TRADE WAR, RCEP AND CPTPP:
WILL EAST ASIA DECOUPLE FROM THE UNITED STATES?

Peter A. Petri and Michael G. Plummer

ABSTRACT

The deepening US-China trade war and two new megaregional trade agreements, the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), are reshaping the landscape of East Asian trade. The CPTPP and RCEP are moving forward without the United States and India, respectively, which were once seen as critical partners. Using a computable general equilibrium model, we show that in the context of the US-China trade war these agreements will raise global national incomes by $121 billion and $209 billion annually by 2030, respectively, yielding especially large benefits for China, Japan, and South Korea and losses for the United States and India. These gains offset losses of $301 billion from the trade war globally, but not fully for the United States and China. The trade war increases the value of RCEP because it strengthens East Asian interdependence and will likely create regional ties similar to institutional arrangements proposed in the 1990s.

Keywords: RCEP, CPTPP, East Asia, Regional Economic Integration, CGE Modeling

JEL Codes: F13, F14, F15, F5, F6

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1. EAST ASIA'S REGIONAL TURN

The fissure in US-Asia relations opened by the US-China trade war has widened, due to the politics of the COVID-19 pandemic and the doubtful premise that domestic supply chains will be safer than trans-Pacific ones. These shocks will be reinforced by the effects of the new Regional Comprehensive Economic Partnership (RCEP) agreement, a huge trade bloc with 15 East Asian countries,[2] including China, Japan, and South Korea. (India abruptly left the negotiations just before their conclusion, for reasons explained below.) By lowering East Asian trade costs, RCEP could well accelerate the decoupling of the East Asian and US economies, arguably the most productive regional partnership in economic history.

This paper examines the quantitative dimensions of "economic distancing" in the Asia-Pacific. It uses a computable general equilibrium model to analyze key results of the Trump era: the US-China trade war, RCEP and the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP),[3] concluded in 2018. It contrasts the implications of two long-term trade scenarios—business as before Trump and a sustained US-China trade war—the latter of which has become far more likely because of the pandemic. Despite a history of political tensions in East Asia, these trends will deepen economic integration among China, Japan, and Korea, building on their already substantial production networks. The losers will be the United States and India, in economics as well as strategic influence in the region.

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2 The agreement was signed on November 15, 2020. Its 15 members are Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Korea, Thailand, and Vietnam.

3 The members of the CPTPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. It is very similar to the Trans-Pacific Partnership, which all 11 countries, plus the United States, had negotiated.

East Asia's role in the global economy is highly significant. Even without India, the members of RCEP have a population of 2.3 billion, a record of remarkable trade-oriented development, a solid portfolio of trade agreements, ample innovative capacity, and a GDP as large as that of the United States or Europe. East Asia is also more dynamic than the West; decoupling from it may well steer the United States onto a historic sidetrack.

Furthermore, while the politics of the pandemic threatens global interdependence, scientific and economic logic argue for deeper cooperation. Sharing discoveries like the sequencing of the virus and progress on treatments and vaccines will hasten the end of the COVID-19 pandemic. In contrast, barriers to scientific collaboration and to trade in health-critical products lead to life-threatening outcomes (Bown 2020b). International economic linkages will be essential in the post-crisis recovery.

It should be emphasized that East Asia's inward-looking agreements were not what the region originally wanted. Most members sought regional frameworks to extend rather than circumscribe their global reach, by working with India in RCEP and with the United States in the predecessor of the CPTPP, the Trans-Pacific Partnership (TPP). Historical tensions within East Asia made such wide relationships politically attractive to many countries. Unfortunately, these goals were defeated by nationalist leaders in India and the United States, leaving the membership of both initiatives predominantly regional (see figure 1).

What will be the global significance of the new accords? Figure 2 illustrates their effects on incomes; panel (a) represents the business-as-before scenario, panel (b) the sustained trade war scenario. The latter assumes that US-China trade and investment barriers will remain indefinitely at levels reached under the phase one agreement of January 2020.[4] We add the CPTPP, RCEP15, and RCEP16 agreements in sequence, calculating their respective incremental effects on income and trade. The *incremental effects* of RCEP16 are the implications of adding India to RCEP, since otherwise this agreement is likely to be very similar to RCEP15 currently agreed.

[4] Economic and Trade Agreement Between the Government of the United States and the Government of the People's Republic of China, January 15, 2020, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/january/economic-and-trade-agreement-between-government-united-states-and-government-peoples-republic-china.

Later sections of the paper show that the agreements will matter even more for deeper, structural changes, including shifts in trade patterns and global supply chains. They will also shape East Asia's geopolitics by reorienting its economy toward regional partners. These results emerge from simulations of a large computable general equilibrium (CGE) model of the world economy that we developed and applied in a series of previous studies.[5] The methodology is summarized in appendix A.

The analysis is repeated for two assumptions about the global trade environment. The first anticipates that US and Chinese trade barriers return to pre-Trump levels within the next decade. The second envisions a sustained trade war and leads to much more limited trans-Pacific relations. This latter scenario anticipates policies that continue to weaken global and US-Chinese economic ties through trade restrictions, controls on foreign investment, and technological nationalism. The disruption caused by COVID-19 amplifies these trends by sowing distrust in policy and undermining international supply chains. For example, the McKinsey consultancy argues that "distance" will become important as managers perceive international transactions to carry higher risks (Sneader and Singhal 2020).

While lauded by both governments, the US-China Phase 1 truce did not resolve trans-Pacific tensions—indeed, it kept barriers at nearly the highest levels reached in 2018 and 2019. Analysts argue that the agreement is also fragile and fraught with implementation problems (Bown 2020a, Cutler and Green 2020).[6] Nor has it stopped the United States or China from resorting to xenophobic reactions to the COVID-19 crisis that are bound to have enduring implications. This paper focuses on effects in the long run, after time has passed for economies to adjust to new barriers and return to normal employment. In that time frame, outcomes will depend on future barriers rather than the transient provisions of phase one, such as mandates for Chinese imports of US products in 2020 and 2021.

With business as before, the CPTPP, RCEP15, and RCEP16 agreements will raise annual global incomes in 2030 by $147 billion, $186 billion, and $53 billion, respectively (see figure

[5] We have applied this model in studies of the TPP (Petri, Plummer, and Zhai 2012) and its evolution to the CPTPP (Petri et al., forthcoming).

[6] Bown (2020a) underscores that the short-run goals of the agreement are unlikely to be met and the agreement will reinforce the role of the state in the Chinese economy, contrary to the objectives of the negotiations.

2a).[7] With sustained trade war, however, global incomes in 2030 will be reduced by $301 billion, while the agreements add $121 billion, $209 billion, and $53 billion, respectively, to that floor (figure 2b). Thus, the agreements together offset *global* losses generated by the trade war, but not the *individual* losses of China and the United States. Figure 2 also suggests that the incremental value of the CPTPP will be reduced by the trade war (from $147 billion to $121 billion) while the value of RCEP15 will be increased (from $186 billion to $209 billion). In other words, the prospects of a trade war raised incentives to conclude RCEP.

Summarizing the broad conclusions:

- RCEP will be economically significant with or without India, and indeed more significant than the CPTPP, especially for China, Japan, and Korea.
- RCEP will reorient trade and economic ties away from global linkages toward regionally focused relationships in East Asia.
- India's income will increase by $60 billion annually if it rejoins the agreement and will fall by $6 billion if it does not.
- RCEP will make larger contributions to global and regional welfare in the context of a trade war than under business-as-before assumptions.
- RCEP and the CPTPP together more than offset global losses due to the US-China trade war, but not the individual losses of China and the United States.

Deteriorating trans-Pacific trade relations, combined with the value of East Asian cooperation in the COVID-19 crisis, lent special urgency to conclude the RCEP agreement in November 2020. Although some members had hoped that India would rejoin the negotiations, increasing tensions with China precluded its return before the agreement was signed, though the RCEP accession arrangement would allow it to do so at any time (other economies must wait at least 18 month after entry-into-force). The open-accession clause in RCEP could draw a

[7] These and other income changes, defined as incremental annual gains in gross national income due to each agreement, would continue indefinitely at percentage rates similar to those projected for 2030. Gains are measured in constant 2015 dollars.

number of additional members over the medium term, with Hong Kong already being considered a likely candidate.

