

Navigating new trade winds: the EU's strategic response to RCEP in a shifting global economy

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Abstract

The trade strategy of the European Union has experienced substantial transformations in the initial two decades of the millennium, focusing on Asia, the strategy emphasises competitive bilateralism, shared values, and alignment with European trade standards. The EU's trade strategy has been influenced by Asia's economic expansion, trade interdependence, and regional accords such as the Regional Comprehensive Economic Partnership (RCEP). The significance of the RCEP for Europe is contentious, with sceptics emphasising its superficial characteristics and optimists underscoring its potential for trade and investment unification. The RCEP, an integral element of the Association of Southeast Asian Nations (ASEAN), represents a substantial transformation in regional economic collaboration. This paper examines the significant role of the EU in global trade agreements, focusing on its impact on the development of sustainable business practices, diplomatic relations, and economic progress. This paper is a descriptive analysis of the consequences of RCEP for the EU, including the challenges it presents and the opportunities it offers.

Keywords: RCEP, European Union, ASEAN, global trade, economic integration

Introduction

The global economic landscape is perpetually transforming, influenced by a complex interplay of trade agreements, geopolitical changes, and technological progress. A notable recent development is the Regional Comprehensive Economic Partnership (RCEP), a trade agreement involving 15 nations in the Asia-Pacific region, including prominent economies such as China, Japan, and South Korea. Following its implementation in 2022, RCEP emerged as the largest free trade agreement globally, representing nearly 30% of worldwide GDP and population (Aladdin, 2022). Although Europe is not a direct participant, the agreement significantly impacts its economic prospects. RCEP seeks to streamline and enhance trade among member nations by standardising rules of origin, lowering tariffs, and establishing frameworks for e-commerce, intellectual property, and investment.

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It builds upon existing bilateral and multilateral agreements, fostering a cohesive market that promotes regional economic integration (Borrell, 2020).

Historically, foreign trade and investment have served as catalysts for economic expansion, industrialisation, and wealth generation throughout Asia and the broader Indo-Pacific area. Since 1981, East Asia has consistently exhibited the highest rate of economic development among global regions, except for one year during the Asian financial crisis in 1998. To stimulate trade and investment, various bilateral and multilateral trade and investment agreements have been established in recent years, with the ASEAN Economic Community and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) being the most significant (Capie & Evans, 2002). East Asia is increasingly integrating through trade, both internally and with the broader Indo-Pacific area. East Asia has the second largest intra-regional trade intensity, following Europe. RCEP represents the climax of a protracted endeavour for trade liberalisation and market integration in the world's most economically dynamic and significant region.

This paper examines the significant role of the European Union (EU) in global trade agreements, focusing on its impact on the development of sustainable business practices, diplomatic relations, and economic progress. The global trade agreements instituted by the EU are essential drivers of economic growth, both within the EU and among its trading partners. The European Union has enhanced market access for its goods and services through several accords, notably the Comprehensive Economic and Trade Agreement (CETA) with Canada and the Economic Partnership Agreement with Japan (Itakura & Lee, 2019). This greater access has led to economic growth, job creation, and enhanced living conditions for the country's population.

This study evaluates the potential impacts of RCEP on the EU and the challenges that may arise. This paper examines the RCEP's impact on the EU's trade policy, investment trends, and overall standing in the global economic framework. Considering the evolving dynamics resulting from RCEP, the paper assesses how the EU may modify its policies and initiatives. Therefore, it aims to provide scholars, legislators, and corporate executives valuable insights into the interconnections among these pivotal actors in the global economy through a comprehensive investigation of the subject. Moreover, the EU's trade agreements often incorporate provisions that promote equitable competition, protect intellectual property rights, and reduce or eliminate tariffs. These initiatives establish a more predictable and stable enterprise environment, fostering investment and trade growth. The EU's dedication to open and rules-based commerce has advantaged its member states and provided a paradigm for other nations to replicate.

In addition to economic consequences, the EU's worldwide trade accords significantly contribute to the enhancement of diplomatic relations internationally. Trade discussions extend beyond tariffs and quotas, providing positive communication and collaboration possibilities. Trade agreements promote diplomatic dialogue and foster confidence between states, enhancing global stability and peace. The EU's trade agreements frequently incorporate human rights, employment standards, and environmental protection stipulations. These features incentivise partner countries to harmonise their policies with international standards, advancing ideals that the EU cherishes. Consequently, the EU's trade agreements serve as instruments for fostering beneficial global change (European Commission, 2021). The commitment of EU global trade agreements to promoting environmentally sustainable corporate practices is a hallmark of these agreements. Moreover, the EU's trade agreements frequently promote the establishment of sustainable supply chains, thereby mitigating adverse environmental and social effects linked to manufacturing and trade. These agreements enhance global trade's ethical and sustainable framework by implementing responsible sourcing and manufacturing criteria.

