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PAPERS, ESSAYS, AND REVIEWS

Strategic Currents:

Power, Trade, and Influence in a Multipolar World

Graduate School of International Studies
Yonsei University

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Graduate School of International Studies, Yonsei University

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LETTER FROM THE EDITOR

Dear Readers,

I am delighted to introduce this issue of the PEAR Journal, titled Strategic Currents: Power, Trade, and Influence in a Multipolar World. In this edition, we present a collection of thought-provoking articles that delve into the intricate interplay between geopolitical forces and economic strategies across different regions. These articles reflect the diverse and dynamic nature of international relations, particularly in an era of shifting power balances and evolving regional orders.

The first paper turns to the Russian Arctic, examining how China leverages economic statecraft to expand political influence in a region traditionally dominated by Russia. The study unpacks China's use of tools such as investment, infrastructure, and energy partnerships to pursue its strategic ambitions, while highlighting how Russia responds to and contains this influence through historical, institutional, and geopolitical means. This analysis contributes to a broader understanding of how rising powers seek influence in regions of strategic significance.

The second paper revisits the trajectory of India's nuclear weapons development program, challenging the widely held belief that China's 1964 nuclear test was the principal trigger. Instead, the article uncovers archival evidence showing that India had already embarked on its weapons-grade plutonium production prior to the Chinese test. By examining India's strategic calculus and institutional evolution, this research reframes our understanding of South Asia's nuclear dynamics and the motivations behind India's nuclear path.

Our third paper offers an early empirical assessment of the Regional Comprehensive Economic Partnership (RCEP) and its impact on Southeast Asian exports and trade dynamics. Drawing on expert interviews and regional case studies, the article explores how RCEP is reshaping trade flows, boosting intra-regional integration, and influencing the participation of Southeast Asian economies in global value chains. The research also sheds light on the institutional and regulatory challenges that may limit the agreement's full potential.

I hope that our readers find these articles not only informative but also inspiring as they explore the complex intersections of geopolitics and economics. The diverse topics covered in this issue underscore the importance of understanding regional strategies and global trends through a critical and multifaceted lens.

I would like to extend my deepest gratitude to our dedicated staff editors—Tu Le, Jan Reiner Wolf, Ilia Gerasimenko, and Ahlim Lee—for their unwavering commitment to the journal. Your hard work and passion are greatly appreciated. To our contributors, thank you for entrusting us with your research. We are honored to feature your work and wish you continued success in your scholarly endeavors.

Duoc Thanh Nguyen
Editor-in-Chief

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PAPERS

China's Economic Statecraft and Political Influence in the Russian Arctic

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Abstract: *Despite the geographical distance, China's increasing engagement in Arctic affairs raises questions about its motivations and influence. Numerous studies have examined how China leverages trade and investment to pursue its political goals across regions, yet there remains a notable scarcity of research on China's economic statecraft in the Arctic, particularly in the Russian Arctic. Drawing on English and Chinese sources, official policy documents, and trade statistics, this paper aims to address this gap by examining how Chinese economic engagement in the Russian Arctic serves as a tool of economic statecraft to exert political influence through the analytical framework for Chinese economic statecraft and political influence. The findings reveal that China has deployed various mechanisms of influence—including bargaining power, structural power, and the creation of vested interests—to advance its Arctic ambitions while presenting itself as a "near-Arctic state." However, Russia's multi-level response strategy, combining historical precedent, domestic regulation, and international frameworks, has constrained China's ability to translate economic engagement into political influence. The 2022 Russian invasion of Ukraine has significantly altered this dynamic by creating an asymmetric interdependence that potentially enhances China's leverage, as evidenced by record-breaking bilateral trade, the opening of Vladivostok port, and unprecedented military cooperation. Yet, Russia's persistent wariness of Chinese influence and determination to maintain strategic autonomy suggests continuing tensions in their partnership. This paper contributes to the understanding of how rising powers use economic tools to build influence in regions of strategic significance, while highlighting the importance of target state capacity and geopolitical context in determining the effectiveness of economic statecraft.*

Keywords: *Economic statecraft, Arctic geopolitics, Sino-Russian relations, Political influence, Polar Silk Road*

Introduction

China has emerged as a significant stakeholder in Arctic affairs in recent years, despite its geographical distance from the region. This engagement has raised important questions about China's motivations and the potential implications for regional dynamics, particularly in relation to Russia. Chinese economic statecraft, especially its political influence through economic means, has become a focal point in international political economy scholarship. Numerous studies have explored how China leverages trade and investment to pursue its political goals over countries in different parts of the world such as Africa[1], Asia[2], the Caribbean[3], Europe[4], Latin America[5], and Oceania[6]. These studies often suggest that China frequently struggles to utilize its wealth for political influence.[7] Other studies also explore how China's domestic factors and leadership influence its economic statecraft, often emphasizing the interplay between internal priorities and external strategies.[8] However, there is a notable scarcity of research addressing China's economic statecraft in the Arctic, as well as in the Russian Arctic. Additionally, while scholarly work remains limited in this regard, there is a noticeable rise in grey literature from think tanks that highlight the geopolitical significance of Chinese actions in the Arctic.[9] Nonetheless, this gap signals an opportunity for further research to examine China's economic statecraft in the Arctic with a focus on its role in Sino-Russian relations and the broader geopolitical implications, especially after Russia's 2022 invasion of Ukraine.

