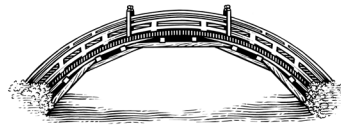


ESSAY SERIES ≈ TRADE AND SUPPLY CHAINS IN ASIA

The Rise of Plurilateral Trade Agreements and the Future of Trade in the Indo-Pacific

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EXECUTIVE SUMMARY

This essay argues that two plurilateral free trade agreements (FTAs), the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), hold the key to maintain the open regional trade order and asks whether they can rise to the challenge.

MAIN ARGUMENT

Since their establishment, the CPTPP and RCEP have occupied important spaces in the Indo-Pacific and global trade order by extending membership and rules, providing a steady foundation for connectivity and economic activities, empowering small and medium-sized states, and influencing the behavior of the great powers, the U.S. and China. These functions help maintain the long-standing rules-based order in the face of a paradigm shift toward economic security reshaping the global economic landscape. This shift has been a result of extraordinary challenges in the first half of the 2020s, including the Covid-19 pandemic, massive supply chain disruptions, wars in Europe and the Middle East, economic coercion, the U.S.-China technology and trade wars, and domestic political pressures for protectionism and deglobalization. During this time, the U.S. government has demonstrated little interest in remaining the guardian of the open trade and rules-based order. With President Donald Trump resuming the U.S. presidency in 2025 and emphasizing his “America first” policies, the Indo-Pacific region’s small and medium powers face the difficult task of using these mega-FTAs as a foundation on which to create a coalition to support the rules-based economic order without U.S. backing.

POLICY IMPLICATIONS

- The CPTPP and RCEP have respectively provided regional alternatives to the World Trade Organization (WTO) to support the rules-based trade and investment order, despite the U.S. absence in a time when economic security concerns prevail.
- The WTO continues to face challenges in updating its rules, especially given the Trump administration’s disregard for multilateralism.
- As the CPTPP and RCEP grow, they will need to address challenges over membership accession, utilization rates, and evolving geoeconomic issues such as strengthening supply chains and digital trade.
- Further disruption introduced by Trump 2.0 will require even more proactive engagement from small and medium powers if they are to protect the open and rules-based trade order.

From 2018 to 2022, two plurilateral free trade agreements (FTAs) went into effect in the Indo-Pacific in succession. The first is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which originally included eleven members around the Pacific Rim.¹ Negotiations for the CPTPP began in the early 2010s in the form of the Trans-Pacific Partnership, led predominantly by the U.S. government under President Barack Obama. The agreement aimed to establish “platinum standard” trade and investment rules among its members from the Indo-Pacific, including in ecommerce, standards for labor and the environment, the protection of intellectual property rights, and fair competition related to state-owned enterprises (SOEs). After President Donald Trump withdrew the United States from the agreement in early 2017, the remaining eleven members renegotiated and concluded the agreement as the CPTPP in 2018 with its high standards intact.

The second agreement is the Regional Comprehensive Economic Partnership (RCEP), which went into effect in January 2022. As the largest FTA in history, covering about 30% of the global population and GDP, the agreement includes all ten members of the Association of Southeast Asian Nations (ASEAN) plus five countries from the western Pacific region (Australia, China, Japan, New Zealand, and South Korea).² With a diverse economic membership, RCEP’s trade and investment rules do not cover the same realms of labor or environmental standards as the CPTPP, nor does the agreement restrict SOEs. In addition, RCEP contains less-stringent enforcement provisions, more exemptions, and longer phase-in periods.³

These two plurilateral arrangements have become a vital addition to supporting the rules-based trade order, given the stagnation of the World Trade Organization (WTO), the international body that has guided the multilateral trade order since 1995.⁴ Also particularly striking is that the United States—the

¹ The original eleven CPTPP members include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

² ASEAN’s ten members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. India was a negotiating partner in RCEP but left in 2019 before the agreement was concluded.

³ For more details, see Sebastian Wiendieck and Peter Stark, “Asia’s Free Trade Agreements in Focus: CPTPP, RCEP and IPEF” Rödl and Partner, September 12, 2023 ~ <https://www.roedl.com/insights/asia-free-trade-agreements-cptpp-rcep-ipef>; and Innwon Park, “Comparison of the Regional Comprehensive Economic Partnership and Other Free Trade Agreements,” in *Regional Comprehensive Economic Partnership: Implications, Challenges, and Future Growth of East Asia and ASEAN*, ed. Fukunari Kimura, Shandre Mugan Thangavelu, and Dionisius Narjoko (Jakarta: Economic Research Institute for ASEAN and East Asia, 2022), 45–82.