The subsequent sections of this paper provide a detailed evaluation of the evolving trade dynamics between the European Union and the Regional Comprehensive Economic Partnership (RCEP). Although the EU is not a member of RCEP, the agreement's vast economic footprint significantly influences the EU's trade environment and strategic interests. The paper explores how RCEP reshapes global trade patterns, assesses its direct and indirect impacts on the EU's economic and policy landscape, and identifies the challenges this presents for European businesses and policymakers. Furthermore, the analysis highlights the potential opportunities that RCEP creates for the EU, such as new avenues for trade cooperation, investment diversification, and enhanced engagement with the Asia-Pacific region. By examining these aspects, the study aims to provide a comprehensive understanding of the strategic adjustments the EU may need to consider in response to the shifting global economic order shaped by RCEP.

1. EU and RCEP: evolving trade dynamics

The RCEP allows the EU to strengthen its economic involvement with the Asia-Pacific region. The EU can enhance its market access by investigating prospective trade deals or collaborations with RCEP member nations, promoting economic growth and employment opportunities. Incorporating RCEP member nations into global supply chains is anticipated to alter production and trade dynamics. The EU may strategically capitalise on these trends by modifying its trade tactics and industrial

policies. The RCEP has geopolitical ramifications, especially with China assuming a prominent position in the accord. The EU can utilise its reaction to the RCEP to enhance its diplomatic contacts and partnerships in the Asia-Pacific region (Rahman, 2024). The success of the RCEP highlights the significance of multilateral trade accords. The EU may leverage its substantial expertise in trade talks to promote the rejuvenation of multilateral trade dialogues while reaffirming its dedication to a rules-based global trading framework.

The RCEP is anticipated to exert considerable influence on the global economy. Establishing the world's largest free trade area can augment commercial flows and economic interconnectedness among member nations. Its objective is to streamline customs processes, diminish tariffs, and enhance market accessibility for goods and services. The agreement encompasses various domains, including intellectual property, e-commerce, and competition regulation, which can foster a more cohesive and efficient regional market. The diminishment of trade barriers and the standardisation of rules can decrease trade costs and enhance the competitiveness of enterprises within the RCEP zone (Plummer, 2021). This may result in heightened investments, technical transfer, and innovation, propelling economic growth. Moreover, the agreement can enhance supply chains by offering other options for acquiring materials and components, thereby increasing the region's resilience to external disruptions.

Although the European Union (EU) does not participate in RCEP, the agreement's execution may indirectly influence the EU's economic environment. The EU has consistently supported multilateral trade agreements and regional integration. The establishment of RCEP may motivate the EU to enhance its trade relations with RCEP member states to prevent exclusion from the expanding economic prospects in the Asia-Pacific region. The EU may utilise its current trade agreements and negotiations with significant RCEP members, including Japan, South Korea, and Vietnam, to strengthen its economic relations with the region (Tommy Koh, 2020). By doing so, the EU can capitalise on the economic growth and market expansion facilitated by RCEP. Furthermore, the EU may pursue new trade agreements or partnerships with additional RCEP members to diversify its trade portfolio and mitigate dependence on any singular market.

Strategically, the EU can leverage the implementation of RCEP to promote elevated standards in trade agreements, especially for worker rights, environmental protection, and sustainable development. By advocating these principles, the EU may differentiate its trade policies from the RCEP's and entice similarly aligned nations to participate in its projects. The RCEP signifies a substantial transformation in the global trading environment, offering prospective advantages for its member nations and indirect consequences for the EU (Drysdale & Armstrong, 2021). The EU may capitalise on this chance to enhance its economic relations with the Asia-Pacific region, advocate for

elevated trade norms, and secure its position as a significant participant in the changing global economy.

1.1. Fundamental elements of EU Trade Policy

The European Union (EU) has positioned itself as a significant economic force and a crucial participant in global commerce. Trade policy is defined by principles and structures designed to promote economic growth, ensure equitable competition, and encourage sustainable development. It offers a concise summary of the principal characteristics that delineate the EU's trade policy and prepares for a more in-depth examination of its diverse elements. Trade has consistently been a fundamental pillar of the European Union, considerably enhancing the region's economic growth and global standing. The European Union's trade policy aims to establish a stable and predictable environment for enterprises, consumers, and trading partners (European Commission, 2021). It includes various measures such as trade agreements, regulatory norms, and enforcement methods.