This paper aims to address this gap by investigating how China's economic

engagement in the Arctic serves as a tool of economic statecraft to exert political influence over Russia, particularly in the context of Russia's 2022 invasion of Ukraine. It argues that China's economic statecraft in the Russian Arctic represents a strategy of influence-building that operates through various mechanisms, yet China faces significant limitations due to Russia's multi-level response strategy and historical wariness of Chinese influence. However, Russia's 2022 invasion of Ukraine has fundamentally altered this dynamic, creating new opportunities for Chinese influence while potentially sowing the seeds for future tensions. The analysis draws on the conceptualizations of power and the analytical framework for Chinese economic statecraft with official policy documents and sources written in English and Chinese. It is guided by the following sub-questions: (1) *what is the intent behind China's economic statecraft in the Arctic?* (2) *how has China used economic statecraft in the Russian Arctic?* (3*) how has Russia reacted to China's economic statecraft?* and (4) *what are the implications of Russia's invasion of Ukraine for the dynamic between China and Russia in the Arctic?* For Chinese economic activities in Russia, the trade and investment statistics are mainly drawn from the "Russian–Chinese Dialogue: The 2023 Model"[10] with an update from recent and reliable information from non-governmental sources that include those from Russia and countries other than Russia and China. This paper focuses on the broader patterns of Chinese economic statecraft in the Russian Arctic, particularly the mechanisms at the state level and their implications for Sino-Russian relations and regional dynamics. While it acknowledges the complexities of state-firm relationships, including varying levels of state control and conflicting objectives between firms and the state, these factors are not explored in detail. Similarly, the paper does not try to address soft power or media influence, even though they could be a relevant factor.

The paper is structured as follows. Section 2 outlines China's Arctic policy. Section 3 introduces the analytical framework for China's economic statecraft and political influence. Building on this foundation, Section 4 analyzes China's intent to leverage its foreign economic ties to increase political influence in the Arctic. Section 5 examines Chinese state enterprises as an instrument in advancing China's Arctic intent through a case study of the Yamal Liquefied Natural Gas (LNG) Terminal project. It also analyzes mechanisms of Chinese influence and addresses the limitations and challenges China faces in the Russian Arctic. Section 6 shifts to analyze Russia's responses, and Section 7 examines how Russia's invasion of Ukraine has altered the balance of power between the two nations in the Arctic. The final section concludes with the main findings.

China's Policy in the Arctic

China's early engagement in the Arctic started when it signed the 1920 Svalbard Treaty[11] in 1925 to establish a legal basis for future economic activities in the Arctic.[12] However, for much of the 20th century, China remained largely absent from Arctic affairs due to domestic instability, including civil war and Japanese occupation.[13] Despite this, the treaty later became a key reference point in China's efforts to reinforce its legitimate presence in the region.[14] China's path to Arctic governance evolved through several important developments. In 1996, China joined the International Arctic Science Committee. This was followed in 1999 by the purchase of the Xue Long icebreaker, which China deployed with increasing frequency for Arctic expeditions after 2003. In 2004, China established the permanent Yellow River Research Station in Svalbard, Norway to replace its previous temporary Yilite-Mornring Arctic Scientific Expedition and Research Station, which was opened in 2001. China's diplomatic engagement

advanced in 2007 when it first attended the Arctic Council (AC) and gained observer status in this regional forum in 2013.

Building on this foundation, China released its first Arctic Policy in 2018.[15] The policy encompasses four goals: understanding the Arctic through scientific research and exploration, protecting its unique environment and indigenous cultures, developing sustainable resources and shipping routes, and participating in Arctic governance through established international legal frameworks. These goals are guided by four principles: respect for sovereignty and international law, cooperation among all stakeholders through multiple channels, pursuit of a "win-win result" that benefits both Arctic and non-Arctic states, and sustainability that ensures harmonious development between human activities and environmental protection.[16] Together, these goals and principles reflect China's ambition to be an "important stakeholder in Arctic affairs" while working toward building what it calls a "community with a shared future for mankind in the Arctic region," balancing its interests with those of the international community and future generations.

China's approach to participating in Arctic affairs encompasses five key areas. At its foundation, China prioritizes scientific research and exploration by investing in research platforms, personnel training, and international scientific collaboration to deepen understanding of the Arctic. This scientific focus is coupled with an emphasis on environmental protection and climate change mitigation, where China commits to following international environmental laws and supporting Arctic states' conservation efforts. The policy framework also addresses the rational and lawful utilization of Arctic resources, including the development of shipping routes, energy resources, fisheries, and tourism, all while respecting

Arctic states' sovereignty and indigenous peoples' rights. China actively participates in Arctic governance through multiple levels—global, regional, bilateral, and multilateral—working within existing international frameworks such as the United Nations (UN) Charter, the United Nations Convention on the Law of the Sea (UNCLOS), and engaging with the AC. Finally, China emphasizes the promotion of peace and stability in the Arctic region by supporting peaceful dispute resolution and enhanced cooperation in areas such as maritime security and emergency response, recognizing that regional stability is fundamental to all Arctic activities and serves the interests of both Arctic and non-Arctic states.

Analytical Framework for China's Economic Statecraft and Political Influence

Economic statecraft refers to the strategic use of economic resources to achieve foreign policy objectives.[17] Unlike commercial interests, economic statecraft aims to exert power rather than simply achieve economic gain.[18] Power, as defined by Max Weber, is "the probability that one actor within a social relationship will be in a position to carry out their own will despite resistance."[19] Robert Dahl further clarifies that power occurs when one actor gets another to do something they would not otherwise do.[20]

For this paper, political influence through economic statecraft is defined as the ability of one state to shape the decisions, policies, or actions of another state using economic tools, in ways that align with the first state's foreign policy objectives. This influence can manifest in two ways. First, direct influence is the ability to compel specific policy changes or actions that the target state would not otherwise undertake. Second, indirect influence is the capacity to alter the

strategic calculations or overall posture of the target state over time. This working definition encompasses both the exercise of power described by Weber and Dahl, and the more subtle, long-term effects of economic engagement.