⁴ See Kristen Hopewell, “The World Is Abandoning the WTO and America and China Are Leading the Way,” *Foreign Affairs*, October 7, 2024 ~ <https://www.foreignaffairs.com/united-states/world-abandoning-wto-china-leading-way-kristen-hopewell>.

former guardian of the liberal international economic order—does not belong to either of these mega-FTAs. This essay examines how the CPTPP and RCEP influence the global trading system, and how the United States has responded to being outside both agreements. The key question the essay poses is whether the rules-based trade order can be maintained primarily through regional and bilateral FTAs as economic issues are increasingly weaponized and conflated with national security. Such interaction has led to a series of conflicts in the absence of a strong WTO and reliable U.S. leadership. The essay is organized as follows:

- ≈ pp. 64–69 provide an overview of developments and achievements in these two mega-FTAs since their inception as well as of Chinese and U.S. responses.
- ≈ pp. 70–73 outline recent challenges to the global trade order and the rise of economic security responses and then discuss the implications of a system in which the WTO continues to weaken.
- ≈ pp. 74–76 assess the implications of the second Trump presidency, which has already significantly disrupted the global trade order.
- ≈ p. 76 concludes the essay with some reflections on these mega-FTAs and the future direction of trade.

THE EVOLUTION OF THE CPTPP AND RCEP

Since the launch of the CPTPP in 2018 and RCEP in 2022, these two mega-FTAs have begun to occupy important spaces in the regional and global trade order by extending memberships and rules, providing a steady foundation for connectivity and economic activities, empowering small and medium-sized states, and influencing the behavior of the great powers (the United States and China). These achievements are particularly significant in light of the extraordinarily difficult economic conditions during this period, including global supply chain disruptions resulting from the Covid-19 pandemic, wars in Europe and the Middle East, and domestic political pressure in large economies to become more protectionist and deglobalize.

First, these FTAs (see **Table 1**) have gained traction in terms of both membership and the rules that they have instilled in the global trading system. The CPTPP, in particular, has attracted significant and sustained interest and attention in expanding membership. The CPTPP requires all original members to sign off on an accession request through a process whereby the aspirant economy must (1) demonstrate the means by which

TABLE 1

*Comparative Status, Membership, and Size of Trade and Schemes
of the CPTPP, RCEP, and the IPEF*

Scheme	Status	Members	Proportion of world population	Proportion of world GDP	Proportion of world trade
Comprehensive and Progressive Agreement for Trans-Pacific Partnership	In effect (December 2018)	11 in 2018, expanded to 12 with the UK in December 2024	6.7%	12.8%	14.9%
Regional Comprehensive Economic Partnership	In effect (January 2022)	15 (ASEAN +5)	29.7%	30.8%	29.5%
Indo-Pacific Economic Framework for Prosperity	Pillar 1 not concluded, pillar 2 in effect (February 2024), pillars 3 and 4 agreed (November 2023)	14	32.3%	40.9%	28.5%

Source: Sang-Chul Park, “Mega FTAs versus Indo-Pacific Economic Framework (IPEF) and Taiwan Framework (TF): What Are Their Roles in East Asian Economic Security?” in *Strategies in Changing Global Orders: Competition and Conflict versus Cooperation*, ed. Chin-Peng Chu and Sang-Chul Park (Singapore: Springer Singapore, 2023).

Note: CPTPP values include the UK.

it will comply with the agreement’s existing rules and (2) ensure that it will undertake to deliver the highest standard of market access with respect to goods, services, investment, financial services, government procurement, SOEs, and temporary entry for business persons.⁵ The United Kingdom

⁵ “Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Accession Process,” CPTPP/COM/2019/D002, January 19, 2019 ~ available at <https://www.mfat.govt.nz/assets/Trade-agreements/CPTPP/Accession-Process.pdf>. In December 2024, these three points were codified as the Auckland Principles. See “Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Joint Ministerial Statement, 28 November 2024,” CPTPP Members, Policy Paper, November 29, 2024, available at <https://www.gov.uk/government/publications/cptpp-joint-ministerial-statement-in-vancouver-canada-28-november-2024/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-cptpp-joint-ministerial-statement-28-november-2024>.

applied to join the agreement in February 2021, and it officially became the first new member in December 2024.

More complicated are the applications by China and Taiwan to the CPTPP, which were made nearly simultaneously in September 2021. On the one hand, China's accession would expand the size of the CPTPP economies, while on the other, China's track record of not quite following the rules during its twenty-year membership in the WTO leads to concern that it would have an oversized negative impact on the rules-based order promoted by the CPTPP.⁶ Facing China's opposition, Taiwan's accession to the CPTPP is unlikely unless there is nearly simultaneous access as seen in the cases of APEC (Asia-Pacific Economic Cooperation) and the WTO.⁷ With a visible split among the members in evaluating the accession prospects of these two economies under the consensus principle, the process has been delayed and will likely continue to be kicked down the road under the commission chairmanship of Australia in 2025.