2. WHAT THE EAST ASIAN TRADE AGREEMENTS WILL DO

The CPTPP agreement has been public for several years but the RCEP text became available only on 15 November 2020.[8] It is composed of 20 chapters, with key features including trade in goods, rules of origin, and customs administration and trade facilitation. Many behind-the-border measures that feature prominently in the CPTPP are either excluded from the RCEP (e.g., labor, the environment, investor-state dispute settlement) or are fairly superficial (e.g., trade in services, intellectual property protection, data-flow commitments). A first comparison of RCEP and the CPTPP is in table 1.

Given its larger and more diverse membership, RCEP was never expected to be as rigorous as the CPTPP. While the CPTPP will eliminate tariffs on 96 percent of products that enter intraregional trade, RCEP covers approximately 85-90 percent of these products, and even for many of these goods tariffs will not be fully eliminated in the transition period. In addition, RCEP features extensive flexibilities for various countries in virtually all chapters of the agreement. For example, in the trade in services chapter, eight members opt for a "positive list" approach.

Nevertheless, RCEP will be a large agreement with meaningful coverage and effects. Significantly, it will offer cumulative, favorable rules of origin for manufacturers participating in regional supply chains. Its market access provisions will set common terms of reference for regulatory policies and extend national and most favored nation treatment into new sectors. Details of the mechanisms for consultation, including on trade facilitation and regulatory cooperation, are not yet available, but will likely provide new ways to facilitate integration. Finally, as is usual with Association of Southeast Asian Nations (ASEAN) agreements, the current provisions are bound to be improved and enlarged over time, using explicit mechanisms built into the current agreement.

[8] The agreement is available here: https://www.dfat.gov.au/trade/agreements/not-yet-in-force/rcep/rcep-text-and-associated-documents.

The assumptions used to simulate the effects of RCEP are shown in table 2. Since we cannot yet draw on final tariff schedules or the negotiated text, we represent the agreement with judgments about how it will compare to the CPTPP based on the information in table 1.

3. HOW THE AGREEMENTS WILL AFFECT NATIONAL INCOMES WITH AND WITHOUT TRADE WAR

The salient effect of RCEP will be to reinforce market-driven economic integration in East Asia, giving rise to still stronger connections among China, Japan, Korea, and Southeast Asia. While many trade agreements already link RCEP members to each other, RCEP will address crucial areas not yet covered or covered only by "hub-and-spoke" provisions that do not support integrated, multi-country supply chains. With these links, RCEP will encourage further interdependence and help offset distortions introduced by US-China barriers.

Agreements in a business-as-before environment

Consider first the implications of the new agreements on their own, that is, in the benign context of trade barriers that return to pre–trade-war levels. The second column of table 3 shows the effects of the CPTPP (reported in Petri and Plummer 2019), which we assume will continue to be implemented alongside RCEP. The CPTPP is estimated to generate $147 billion in additional income worldwide by 2030, with most countries benefiting except for nonmembers such as China, India, Korea, Thailand, and the United States. The CPTPP is much less lucrative than the TPP agreement it replaced—for many countries, ties with the United States were a key attraction. In earlier estimates, we projected $492 billion in global gains from the TPP, including $131 billion for the United States alone (Petri and Plummer 2016).

About one-third of the CPTPP's global benefits (table 3, column 2) will go to Japan, with $46 billion in gains. Other significant winners will include Malaysia, Canada, Mexico, and Vietnam. China will be most adversely affected, with losses of $10 billion. The losses of the United States will be small ($2 billion), combining the negative effect of weaker access to CPTPP markets with the positive effect of more efficient trade and production relations across CPTPP partners, including some non-preferential reductions in the group's nontariff barriers.

RCEP15 will add $186 billion to the world economy (table 3, column 3) and 0.2 percent to its members' GDP on a permanent basis. These benefits will go largely to China, Japan, and Korea, with gains of $85 billion, $48 billion, and $23 billion, respectively. Other significant RCEP15 winners will include Indonesia, Malaysia, Thailand, and Vietnam. Among nonmembers, India and Taiwan would lose. Estimates by Ken Itakura and Hiro Lee (2019) for RCEP are not directly comparable to ours, but the two studies produce very similar estimates for the CPTPP, with welfare gains in 2030 no more than 30 percent apart for significantly affected countries.[9]

Three factors explain why China, Japan, and Korea gain so much from the RCEP15 agreement. First, these countries are large: they account for 80 percent of RCEP15's GDP. Second, they are not jointly members of any existing free trade area, and only a small part of their trade is covered by a shallow China-Korea trade agreement (Cheong 2016). A similar, though more extreme, argument is made by Takashi Terada (2018), who calls RCEP a "de facto China-Japan FTA" and expects substantial benefits for Japan. Third, by contrast, trade among other RCEP15 countries is covered by other agreements, such as the ASEAN Free Trade Area (AFTA), accords between ASEAN[10] and other RCEP15 members, and the CPTPP, which counts seven RCEP15 countries among its members.

With RCEP16 (the addition of India), the projected global benefits increase by $53 billion (table 3, column 4). These gains mostly accrue to India and effects on other countries are minor—a small drop for Japan and a small increase for China. This scenario is discussed further in the section below on India's withdrawal.

Implications of the trade war

A sustained US-China trade war will generate powerful headwinds for the global economy, as shown in the second column of table 4. These include large negative effects on China's

[9] Itakura and Lee (2019) use a novel import structure that has separate sectoral demand functions for intermediate goods and final goods to represent potential differences among supply chains for different activities, but find that this structure has small effects on estimated welfare results.

[10] The ten ASEAN members are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

national income (−$304 billion) and smaller losses for other regions closely connected to the United States or China (including the United States itself, Hong Kong, Europe, and the Middle East). The simulation also projects small gains for countries that compete with China in US markets (especially Mexico, India, Japan, Korea, and Canada).

These results fall within the (admittedly wide) range of other recent estimates. At one end, our estimate of the global cost of the US-China trade war is $301 billion in 2030, much higher than the $121 billion estimated by Renuka Mahadevan and Anda Nugroho (2019). At the other end, our estimate is only half that of Minghao Li, Edward Balistreri, and Wendong Zhang (2019). These differences reflect modeling assumptions about production (our calculations and those of Li et al. use a heterogeneous-firms specification, which generates greater welfare effects than the Armington approach used by Mahadevan and Nugroho) and about nontariff barriers, which we incorporate in the analysis but others do not. Nevertheless, all of these studies agree on several key takeaways, including the large negative impact of the trade war on both China and the United States; larger welfare losses for China than for the United States; and the fact that these effects are too large to be offset by plausible alternative trade agreements.

The trade war will lead to the appreciation of the dollar and depreciation of the Chinese renminbi against other currencies, due to the bilaterally imbalanced pattern of US-China trade.[11] For the United States, these exchange rate movements will cushion the income effects of reduced trade; efficiency losses from tariffs will be partly offset by gains from "optimal protection," that is, from improvements in the US terms of trade vis-à-vis China and other partners.[12] For China, the falling real exchange rate will depress the terms of trade, and amplify efficiency losses by creating larger income declines.

[11] Bilateral trade matters because China and the United States each have product-specific market power in the heterogeneous-firms modeling strategy used in this study. The balance in market power favors the United States, since it can apply tariffs to a larger volume of imports from China.

[12] The theory of optimal protection notes that a large country may be able to shift the burden of its tariffs to foreign suppliers and thus increase domestic welfare. The tariffs applied by the United States to Chinese imports—averaging 21 percent—are not far from the high statutory rates that US law authorizes in "noncooperative" circumstances, which some argue broadly reflect optimal tariffs (Broda, Limao, and Weinstein 2008). However, as noted in Flaaen and Pierce (2019), there has been pass-through of tariff costs to US buyers and the related tariffs and retaliation have led to an increase in input costs for US manufacturing.

Agreements in a trade war environment

The trade war will affect how regional policies work, as reported in table 4. It will reduce gains from the CPTPP, in part by amplifying the CPTPP-induced diversion of trade away from the United States; US income losses will expand from −$2 billion (table 3) to −$12 billion (table 4). Income losses for China will rise from −$10 billion (table 3) to −$28 billion (table 4). To understand why, note that losing trade to the CPTPP is even costlier for countries already engaged in an unrelated trade war. In contrast, the benefits of RCEP15 will increase under the trade war, also reflecting greater gains in both US (from $1 billion to $10 billion) and Chinese incomes (from $85 billion to $100 billion). In this case, China gains directly as an RCEP member, but both China and the United States also benefit from more efficient Asian supply chains, which partly offset the costs of the trade war. The value of adding India to RCEP—concluding RCEP16 instead of RCEP15—is not sensitive to the global environment.

