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Paradox of Plenty: Securing the Relevance of Asia-Pacific Economic Cooperative Frameworks Amidst Tariff Wars

By Marty Natalegawa

SYNOPSIS

The Asia-Pacific boasts numerous economic frameworks, many reflecting ASEAN's centrality and others, the efforts of individual Southeast Asian nations. ASEAN has established multiple free trade agreements with regional partners, and initiated RCEP and the EAS. However, these frameworks have largely been dormant in addressing the current tariff war, highlighting a "paradox of plenty" and an untapped crisis management potential. ASEAN can inject a sense of urgency and offer a neutral space for dialogue and action.

COMMENTARY

Thanks to ASEAN's decades-long exercise of centrality and the beyond-ASEAN policy contributions of individual Southeast Asian countries, the Asia-Pacific region is not bereft of intra-regional economic cooperative frameworks.

ASEAN has been particularly industrious. It has initiated a network of free-trade agreements – variously composed and regularly updated – with all its Dialogue Partners in the region: ASEAN-Australia-New Zealand (AANZFTA); ASEAN-Japan (AJCEP); ASEAN-Republic of Korea (AKFTA); ASEAN-China (ACFTA); and ASEAN-India (AIFTA).

Although there is no common free trade agreement binding ASEAN with the Plus Three countries (China, Japan and the Republic of Korea) collectively, the APT has developed to become one of the most important East Asia-wide processes, being seen as a key driver for a future East Asia community.

Further, in 2011, ASEAN initiated the Regional Comprehensive Economic Partnership

(RCEP), which came into effect in 2022, as a demonstration of its then-prevailing confidence in its capacity to shape and mould the region's economic architecture.

While many readily recognised the RCEP's significance as the world's largest FTA in terms of the combined GDP and population of its participating states, the ASEAN-centric nature of the initiative has not been as often acknowledged.

In 2011, the view was – certainly in Jakarta as the RCEP's initiator – that by encompassing all the countries with whom ASEAN already has free trade agreements in an even broader free trade arrangement, ASEAN would help connect the “outer dots” by promoting free trade arrangements between ASEAN's Dialogue Partners that would otherwise not benefit from such frameworks. A prized success would have been India's inclusion, given its absence in the Asia-Pacific Economic Cooperation (APEC). However, India regrettably withdrew from the RCEP talks.

Thus, the fact that RCEP has, in some ways, given a fillip to a possible stand-alone free trade arrangement between China, Japan, and the Republic of Korea is not insignificant.

Besides these, the ASEAN-initiated East Asia Summit (EAS) launched in 2005 with the participation of ASEAN Member states, Australia, China, India, Japan, New Zealand, the Republic of Korea and the United States, manifests ASEAN's early adoption – in actual state practice and not mere “outlook” – of an Indo-Pacific perspective.

In essence, ASEAN recognises the “gaps” in the prevailing regional architecture and is acting to fill them. The EAS – with decidedly flexible topics for deliberation, namely a broad range of strategic, political, and economic issues – was purposefully set at the Leaders level in recognition of the need for leaders-level engagement in dealing with some of the region's thorniest challenges.

Other regional economic cooperative frameworks abound beyond those that are ASEAN-led or initiated. The APEC, launched in 1989, once received considerable attention for its efforts in promoting trade liberalisation, including its vision of the Free Trade Area of the Asia-Pacific (FTAAP).

A more recent effort, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), though reminding of the ails yet to come, seems unable to shake off the policy vacillation emanating from Washington, D.C.

Sub-regional economic frameworks are also to be found: the Brunei Darussalam-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the various Mekong River cooperative frameworks, and the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), to name a few.

China has also been active in its own economic infrastructure-building, such as establishing the Asian Infrastructure Investment Bank (AIIB) to supplement the long-established Asian Development Bank (ADB).

In the Pacific, cooperative economic frameworks exist under the aegis of the Pacific Islands Forum and the Pacific Forum Island Countries. Of course, various processes relevant to the economic domain that extend beyond the Asia-Pacific, such as the UNESCAP, Asia-Europe Meeting (ASEM), and the Forum of East Asia-Latin America Cooperation (FEALAC), should not be missed.

Of further significance are eight of the region's economies that are members of the G20: Australia, China, India, Indonesia, Japan, the Republic of Korea, Russia, and the United States.

There is thus no institutional deficit in the Asia-Pacific in dealing with economic issues, including trade. Yet paradoxically, in the face of arguably one of the most serious threats to the region and the world's economy, the tit-for-tat tariff wars, the various trade and economic frameworks cited above have thus far largely been ineffectual. At best, they have been able to describe and lament the risks inherent in the tariff wars but have not been able to put concrete, coordinated steps into effect to avert further crisis.

To its credit, ASEAN has demonstrated some sense of urgency through the convening of the Special ASEAN Economic Ministers (AEM) meeting (held virtually) on 10 April 2025 and the ASEAN Finance Ministers' and Central Bank Governors' Meeting in Kuala Lumpur on 7-10 April 2025, as well as the proactive leaders-level calls made by its present Chair, Malaysia.

It remains to be seen, however, what concrete coordinated steps will follow beyond the statement of its commitment to pursue the path of dialogue and negotiation rather than confrontation.

A paradox of plenty seems evident – of a multitude of regional economic cooperative frameworks, although there is an absence of a concrete response to the tariff wars, and of crisis-management capacity that remains untapped. Unlike crises in the past, including the most recent economic downturn caused by the global pandemic, the current situation seems eminently unnecessary, a crisis that has been policy-generated.

The question is: Who is to apply (gently) the brake and steer the world away from a full-blown economic crisis? Who will provide safe space for countries to pause and reflect, without losing face, for negotiation to find traction, and for reason to prevail?

Southeast Asian countries, especially ASEAN, have nurtured the “comfort level” or trust of many for decades and can make positive contributions. At the very least, ASEAN can offer neutral opportunities and conditions conducive to the contesting powers airing their grievances, for dialogue and diplomacy to find traction based on the principles of mutual respect, mutual interest, and mutual benefit.

More than simply projecting convening power, the forthcoming ASEAN Summit on 26-27 May 2025 in Malaysia offers an opportunity to identify a succinct list of principles and concrete actionable steps for countries to collectively take to avoid an economic abyss. Such call to action by Kuala Lumpur, the ASEAN Chair, can, in turn, be

systematically promoted in all the various Asia-Pacific economic cooperative frameworks cited above as a rallying point.

Indeed, given the leaders-level nature of the EAS, and that it is one of the few fora where China and the United States are participating at the leaders' level, it may be relevant to explore the possibility of an earlier than planned East Asia Summit, at least virtually. This is an occasion for ASEAN to earn its centrality.

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