Meanwhile, the subsequent and less controversial accession request by Costa Rica is proceeding.⁸ Ecuador, Indonesia, Ukraine, and Uruguay have also applied, and the Philippines, Thailand, and South Korea are deliberating about whether to apply. As such, the possibility of accession to the CPTPP in the face of lagging multilateralism in setting trade rules is making the agreement attractive. Since its entry into force in January 2022, RCEP has also garnered some interest in accession and received four requests: Hong Kong (January 2022), Sri Lanka (June 2023), Chile (June 2024), and Bangladesh (October 2024).⁹

Likewise, these mega-FTAs have shown expanded reach through policy diffusion. The CPTPP's rules, especially those that govern the emerging issue areas of recent decades such as ecommerce, have been adopted in other FTAs. RCEP, which was concluded after the enactment of the CPTPP, also includes a digital trade chapter, although this looser agreement does not impose binding obligations. Other bilateral FTAs that have been concluded between CPTPP members and nonmembers, such as the Chile-Uruguay and Chile-Argentina

⁶ U.S. Trade Representative, "2021 Report to Congress on China's WTO Compliance," February 2022 ~ <https://ustr.gov/sites/default/files/files/Press/Reports/2021USTR%20ReportCongressChinaWTO.pdf>.

⁷ Chunyi Li and Michael Reilly, eds., *China, Taiwan, the UK and the CPTPP: Global Partnership or Regional Stand-Off?* (New York: Palgrave Macmillan, 2023).

⁸ Graham Lanktree, "China's Bid to Join Major Trade Bloc Kicked into the Long Grass," *Politico*, November 27, 2024 ~ <https://www.politico.eu/article/china-taiwan-applications-dodged-by-indo-pacific-trade-bloc-cptpp>.

⁹ "The RCEP Agreement Continues to Attract Interest from Several Economies," Ministry of Industry and Trade (Vietnam), November 4, 2024 ~ <https://vntr.moit.gov.vn/news/the-rcep-agreement-continues-to-attract-interest-from-several-economies>.

FTAs, include provisions on the issue similar to those in the CPTPP.¹⁰ Furthermore, the contents of the CPTPP are undergoing a review process so that the rules remain up to date with shifting technology and trade issues as a living agreement.

Second, both FTAs have provided a steady foundation for economic connectivity in a period of significant economic disruption. Due to shocks such as the Covid-19 pandemic and supply chain disruptions from the Ukraine war and Middle East crises, neither the CPTPP nor RCEP has achieved the level of economic growth anticipated prior to launch.¹¹ Nonetheless, trade gains have occurred. From 2018 to 2021, intra-CPTPP trade increased 5.5% overall, and trade between members that previously lacked FTAs grew 13.2%.¹² Among the CPTPP members, ecommerce and digital trade expanded significantly within two years of the agreement coming into effect. According to Kati Suominen, “business-to-consumer (B2C) e-commerce grew in 2020 by close to 25 percent in Malaysia, 30 percent in Vietnam, 32 percent in Mexico, and 40 percent in Peru.”¹³ This trend was driven by the onset of the Covid-19 supply chain disruption from the spring of 2020. At the same time, ecommerce provisions of the CPTPP have helped support business activities among the members.

Intra-RCEP trade grew about 8% in the first two and a half years of the agreement, which is roughly proportionate with the growth of RCEP members’ trade with the rest of the world.¹⁴ So far, there has not been a visible increase in trade among the three largest economies in the group, China, Japan, and South Korea, which (with the exception of South Korea and China) did not already have FTAs with each other prior to RCEP. For ASEAN, too, there has not been a detectable intra-FTA trade boost. This time period (2022–24), however, was marked by the Biden administration’s full-force decoupling/de-risking

¹⁰ Kati Suominen, “Two Years into CPTPP,” Center for Strategic and International Studies (CSIS), August 9, 2021 <https://www.csis.org/analysis/two-years-cptpp>; and Mira Burri, “Digital Trade Rulemaking in Free Trade Agreements,” in *Research Handbook on Digital Trade*, ed. David Collins and Michael Geist (Cheltenham: Edward Elgar, 2023), 9–27.

¹¹ For calculations of the economic growth impact through the CPTPP and RCEP, see Cyn-Young Park, Peter A. Petri, and Michael G. Plummer, “The Economics of Conflict and Cooperation in the Asia-Pacific: RCEP, CPTPP and the U.S.-China Trade War,” *East Asian Economic Review* 25, no. 3 (2021): 233–72.