A primary objective of the EU's trade strategy is to expand market access for European enterprises while safeguarding their interests. This entails establishing extensive trade agreements with nations and regions globally. These agreements seek to diminish tariffs, eradicate trade obstacles, and formulate investment, intellectual property, and services regulations. In doing so, the EU aims to establish equitable conditions for its enterprises and bolster their competitiveness in the global marketplace. The EU's trade policy fosters economic growth and adheres to stringent standards in worker rights, environmental protection, and human rights (European Parliament, 2021). The EU endeavours to ensure that its trade agreements embody these ideals, fostering sustainable development and ethical corporate practices. This strategy benefits the EU and aids worldwide initiatives tackling climate change and socioeconomic inequality.

A significant aspect of the EU's trade strategy is its focus on multilateralism and collaboration. The EU engages in international organisations like the World Trade Organisation (WTO) and endorses initiatives to enhance the global trade system. The EU seeks to collaborate with other nations and regions to tackle shared challenges and advance a rules-based world order. In summary, the EU's trade policy is defined by its holistic approach, dedication to elevated standards, and emphasis on multilateral collaboration. These attributes have positioned the EU as a prominent participant in global trade, influencing the regulations and standards that dictate international commerce (Plummer, 2021). The subsequent sections will explore the individual elements of the EU's trade policy, offering a comprehensive study of its principal components and their influence on the world economy.

The EU is assertive in its commercial dealings, seeking contemporary Free commercial Agreements (FTAs) encompassing rules of origin, services, intellectual property rights, public procurement, subsidies, competition, sustainability, and regulatory collaboration. The Director-General for Trade must mitigate non-tariff barriers (NTBs) to secure approval. Free Trade Agreement talks are protracted, challenging, and frequently unproductive owing to these stringent qualitative criteria. The EU seeks to advance and implement European and worldwide standards via Free Trade Agreements (FTAs), encompassing rules of origin, industrial regulations, food safety, and data protection. It emphasises the execution of trade agreements to establish equitable conditions and enhance regulatory authority, especially in green and digital transformation (European Commission, 2021). The EU mitigates protectionism by prioritising the enhancement of living and working circumstances and compliance with worldwide standards, such as those established by the worldwide Labour Organisation, instead of elevating European norms.

The European Union's trade strategy is shaped by economic, political, and security considerations, emphasising the promotion of European ideals and standards. This policy is shaped by the Treaty of Lisbon, the 2009 Common Approach, and trade strategies from 2015 and 2021. The EU anticipates that partners will acknowledge political stipulations, including human rights, the rule of law, democracy, peace maintenance, and the non-proliferation of weapons of mass destruction. The European Union (EU) has ceased negotiating trade and investment protection concurrently, opting to pursue either distinct accords or one of the two separately. The Commission seeks to guarantee that comprehensive trade agreements necessitate approval from the Council and the European Parliament. In contrast, Investment Protection Agreements (IPAs) mandate national ratification in all member states (Windischer, 2019). The EU has evolved from a mercantilist stance inside the GATT framework to an advocate of the WTO system, in contrast to the US's reluctance towards regulations and China's state-driven economy. Notwithstanding competitive bilateralism, the EU continues to uphold the centrality and reform of the WTO.

1.2. The EU's trade realignment with Asia and the Indo-Pacific

The EU encounters difficulties in its connections with Asia owing to its intricate political and legal framework, protracted decision-making processes, and competition between the EU and member states regarding foreign and trade policy. As a result, engagement with Asia has remained slow and ineffective, with Europe being late to recognise the region's growing economic and political influence. The European Union's strategy towards Asia has been reactive, characterised by a more

stringent 'Asia Strategy' founded on the New Asia Strategy established by the European Commission in 1994. The Asia-Europe Meeting (ASEM) commenced in 1996, emphasising political, economic, and social collaboration between Asia and Europe (INTA committee, 2021). It currently comprises 51 nations, ASEAN, and the EU. ASEM has facilitated tighter ties between the two areas; nonetheless, its potential remains unfulfilled due to ambiguous policy aims and indistinct contributions. Due to sluggish engagement, the EU faces challenges in establishing a substantial political presence in Asia.

Europe's interest in Asia has historically centred on trade and economic growth dynamics. It remained unclear which geopolitical objectives the EU should pursue in Asia and the Indo-Pacific area, whose significant strategic importance could no longer be overlooked in the new millennium. The EU has established strategic cooperation with ASEAN and strategic relationships with Japan, South Korea, China, and India (Gunther, 2022). The EU has been sluggish and tardy in elucidating its regional political, security, and governance interests. In 2016, the European External Action Service (EEAS), the EU's diplomatic entity, asserted that the EU should fully leverage its economic capabilities to fulfil its security objectives within its comprehensive foreign policy framework.