Scott Kastner and Margaret Pearson developed a four-parameter framework for analyzing China's economic statecraft: intent, mechanisms of influence, firms as state agents, and reactions.[21] First, the intent behind Chinese economic statecraft is challenging to discern, with actions ranging from overt trade sanctions to implicit threats, creating ambiguity about whether motivations are purely political, economic, or a combination of both.[22] Second, the causal mechanisms of economic influence include bargaining power (using economic leverage as "sticks" or "carrots"), creating vested interests (generating domestic stakeholders preferring stable relations with China), transforming public opinion through soft power strategies, and establishing structural power (setting global standards in technological norms, financial systems, or market regulations), operating both intentionally and unintentionally.[23] Third, the firms as state agents parameter assesses the relationship between Chinese enterprises and state objectives, exploring their autonomy, potential as instruments of state strategy, and implications for China's international influence capabilities.[24] Last, the reactions parameter examines how target states respond to Chinese economic statecraft. [25]

The visibility and effectiveness of these mechanisms depend on internal factors, such as economy size, state capacity to control firms, opaque policy-making processes, and the framing of foreign policy initiatives as "win-win," as well as external factors, including asymmetry between countries, the target state's institutional characteristics, and its ability to find alternative partners or resources.[26] The success of Chinese economic statecraft has been mixed. It has been rela-

tively successful on issues that China considers core national interests such as discouraging leaders from meeting the Dalai Lama.[27] However, China has been less successful when the conflict issue is of great national security importance to the target country such as sanctions against South Korea in 2017 regarding the deployment of Terminal High Altitude Area Defense.[28]

Intent behind Chinese Economic Statecraft in the Arctic

China's involvement in the Arctic reflects a carefully orchestrated approach to building political influence through economic statecraft, strategic positioning, and technological advancements. While China frames its Arctic policy as a pursuit of a "win-win result", its actions reveal long-term aspirations to become a polar power and secure political leverage in the region. This ambition has evolved over time as it transitions from a broader focus on polar regions to a specific emphasis on the Arctic.

China's formal entry into Arctic governance began in 2013 when it gained observer status in the AC.[29] This legitimized its involvement in Arctic affairs despite lacking territorial claims and provided a platform to deepen its engagement. The observer status marked a significant step forward by enabling China to align its activities with existing governance frameworks while laying the groundwork for its Arctic ambitions. At this stage, the Arctic remained part of China's broader polar strategy, which encompassed interests in both the Arctic and Antarctic.

By 2014, China's broader polar ambitions were underscored by President Xi Jinping's announcement of a commitment to making China a "polar powerful country" by 2030.[30] This declaration framed the polar regions as vital to China's

global aspirations. The following year, China codified this ambition domestically through Article 32 of its National Security Law, which identified the polar regions as priorities for "safe passage, scientific investigation, development, and exploitation."[31] These early efforts emphasized both the economic and security dimensions of China's polar interests, creating a foundation for deeper involvement in the Arctic.

In 2018, China released its Arctic Policy, marking a shift toward a more Arctic-focused narrative. Central to this policy was China's self-designation as a "near-Arctic state," a political construct aimed at legitimizing its Arctic ambitions despite its geographic distance from the region. To put this into perspective, countries such as the United Kingdom, Estonia, Latvia, Denmark, Lithuania, Belarus, Kazakhstan, Ireland, Germany, and Poland are geographically closer to the Arctic Circle[32] than China, but they do not use this term. This self-proclaimed status is not officially recognized under international law or by any existing Arctic governance frameworks.[33] The Arctic Policy explicitly framed the region as critical for China's scientific, economic, and geopolitical interests, aligning these priorities with domestic goals, including the development of its northern provinces.

A centerpiece of China's Arctic ambitions is the Polar Silk Road (PSR), which forms the economic foundation of its regional engagement. The PSR focuses on Arctic shipping routes with an emphasis on the Northern Sea Route (NSR) along Russia's Arctic coast. Echoing the Belt and Road Initiative (BRI) at large, its main goals are to create profitable economic connections and build political and strategic influence through interdependence as stated in the "Vision for Maritime Cooperation Under the Belt and Road Initiative" in 2017.[34] These

goals can be achieved via (1) infrastructure development in the Arctic with investment in ports and facilities, and (2) technological advancements such as the development of icebreakers, Arctic-specific satellite navigation systems, and communication technologies.[35] The PSR is not simply an economic initiative, but it is also a geopolitical tool designed to create systems and infrastructure so that recipient countries will come to rely on China. This reliance, in turn, could translate into political influence and a greater say in how the Arctic is managed and developed, thereby legitimizing China's involvement in Arctic affairs.[36] Domestically, connecting the Arctic with the BRI through the PSR is a part of China's strategic efforts to rejuvenate its northern provinces (namely Heilongjiang, Jilin, and Liaoning) as detailed in its 14th Five-Year Plan by fostering stronger economic ties with the Russian Far East (RFE) and Siberia.[37]

China's scientific and technological investments in the Arctic further reinforce its political influence strategy. China has developed and deployed advanced maritime research technologies through its Arctic research programs, with the Xue Long icebreaker serving as a primary platform for these activities. Key technologies include the Haiyan glider, which features deep-sea monitoring capabilities and operates with minimal acoustic signature. China has also expanded its testing of various unmanned systems in the Arctic, including underwater robots, unmanned ice stations, and submersibles.[38] These technologies, while primarily designed for environmental research and data collection, possess inherent dual-use capabilities common to advanced maritime systems. For example, the Haiyan glider's technical specifications – particularly its low acoustic signature and deep-sea monitoring abilities – could theoretically support military applications such as underwater navigation or submarine detection.[39] China's Arctic research activities have also contributed to the development of its satellite nav-

igation capabilities through the BeiDou system,[40] as well as advancing technologies for high-latitude communication and data transmission.[41] These scientific and technological development patterns align with China's Arctic Policy of prioritizing scientific research while building comprehensive capabilities in the region. The dual-use nature of these technologies creates strategic ambiguity that benefits China's position as an Arctic stakeholder, regardless of whether military applications are intended.