¹² Office of the Chief Economist, Global Affairs Canada, “The Growth of Supply Chain Trade within the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),” CPTPP Committee on Competitiveness and Business Facilitation, December 2023, 3 <https://www.mfat.govt.nz/assets/Trade-agreements/CPTPP/CPTPP-CBF-Supply-Chains-Analysis-2023.pdf>

¹³ Suominen, “Two Years into CPTPP”

¹⁴ Heiwai Tang, Shuyi Long, and Yang Chen, “AGI RCEP Trade Tracker Reveals Four Facts,” Asia Global Institute, July 30, 2024 <https://www.asiaglobalinstitute.hku.hk/news-post/rcep-trade-tracker-reveals-four-facts-about-rcep>.

pressure to push businesses away from China. Hence, the stable trade growth itself might demonstrate that RCEP has to some degree countered the emerging economic forces of decoupling and reshoring away from China. Although the counterfactuals (i.e., the trajectory of trade if not for RCEP or if not for the decoupling pressure) are difficult to estimate, continued economic gains from these agreements are forecast in several scenarios. For example, one study suggests that internal RCEP trade will increase by up to 12.3% in 2035 compared to a baseline scenario without RCEP. Real income and real GDP will rise as well by 0.21% and 0.17%, respectively. This study suggests that trade overall will grow for all members and more so in scenarios where trade cost reductions and productivity increases are factored into RCEP.¹⁵

Third, both the CPTPP and RCEP have economically empowered small and medium-sized players in the Indo-Pacific region, as the agreements offer a rules-based foundation for the region's trade and investment. The Japanese government, for example, has promoted its "free and open Indo-Pacific" concept in part based on its success in trade and investment rule-setting in the Pacific region. Having constructed an extensive network of FTAs that covers 80% of Japanese trade, the government continues to work to expand its network even more widely.¹⁶ In digital trade rulemaking, in 2020, Chile, New Zealand, and Singapore concluded the Digital Economy Partnership Agreement based on CPTPP digital trade rules, and South Korea and China are in the process of joining this agreement. South Korea has expanded its digital trade rules through a bilateral agreement with Singapore, and Singapore has concluded agreements with the UK and Australia.¹⁷

Fourth, the two mega-FTAs have influenced the trade strategies of China and the United States. China, for its part, is working on a two-pronged defensive strategy: its government participates in RCEP and has applied to the CPTPP and the Digital Economy Partnership Agreement, on the one hand, and it is looking to expand its own FTA networks, on the other.¹⁸ As of January 2024, the Chinese government estimated that one-third of the country's trade

¹⁵ Carman Estrades et al., "Estimating the Economic Impacts of the Regional Comprehensive Economic Partnership," *Asia and the Global Economy* 3, no. 2 (2023): 1–19.


¹⁶ Saori N. Katada, "Japan's Continuing Zeal for Free Trade Agreements," East Asia Forum, September 3, 2024 ~ <https://eastasiaforum.org/2024/09/03/japans-continuing-zeal-for-free-trade-agreements>.

¹⁷ Simon Tay and Jessica Wau, "Asia and Digital Economy Agreements: Necessity and Uncertainty," European University Institute, EU-Asia Project, Policy Brief, Issue 2022/42, June 2022 ~ <https://cadmus.eui.eu/bitstream/handle/1814/74766/QM-AX-22-042-EN-N.pdf?sequence=1>.


¹⁸ "China Has Signed 23 FTAs with Partners on Five Continents: MOFCOM," *Global Times*, January 9, 2025 ~ <https://www.globaltimes.cn/page/202501/1326585.shtml>.

is covered by its FTA network, including RCEP.¹⁹ If China joins the CPTPP, not only will it acquire economic gains,²⁰ it will also be well positioned to participate in global discussions on shaping 21st-century trade and investment rules in areas such as ecommerce and labor.²¹


The Biden administration did not attempt to rejoin the CPTPP, but its concern about being left out of trade rule-setting in the region led it to launch a new initiative, the Indo-Pacific Economic Framework for Prosperity (IPEF), in May 2022. With four pillars—trade, supply chains, clean economy, and fair economy—the IPEF negotiations started in September 2022 among fourteen Indo-Pacific members, including the United States. Members can choose to join only some pillars in a modular approach, which the Biden administration intended to be more enticing for the agreement’s Asian members.²² The U.S. trade officials touted the IPEF as the “21st century economic arrangement designed to tackle 21st century economic challenges.”²³ Although the IPEF is not as attractive a proposition to the Asian economies as traditional FTAs because it does not contain market access or tariff reduction provisions, these Asian members welcomed the initiative as a sign of U.S. engagement in the region. They have been deeply concerned about the U.S.-China trade war and the “America first” and “middle class” U.S. foreign policy approaches under Presidents Trump and Biden, respectively. Since the IPEF has relied on an executive agreement without congressional approval or any binding agreements, the 2025 return of the Trump administration jeopardizes the framework’s future.²⁴


¹⁹ “FTAs Spur China’s Trade, Partners’ Economies,” Xinhua, January 3, 2024  https://english.www.gov.cn/news/202401/03/content_WS6594c5c5c6d0868f4e8e2ba2.html.