In 2018, as a first response to China's Belt and Road Initiative, the EU said that its principles of 'connectivity' are sustainability, comprehensiveness, and adherence to norms. The EU has committed to investing €300 billion in infrastructure in poor and emerging nations through its recent Global Gateway Initiative in collaboration with partners. Significantly, a comprehensive EU policy strategy for the Indo-Pacific region was established in 2021 after the national Indo-Pacific strategies of three member states: France, Germany, and the Netherlands. The EU declared its political commitment to prioritise the Indo-Pacific area. A framework for strategic involvement in the Indo-Pacific region has been established (European Union, 2021). One of the seven focal areas is sustainable and inclusive prosperity, encompassing trade. Another domain encompasses digital governance and partnerships, which involve trade. Trade policy will henceforth be integrated into a broader European strategy for the Indo-Pacific area.

Nonetheless, the EU's political strategy for the Indo-Pacific lacks an internal dimension. The economic vitality of the Indo-Pacific and the evolving unfair trade agreements in the region have significantly impacted Europe's trade, trade policy, and broader foreign policy agenda. No discernible influence on Europe's regionalisation trend can be observed. The global financial crisis and the ensuing euro crisis compelled the EU, already the most liberalised and interconnected economic union globally, to advance its integration further in the 2010s. The European Semester, an annual assessment of national budgetary, fiscal, economic, and social policies established in 2011, compelled

member states impacted by the euro crisis to adopt stringent structural adjustment programs and deregulate their markets. Secondly, agreements were established to form a capital markets union and a banking union (INTA committee, 2021). Consequently, RCEP and Asia likely did not significantly influence recent European regionalisation patterns despite prevalent expectations of drawing Asian investment due to successful structural reforms.

1.3. Influence of EU Member Countries

The European Union's trade policy is formulated by the Commission, which represents the EU and its member states, acting on their behalf. The Commission's function is to propose and enforce policy directives agreeable to all member states, notwithstanding considerable European discord about critical policy matters. Alterations in government frequently result in modifications to national trade policy direction. The European Union's trade policy is under discussion, with proponents of liberalism asking for access to Asian export markets and economic parity, while mercantilists demand protection against inequitable imports. Denmark, Luxembourg, the Netherlands, and Sweden advocate for a liberal trade policy. Meanwhile, Central and Eastern European nations such as the Czech Republic, Poland, Slovakia, and the Baltic states endorse a mercantilist strategy (Telegraph, 2004).

EU member states largely concur on the necessity for more Free Trade Agreements (FTAs) with Indo-Pacific nations, except for Austria and Bulgaria. The majority endorses a comprehensive trade agreement spanning the entire area, including CPTPP nations or the ASEAN group. Possible FTA partner nations comprise Australia, New Zealand, Indonesia, and India. Nevertheless, only 10 member states endorse the inclusion of China in a comprehensive agreement or the establishment of a free trade agreement solely with China. The EU perceives the Indo-Pacific area as a substantial economic opportunity; however, most member states prioritise foreign policy and security concerns over economic and political interests (Official Journal of the European Union, 2016). Only Germany, the Netherlands, and France, which have formulated a national Indo-Pacific policy, emphasise these elements. There are varying perspectives on employing trade and investment policies to attain non-trade goals, including sustainability and the preservation of human rights, as well as the equilibrium between European trade and investment interests and national regulatory aims. Member states possessing robust civil societies prioritise these matters and champion them within the European Council and Trade Policy Committee.

Germany and France have significant roles in the EU's trade policy concerning the Indo-Pacific and RCEP, but for distinct reasons. Germany, the predominant economy within the EU, holds

significant importance for EU–RCEP trade. In 2020, Germany represented 40.4% of total EU-27 exports to RCEP, exceeding the combined exports of the five major exporting countries: France, the Netherlands, Italy, Spain, and Belgium. Moreover, Germany serves as the conduit for RCEP exports from other EU member states, particularly those in Central Europe, via the industrial supply networks of German enterprises. Germany's trade policy issues about the RCEP region are significantly influenced by the country's export strength, thus holding considerable importance within the Commission. France, with overseas territories in the Indo-Pacific housing 1.5 million French citizens, regards itself as a regional resident power. France's foreign and security policy issues are also those of the European Union (Borrell, 2020). Consequently, they must also be considered in the EU's trade policy. Furthermore, as RCEP's second most significant trading partner in Europe, France possesses critical defensive and offensive economic interests that must be acknowledged.