4. HOW THE AGREEMENTS WILL SHAPE TRADE PATTERNS

Trade agreements are sticky; they shape patterns of international trade and thus subsequent institutions and policies. Our simulations also offer clues for the consequences of the trade war, including for the long-term evolution of global interdependence and production systems.

Trade effects of the trade war

The trade war will shift trading relationships away from the US-China link, as shown in table 5. (We show below how these shifts will be mitigated by RCEP15.) If the trade war continues, China's exports to the United States will fall by $723 billion in 2030 from a baseline of $1,006 billion (72 percent), and US exports to China will fall by $193 billion from a baseline of $420 billion (46 percent). These declines result from roughly 20 percent increases in bilateral tariff averages, plus a similar increase in nontariff barriers (see table 2). As a result, the US bilateral trade deficit with China will fall by $530 billion, becoming nearly balanced. But this "gain" (at least in the eyes of President Trump) will be offset by similar increases in US deficits with other regions, assuming US savings performance is not affected by trade agreements.

While the trade war will cause a majority of global trade flows to decline (shown in table 5 by a sea of shaded cells), the estimates suggest substantial decoupling: US imports will increase from all suppliers other than China, and Chinese exports will increase to all destinations other than the United States. Meanwhile, US exports will fall in markets that turn from the United States toward China. Also, Chinese imports will fall as shrinking inputs into China's export industries are passed backward through international supply chains. World trade overall would decline by $996 billion (2.8 percent) as shown in Table 5 below.

Repairing the damage through East Asian integration

CPTPP and RCEP15 will replace some of the trade destroyed by the US-China trade war and suggest a more central role for East Asian connections in the future. In particular, RCEP15 will build deeper links among Northeast Asia's three largest economies, China, Japan, and South Korea, which already rank among each other's top trade partners. Table 6 reports substantial increases in trade among RCEP15 economies as well as decreases in trade among other economies, in both the business-as-before and trade war environments. Trade *among* RCEP15 economies (the three table 6 regions called China; Japan and Korea; and RCEP other) would increase by $445 billion and $428 billion, depending on the environment, representing about three-quarters of the increase in global trade attributable to RCEP15. The remaining one-quarter increase in global trade would represent growing trade *between* RCEP15 and other economies (in our aggregation, the United States and the rest of the world). Trade *among* non-RCEP15 countries would fall by $39 billion to $48 billion, depending on the environment.

These deeper connections in RCEP will incentivize not just collaborative manufacturing but also interconnected innovation systems, enabling inventions in one country to enter production chains in others. For example, China, Japan, and Korea may well develop greater confidence in supply chains that have become uncertain given the East-West political divide. But even with positive effects on China's trade, the Asian agreements would not fully offset the disruptive effects of trade war with the United States.

Growing interdependence among China, Japan, and Korea could well lead to additional formal agreements among them. A shallow Korea-China FTA came into effect in 2015 but has

not been followed by second-stage negotiations, as originally planned.[13] Negotiations on a China-Japan-Korea FTA, launched at the same time as RCEP in 2012, have completed 16 rounds, but are still far from their original goal of establishing an agreement that goes well beyond RCEP standards.[14] But leaders' summits resumed in Tokyo in 2018 and Chengdu in 2019. In Chengdu, China specifically promoted RCEP and attempted to ease Korea-Japan conflicts that had recently spilled into trade barriers.[15]

Even without a trilateral FTA, China, Japan, and Korea are complementary economies and already trade a great deal with each other. China is the largest trading partner of both Japan and Korea, and they are China's third and fourth largest markets, respectively. Given their technological level, the three economies are also poised for European-style trade in differentiated products, including intermediate goods. They offer highly complementary skills and technologies for integrated production networks. With US linkages in doubt, these ties would provide essential insurance for supply chains that depend on sophisticated inputs.

Characteristics of regional supply chains

As trade relationships intensify in East Asia, they will build on the region's comparative advantages in manufacturing and strengths in multi-country supply chains. Table 7 shows the results of the simulations of RCEP15 for sectoral trade. These account for international supply chain linkages, which are embedded in the international input-output tables that underlie the model. Exports in advanced manufacturing sectors increase the most, both overall for China, Japan, and Korea, and for these countries' trade within the CJK bloc. For all three countries, two-thirds of new trade attributable to RCEP15 will consist of advanced manufactures, especially electrical and electronic equipment, machinery, and vehicles, which depend on multi-country supply chains. These increases, which affect both the export and import changes, reflects the prominence of production networks in the newly created trade relationships.

[13] See, for example, Cheong (2016), who estimates a small effect of the FTA due to its "narrow coverage and tenuous commitments."
[14] Xinhua.net, "China, S.Korea, Japan to hold trilateral FTA negotiations in Seoul," November 26, 2019, www.xinhuanet.com/english/2019-11/26/c_138584549.htm.
[15] See, for example, Kim (2019).

As already noted, the benefits of RCEP15 are greater under the trade war scenario. In effect, greater integration within East Asia, including especially stronger production networks among China, Japan, and Korea will offset higher barriers between the United States and China. These trade patterns point to a more regionally focused, China-centered East Asian economy. There will be clear benefits for participants, alongside concerns about China's political clout. The biggest losers will be India and the United States, whose regional trade and political influence are likely to wane.

5. RCEP'S ROOTS IN EAST ASIAN POLITICS

These projections suggest—and will depend on—realignments in East Asia's politics toward closer regional relationships. To understand these realignments, it is interesting to look back briefly on the region's history of experiences with extra-regional initiatives.

East Asian economic relations were primarily regional until the end of World War II, when political and economic upheaval created global opportunities (Petri 1992). In the next four decades, trade shifted toward global partners, including especially the United States. By the early 1990s, however, the region's tremendous growth reversed these trends; regional markets and supply chains attracted increased regional attention. Only China continued to grow globally, but that trend is now ebbing.

Conflicting regional and global interests also generated competing visions for Asian cooperation. In 1990, as conditions for intra-regional integration were turning more favorable, President Mahathir of Malaysia proposed a regionally focused institution, the East Asian Economic Group (EAEG). The EAEG's membership was to be what is now ASEAN+3, the 10 ASEAN countries plus China, Japan, and South Korea. With the addition of Australia and New Zealand, this is now the membership of RCEP15. (See figure 1 for the relationship of these alternative groupings.) After nearly three decades of outward-looking experiments, Asian institution building has circled back to something much like Mahathir's EAEG.

The EAEG gained interest in the wake of the Asian financial crisis, but most ASEAN economies continued to look across the Pacific for stronger partners and geopolitical balance.[16] Meanwhile Australia, backed by the United States and Japan, advanced a trans-Pacific vision by forming the Asia-Pacific Economic Cooperation (APEC) forum in 1989.[17] In the words of US secretary of state James Baker, APEC was meant to prevent "drawing a line down the middle of the Pacific." APEC was not structured to develop trade agreements, but eventually 12 members met on the sidelines to negotiate the Trans-Pacific Partnership.[18]

Could the diverging regional and trans-Pacific visions of economic integration be reconciled? APEC leaders attempted to do so in the 2010 "Yokohama Vision" for a broad, regionwide Free Trade Area of the Asia-Pacific (FTAAP).[19] They optimistically recommended reaching FTAAP through multiple pathways, including the TPP and other Asian and potentially Latin American approaches. As the TPP negotiations progressed, the search for an Asian pathway intensified.

The Asian pathway, however, soon faced the regional-global dilemma: Should it focus narrowly on ASEAN+3, as Mahathir and later China argued? Or should it aim for the broader ASEAN+6 vision (including Australia, India, and New Zealand), as Japan proposed? Including India was the critical difference: India did not fully share East Asia's traditions of outward orientation, nor was it a member of APEC. Yet Japan and others saw India as an essential counterweight to China. The compromise was RCEP—a framework with ASEAN+6 membership but led by ASEAN rather than larger reginal powers. In any case, RCEP will now likely emerge without India—in other words, close to its East Asian origins.

History suggests that it is difficult to add distant members to an East Asian–centered institution. Both North America and South Asia have proven to be problematic partners—their interests lie elsewhere and change quickly. In pulling out of agreements with East Asia, both

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16 In light of these concerns, the EAEG was redefined as the less provocative "East Asian Economic Caucus" at the Fourth ASEAN Summit in 1992. See https://asean.org/?static_post=singapore-declaration-of-1992-singapore-28-january-1992.