²⁰ The estimates range from 0.74% to 2.27% of GDP growth. For a study on the topic, see Peter A. Petri and Michael G. Plummer, “China Should Join the New Trans-Pacific Partnership,” Peterson Institute for International Economics, Policy Brief 19–1, January 2019  <https://www.piie.com/publications/policy-briefs/china-should-join-new-trans-pacific-partnership>.

²¹ See Mariko Watanabe and Fujio Kawashima, “China and CPTPP,” Research Institute of Economy, Trade and Industry, RIETI Discussion Paper 21-P-016, September 2021  <https://www.rieti.go.jp/en/publications/summary/21090002.html>.

²² The IPEF negotiating members are Australia, Brunei, Fiji, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, the United States, and Vietnam. India opted out of the trade pillar to maintain the country’s regulatory autonomy. See “India’s IPEF Dilemma: Balancing Domestic Priorities, Global Commitments,” Policy Circle, November 19, 2023  <https://www.policycircle.org/economy/indias-ipef-dilemma-world-trade>.

²³ “U.S. Secretary of Commerce Gina Raimondo and U.S. Trade Representative Katherine Tai Host First Ministerial Meeting with Indo-Pacific Economic Framework for Prosperity Partners,” U.S. Department of Commerce, Press Release, May 23, 2022  <https://www.commerce.gov/news/press-releases/2022/05/us-secretary-commerce-gina-raimondo-and-us-trade-representative>.

²⁴ Cathleen Cimino-Isaacs, Kyla Kitamura, and Mark Manyin, “Indo-Pacific Economic Framework for Prosperity (IPEF),” Congressional Research Service, In Focus, IF12373, July 22, 2024  <https://crsreports.congress.gov/product/pdf/IF/IF12373>.

NEW CHALLENGES AND INITIATIVES WITH THE RISE OF ECONOMIC SECURITY

As noted above, multiple forces disrupted the global economy in the first half of the 2020s. Supply chains were significantly beset as the Covid-19 pandemic slowed trade and human flows worldwide in 2020–21. Russia's war in Ukraine in February 2022 and conflict in the Middle East since October 2023 continue to create global uncertainty about oil and food supplies. Another cause of worsening conditions in some cases is China's "economic coercion." The early 2020s are abundant with examples of China using its economic muscle against countries it sees as having crossed it, ranging from Australia (which called for an international investigation into the source of the Covid-19 virus in 2020) to Lithuania (which allowed Taiwan to open a representative office in 2021).²⁵ China's position in global production and trade nodes has enabled the country to "weaponize economic interdependence" to achieve a bargaining advantage.²⁶ Meanwhile, the second Trump administration, early into its term, appears to be using a similar strategy of economic coercion, with tariff measures as its most dominant instrument.

Such supply chain disruptions have prompted two opposing responses around the world. On the one hand, there have been heightened efforts to create supply chain resiliency to strengthen the connections of the global economy. On the other hand, some countries have pursued measures to disconnect from the globalized economy with the aim to increase their autonomy. For the first purpose, boosting supply chain resilience and securing economic interdependence has become a priority among businesses and governments. The United States took the lead as President Biden was quick to address supply chain challenges after he took office in January 2021.²⁷ Supply chain resilience was also an important topic of the Quad summits held among the leaders of Australia, India, Japan, and the United States throughout 2021 and 2022. Furthermore, negotiations for the IPEF's supply chain pillar were the first to be concluded in May 2023. Following this agreement coming into

²⁵ For a list of incidents of China's economic coercion, see Victor D. Cha, "Collective Resilience: Deterring China's Weaponization of Economic Interdependence," *International Security* 48, no. 1 (2023): 91–124; and Victor Cha, "Examining China's Coercive Economic Tactics," statement before the House Committee on Rules, Washington, D.C., March 10, 2023 ~ <https://www.csis.org/analysis/examining-chinas-coercive-economic-tactics>.

²⁶ Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (2019): 42–79.

²⁷ "Executive Order on America's Supply Chains," White House, Press Release, February 24, 2021 ~ <https://bidenwhitehouse.archives.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains>.

force in February 2024, member governments established a crisis response network to respond swiftly to supply chain disruptions. In addition, some states have made other bilateral arrangements, such as the U.S.-Japan Critical Minerals Agreement.²⁸

In response to the economic and technological rise of China, however, and the associated national security concerns, the notion of economic security has been center stage in discussions at G-7 summits and among industrial economies. As one way to address this concern, the United States began to take further and faster measures to disconnect its economy from China. Such moves had already started under the Obama administration, when, for example, in 2013 the U.S. government forbade its agencies from using Huawei and ZTE products. The first Trump administration increasingly used national security as a justification to restrict trade with China and other countries. In 2018 the president imposed a 25% tariff on steel and a 10% tariff on aluminum by invoking Section 232 of the 1962 Trade Expansion Act that deals with the protection of U.S. national security. The Biden administration devised the “small yard and high fence” approach, which targeted advanced technology such as semiconductors, artificial intelligence, and quantum computing as areas to protect.²⁹ The United States and its allies began to promote reshoring and friendshoring to diversify their production within a perceived friendly set of countries.³⁰