The Arctic, therefore, is not just a region of economic opportunity for China and its northern provinces, but a strategic landscape where economic investments are designed to generate political leverage through interdependence. By integrating its self-proclaimed "near-Arctic state" identity with economic initiatives through the PSR and technological developments, China has systematically positioned itself as an important stakeholder in Arctic affairs. This evolution, from broader polar ambitions to a focused Arctic strategy, highlights China's long-term commitment to shaping the region's future to align with its global interests.

Firms as State Agents and Mechanisms of Influence in China's Russian Arctic Economic Statecraft

Firms as State Agents

The use of China's state-owned enterprises (SOEs) in Arctic projects reflects a strategy to combine economic objectives with geopolitical ambitions. These firms are not merely profit-driven entities but are instrumental in advancing China's Arctic intent. The investment structure in the Yamal LNG Terminal project provides an example of how Chinese SOEs act as tools to establish profitable

economic connections while fostering political and strategic influence through interdependence.

China National Petroleum Corporation (CNPC), one of China's largest state-owned oil and gas enterprise, acquired a 20% stake in the project in 2013. This investment proved crucial when the project faced financial constraints in 2014, as CNPC facilitated the entry of Chinese lenders to meet capital requirements.[42] The Silk Road Fund (SRF), a state-backed investment fund, later contributed a 9.9% stake. Together, these investments brought China's total ownership to 29.9%, which established China as a key stakeholder in this Arctic energy venture alongside Russia's Novatek (50.1%) and France's TotalEnergies (20%). In addition to equity stakes, the project was supported by financing from Chinese state institutions. CNPC invested USD 5 billion, while the SRF committed USD 5 billion plus USD 800 million.[43] In 2016, the Export-Import Bank of China and China Development Bank—both state policy banks—provided credit lines totaling EUR 9.3 billion (approximately USD 10.4 billion) and Renminbi (RMB) 9.8 billion (approximately USD 1.4 billion).[44]

Moreover, Chinese SOEs' involvement encompasses technical and operational contributions. Multiple CNPC subsidiaries participated in various aspects of project construction and operation.[45] Their contributions included the construction of 16 modules across four work packages.[46] The project's reliance on Chinese manufacturing capabilities was particularly evident, with Chinese companies supplying 120 of the 147 fabricated modules, numerous ice-class LNG carriers, a polar drilling rig, and over 100 different products from 45 Chinese manufacturers.[47] The engagement of Chinese SOEs also helped establish new logistical corridors that enhanced China's regional presence. Since 2015,

more than 60% of the project's modules have been transported via the NSR and through the Bering Strait, demonstrating the practical significance of the PSR.[48] These routes reduce transit times compared to traditional pathways through the Suez Canal, while simultaneously establishing precedent for Chinese shipping activities in Arctic waters.[49]

Overall, the participation of multiple state-backed entities - from energy companies to investment funds – in the Yamal LNG Terminal project showcased China's ability to leverage various state instruments to support strategic objectives as it secures access to vital Arctic resources, establishes a physical infrastructure presence, and fosters economic corridors that increase regional reliance on Chinese involvement. In doing so, China not only enhances its economic footprint in the Arctic but also builds legitimacy for its growing role in shaping Arctic development and governance.

Mechanisms of Influence

1. Bargaining Power

China's most prominent and tangible method of exerting influence is bargaining power through inducement strategies by offering economic benefits as "carrots" to reward favorable behavior. These strategies often involve loan-for-oil deals that benefit Russian state-owned companies such as Rosneft, which focuses on oil exploration, production, and refining—and Gazprom, which monopolizes natural gas exports via pipelines. For example, in 2005 Rosneft needed financial support to take over Yuganskneftegaz[50], the key production unit of the now-defunct Yukos, another major Russian oil and gas company that was privatized in

1995.[51] CNPC then gave Rosneft a USD 6 billion loan in exchange for a contract to supply oil to China by rail until 2010.[52] This relationship deepened further in 2009, when China provided a USD 15 billion loan to Rosneft to help refinance its debts and invest in projects such as the Eastern Siberia Pacific Ocean Oil Pipeline.[53] In return, Rosneft agreed to supply China with 9 million barrels of oil annually for 20 years.[54]

Another example is CNPC's commitment to importing at least 3 million tons of LNG annually for 20 years from the Yamal LNG project.[55] More recent agreements further illustrate China's long-term resource acquisition strategy, including a deal between Novatek—Russia's largest independent natural gas producer—and Zhejiang Energy Gas Group[56], a Chinese SOE, for the supply of 1.6 million tons of LNG per year from the Arctic LNG 2 project for 15 years.[57] Additionally, there are agreements between Gazprom and CNPC for an extra 10 billion cubic meters of natural gas annually, and between Rosneft and CNPC for 100 million tons of oil over the next decade.[58] By securing contracts with favorable terms, such as the pricing agreements in the Power of Siberia deal[59], China not only solidifies its position in the energy sector but also uses financial leverage to encourage Russian companies to maintain favorable trade and investment conditions.