1.4. RCEP and EU-ASEAN cooperations

The connection between the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) has developed for over forty years. In 1972, the EU, then known as the European Economic Community, formed informal relations with ASEAN. In 1977, the EU became an ASEAN Dialogue Partner, and the ASEAN-EEC Cooperation Agreement was signed in 1980. In 2012, the EU became the inaugural regional organisation to agree to the Treaty of Amity and Cooperation in Southeast Asia (TAC). In 2020, the EU and ASEAN established a Strategic Partnership, signifying a new phase in their partnership. The EU-ASEAN Commemorative Summit marked 45 years of dialogue and collaboration in 2022. The EU ranks as ASEAN's third-largest trading partner, whereas ASEAN is the EU's fifth-largest trading partner. The European Union is the largest source of foreign direct investment in ASEAN, constituting 24% of the total (Zreik, 2021). The collaboration between ASEAN and the EU is expanding, emphasising diplomacy, trade, and the joint resolution of global concerns. The emergence of RCEP as a prominent economic bloc in the Asia-Pacific region presents new opportunities and challenges for the EU to enhance its trade relations with ASEAN countries. Bilateral and international institutions are anticipated to facilitate these connections, which will have significant implications for specific sectors.

The European Union has been forced to reevaluate its economic engagement strategy with Asia because of the alterations in the regional commercial landscape brought about by the RCEP. The European Union, a proponent of multilateralism, would find it advantageous to embrace a more nuanced strategy that integrates multilateral and bilateral trade agreements. The EU may adopt a

multilateral strategy on the RCEP, exploring the potential for a comprehensive regional trade agreement or partnership. This strategy enables the EU to leverage the collective economic might of RCEP member states to get improved trade terms and enhanced market access (Zyla, 2020). The European Union could gain from establishing bilateral agreements with specific ASEAN countries, particularly in sectors with evident economic synergies or common goals. The digital services, environmental technology, and advanced manufacturing sectors provide possible focal points for these accords, considering the EU's comparative advantages and strategic goals in these domains.

2. RCEP's impact on the European Union

A primary issue for Europe is the possibility of trade diversion. European enterprises may encounter competition from RCEP member nations, perhaps resulting in a diminished trading influence for the EU. The RCEP is anticipated to enhance economic integration in the Asia-Pacific region, potentially yielding both advantageous and detrimental consequences for Europe. On the one hand, it may result in enhanced trade and investment prospects for European enterprises. Conversely, it may hinder Europe from establishing future trade regulations. The agreement may adversely affect European policy, resulting in a diminished trading authority for the EU and the potential exclusion from future trade rule-making initiatives (Dadush, 2020). To alleviate these concerns, the EU possesses other trade policy alternatives, such as finalising free trade agreements with RCEP member nations or other trading partners in the Indo-Pacific area. In summary, although RCEP is unlikely to exert a substantial direct economic influence on Europe, it offers both difficulties and opportunities for European enterprises and politicians.

2.1. The economic repercussions

A primary economic concern for the EU is the potential for trade diversion. The RCEP's reduction of trade barriers among member nations may shift towards intra-regional trade, redirecting trade flows from the EU. European enterprises may encounter intensified rivalry from RCEP nations in critical sectors. The EU may have challenges in accessing the RCEP markets. The absence of a direct trade deal with RCEP members may result in elevated tariffs and non-tariff barriers for EU exports, impacting market opportunities and competitiveness (Whitman, 2007). The integration of RCEP into global supply chains may disrupt current production and trade patterns, affecting the EU's supply chain operations. The EU must adjust to these changes to maintain competitiveness. The

efficacy of RCEP may rejuvenate multilateral trade discussions. The EU, historically an advocate of multilateralism, today confronts the task of navigating an increasingly multipolar economic landscape, wherein regional agreements such as the RCEP hold substantial influence. The EU must identify strategies to engage effectively in the changing economic landscape while maintaining the relevance and strength of the multilateral trading system.

The RCEP agreement liberalises tariffs and harmonises origin regulations, facilitating intra-RCEP trade within the free trade zone while influencing external trade with third nations, particularly the EU. This may result in trade diversion, given that EU exports to the RCEP region constitute more than one-fifth of overall EU exports. Trade diversion among RCEP member nations will fluctuate according to tariff liberalisations. The EU will not encounter further trade distortions in ASEAN, Australia, and New Zealand (Tindemans, 1975). Eliminating discriminatory tariffs in trilateral commerce among Japan, Korea, and China may adversely affect European exporters. China's tariff concessions may be an advantage over Japan and Korea; however, this will be tempered by extended transition periods.