Furthermore, the U.S. government has also taken domestic regulatory measures, such as export controls and investment screening, that aim to reduce vulnerability against dependence on China's economy. These measures target national security threats through restricting dual-use technology or technology outflows. Enactment of the Foreign Investment Risk Review Modernization Act in 2018, in particular, strengthened the power of the Committee on Foreign Investment in the United States so that it can effectively address national security concerns over incoming foreign investment. In 2022 the U.S. government also imposed controls on exporting high-tech dual-use products such as semiconductors to China, which it further tightened in 2023

²⁸ Kyla H. Kitamura, “U.S.-Japan Critical Minerals Agreement,” Congressional Research Service, In Focus, IF12517, May 20, 2024 ~ <https://crsreports.congress.gov/product/pdf/IF/IF12517>.

²⁹ “Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution,” White House, April 27, 2023 ~ <https://bidenwhitehouse.archives.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution>.

³⁰ “Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy,” U.S. Department of the Treasury, Press Release, April 13, 2022 ~ <https://home.treasury.gov/news/press-releases/jy0714>.

and 2024.³¹ Similarly, economic security has also become a policy priority for Japan and the European Union. Japan passed the Economic Security Promotion Act in 2022, while the EU passed the Economic Security Strategy and the Anti-Coercion Instruments for the European Union in 2023.³² The leaders at the 2023 G-7 Summit in Hiroshima for the first time adopted a statement on economic resilience and economic security and promised to cooperate with like-minded members to counter threats such as economic coercion.³³

At the same time as economic security challenges have risen, trade multilateralism through the WTO has fallen vastly behind. The Doha Round, which began in 2001, has failed to conclude due to the continuing lack of consensus among the 166 members, especially between the developed economies and those in the global South. Therefore, many 21st-century issues, such as digital trade, are not covered by WTO rules. Furthermore, the WTO's prized Dispute Settlement Body has been paralyzed since 2019 because the United States has refused to appoint its own judge and blocked the appointments of other judges to its appellate body.³⁴ Meanwhile, the traditionally very restrictive use of the national security exemption in Article 21 of the WTO and the General Agreement on Tariffs Trade has been now largely violated with the extensive use of trade restriction measures.³⁵ As such, some mechanism to adjust trade and investment rules to serve contemporary national and global demands is acutely needed.

³¹ Emily Benson, "Semiconductor Export Controls," CSIS, October 18, 2023 ~ <https://www.csis.org/analysis/updated-october-7-semiconductor-export-controls>; and "Commerce Strengthens Export Controls to Restrict China's Capability to Produce Advanced Semiconductors for Military Applications," U.S. Bureau of Industry and Security, Press Release, December 2, 2024 ~ <https://www.bis.gov/press-release/commerce-strengthens-export-controls-restrict-chinas-capability-produce-advanced>.

³² Avery Bashe, "The Japanese Economic Security Promotion Act: A Solution to National Security Threats Resulting from Economic Globalization," *Columbia Business Law Review*, March 1, 2023 ~ <https://journals.library.columbia.edu/index.php/CBLR/announcement/view/602>; and Emily Benson, Federico Steinberg, and Pau Alvarez-Aragones, "The European Union's Economic Security Strategy Update," CSIS, January 26, 2024 ~ <https://www.csis.org/analysis/european-unions-economic-security-strategy-update>.

³³ "G7 Leaders' Statement on Economic Resilience and Economic Security," Ministry of Foreign Affairs (Japan), May 20, 2023 ~ https://www.mofa.go.jp/ecm/ec/page1e_000686.html.

³⁴ In response, 16 WTO members started an alternative dispute-resolution mechanism in 2020 with 47 participating members in the form of the Multi-Party Interim Appeal Arbitration Arrangement, whose first appellate award was issued in December 2022. See Joost Pauwelyn, "The WTO's Multi-Party Interim Appeal Arbitration Arrangement (MPIA): What's New?" *World Trade Review* 22, no. 5 (2022): 693–701.

³⁵ Warren Maruyama and Alan Wm. Wolff, "Saving the WTO from the National Security Exception," Peterson Institute for International Economics, Working Paper, no. 23-2, May 2023 ~ <https://www.piie.com/publications/working-papers/2023/saving-wto-national-security-exception>.