2. Creating Vested Interests

Through the first mechanism, China has created a network of vested interests who have gained from cooperation with China and support strengthening these ties. Rosneft has cultivated a long-standing partnership with China, facilitated by substantial Chinese loans and contracts since the early 2000s. The unintended

outcome of Rosneft's close ties with Chinese counterparts has been the de facto revision of Russia's energy strategy. While the Kremlin planned to diversify oil exports across Asia, targeting markets in Japan, South Korea, and Southeast Asian states, 'Rosneft's activities led to China becoming the dominant buyer, purchasing between 70 and 80% of the oil sent to Asia.[60] The influence of Rosneft's CEO, Igor Sechin, a trusted ally of Putin, makes him arguably the most powerful proponent of close cooperation with China in Putin's inner circle.[61]

Novatek has secured significant Chinese investments for its projects such as the Arctic LNG 2 Project. While it is not a state-owned company, Novatek operates with significant state support and maintains close ties to the Russian government. Its success is closely linked to its owners' connections to President Putin's circle as evidenced by Gennady Timchenko, a major shareholder, being included on the United States sanctions lists in 2014.[62] Additionally, Leonid Mikhelson, Novatek's largest shareholder and CEO, is considered closely aligned with the Russian government.[63] These political connections, along with financial backing from state-linked entities such as Gazprombank—a major Russian financial institution closely linked to the Russian government and Gazprom—and the National Wealth Fund have enabled Novatek to overcome Western sanctions, secure substantial Chinese investments, and accelerate project timelines.

Other beneficiaries such as Russian Railways (a Russian state-owned monopoly) and Roskomnadzor (a Russian state cyberspace watchdog) profit from economic and technical collaboration with China in areas such as the BRI and cyberspace governance, while Rosgvardia (a Russian militarized internal security agency) has engaged in joint exercises with the Chinese People's Armed Police.[64] The creation of vested interests also extends to agricultural investments as Chinese

farmers and companies have made notable investments in the RFE with reports of over 200,000 Chinese farmers resettling and more than 200 companies making agricultural investments in the region.[65]

These actors have formed an informal "China lobby" advocating closer bilateral ties, reflecting their dependence on Chinese capital and markets for economic stability and growth.[66] The absence of significant anti-China players also makes it easier for the Kremlin to pursue closer ties with Beijing.[67]

3. Structural Power

China's pursuit of structural power is most evident in its monetary policy initiatives aimed at challenging Western financial dominance and promoting the internationalization of its currency in the Russian Arctic. This strategy employs two approaches: encouraging the use of RMB in bilateral trade with Russia and influencing Russian institutions to increase their RMB reserves.

The first approach aims to reduce reliance on Western currencies in Sino-Russian transactions, thereby increasing China's financial leverage and decreasing vulnerability to Western financial sanctions. For example, the 2022 agreement between Gazprom and CNPC to settle gas payments in rubles and RMB, instead of dollars, demonstrates this mechanism in action by marking a significant move towards de-dollarization in their bilateral trade.[68]

The second approach, focusing on increasing RMB reserves in Russian institutions, is designed to enhance the RMB's status as a global reserve currency and expand China's financial influence in the Russian Arctic. Over the years, the

Russian Central Bank increased its RMB reserves from 0.1% in 2015 to 13.8% in 2021, which makes China the biggest holder of Russian Central Bank reserves.[69] In 2022, the RMB's share in the National Wealth Fund doubled to 60%, and its share in stock market trading skyrocketed from 3% to 33%.[70]

4. Limitations and Challenges

The gap between China's Arctic ambitions and actual achievements reveals significant limitations in translating economic engagement into political influence. While China envisioned the PSR to connect the entire Arctic region, actual developments have been modest. For example, in the 2019 list of deliverables of the Second Belt and Road Forum (BRF) for International Cooperation—a document cataloging all cooperation agreements, investment projects, and practical outcomes from BRI partnerships—Russia's participation appears limited.[71] The 2019 deliverables list shows that while Russia participates in several multilateral cooperation mechanisms (such as the Maritime Silk Road Port Cooperation Mechanism and the Belt and Road Accounting Standards Cooperation Mechanism), only one specific bilateral infrastructure project is mentioned: the Russian part of a cross-border railway bridge over the Heilongjiang River.[72] More concerning for China's Arctic ambitions is that by 2023, updated deliverables lists contain no mention of any bilateral infrastructure projects between Russia and China in the Arctic region.[73]

Earlier regional cooperation programs with Russia, such as the "Program of Cooperation between the Northeast of the People's Republic of China and the Far East and Eastern Siberia of the Russian Federation (2009-2018)"[74] and later "the Program for the Development of Russian–Chinese Cooperation in Trade,

Economic, and Investment Spheres in the Far East of the Russian Federation (2018-2024),"[75] also demonstrate the difficulty of converting ambitious plans into impactful results. For example, the 2009-2018 program was criticized for its lack of funding and implementation mechanisms and resulted in only 45 of its 339 proposed projects being completed. [76] Furthermore, between 2014 and 2015, Russia created 20 special economic zones in the RFE to attract foreign investment. However, by 2018, only six of these zones attracted Chinese investment.[77]

There are three major reasons behind these economic limitations. First, they are compounded by significant logistical and environmental barriers. The first Chinese commercial voyage along the NSR, undertaken by China Ocean Shipping Company's Yong Sheng in 2013, highlighted many of these challenges as the ship encountered problems such as a lack of detailed navigational information, outdated infrastructure, language barriers with Russian officials, highly unpredictable ice conditions, inconsistent ice reporting, and high fees for Russian icebreaker services.[78]

Second, both the RFE programs and China's Arctic projects show a pattern of one-sided trade that causes problems. In the RFE programs, the focus was mostly on taking resources such as minerals and wood from Russia to help China's industries, rather than working together to build factories or other industries in Russia. This made Russia's economy depend too much on selling raw materials without diversifying. In the Arctic, a similar issue exists. China depends on Russia's control of key infrastructure, such as icebreaking ships and shipping routes, which limits how much power China can gain from its economic activities there.