17 APEC today has 21 members: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, the United States, and Vietnam.

18 Four TPP members—Brunei, Chile, New Zealand, and Singapore—first negotiated a "P4" agreement in 2005, to serve as a "pathfinder" for a broader APEC FTA. The TPP negotiations emerged from this initiative.

19 2010 Leaders' Declaration, 18th APEC Economic Leaders' Meeting, November 13, Yokohama, www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.

India and the United States appear to have responded to domestic politics. With tenuous regional ties, external partners cannot offer a permanent solution to balancing China's outsized influence. Instead, regional integration will have to depend on the quality of its own institutions. Institutions that support inclusive regional decision making will permit greater integration—and China itself is likely to be an important beneficiary.

The economic opportunities outlined in our simulations challenge East Asia to develop greater interdependence, including solid regional institutions and trust (Park 2017). Much is at stake, since the integration shown in our results will not happen unless countries trust each other's commitments in trade, investment, and other areas. Long-term integration requires substantial investments, and thus confidence in predictable, fair regional policies.

6. CHINA'S GAIN

China is poised to become the largest beneficiary of RCEP15. Its options and associated returns are illustrated in figure 3, similar in format to figure 2 on world benefits. Figure 3 shows the large negative effect of the trade war on China (−$304 billion), as well as smaller losses associated with the CPTPP (−$28 billion).[20] It then shows large benefits from RCEP15 ($100 billion) and smaller gains from RCEP16 (an additional $9 billion if India joins). In either case, RCEP is beneficial to China and, as already noted, its value is greater with a trade war than without it ($100 billion vs. $85 billion, as shown in table 3). Even so, RCEP15 will offset only about one-third of the negative effects of China's trade war with the United States.

The implications of RCEP15 for the structure of the Chinese economy are shown in figure 4, examining how the trade policies will change the composition of China's value added (a disaggregation of its GDP). Portions of each bar above (below) zero measure positive (negative) contributions to GDP. The figure shows net negative effects for both China's light and advanced manufacturing sectors under the trade war and the CPTPP, especially for advanced manufactures, the larger of two subsectors. However, RCEP15's contributions are positive for all sectors, helping to lessen the damage inflicted by other policies including the

[20] The CPTPP affects China adversely because it is excluded from it. As we argue in Petri and Plummer (2019), China would gain substantially from joining the CPTPP, which would offer higher-quality access to some RCEP member countries as well as important partners on the eastern Pacific, including Mexico and Canada.

trade war. With all policies combined, China's sectoral structure will shift from manufacturing to services, with the advanced manufacturing sector experiencing the largest declines.

Even more important than economic gains, however, may be the effects of China's prospects for regional leadership. The CPTPP and RCEP15 agreements, without the United States and India, remove powerful balancing influences in determining regional economic policies. The TPP, the predecessor of the CPTPP, was led by the United States in part to check China's regional influence. The agreement omitted China and focused on building a regional economic bloc committed to open, market-oriented policies. Some proponents felt that it would constrain China's ambitions of building close economic and political connections in the region, while others hoped that China would eventually join the agreement and adopt its rules.

RCEP similarly sought to limit China's influence. It set modest goals for market liberalization, constraining China's ability to disrupt regional markets. It also gave India a starring role, offsetting China's political influence. RCEP would enable India to pursue its "Look East" policy for strengthening connections with Southeast Asia. More generally, it sought to make India competitive; it dates back to Prime Minster P. V. Narasimha Rao, widely regarded as the father of Indian economic reform in the 1990s.

With the exit of the United States from the CPTPP and India from RCEP, the two agreements enhance rather than limit China's regional role. The exits reflect similar motives, including nationalist politics and fears of losing ground to China in economic and strategic competition. By strengthening China's regional role, the two agreements are yielding the opposite result from what they originally intended to achieve.

China has long invested in economic and military links to the region and some fear that it intends regional hegemony. The Belt and Road Initiative (BRI), which covers most RCEP members, has been estimated by the World Bank to offer funding of $144 billion and $304 billion for transport projects alone (World Bank 2019). Overall, China has committed a total of $1.4 trillion to the initiative (Meltzer 2017). The BRI is controversial because of opaque processes and potentially lax lending standards, but it also offers financial support that dwarfs the $113 million "Asian Investment Program" recently unveiled by US secretary of state Mike

Pompeo,[21] and even Japan's more substantial infrastructure programs. RCEP offers a framework for solidifying China's regional connections and, in the best case, for investments that amplify RCEP's benefits (Vines 2018).

In sum, China faces significant economic opportunities in the region but also resistance to its leadership. A 2019 Pew Research Center Poll found that citizens of Japan, Korea, Australia, and the Philippines have majority negative views of China, measured at 85 percent, 63 percent, 57 percent, and 54 percent, respectively (Silver, Devlin, and Huang 2019). These compare to negative views in the United States and Canada at 60 and 67 percent, respectively. Such resistance could create challenges to the ratification of RCEP in certain countries and slow down its implementation. This challenge needs to be resolved in order to achieve the benefits outlined in our analysis.

7. INDIA'S LOSS

India is poised to become the largest loser of recent Asian trade agreements. Results for India's income in 2030 are shown in figure 5 in the context of the trade war. (The results for adding India to RCEP would be very similar in the context of business as before; see table 3.)

The trade war alone will increase India's income by $10 billion (table 4), reflecting trade that India would directly or indirectly capture from China. The CPTPP will then cut India's gains by $3 billion in favor of CPTPP members. An additional $6 billion in losses will result if RCEP15 is formed without India. Finally, India will gain $60 billion if it joins RCEP, that is, RCEP16 is implemented instead of RCEP15. In other words, India's decision involves losing $6 billion outside RCEP or gaining $54 billion in it (table 4). This loss is 1.2 percent of India's projected GDP in 2030, or a little more than twice the US percentage loss from pulling out of the TPP. The remaining RCEP15 economies are actually better off without India by $6 billion, a very small share of the region's $44 trillion income in 2030.

[21] This plan was announced by Secretary of State Mike Pompeo on July 30, 2018 as part of the Trump Administrations "Indo-Pacific Economic Vision." See www.scmp.com/news/china/economy/article/2157381/us-competes-chinas-belt-and-road-initiative-new-asian-investment.

Aggregate income gains from RCEP16 would have been shared by all of India's major economic sectors (figure 6). Export gains would have ranged from approximately 4 percent for (primarily) domestic services to 17 percent for traded services (e.g., in computing, finance, marketing). India's large traded services sector would have gained far more than its manufacturing sectors, in line with its often-noted comparative advantage relative to East Asia. Indian trade would be not be much affected by other simulated policies; for example, RCEP15 would have mixed effects, with some pluses in the service sectors. The theme of the results is that the economy would shift further toward services and away from manufacturing if India had joined RCEP, enhancing its areas of strength in exchange for additional imports of manufactured goods.

If the gains from RCEP are so significant, why did India leave the negotiations? It appears that India left for short-term reasons: negative current economic trends, domestic political challenges, and the impatience of other members to finalize a deal.[22] Throughout the negotiations, some observers argued that India's historic flirtation with protectionism made it an unlikely partner. While protection in India is higher, on average, than in other RCEP countries, India's has made substantial process since its external liberalization began in the early 1990s. Average tariffs have fallen from 29 percent 20 years ago to 6 percent today.[23] As a result, trade as a percentage of GDP has grown from 17 percent in 1991 to 43 percent in 2018, an impressive increase in such a diverse economy.[24] Meanwhile, economic performance dramatically improved, catapulting India into the club of rapidly growing emerging economies. From 2015 to 2019, India's GDP grew more rapidly than China's.[25] India's recent enthusiasm for outward-oriented development did not match that of its East Asian neighbors, but membership in RCEP would have been consistent with its longer-term strategy.

The proximate reasons for India's departure were political (Choudhury 2019). India's general elections were completed in April–May 2019, but its electoral calendar is nearly continuous. Meanwhile, GDP growth decelerated from 7.4 percent in 2018–19 and even before

[22] Some have suggested that India had tabled a number of additional demands at the last minute, but this is disputed by India, except for the demand to include local data storage requirements.

[23] Average import-weighted tariffs, https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?name_desc=false.

[24] World Bank, https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=IN.

[25] ADB, *Asian Development Outlook*, various issues.

the pandemic it was not expected to return to that level.[26] The government saw threats to manufacturing employment due to Chinese competition as politically unacceptable, aggravated by the concern that China would shift exports from the United States to India. India's agriculture sector also felt threatened by products from Southeast Asia and dairy from New Zealand and Australia. Finally, India ran a bilateral trade deficit with most RCEP partners and, like the United States, was worried about it. Its deficit was especially large with China ($74 billion).[27] At the last minute, India asked for changes in RCEP that included adjustments in tariff calculations, protection for import surges, and flexibility on tariff concessions (Suneja 2019). Other members were unwilling to accept these.

