-isolation and management, economic activities are slowly returning to some level of normality. Yet, the economic after-effects-inflationary pressures and supply chain disruption -- of the COVID-19 pandemic are evident.

The supply chain disruptions hit the global economy since the early days of the pandemic. Public health responses that included lockdowns and mandatory self-isolation of those infected-necessary to control infection rates and the spread of the virus-naturally affected businesses including manufacturing, shipping, and the general flow of good and services. As business and economic activities became disrupted, the economics of supply and demand set in bringing inflationary pressures as supply of goods and services is unable to satisfy existing demands and manufacturing activities slowdown significantly as inventory of parts and intermediate product is reduced and the supply of these products affect final production itself.

The integration of the global economy in the past three decades ensured that these pressures are not limited to one country or one region but felt globally. As production and manufacturing processes become more decentralized and distributed across countries and regions, disruptions of business and economic activities in one country or one region is keenly felt across other countries and regions. For example, since China's accession to the WTO, it has become a major manufacturing hub for both intermediate and finished products. As China went into lockdown in response to the COVID-19 pandemic, the disruption of the supply chain of finished products for the consumer market and intermediate products for the other goods were very keenly felt. Another much reported example is the short supply of semiconductors during the height of pandemic. Semiconductors have become a critical component in wide range of products from mobile phones, computers, washing machines, automobiles, etc. Taiwan's dominance of the semiconductor industry-highlighted by the

island state supplying 60 percent of global needs in semiconductors-as slowdowns in production in its foundries in Taiwan and overseas due to the public health crisis has seriously affected the manufacturing industries in Germany, US, Asia, and elsewhere.

Cost and price increases affecting businesses and consumers are not only caused by supply chain disruptions but were also a result of the expansionary fiscal and monetary policies that governments adopted in response to a fear of an economic collapse due to public health crisis and the drop in consumption. The quantitative easing increased money supply and resulted in cheap credit as interest rates dropped significantly. All these contributed to inflationary pressures that in 2022 began to be felt globally as major economies such as the United States, United Kingdom, Japan, Germany, and other economies witnessed high inflation rates not seen since the early 1980s (Hubbard 2022; Suvannaphakdy 2022).

In the Asia-Pacific region, the challenge of inflation and the supply chain disruption to economic cooperation becomes a political problem and a collective action problem. Regional economic cooperation necessitates outward-looking, harmonized, and coordinated policies and policymaking in order to create an economic environment that is conducive to mutual economic growth and development. Yet, the current economic problems emanating from the COVID-19 pandemic has turned governments to be more inward-looking and domestically focused. As citizens are affected by high cost of living and public support and approval ratings of governments noticeably declines, politicians are driven to be more inward-looking as its due to the domestic political problems created by high inflation and poor economic performance.

Geopolitics and US-China strategic competition

The biggest challenge to Asia-Pacific economic cooperation is not economic but the state of contemporary geopolitics. While geopolitics can-in good times-be an enhancer and a catalyst of economic cooperation, accelerate trade liberalization, promote economic progress, yet in the bad times geopolitics become a consequential and significant stumbling block.

The Trump's administration of 2017-2021 promoted an 'America First' foreign policy that not only 'supercharged' American primacy but also weaponized trade and knocked back American involvement in regional trading arrangements. In weaponizing trade, the US slapped customs tariff on products from the PRC leading to tit-for-tat between the world's two largest economies. Customs tariff, though, was not only directed to the PRC-who the US identified at its strategic competitor-but also to products such as iron and steel products from allied and friendly states like Australia, South Korea, New Zealand, and EU countries.

Besides weaponizing trade, the Trump administration also withdrew the United States from the Trans-Pacific Partnership (TPP), renegotiated the North American Free Trade Agreement (NAFTA), and essentially stepped away from plurilateral and multilateral trade arrangements. These types of agreements have become a 'hot potato' political issue in the United States with politicians of both stripes-Republicans and Democrats-avoiding support for global or regional free trade. Under the Biden administration, there has been no marked change in US trade policies.

For the Asia-Pacific region, the US's withdrawal from the TPP was a significant setback as not only was the agreement already completed but is beginning to be ratified by signatory countries then. As trade is an important lifeblood of countries in the Asia-Pacific, Japan led the effort to renegotiate the TPP amongst the remaining countries-Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam-and was renamed the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The CPTPP was signed in 8 March 2018. Since then, the UK, PRC, and Taiwan have applied to join the CPTPP.

The change in Trump administration to the Biden administration in 2021 did not see the United States apply to join the CPTPP. Instead, the Biden administration has offered the Indo-Pacific Economic Framework (IPEF) as an alternative to CPTPP. However, IPEF as of this writing is not exactly an alternative as it is not a typical free trade agreement and there is no mention of market access or tariff free trade amongst its members.