Third, China faces institutional and geopolitical constraints in the Arctic. The existing legal framework governing the region established by the Arctic states limits China's ability to pursue its Arctic ambitions. In the Arctic, existing legal frameworks such as the UNCLOS, the 1920 Svalbard Treaty, the 1996 Ottawa Declaration, and the 2008 Ilulissat Declaration prioritize the interests of Arctic states, which leaves China as an outsider in decision-making processes.[79] These limitations highlight the gap between China's long-term strategic goals and the realities of implementation, whether in the Arctic or the RFE. While China's economic activities in the region continue to grow, they are constrained by logistical and environmental challenges, institutional structures, and mismatched priorities.

Russian Responses to Chinese Economic Statecraft

Russia's approach to managing Chinese influence in the Arctic is rooted in historical experience. These tensions trace back to the Sino-Soviet split of the late 1950s when ideological differences and competition for leadership in the communist world led to a dramatic deterioration in relations. This historical wariness has manifested in specific policy actions designed to limit Chinese influence. For example, in 2003, Russia initially rejected China's request to send a research vessel through Russia's Exclusive Economic Zone as part of China's Arctic expedition, only granting permission after the expedition was completed.[80] In 2004-2005, Russia issued informal instructions to regional governors to "gently push Chinese businesspeople out of bordering regions."[81] In 2012, Russia barred Chinese research vessels from operating along the NSR.[82] Even after the 2014 Crimea crisis[83], when geopolitical isolation pushed Russia toward closer cooperation with China, Russia's underlying suspicions remained as shown

in 2015 when Russian Defense Minister Sergei Shoigu expressed irritation at non-Arctic states, including China, for striving to have a presence in the Arctic.[84] Recent issues such as alleged intellectual property infringement in military technology[85] and spying allegations[86] have reinforced skepticism toward China among Russian security services.

At the domestic level, Russia publicly welcomes Chinese engagement as evidenced by high-level endorsements such as President Vladimir Putin's 2012 statement encouraging Sino-Russian economic interaction[87] and Foreign Minister Sergey Lavrov's 2015 declaration of China as a priority Arctic partner.[88] However, despite this outward support, Basic Principles 2035, the latest version of Russia's Arctic Policy, continues to stress Russia's sovereignty over Russian Arctic territories and resources.[89] This was demonstrated in the Yamal LNG project, despite China's significant investment, Russia retained a 50.1% majority stake to ensure control over decision-making. Moreover, the project's success mainly came from political support from Moscow, including favorable tax reductions and subsidies, rather than solely on Chinese investment.[90]

This control is further illustrated in the case of the NSR. Although the route can reduce transit times and costs, the fees for Russian services, such as mandatory icebreaker escorts, often diminish the financial benefits for foreign companies. For example, during the 2017 voyage of the Lian Hua Song, the costs of these icebreaker fees amounted to USD 140,000, significantly reducing the savings expected from using the shorter route. [91] The Russian Federal Law further reinforces this control by regulating the entry of foreign warships and non-commercial vessels into Russia's internal sea waters along the NSR and allowing for the suspension of their right to passage through navigational warnings.[92]

Furthermore, by self-funding critical infrastructure such as the port in Sabetta, Russia maintains independence in key strategic areas while selectively engaging international partners where advantageous. [93]

At the bilateral level, Russia actively pursues bilateral relationships with other Asian nations to reduce dependence on Chinese capital. India has established a substantial presence through ONGC Videsh Limited's 20% share in Russia's Sakhalin-1 oil and gas project and an Indian energy consortium's stakes in the JSC Vankorneft and LLC Taas-Yuryakh fields.[94] Japanese investment has also been significant, with Mitsui & Co. and Japan Organization for Metals and Energy Security (JOGMEC) securing a 10% share in the Arctic LNG 2 project, making Japan one of the main investors in the RFE. [95] This diversification of partners aligns with Russia's broader strategic emphasis, particularly during its 2021–2023 chairmanship of the AC, where Russia highlighted the growing role of external stakeholders in Arctic affairs.[96]

At the multilateral level, Russia has worked to establish clear hierarchies in Arctic governance. Russia initially opposed China's bid for observer status in the AC. While China was eventually admitted into the AC as an observer in 2013, Russia played a key role in establishing new "observer rules" that limit non-Arctic states' influence. For example, observer states are allowed to participate in meetings, but not at the ministerial level, and do not have the right to vote. These rules reflect Russia's determination to prevent observer states from becoming de facto members, maintaining a clear hierarchical distinction between Arctic and non-Arctic states in regional governance.

This multi-level approach reveals how Russia has created layers of control.

These layers range from historical precedent to national regulations and international frameworks. Together, they ensure that while China can participate in Arctic development, it cannot translate economic engagement into political influence.

The Impact of Russia's Invasion of Ukraine on Sino-Russia Relations in the Arctic

Russia's invasion of Ukraine in 2022 significantly altered the balance of power between China and Russia in the Arctic. The unprecedented Western sanctions and decreased trade flows have jeopardized Russia's attempts to diversify its Arctic partnerships. For instance, Mitsui & Co. and JOGMEC have stopped their involvement in the Arctic LNG 2 project, leaving Novatek, the Russian' owner of the remaining 60% stake, to finance the project alone and to sell the gas on the open market.[97] This economic isolation has directly influenced Russia's strategic pivot toward China for support in achieving its Arctic goals. This is evident in their bilateral trade statistics. In 2022, trade turnover was over USD 190 billion. Then in 2023, it hit a record high of USD 240.11 billion: a growth of 26.3% compared to 2022. In the first half of 2024, total trade increased a bit more, by 1.8%, compared to the same period last year, reaching USD 116.9 billion.[98]