Trade analysts forecast annual export losses amounting to billions of dollars for the EU due to RCEP agreements, while also expecting beneficial welfare impacts stemming from heightened import demand and reduced export prices due to a more efficient manufacturing system. The RCEP's long-term dynamic effects on value, supply chains, investment, and economic growth will enhance the attractiveness of the RCEP region, necessitating adaptations by European enterprises to legal and structural modifications (Kim, 2022). The EU prioritises investment in the expanding RCEP free trade area, especially in member countries that have established bilateral agreements with the EU or are close to doing so, as they provide accessible market entry and an integrated corporate landscape. The escalating import demand and tariff reductions inside the RCEP free trade area may incentivise European corporations to invest. The region's permissive laws of origin enable value-added production from European sources, promoting engagement in expanding markets. Enhanced regional trade integration reduces transaction costs, increases specialisation, and improves export facilitation. A robust economic presence facilitates growth and industrial enhancement. Incorporating market dynamics into the largest free trade zone threatens Europe's technological and economic competitiveness (Borrell, 2020). Companies headquartered in the EU have restricted access to trade networks and may delay adopting new technologies. Politics and business must ensure that comparative advantages do not disadvantage the EU.

2.2. The political consequences

The RCEP, a superficial trade deal, can influence global trade dynamics and regulations. As the economic hub of the EU, it has the potential to shape trade and foreign policy. The primary ramifications of the EU encompass the redistribution of international commercial authority, the shaping of regulations and standards, and the influence on trade multilateralism and the WTO. The RCEP trading bloc, which includes East Asia, Australia, and New Zealand, substantially modifies international trade policy. It advantages ASEAN and China by reconciling enduring tensions and fostering self-assurance (Young, 2017). Nonetheless, non-RCEP trade nations like the EU possess bargaining strength. This poses a challenge to the EU's market authority and regulatory influence. The EU must enhance its single market and negotiate trade agreements with significant global actors to ensure access to international commerce and manufacturing networks. The members of RCEP possess diverse regulatory systems and standards. Aligning legislation with EU standards poses challenges due to the necessity of mutual agreements and revisions, which demand considerable time and effort. The intellectual property rights and data protection standards vary among the RCEP nations. The EU's robust stance on data privacy and intellectual property protection may clash with the policies of certain RCEP members.

Despite its superficial characteristics, the RCEP pact possesses the capacity to influence global trade regulations and standards. It may be significant in formulating new trade regulations with the EU, the US, Japan, and the CPTPP. China, Japan, Korea, and ASEAN may aspire to establish themselves as preeminent standard-setters within the 2035 plan. China occupies a pivotal position in the RCEP, both economically and geopolitically. The EU has a problem navigating its relationship with China, considering the nation's increasing influence in the area via the RCEP. Achieving an equilibrium between competitiveness and collaboration with China is a multifaceted diplomatic challenge (Hu, 2021). The advent of RCEP introduces a novel aspect to the global economic framework, potentially contesting the EU's status as a principal proponent of a rules-based international trading system. The EU must manoeuvre through a changing global environment while safeguarding its ideals and interests. The EU can impact this process by participating in collaborative standard-setting with RCEP, particularly because the agreement enhances trade regulations. The EU may use previous free trade agreements with Japan, Korea, Singapore, and Vietnam while establishing norms for sustainable value chains and rules-based commerce (Itakura & Lee, 2019). The magnitude of RCEP renders it a significant factor in the multilateral trading system since it has the potential to bifurcate global trade into RCEP and non-RCEP categories. Nonetheless, the RCEP

may adopt protectionist measures, potentially inciting political responses from larger member nations. The EU should remind RCEP member nations of their responsibilities to the multilateral system and their obligations under the WTO and the RCEP agreement.

2.3. ASEAN as an economic community: consequences for the EU

The EU might encounter several challenges and problems stemming from the emergence of ASEAN as an economic community. This action aligns with ASEAN's broader goals for economic community development, aimed at establishing a more dynamic, interconnected, and competitive Southeast Asian market. The European Union must modify its policies and strategically address the potential and challenges ASEAN presents as it develops a more robust economic bloc. The ASEAN member states have collaborated to reduce tariffs, standardise investment and trade regulations, and liberalise trade in goods, services, labour, and capital in their quest for economic integration (Shimizu, 2021). These efforts aim to establish a cohesive manufacturing base and market akin to the internal market of the European Union. This trend towards enhanced integration yields two advantages: it enhances ASEAN's position in the global economy and renders it a more significant commercial and investment ally for the European Union.