8. CONCLUSIONS

Less than a decade ago, Asia-Pacific mega-regionalism through the TPP and RCEP agreements appeared to be reshaping trade governance and energizing a push toward an open and inclusive "Yokohama Vision" of a Free Trade Area of the Asia-Pacific. Now the most ambitious East Asian integration initiatives are focusing on regional interdependence. These trends are accelerating in the wake of COVID-19. RCEP without India and the CPTPP without the United States militate against the more ambitious focus on state-of-the-art rules for 21st century commerce. Similar political impulses led India and the United States to back away from this vision, combining nationalism, sectoral interests, and fear of Chinese competition.

Yet integration continues to move ahead. The TPP economies doubled down on the accord despite the exit of the United States. (Although the CPTPP suspended some US-oriented provisions, they remain in the text should the United States change its mind.) Likewise, RCEP15 is moving ahead, but will leave room for India to come back. There is no reason to expect either country to return quickly—or to stay away permanently as the CPTPP and RCEP expand and deepen. Several economies have expressed interest in joining the CPTPP, including China, RCEP's largest member. RCEP, meanwhile, may expand and upgrade its

[26] World Bank, *Global Economic Prospects: Slow Growth, Policy Challenges*, January 2020, Table 1.1, https://openknowledge.worldbank.org/bitstream/handle/10986/33044/211469-Ch01.pdf.

[27] Available at https://wits.worldbank.org/CountryProfile/en/Country/IND/Year/LTST/TradeFlow/EXPIMP.

rules some RCEP economies may also enter the CPTPP. Both agreements will accelerate regional integration and so enhance the role of China, the region's largest economy.

The CPTPP and RCEP15 are historic initiatives, with overlapping membership and compatible standards that, over time, will lead countries to upgrade policies for deeper partnerships. In the meantime, RCEP15 alleviates concerns about trade concentration among richer countries and fosters good policies in new areas of trade. Wise leadership will be needed to make these agreements work, including greater political cooperation among China, Japan, and other countries in the region.

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APPENDIX A

THE COMPUTABLE GENERAL EQUILIBRIUM MODEL

We estimate the effects of trade agreements using a computable general equilibrium (CGE) model developed in Petri and Plummer (2016) and Petri, Plummer, and Zhai (2012). The model, underlying data, and results, including prior applications, are described on the website www.asiapacifictrade.org and in Petri, Plummer, and Zhai (2012).

A CGE model, a numerical implementation of general equilibrium theory, uses neoclassical economic assumptions about the motivation of agents in the economy, market structure, consumer preferences, production technology, and market equilibrium conditions. Behavioral equations in CGE models are derived from these assumptions and determine how the agents in an economic system respond to changes in relative prices and incomes.

In addition to behavioral equations, CGE models incorporate various accounting identities that define the budget constraints of each agent as well as total resource constraints. In a CGE model, most of the parameters in behavior equations are elasticities (i.e., they measure the responsiveness of one variable to changes in another) or share parameters, such as the share of consumption demand in aggregate demand. Some of these parameters have known values while others need to be calibrated in the model. The values of key parameters are selected (calibrated) to render the CGE model's output consistent with real-world data for the benchmark year.

A CGE model typically has four agents: firms, consumers, investors, and the government. Firms produce output, which is purchased by consumers, investors, and the government, both at home and abroad. Firms maximize profits and use market prices in deciding how much output to produce and with which inputs. Sector output is represented by a production function, which shows the relationship between inputs and output. We employ a Melitz-style "heterogeneous firms" specification, which assumes monopolistic competition among firms that have different productivity levels along a statistical distribution (Zhai 2008). Production functions also define the substitutability of inputs for each other. In addition, production in a CGE model typically involves a multilevel or nested production process. The use of a nested

structure allows for intermediate inputs and for greater flexibility in defining elasticities governing the use of different factors of production.

Consumers in each country are often modelled with reference to a representative household. The representative household maximizes a utility function, which is defined over the consumption of final goods from each industry. Typically, household income, market prices, and elasticities of substitution between final goods in utility functions determine how much of each good is purchased by the representative household. Consumers are endowed with capital, land, labor, and other factors of production. Based on market prices, they supply their factors and receive income in return. Investors receive savings (from consumers and government) and purchase bundles of goods to establish and maintain productive capacity.

Government administers market-related policies, such as taxes, subsidies, and trade tariffs. The specifications of alternative scenarios examined in the study differ mainly in terms of assumption about government trade policy. These policies enter exogenously into the CGE model. We "close" the model by assuming that the economy's level of net investment is fixed, based on a variety of factors not examined in the study. This in turn requires trade balances to be fixed across scenarios. We also assume that in a distant future year, all economies operate at "normal employment" levels; 2030 is normally the end year of model simulations.

The market-clearing conditions in CGE models determine the prices of all goods and factors. Consumers and firms make optimal decisions based on current price signals, with no role for forward-looking expectations. Scenarios are simulated over a multiyear period, with investment decisions made in one year affecting the capital stocks available in the next year. When an external shock or policy change is introduced in a static CGE model, prices and quantities adjust to clear all markets, and the model produces a new state of general equilibrium. When a policy shock—such as an FTA—is introduced in a dynamic CGE, the new equilibrium captures the time path of both transitional dynamics and final steady state.

Table 1
Provisions of the CPTPP and RCEP Agreements

Major Issues	CPTPP Chapter(s)	RCEP Chapter(s)	CPTPP Content	Expected RCEP Differences (if any)
Market access	2	2	Application of national and MFN treatment, transparent tariffs.	
Rules of origin	3, 4	3	Favorable definitions and costing methods for cumulation. De minimis treatment of non-originating materials. Special provisions for textiles and apparel.	
Customs administration and trade facilitation	5	4	Enhanced customs cooperation, trade facilitation, express shipments, administration of customs penalties.	
Trade remedies	6	7	Rules for safeguards, temporary protection, antidumping and countervailing duties.	
Sanitary and phytosanitary measures	7	5	Rules for sanitary and phytosanitary measures, equivalence recognition, science and risk analysis, audits, certification and transparency.	
Technical barriers to trade	8	6	Enhanced cooperation on standards for technical regulations, conformity assessment.	
Investment	9	10	National treatment, MFN treatment, compensation for expropriation, rules for financial transfers, bar performance requirements, investor-state dispute settlement (ISDS) with improved safeguards for public welfare regulations. Phasing out equity limits in some countries.	Instead of negative lists also permits positive lists for exceptions (CSIS). ISDS provisions will not be activated unless members decide to do so three years after the agreement is signed.
Cross-border trade in services	10, 11, 13	8	Disciplines on market restrictions, local presence requirements, regulations, criteria for service providers. Special provisions for financial services for offering new products and restricting regulations, for educational services in enhancing offerings, and for telecommunications services on interconnection, roaming.	Instead of negative lists also permits positive lists for exceptions (CSIS).
Temporary entry for business persons	12	9	Disciplines on regulating temporary entry of business persons. Country-specific concessions for additional	

			professional services and longer periods of stay.	
Electronic commerce	14	12	Prohibits customs duties on electronic transmissions, discriminatory treatment of digital products. Sets legal framework for e-commerce. Limits restrictions on cross-border transmission of data and location of computing facilities.	No coverage of cross-border data flows and data localization requirements. No moratorium on customs duties on electronic transmissions (CSIS).
Government procurement	15	16	National treatment and non-discrimination, governance of procurement, expanded range of organizations covered.	
Competition and regulatory policy	16, 25, 26	13	Ensures fairness in competition law, enables private right of action. Enhanced regulatory coherence, transparency, anti-corruption measures.	
State-owned enterprises and designated Monopolies	17		Defines state-owned enterprises and designated monopolies and limits non-commercial assistance to SOEs.	State-owned enterprises not covered.
Intellectual property	18	11	Commitments to ratify international agreements on intellectual property. US-promoted provisions for expanded IP protections under TPP are suspended.	
Labor	19	-	Commitments to implement laws and regulations supporting ILO Declaration on Labor Rights. Institutions for review and a Labor Council for monitoring.	Not covered.
Environment	20	-	Recognition of multilateral environmental agreements. Provisions on ship pollution, biodiversity, invasive species, marine fisheries, conservation.	Not covered.
Cooperation and capacity building	21, 22, 23, 24	14, 15	Institutions for cooperation and capacity building, including especially SMEs.	
Dispute resolution	28	19	Scope of dispute settlement and a panel for unresolved disputes.	
Definitions, administration, institutions	1, 27, 29, 30	1, 17, 18, 20	Establish the Trans-Pacific Partnership Commission, security related exceptions, safeguard measures, taxation. Conditions for changes including enlargement.	