The strengthening of Sino-Russian ties in the Arctic is also reflected in agreements and joint statements. In 2022, the two countries issued a joint statement announcing plans to strengthen practical cooperation in the sustainable development of the Arctic and in sustainable transport, including the use of Arctic

routes.[99] Another piece of evidence is the 2023 agreement to add the port of Vladivostok as a transit port for domestic transportation of goods from Jilin province. This development is historic as Russia reopens Vladivostok to Chinese access after 163 years—a port originally ceded by the Great Qing to the Russian Empire in 1860. Economically, the agreement offers substantial benefits to China's northern provinces, which have traditionally relied on the Dalian Port in Liaoning Province for sea transport. The new logistics routes through Vladivostok shorten land transportation distances, reduce costs, and create opportunities for economic growth in these underdeveloped regions.

Vladivostok's strategic importance, however, extends beyond its economic advantages. As Russia's principal Pacific port with advanced maritime infrastructure, it offers China crucial access to the Sea of Japan and the Pacific Ocean, which strengthens its regional maritime presence and provides its northeastern provinces with more efficient trade routes. While primarily a commercial arrangement, Vladivostok's role as the headquarter of Russia's Pacific Fleet also means that increased Chinese commercial activity could naturally enhance China's maritime situational awareness in this strategically vital region, potentially supporting its PSR ambitions.

The strengthening of Sino-Russian cooperation also extends into the military domain, despite Russia's traditional caution regarding Chinese presence in the Arctic. This became evident when a group of 11 Russian and Chinese warships conducted joint exercises near the Aleutian Islands in 2023, following an earlier encounter between these nations' vessels and the United States Coast Guard near Alaska in 2022.[100] In 2024, the two nations intensified their cooperation by conducting their first joint bomber patrol near Alaska within the Alaska Air

Defense Identification Zone.[101] While remaining in international airspace, this coordinated bomber patrol represents a significant advancement in their military partnership as it demonstrates their capability and willingness to conduct joint military exercises in sensitive Arctic regions. These military demonstrations signal a deepening strategic alignment between China and Russia in the Arctic region, thus raising concerns about regional stability and potentially triggering increased militarization among Arctic states.

Russia's increasing isolation from Western markets has accelerated its pivot toward China, creating an asymmetric interdependence where Chinese economic leverage could translate into greater political influence in the Russian Arctic. This evolving dynamic, reinforced by joint military exercises and diplomatic alignment, suggests a deepening strategic partnership that could reshape Arctic governance in China's favor, though Russia's historical wariness of Chinese influence may create underlying tensions. First, as Russia becomes more reliant on Chinese capital and markets, it may face pressure from China for greater concessions, which could lead to friction in their broader strategic partnership. Second, this evolving dynamic may provoke stronger responses from Western Arctic states, influencing future Arctic governance and possibly isolating Russia further. Last, Russia's historical wariness of Chinese influence in the Arctic is likely to continue as it becomes more economically dependent on China. This could lead to tensions in the future, especially if Russia perceives China's growing influence as a threat to its strategic autonomy in the region.

Conclusion

This paper examined how China's economic engagement in the Arctic serves as

a tool of economic statecraft to exert political influence over Russia. It revealed that China has deployed various mechanisms of influence, such as bargaining power through investments, the creation of vested interests among Russian elites, and attempts to establish structural power through currency internationalization. These efforts were made via China's SOEs to advance its ambitions in the Russian Arctic. However, China's ability to translate these economic tools into concrete political influence has been constrained by Russia's multi-level response strategy.

However, Russia's invasion of Ukraine in 2022 has reshaped this dynamic as it has created an asymmetric interdependence that potentially enhances China's influence. The dramatic increase in bilateral trade, the symbolic opening of Vladivostok port, and unprecedented military cooperation in the Arctic suggest a shift in the Sino-Russian Arctic relationship. Yet, this evolving partnership contains inherent tensions. Russia's historical wariness of Chinese influence, combined with its determination to maintain strategic autonomy in the Arctic, may create friction as China's economic leverage grows.

This paper thus contributes to the understanding of how economic statecraft functions in regions of strategic significance, particularly when deployed by rising powers against traditionally dominant regional actors. It suggests that while economic statecraft can be an effective tool for building influence, its success ultimately depends on the complex interplay between economic leverage, historical relationships, the target state's capacity for strategic response, and geopolitical circumstances, as well as the practical realities of implementing ambitious strategic visions in challenging environments such as the Arctic. While Sino-Russian cooperation in the Arctic may bring immediate benefits,

the long-term implications could be destabilizing. Hence, the long-term implications of these shifts in the Arctic geopolitical landscape need further research, particularly in light of rapidly changing global circumstances.

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The Trajectory of India's Nuclear Weapons Development Program

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Abstract: *India's nuclear weapons development program, marked by the country's first nuclear test on May 18, 1974, is generally seen to be motivated by the geo-political threats posed by China. While it is true that China's first nuclear bomb test in Lop Nur in 1964 did bother Indian leaders, is it worth believing that India – an independent, emerging nation in the second half of the 20th century and a proponent of the Non-Aligned Movement (NAM), was triggered into developing its nuclear capabilities only after China's Lop Nur? This paper dives into the question of how much weight the Chinese nuclear test had on India's decision to go nuclear. What prompted India's development of weapons-grade Plutonium? Why and how did India become a Nuclear Weapons State? Who were the parties involved in making India a Nuclear Weapons State? There is limited research on India's trajectory in nuclear weapons development, and hence, no direct answers exist to these questions. This paper tries to fill that lacuna. It argues that the Chinese detonation of a nuclear bomb was not a factor that prompted India's nuclear weapons development program. Instead, there is clear evidence showing that India was producing weapons-grade Plutonium in May 1964, even before the Chinese explosion. Following the trajectory of India's nuclear weapons development program, the paper goes into the archives to prove this argument and concludes that China did not pose an immediate nuclear threat to Indian territories at the time of India's first nuclear test.*