The economic integration of ASEAN presents enhanced trade and investment potential for the European Union. Due to a more integrated ASEAN market, European enterprises may benefit from streamlined regulatory frameworks and potentially enhanced economies of scale. These enhancements are poised to benefit the infrastructure, energy, technology, and services sectors, representing domains where the European Union possesses a comparative advantage. ASEAN's standardised regulations and enhanced market accessibility may facilitate the expansion of European Union enterprises throughout Southeast Asia. However, specific challenges accompany ASEAN's development as an economic entity (Ravenhill, 2008). Certain European companies may have disadvantages in specific sectors due to the heightened competitiveness of ASEAN firms and the region's enhanced economic connections with other significant economies via accords such as the RCEP. To maintain its regional market share and economic advantage, the European Union must respond strategically.

The EU may need to adopt a more stringent approach to trade matters, potentially by engaging in FTA negotiations with ASEAN or its member nations. Enhancing European companies' access to ASEAN markets and securing more favourable trade conditions could equalise competition. The EU and ASEAN may collaborate to further mutual growth objectives by enhancing cooperation in green

technology, sustainable development, digital innovation, and other areas of shared interest (Borrell, 2020). The European Union's foreign policy should be reassessed to address the shifting power dynamics in the region as part of its strategic response. The EU's effectiveness in engaging ASEAN collectively may hinge on its capacity to maintain robust bilateral relationships with individual member states.

By implementing this dual strategy, the EU might protect its interests and effectively navigate the complexities of regional politics and economics. To enhance ASEAN's community-building efforts, the EU might leverage its proficiency in regional integration. Through the exchange of expertise in economic policy, regional governance, and regulatory harmonisation, the EU and ASEAN might establish a more robust alliance and create a foundation for a sustainable economic partnership, which would be advantageous to both ASEAN and the EU's integration initiatives.

3. RCEP: opportunities for the EU

The EU's trade policy is constrained by its capacity to attain outcomes contingent upon partner endorsement of its plans. The EU Commission, as an autonomous liberal entity, must operate per the EU member states and the European Parliament (EP), which sometimes provides difficulties. The EU's trade policy plan must be aligned with member states and the European Parliament, and it should garner support from both entities. The latest review of EU trade policy neglects to consider Asia and the Indo-Pacific area, despite their significance. Collaboration among aligned regional stakeholders is crucial for upholding a rules-based trading system. The EU favours bilateral discussions to advance commercial interests and fundamental objectives such as human rights, sustainable development, and the rule of law; nevertheless, dangers encompass protracted and perhaps unsuccessful negotiations. The Commission is pressured to accelerate negotiations and implement a more comprehensive regional strategy (European Commission, 2021). The EU may establish free trade deals with partners outside the RCEP region, particularly India, to mitigate China's increasing utilisation of trade as a political instrument. Both parties have consented to resume negotiations, and the EU is prepared to engage with the US regarding tariff reductions and market access.

The EU might rejuvenate EU-ASEAN relations by reassessing an ASEAN-EU Free Trade Agreement, concentrating on current negotiations with Indonesia. The ASEM route, which the EU and its Asian partners have underutilised, may facilitate a comprehensive trade initiative impacting the entire region and fostering consensus. The EU should contemplate connecting directly with RCEP

and CPTPP to address significant concerns. The EU may collectively negotiate free trade with the CPTPP, improving market access and augmenting its economic influence in Asia's market-oriented commerce (Itakura & Lee, 2019). This may incentivise the US to rejoin the CPTPP, circumventing exclusion from global trade regulations and positioning itself as an economic and political participant in the Indo-Pacific area. Nevertheless, complete EU accession to the CPTPP would be challenging due to substantial trade liberalisation initiatives and regulations, and establishing an equivalency framework would be protracted and onerous. The EU's participation might potentially fortify the multilateral trade framework.

Although the European Union (EU) is not a partner in the Regional Comprehensive Economic Partnership (RCEP), the deal presents various prospective advantages for the EU and its member states. These modifications can enhance economic engagement, identify resolutions to mutual issues, and strengthen diplomatic and commercial relations.

The most significant opportunity for the European Union from the side of RCEP is the enhanced economic involvement; the RCEP region represents one of the most extensive and most rapidly expanding economic sectors globally, offering the EU substantial prospects to intensify its economic involvement (Hu, 2021). Through collaboration with RCEP countries, the EU may access a substantial market with a growing middle class, potentially enhancing European exports, investments, and employment opportunities. The EU may investigate the potential for bilateral trade deals with RCEP member nations. Although the RCEP seeks regional integration, individual member nations maintain trade policies and may negotiate independent accords with the EU. Bilateral agreements would facilitate the EU in forging tighter relations with pivotal nations in the RCEP region. promotion of European values and standards, the EU can leverage its legal framework and standards to motivate RCEP members to conform their practices to European principles. The EU can compel the RCEP nations to conform to elevated norms by promoting ethical corporate practices, environmental sustainability, and labour standards.