Notes: This table compares the expected content of RCEP with the known content of the CPTPP. Blank cells in the last column indicate that no major differences are expected or are known at this time.
CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
RCEP – Regional Comprehensive Economic Partnership.
Source: authors interpretations based on official and other sources cited in the text.

Table 2
Specifications for Simulating Trade Policies

	China-US Trade War	CPTPP	RCEP15	RCEP16
Membership	China, United States	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam	Australia, Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, and Vietnam	RCEP15 plus India
Launch date	2019	2018	2020	2020
Tariff liberalization	As per Phase I US-China agreement of December 2019	As negotiated for TPP agreement	90% eliminated	85% eliminated
NTB liberalization	China-US NTBs up 10% Most US-China NTBs up 10% US-China tech NTBs up 50%	As negotiated for TPP agreement except for suspended provisions	Average of recent ASEAN+1 agreements	75% of average of recent ASEAN+1 agreements
Agricultural liberalization				
Services liberalization				
FDI liberalization	US-China barriers doubled			
Non-preferential NTB reductions	None	10 percent	10 percent	10 percent

Notes: This table lists assumptions used to simulate the US-China trade war and new regional trade agreements.
CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
RCEP – Regional Comprehensive Economic Partnership. RCEP16 includes India.
Source: authors.

Table 3
Business as Before: Real Income Effects, 2030
(billions of US dollars, equivalent variations)

	2030 Income	Incremental Change			Incremental % Change		
		CPTPP	RCEP15	RCEP16	CPTPP	RCEP15	RCEP16
Americas	**39,569**	**49**	**2**	**-1**	**0.1**	**0.0**	**0.0**
Canada	2,717	22	0	0	0.8	0.0	0.0
Chile	463	3	0	0	0.7	0.0	0.0
Colombia	684	0	0	0	0.0	0.0	0.0
Mexico	2,169	16	0	0	0.7	0.0	0.0
Peru	442	10	0	0	2.2	0.0	0.0
United States	25,754	-2	1	0	0.0	0.0	0.0
Latin America nie	7,341	0	0	0	0.0	0.0	0.0
Asia	**50,659**	**69**	**164**	**52**	**0.1**	**0.3**	**0.1**
Brunei	31	1	0	0	2.6	0.5	-0.1
China	27,839	-10	85	8	0.0	0.3	0.0
Hong Kong	461	1	0	1	0.2	0.1	0.1
India	5,487	-4	-6	60	-0.1	-0.1	1.1
Indonesia	2,192	-1	3	-2	-0.1	0.1	-0.1
Japan	4,924	46	48	-9	0.9	1.0	-0.2
Korea	2,243	-3	23	-2	-0.1	1.0	-0.1
Malaysia	675	21	4	-1	3.1	0.6	-0.2
Philippines	680	0	2	-1	0.0	0.3	-0.1
Singapore	485	13	0	1	2.7	0.0	0.1
Taiwan	776	0	-3	0	0.0	-0.4	0.1
Thailand	812	-5	4	-1	-0.6	0.5	-0.1
Vietnam	497	11	3	-1	2.2	0.5	-0.3
ASEAN nie	283	0	1	0	0.0	0.3	-0.1
Asia nie	3,272	0	0	0	0.0	0.0	0.0
Oceania	**2,854**	**15**	**1**	**3**	**0.5**	**0.0**	**0.1**
Australia	2,590	12	1	3	0.5	0.0	0.1
New Zealand	264	3	1	0	1.1	0.2	0.1
Rest of World	**40,720**	**14**	**19**	**-1**	**0.0**	**0.0**	**0.0**
Africa (Sub-Sahara)	4,068	0	0	1	0.0	0.0	0.0
Europe	23,189	12	13	-1	0.0	0.1	0.0
EMENA	10,001	2	4	-1	0.0	0.0	0.0
Russia	3,371	0	1	0	0.0	0.0	0.0
ROW	90	0	0	0	0.1	0.0	0.0
WORLD	**133,801**	**147**	**186**	**53**	**0.1**	**0.1**	**0.0**
Memorandum							
RCEP15 members	43,516						
Δ RCEP15 members		87	174	-6	0.2	0.4	0.0
Δ Others		60	12	59	0.1	0.0	0.1

Notes: This table shows the incremental income effects of implementing various trade agreements assuming that the agreements in the previous columns have been implemented. Percent changes are relative to baseline projections in the first column.
CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
RCEP – Regional Comprehensive Economic Partnership. RCEP16 includes India.
Source: authors' simulations.

Table 4
Trade War: Real Income Effects, 2030
(billions of US dollars, equivalent variations)

	2030 Income	Incremental Change				Incremental % Change			
		Trade War	CPTPP	RCEP15	RCEP16	Trade War	CPTPP	RCEP15	RCEP16
Americas	**39,569**	**11**	**40**	**10**	**-1**	**0.0**	**0.1**	**0.0**	**0.0**
Canada	2,717	5	22	0	0	0.2	0.8	0.0	0.0
Chile	463	-1	3	0	0	-0.1	0.7	0.0	0.0
Colombia	684	1	0	0	0	0.1	0.0	0.0	0.0
Mexico	2,169	21	16	0	0	1.0	0.8	0.0	0.0
Peru	442	1	10	0	0	0.1	2.3	0.0	0.0
United States	25,754	-23	-12	10	0	-0.1	0.0	0.0	0.0
Latin America nie	7,341	7	0	0	0	0.1	0.0	0.0	0.0
Asia	**50,659**	**-289**	**53**	**179**	**53**	**-0.6**	**0.1**	**0.4**	**0.1**
Brunei	31	0	1	0	0	-1.1	2.6	0.5	-0.1
China	27,839	-304	-28	100	9	-1.1	-0.1	0.4	0.0
Hong Kong	461	-18	1	1	1	-3.9	0.2	0.3	0.2
India	5,487	10	-3	-6	60	0.2	-0.1	-0.1	1.1
Indonesia	2,192	2	-1	3	-2	0.1	-0.1	0.1	-0.1
Japan	4,924	5	47	46	-9	0.1	0.9	0.9	-0.2
Korea	2,243	5	-3	23	-2	0.2	-0.1	1.0	-0.1
Malaysia	675	3	21	4	-1	0.4	3.1	0.6	-0.2
Philippines	680	2	0	2	-1	0.3	0.0	0.3	-0.1
Singapore	485	-3	13	0	1	-0.6	2.7	0.0	0.1
Taiwan	776	0	0	-3	0	0.0	0.0	-0.4	0.1
Thailand	812	4	-4	4	-1	0.5	-0.5	0.5	-0.1
Vietnam	497	3	11	3	-1	0.7	2.2	0.5	-0.3
ASEAN nie	283	1	0	1	0	0.2	0.0	0.3	-0.1
Asia nie	3,272	2	0	0	0	0.1	0.0	0.0	0.0
Oceania	**2,854**	**-1**	**15**	**1**	**3**	**0.0**	**0.5**	**0.0**	**0.1**
Australia	2,590	-1	12	1	3	0.0	0.5	0.0	0.1
New Zealand	264	0	3	1	0	0.1	1.1	0.2	0.1
Rest of World	**40,720**	**-21**	**14**	**19**	**-1**	**-0.1**	**0.0**	**0.0**	**0.0**
Africa (Sub-Sahara)	4,068	3	0	0	1	0.1	0.0	0.0	0.0
Europe	23,189	-13	12	13	-1	-0.1	0.0	0.1	0.0
EMENA	10,001	-9	2	5	-1	-0.1	0.0	0.0	0.0
Russia	3,371	-2	0	1	0	0.0	0.0	0.0	0.0
ROW	90	0	0	0	0	0.4	0.1	0.1	0.0
WORLD	**133,801**	**-301**	**121**	**209**	**53**	**-0.2**	**0.1**	**0.2**	**0.0**
Memorandum									
RCEP15 members	43,516								
Δ RCEP15 members		-284	70	187	-5	-0.7	0.2	0.4	0.0
Δ Others		-17	51	22	59	0.0	0.1	0.1	0.1

Notes: This table shows the incremental income effects of implementing various trade agreements assuming that the agreements in the previous columns have been implemented. Percent changes are relative to baseline projections in the first column.
CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
RCEP – Regional Comprehensive Economic Partnership. RCEP16 includes India.
Source: authors' simulations.