Although the CPTPP and RCEP have become the basis to promote regional free trade, both in their respective ways fall short in replacing or even fully supplementing the global trade order long underwritten by the WTO. As for RCEP, despite its size and regional coverage, the utilization rate of the agreement among its smaller economies, such as Thailand and Indonesia, is still low.³⁶ The smaller ASEAN members have not yet established any strategy to utilize RCEP as a platform for economic growth or for an instrument to manage economic security challenges posed by the United States and China.³⁷ The CPTPP's members come from widely dispersed geographic areas, and the agreement does not comprehensively cover their supply chains. As discussed above, it also faces accession challenges. As a living agreement, the CPTPP is working to respond to the changing global trade landscape of the 2020s. During the commission meeting in November 2023, the members launched the review of the CPTPP mandated by the agreement to reflect new challenges.³⁸ In addition to expanding provisions for micro, small, and medium-sized enterprises, the CPTPP's review priorities include strengthening supply chain resilience, upholding labor rights and improving working conditions, providing against "challenges posed by market-distorting practices," and complementing WTO rules to respond to economic coercion.³⁹ The CPTPP commission has pledged to "establish parameters for negotiations to update and enhance existing chapters and to include emerging trade issues in the Agreement, as relevant."⁴⁰ These are ways through which the CPTPP strives to complement the rules-based trading system while WTO-based rule-building is stalled.⁴¹

³⁶ Kazunobu Hayakawa, Archanun Kohpaiboon, and Francis Mark Quimba, "Utilization of the Regional Comprehensive Economic Partnership (RCEP) and Its Determinants," Institute of Developing Economies, Japan External Trade Organization, IDE Policy Brief, no. 200, January 10, 2025 ~ https://www.ide.go.jp/library/Japanese/Publish/Reports/AjikenPolicyBrief/pdf/200_ver2.pdf.

³⁷ Mari Pangestu and Rania Teguh, "ASEAN Needs to Reclaim RCEP for Regional Economic Leadership," East Asia Forum, September 15, 2024 ~ <https://eastasiaforum.org/2024/09/15/asean-needs-to-reclaim-rcep-for-regional-economic-leadership>.

³⁸ For a discussion on the ambitions and challenges of reviewing the CPTPP, see Stephanie Honey, "Free Trade Agreements: How the CPTPP Can Rewrite the Rules of 21st Century Trade," Hinrich Foundation, February 13, 2024 ~ <https://www.hinrichfoundation.com/research/article/ftas/cptpp-rewrite-rules-of-21st-century-trade>.

³⁹ "Terms of Reference for Conducting the General Review of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Endorsed at CPTPP Ministerial Meeting on 15 November 2023 PST," CPTPP, 2023, available at https://www.cas.go.jp/jp/tpp/tppinfo/2023/pdf/20231120_cptpp_tor_en.pdf.

⁴⁰ "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Joint Ministerial Statement, 28 November 2024."

⁴¹ See Jeffrey J. Schott, "The CPTPP: Past, Present and Future," *Economy, Culture and History Japan Spotlight Bimonthly* 44, no. 1 (2025).

PLURILATERAL TRADE REGIMES UNDER TRUMP 2.0

Whether building and revising regional and mega-FTAs such as the CPTPP and RCEP can fill the large gap left by WTO dysfunction is a big question. However, the electoral victory of Trump and his actions to date in his second term as president have turned this issue into an urgent priority. Even during his campaign, Trump emphasized his America-first stance and rebuked multilateralism, while promising to utilize tariffs as his trade weapon of choice to bring manufacturing industries back to the United States. Calling the IPEF “TPP 2.0,” he vowed to end the initiative when he returned to office.⁴² Though Trump has not addressed this issue as of the time of writing, the IPEF is expected to be dead on arrival with his administration, given that the scheme was set up without any congressional support or commitment. Even though three of the agreements are signed, and the supply chain resilience pillar has accomplished some level of institutionalization, the Trump administration could easily ignore them.

During his first months back in office, President Trump has issued executive orders at a lightning speed, including 25% tariffs on all imports from Canada and Mexico (although many of these were postponed at the time of writing). On April 2, he imposed a 10% universal tariff on all imports and “reciprocal” tariffs on many countries at varying levels. Although most of the reciprocal tariffs were paused as of April 9, a massive 145% tariff on imports from China remains in effect. He has also separately levied a 25% tariff on steel and aluminum and a broad 25% tariff on car imports, and has stated intentions to impose additional sector-specific tariffs on semiconductors and pharmaceuticals.⁴³ As is becoming clear under Trump 2.0, multilateral governance will need to manage without the United States. Trump was quick to withdraw the United States from the Paris Agreement and the World Health Organization. He has also cast doubt on the U.S. commitment to the NATO alliance by announcing that he is not sure whether the United States would defend Europe if NATO members do not pay their “fair” share.⁴⁴ In his first tour of Asia at the end of

⁴² Nathan Layne, “Trump Vows to Kill Asia Trade Deal Being Pursued by Biden If Elected,” Reuters, November 18, 2023 ~ <https://www.reuters.com/world/us/trump-vows-kill-asia-trade-deal-being-pursued-by-biden-if-elected-2023-11-19>.