Meanwhile, since the US's withdrawal from the TPP, the PRC has signed the Regional Comprehensive Economic Partnership (RCEP) with countries in the Asia-Pacific that includes Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, and Vietnam. RCEP countries comprises 30 percent of global population and accounts for 30 percent of global gross domestic product (GDP). While RCEP is not considered at the same quality level of the CPTPP, its significance to trade and economic cooperation cannot be understated due to its more Asia-Pacific regional focus that includes several global trading powerhouse countries.

The United States, China, and Japan are the top trading partners of countries in the Asia-Pacific. With the US and China locked in geopolitical competition, Asia-Pacific countries are caught in the middle as tensions spillover to the economic sphere (The Economist 2021). Asia-Pacific is no stranger to superpower competition. In the post-Second World War period, Asia-Pacific is one of the arenas of the Cold War dividing up countries into different allegiances and groupings-between the pro-US alliance and the pro-Soviet alliance. Yet, this current geopolitical tension is different as it is not a simple ideological contest of liberalism versus authoritarianism. China presents a different challenge from the USSR. While the USSR, during the height of the Cold War, was a consequential military competitor to the US, it is much less so in the economic sphere. China, on the other hand, is significant in the economic sphere. In the Asia-Pacific region, China is the top trading partner to countries in the region-including Australia, New Zealand, Japan, South Korea, and even Taiwan.

As trade dependent economies, the stark geopolitical choices being presented of the US-China competition do not translate well in terms of trade and economic issues (The Economist 2021). With free trade becoming a ‘toxic’ political issue in Washington, the United States has framed the geopolitical competition in terms of the values of liberalism and democracy subsuming the economic into the political and not offering any economic or trade enticement to countries in the region. China, on the other hand, has a carrot and stick approach to its foreign policy with the ‘carrot’ of continued emphasis on its economic and trade focused agenda to the Asia-Pacific in conjunction with the ‘stick’ as China invest heavily on its military and asserts its territorial sovereignty claims (e.g., South China Sea) as well as its own weaponizing of trade.

As supply chain stability and security are thrust to the forefront of geopolitical attention, concerns have been raised about the increasing talks about ‘decoupling’ and its implications to global and regional economic growth and development. In a recent article published at the influential journal *Foreign Affairs*, former US Treasury secretary Henry M. Paulson, warned that America’s pursuit of a ‘broad decoupling’ and viewing US-China relations solely on national security lens is not only disadvantaging American businesses but also risk American prosperity as well as global prosperity.

In terms of the Asia-Pacific region, both the United States and China (together with Japan) are the main growth engines of the regional economies. This is evidenced by the unprecedented economic growth and development of the region in the post-Second World War period. In the 1960s to the 1980s, the United States was arguably one of the main sources of growth for the Asia-Pacific economies with its huge market and strong support of free trade of goods and services. As China opened up to the world in the 1980s-and especially since its WTO accession-has also become a second and very important growth source for the regional economies as well.

Indeed, the singular focus on national security in the United States-China relations and the threat of broad decoupling that ex-Treasury Secretary Henry M. Paulson has raised strong concerns about is extremely worrisome for Asia-Pacific economies. As the editors of *The Economist* wrote in their opinion editorial (28 June 2021) argue that the United States should not let Asian countries choose sides in this period of heightened competition between the world’s two largest economies. It goes without saying that from the point of view of the Asia-Pacific economies, it is not as simple as choosing the United States or choosing China. Since the 1990s, the regional

economies are more integrated to both the United States and to China. Therefore, in terms of sustaining the region's economic growth and development and the furthering of regional economic cooperation-especially after the COVID pandemic- a stable, cordial, and predictable United States-China relationship is required and most preferred by the Asia-Pacific economies.

Going forward

As countries in the region and globally battle the economic consequences of the COVID-19 pandemic, trade, economic cooperation, and economic coordination between and amongst Asia-Pacific economies are even more critical for regional economies to solve the problems posed by inflation, supply chain stability, and the looming threat of recession. Economic problems resulting from the pandemic, therefore, necessitates an economic solution. In the Asia-Pacific region then, resolving the problem of collective action would require not only skillful diplomacy and economic statecraft of its policymakers but more importantly the strengthening and enhancement of existing regional economic frameworks. Indeed, regional economic framework such as the Asia-Pacific Economic Cooperation (APEC) and other regional economic institutions have critical role to play as it provides an important platform and a consequential mechanism for regular interactions of key economic policymakers in the region. While the United States-China geopolitical competition is real and casts a dark cloud over the Asia-Pacific region, Asia-Pacific regional economies can take solace in the lessons-of the importance of iterative interactions and institution-building that develops mutual trust and leads to cooperative behavior-that Robert Axelrod's classic book *The Evolution of Cooperation* taught us. Through

these regional economic frameworks, economic coordination and economic cooperation-even under the shadow of heightened geopolitical tensions-is still possible.

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5th Floor, Number 16-8, Dehuei Street,
Zhongshan District, Taipei City 10461,
Taiwan (Republic of China)



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For more information,
please visit CTPECC website or email the editor: Mr. Chi-Wei Li d34694@tier.org.tw