Table 5
Sustained Trade War: Effects on Global Trade Patterns, 2030
(billions of US dollars)

Importer / Exporter	US	China	Japan, Korea	RCEP other	ROW	World
US	0	-193	-26	-22	-154	-396
China	-723	0	34	38	188	-463
Japan, Korea	62	-46	-1	-4	-12	-1
RCEP other	59	-44	-5	-8	-15	-14
ROW	223	-143	-12	-22	-168	-123
World	-379	-426	-11	-18	-162	-996

Notes: This table shows the effects of the sustained US-China trade war on bilateral exports among different world regions. The values are deviations from the baseline projection under the assumption of "business as before" Trump's trade war. The trade war is represented by barriers implicit in the Phase 1 trade agreement reached in January 2020. Red cells show decreased trade flows.
RCEP – Regional Comprehensive Economics Partnership.
RCEP other – 12 RCEP countries other than China, Japan and Korea.
ROW – rest of the world, all countries not explicitly shown.
Source: authors' simulations.

Table 6
Effects of RCEP15 on Global Trade Patterns, 2030
(billions of US dollars)

Importer / Exporter	US	China	Japan, Korea	RCEP other	ROW	World
US	0	19	2	-3	-5	12
China	31	0	96	53	68	248
Japan, Korea	-10	178	51	2	-30	191
RCEP other	2	30	13	5	7	57
ROW	-8	13	24	-3	-34	-8
World	14	240	186	55	6	500

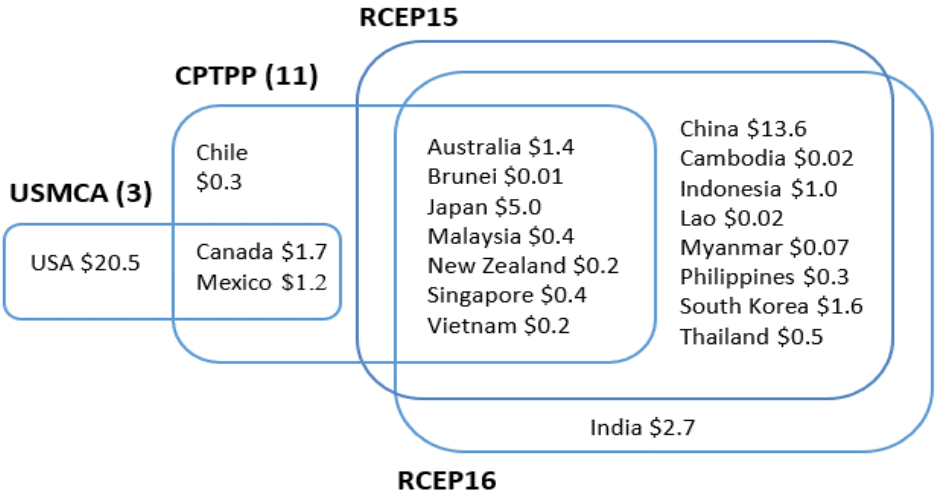
Notes: This table shows the effects of the RCEP15 agreement on bilateral exports under two scenarios about the US-China trade war. Both assume that the CPTPP agreement is implemented. The trade war is represented by barriers implicit in the Phase 1 trade agreement reached in January 2020. Green cells show increased trade flows.
RCEP – Regional Comprehensive Economic Partnership. RCEP16 includes India.
RCEP other – 12 RCEP countries other than China, Japan and Korea.
ROW – rest of the world, all countries not explicitly shown.
Source: authors' simulations.

Table 7
Effects of RCEP15 on China-Japan-Korea Exports, 2030
(billions of US dollars)

	Change in Total Exports			Change in Exports to CJK		
	China	Japan	Korea	China	Japan	Korea
Primary Products	5	5	9	3	6	6
Light Manufactures	45	21	12	23	25	4
Advanced Manufactures	185	58	37	60	93	21
Traded Services	7	15	1	5	29	2
Domestic Services	7	29	4	5	40	4
TOTAL	248	128	63	96	193	36

Notes: This table shows the effects of the RCEP15 agreement on the exports of China, Japan and Korea to all partners (first three columns), and to each other (last three columns), in a scenario that assumes that US-China trade war is sustained and the CPTPP agreement is implemented. The trade war is represented by barriers implicit in the Phase 1 trade agreement reached in January 2020. The change in exports to China, Japan and Korea exceeds the change if total exports when exports to other countries decline.
RCEP – Regional Comprehensive Economic Partnership. RCEP16 includes India.
RCEP other – 12 RCEP countries other than China, Japan and Korea.
ROW – rest of the world, all countries not explicitly shown
Source: authors' simulations.

FIGURE 1 Regional trade groups involving the United States and Asia, with 2018 GDP
(trillions of US dollars)

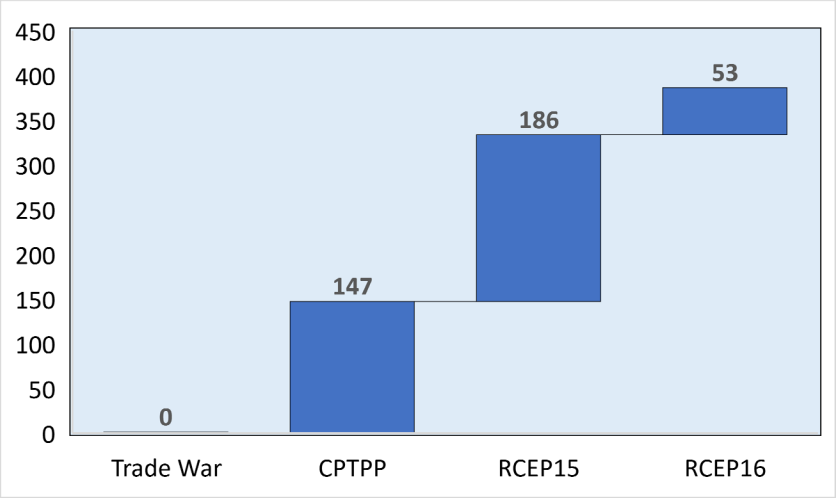


Notes This figure shows overlapping regional trade agreements among three or more countries in East Asia and across the Pacific. ASEAN+1 agreements are not included. GDP levels are shown as an index of the economic size of each agreement.
CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership, RCEP16 includes India.
USMCA = United States-Mexico-Canada Agreement

Source Authors with World Bank GDP data

FIGURE 2A Business as before scenario

Data	Trade War	CPTPP	RCEP15	RCEP16
Before	0	147	186	53

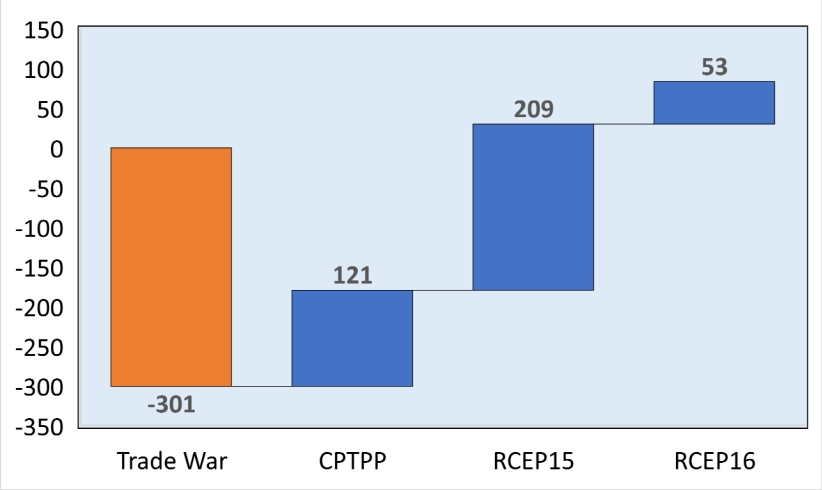


Notes This figure shows the incremental real income effects of different agreements in scenarios that assume "business as before" the Trump US-China trade war.
CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership, RCEP16 includes India.

Source Authors' simulations.

FIGURE 2B Sustained trade war scenario

	Trade War	CPTPP	RCEP15	RCEP16
Sustained	-301	121	209	53



Notes This figure shows the incremental real income effects of different agreements in scenarios that assume that the Trump US-China trade war is sustained.