⁴³ Talya Minsberg, “A Timeline of Trump’s On-Again, Off-Again Tariffs,” *New York Times*, April 14, 2025; and Ana Swanson and Tony Romm, “Trump Signals Tariffs Are Coming on Computer Chips and Drugs,” *New York Times*, April 14, 2025.

⁴⁴ Giselle Ruhiyiyh Ewing “Trump Casts Doubt on NATO Security Agreement: ‘If They Don’t Pay, I’m Not Going to Defend Them,’” *Politico*, March 6, 2025 ~ <https://www.politico.com/news/2025/03/06/trump-nato-security-agreement-00216984>.

March 2025, U.S. defense secretary Pete Hegseth urged the country's Asian allies to recommit to the partnership with the United States as the region re-establishes deterrence.⁴⁵

Although we are still in the early phase of Trump 2.0, the signs are abundantly clear that the United States will not return soon to supporting a multilateral or even plurilateral trade order. There are also clear indications that the U.S. government will increasingly utilize coercive economic measures to meet its economic, geopolitical, and domestic goals. The Trump administration has already abandoned the spirit, if not the letter, of the U.S.-Mexico-Canada Free Trade Agreement, which Trump himself renegotiated during his first term, by threatening a 25% tariff on both countries and enacting a 10% one. Trump's April 2 reciprocal tariffs are aimed at U.S. allies, such as the EU, Japan, South Korea, and Taiwan, as much or more than other countries. These tariffs would also significantly affect other Asian economies that are closely bound to the United States, including Vietnam, Malaysia, Thailand, Cambodia, India, and Sri Lanka, if they take effect as planned. At the time of writing, China had already raised its own tariffs on U.S. goods to 125% and paused exports of certain critical rare earth minerals. U.S.-China competition is likely to intensify given that the threat posed by China seems to be one of a very small number of issues that both sides of the political aisle can agree on. In short, the rules-based global trade order is already facing an existential crisis.

For the time being, the CPTPP and RCEP will need to serve as focal points of the rules-based trade order to keep intact open trade and connectivity in the Indo-Pacific. The world needs these rules and mechanisms to maintain the stable foundation of regional economic prosperity. The next step would be the establishment of a sufficiently strong coalition of like-minded powers to sustain these open trade norms. This coalition must include collaboration with European countries and involve partners from emerging economies and the global South. It also should expand into supporting WTO efforts such as the Multi-Party Interim Appeal Arbitration Arrangement. These will be difficult tasks to achieve. China and the United States are bound to use their respective influence in areas of both economics and security to further expand

⁴⁵ Matthew Olay, "Hegseth Addresses Indo-Pacom Partnerships during First Trip to Region," Department of Defense, DoD News, March 26, 2025  <https://www.defense.gov/News/News-Stories/Article/Article/4135338/hegseth-addresses-indo-pacom-partnerships-during-first-trip-to-region>.

their own power, whether through competition with each other or, perhaps more unexpectedly, in coordination.⁴⁶

CONCLUSION

The Indo-Pacific region has made strides in establishing large free-trade areas through the CPTPP and RCEP over the last several years. These plurilateral agreements are crucial for maintaining an open and rules-based trade order during this time of global economic uncertainty and in the face of the stalled WTO. Notably, the United States does not belong to these two mega-FTAs and shows no signs of joining either one or reviving the WTO-led trade order. As indicated by Trump's electoral victory in 2024 and his early actions in 2025, domestic politics continues to sway the U.S. government against multilateralism and toward protectionism. Even if the IPEF survives the second Trump administration, what the Biden administration managed to put together will be insufficient to support the open trade and investment regime in the Indo-Pacific region, given that U.S.-China economic tensions continue to intensify. With economic issues becoming increasingly securitized, governments are putting up fences around their national economies, which has the effect of undercutting connectivity and making the operation of global businesses very difficult.

Although they may not serve as a full substitute, established plurilateral and regional FTAs such as the CPTPP and RCEP do provide important forums and arrangements for small and medium powers to maintain the rules-based trade order for the time being and keep the global economy intact. The CPTPP, in particular, has developed into an entity that is attracting new members and can incubate rules that respond to rapidly changing technologies and political conditions. As such, these trade agreements are serving, and will continue to serve, important functions for the medium-term future of the regional and global trade order. ◆

⁴⁶ The *Economist* identifies the possibility of a "deal" with China by pointing out a few recent moves by Trump, such as having invited China to help with peacemaking in Ukraine and also questioning whether a TikTok ban would really harm U.S. national security. See "A Big, Beautiful Trump Deal with China?" *Economist*, January 28, 2025 ~ <https://www.economist.com/international/2025/01/28/a-big-beautiful-trump-deal-with-china>.