Participation in global supply chains, the RCEP regional integration, can potentially transform global supply networks. The EU may strategically align within these supply chains to capitalise on the RCEP trade flows. Through promoting collaboration and trade links, the EU can secure its ongoing position as a pivotal participant in global production networks (Capie & Evans, 2002). The RCEP has stipulations about trade in digital services and technology. The EU, known for its creativity and technological expertise, can pursue collaborative opportunities in these domains. This may result in knowledge transfer, research collaborations, and business prospects in emerging markets. The RCEP nations share a mutual interest in tackling environmental issues. The EU may leverage its

expertise in sustainable practices and climate initiatives to collaborate with RCEP members on environmental matters, including clean energy, sustainable agriculture, and waste management.

The formation of RCEP carries geopolitical ramifications, particularly due to China's pivotal involvement in the accord. The EU can leverage its reaction to the RCEP to enhance diplomatic and strategic alliances with nations in the Asia-Pacific region while preserving a balanced stance in its international dealings. The achievement of RCEP underscores the significance of multilateral trade accords. The EU may leverage its substantial expertise in trade talks to promote the rejuvenation of multilateral trade dialogues while reaffirming its dedication to a rules-based global trading framework (INTA committee, 2021). The Regional Comprehensive Economic Partnership (RCEP) holds substantial consequences for the European Union (EU). Both RCEP and the EU profoundly influence global economic dynamics. The RCEP's trade-oriented framework promotes regional integration in the Asia-Pacific, whereas the EU's regulatory authority and unified market model establish global standards. Collectively, these frameworks provide insights into regional collaboration while highlighting issues such as achieving equitable development, preserving unity, and responding to geopolitical changes.

Conclusions

The Regional Comprehensive Economic Partnership (RCEP) signifies a substantial transformation in the global economic framework, with important consequences for Europe. As the most significant free trade agreement globally, comprising a substantial share of the world's population and GDP, RCEP's impact transcends its member states, offering difficulties and opportunities for the European Union. Europe must manoeuvre through this novel economic landscape with strategic forethought. The possibility of trade diversion is a significant concern since European enterprises encounter heightened competition from RCEP member nations. This competition may result in a diminished trading capacity for Europe, requiring a reassessment of trade tactics. This problem also allows European businesses to innovate and enhance their competitive advantage in the global market.

The European Union is reassessing its trade and investment policies and contemplating its role and approaches within the international trading system as part of its strategic adaptation. The European Union can navigate this new economic environment by participating in bilateral and international endeavours and focusing on sectors with a competitive advantage. If ASEAN is committed to forming an economic community, the EU would serve as an exemplary partner, given

its history of regional integration. Enhancing EU-ASEAN relations through joint initiatives in ecologically sustainable practices, digital innovation, and regulatory harmonisation could benefit both areas. The EU can leverage these collaborations to influence economic governance standards in alignment with its objectives and priorities.

The economic integration of the Asia-Pacific region, enabled by RCEP, is a significant factor. This integration may enhance European firms' trade and investment prospects, but also risks marginalising Europe in developing future trade regulations. In response, Europe must proactively engage in discussions with RCEP member nations and endeavour to assert its influence through strategic alliances and accords. The policy implications of RCEP are significant. The EU must modify its policies to respond to changing economic trends and maintain its position as a significant participant in global trade. This may entail finalising free trade agreements with RCEP member nations or other trading partners in the Indo-Pacific region. By doing so, Europe can alleviate the dangers of exclusion from future trade rule-making processes and maintain its significance in the global economy.

The advent of RCEP undeniably influences the economic landscape of Europe. The deal does not threaten Europe's economic stability but necessitates a proactive strategy to preserve its competitive advantage. European enterprises and governments must collaborate to capitalise on the benefits offered by RCEP while confronting the associated problems. The impact of RCEP on Europe is complex, encompassing trade diversion, economic integration, and policy modifications. The attitude of Europe to this emerging economic landscape will dictate its future position in global trade. Through adopting innovation, cultivating strategic alliances, and modifying policies to align with the changing economic landscape, Europe can effectively address the problems posed by RCEP and capitalise on its benefits. The way ahead is evident: proactive involvement, strategic anticipation, and a dedication to preserving Europe's status as a significant participant in the global economy.

The EU must recognise RCEP's challenges, including expanding its political and economic clout and the heightened competitiveness in critical sectors. The EU must invest in innovation, enhance its digital economy, and bolster its competitive edge in high-value sectors to adapt to the new economic landscapes created by RCEP. Maintaining a nuanced equilibrium in interactions with other significant global actors is crucial for the EU's strategic positioning, as is enhancing ties with ASEAN and its individual member states.

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