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership, RCEP16 includes India.

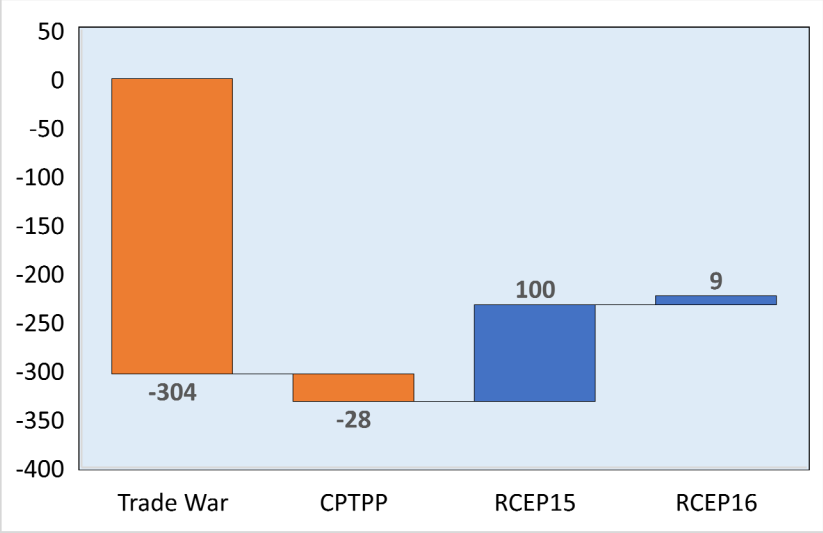
Source Authors' simulations.

Figure 3

Title China: annual national income effects

Subtitle (real US dollars, 2030)

Data	Trade War	CPTPP	RCEP15	RCEP16
Sustained	-304	-28	100	9



Notes This figure shows the incremental real income effects for China of different agreements in scenarios that assume that the Trump US-China trade war is sustained.

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership, RCEP16 includes India.

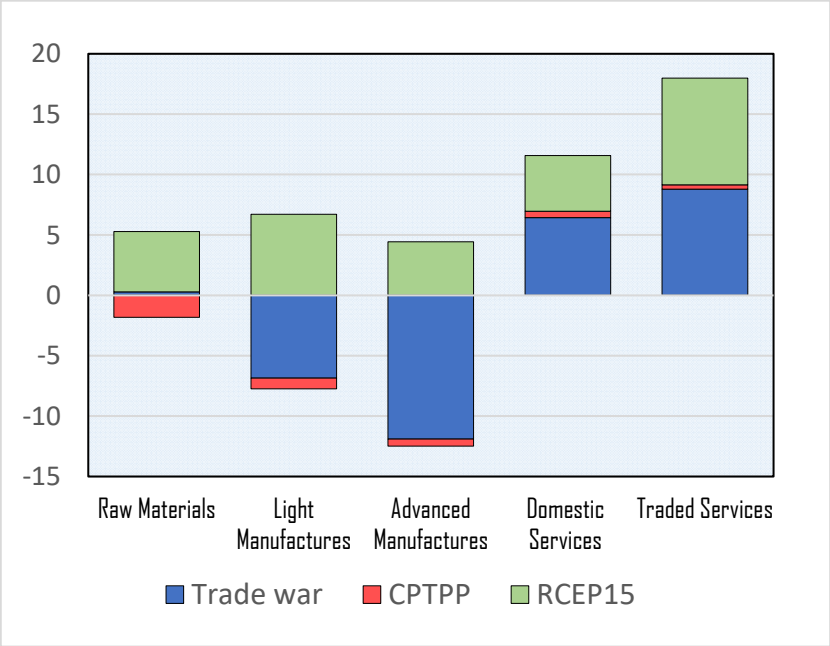
Source Authors' simulations, trade war environment

Figure 4

Title China: Sectoral export effects of trade policies

Subtitle (percent change from baseline)

Data	Raw Mater	Light Manu	Advanced M	Domestic S	Traded Services
Trade War	0.3	-6.9	-11.9	6.4	8.8
CPTPP	-1.8	-0.9	-0.6	0.5	0.4
RCEP15	5.0	6.7	4.4	4.6	8.8



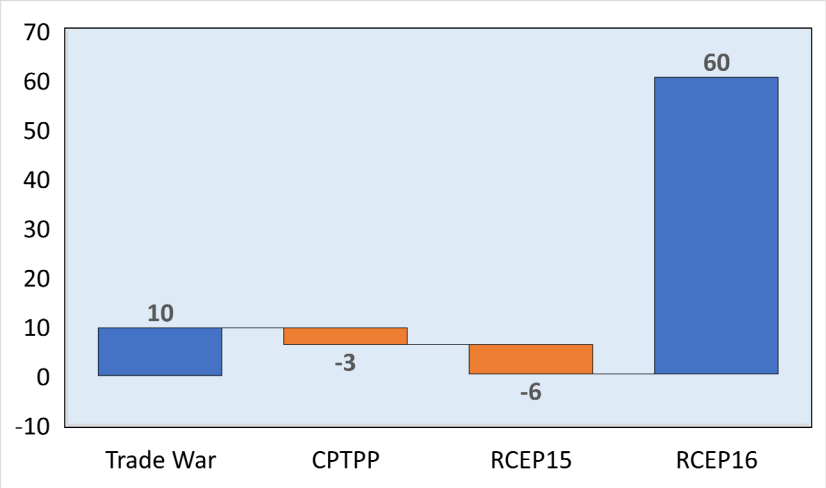
Notes This figure shows the effects of different trade agreements on Chinese exports in different sectors in scenarios that assume that the Trump US-China trade war is sustained.

Figure 5

Title India: annual national income effects

Subtitle (real US dollars, 2030)

	Trade War	CPTPP	RCEP15	RCEP16
Sustained	10	-3	-6	60



Notes This figure shows the incremental real income effects for India of different agreements in scenarios that assume that the Trump US-China trade war is sustained.

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership

RCEP = Regional Comprehensive Economic Partnership, RCEP16 includes India.

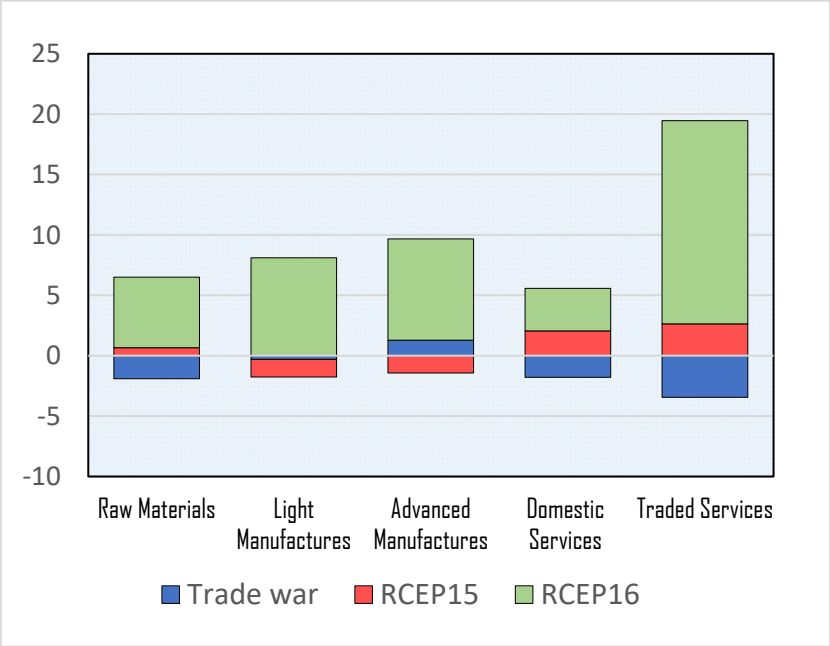
Source Authors' simulations, trade war environment

Figure 6

Title India: Sectoral export effects of trade policies

Subtitle (percent change from baseline)

Data	Raw Mater	Light Manu	Advanced M	Domestic S	Traded Services
Trade War	-1.9	-0.3	1.3	-1.8	-3.4
CPTPP	0.7	-1.4	-1.4	2.1	2.6
RCEP15	5.8	8.1	8.4	3.5	16.8



Notes This figure shows the effects of different trade agreements on Indian exports in different sectors in scenarios that assume that the Trump US-China trade war is sustained.

RCEP = Regional Comprehensive Economic Partnership. RCEP16 includes India.

Source Authors' simulations, trade war environment.