Introduction

India's first Prime Minister, Pandit Jawaharlal Nehru, was a world-known Pacifist. He fiercely advocated for nuclear disarmament and played a monumental role in the signing of the Partial Test Ban Treaty (PTBT) in 1963. "Nehru was both the originator of the idea and its most public face- he was its symbol and essence, evocator and voice."[1] While there is

evidence suggestive of his ambiguous stance on India's possession of nuclear weapons, one can always concede that he was on the peaceful side of the spectrum.[2] Nevertheless, India went on to produce its own nuclear bomb; the first explosion code-named 'Smiling Buddha', took place in Pokhran, Rajasthan under the leadership of Indira Gandhi, Nehru's daughter. The test took place on May 18, 1974, and was proclaimed to be a "Peaceful Nuclear Explosion (PNE)". However, Raja Ramanna, head of the Nuclear Weapons Program during the testing of 'Smiling Buddha', later said "The Pokhran test was a bomb, I can tell you now… An explosion is an explosion, a gun is a gun, whether you shoot at someone or shoot at the ground… I just want to make clear that the test was not all that peaceful."[3] The juxtaposition between the positions of the father and daughter offers a wide scope of research into what changed over the course of time and what led to the ultimate production of nuclear weapons by India.

HOMI J. BHABHA: THE FATHER OF INDIA'S NUCLEAR PROGRAM

Homi Jehangir Bhabha was born in a rich aristocratic family and went to Cambridge University, where he earned his Doctorate in Physics in 1935. His stint as an architect of India's nuclear energy program began in 1939 when he found himself stuck in India as Europe was up in turmoil due to the outbreak of World War II. Realizing there was no chance of return to Europe in the near future, he took up a job in the Indian Institute of Science in Bangalore at the request of Dr. C V Raman—another world-renowned Indian physicist. It was here where he became the Professor of Cosmic Ray Research.[4]

Bhabha played a monumental role in the development of nuclear science in India. He found himself at the helm of India's nuclear program. His closeness with Nehru also helped him in his endeavors.[5] Given his exposure to the scientific research programs in the West, he was quite appalled at the state of scientific research in his country. He wanted a school with "special reference to cosmic rays and nuclear Physics"[6] and was adamant about developing a civilian atomic energy program in India. In order to do so, he approached one of the major industrial groups in India during that time: the Tata Group. In his letter to Sir Dorabji Tata, Bhabha requested sponsorship for his model of the school and presented several reasons for his request. It is imperative to note that one of the most important reasons that he presented was India's potential of becoming a self-sufficient country in nuclear energy. "When nuclear energy

has been successfully applied for power production in say a couple of decades from now, India will not have to look abroad for its exports but will find them ready at hand." [7] Eventually, in 1945, the Tata Institute of Fundamental Research (TIFR) was established with funding provided by the Tata Group, and Bhabha was chosen as its first director. He would refer to it as "the cradle of the Indian atomic energy program."[8]

The next year in 1946, the Atomic Energy Research Committee was formed and Bhabha was chosen as its chairman. Two years later, in 1948, Pt. Nehru submitted a legislation for the creation of an Atomic Energy Commission (AEC), which was then formed by mid-August of the same year, with Bhabha as the chairman. George Perkovich offers a detailed description in regard to the AEC and its functioning. The following is an excerpt from his book- *India's Nuclear Bomb: The Impact on Global Proliferation*:

> In 1948 Nehru introduced before the Constituent Assembly an Atomic Energy Act to create an Atomic Energy Commission and the legal framework for its operation. The act was modelled on Britain's Atomic Energy Act but imposed even greater secrecy over research and development than did either the British or the American atomic energy legislation. The act called for research and development of atomic energy in complete secrecy and established state ownership of all relevant raw materials, particularly uranium and thorium.[9]

Evidently, the AEC imposed a veil of secrecy over atomic energy R&D in India and established the Indian government's ownership of strategic minerals like uranium and thorium, thereby giving the Indian government a strategic over-ride.[10] Perkovich in his book mentions that PM Nehru, while presenting the bill, had argued that there was a "need to protect Indian materials and prospective know-how from being exploited by the industrialized countries in a colonial manner, and also to assure secrecy-minded states like the United States and the United Kingdom that if they cooperated with India in this field their secrets would be protected."[11] Bhabha was also chosen as the Secretary of the Department of Atomic Energy which was established in 1954.

With Bhabha at the helm of major institutes working for the Indian nuclear program, it is natural that these institutes were working in close cooperation

with one another. As such, leveraging the agency these institutes provided to Bhabha, he was striving for "mastery over the energy potential in the atomic nucleus" - "the apogee of science."[12] Evidence of Bhabha's firm belief in the supremacy of the nuclear bomb is found in 'Homi J. Bhabha: A Life', Bhabha's biography authored by Bakhtiar K. Dadabhoy. "Bhabha knew that a time would come when a bomb would have to be made and continued to quietly prepare for it. He regularly invited foreign scientists to lecture on the physics of chain reactions and was always on the lookout for recruiting bright young men who could help him in this quest"[13] Moreover, while addressing Nuclear Disarmament on All India Radio on United Nations Day on October 24, 1964, Bhabha said, "Indeed, the importance of nuclear weapons is that they enable a country possessing them in adequate measure to deter another country also possessing them from using them against it."[14]

Bhabha, also referred to as the 'Father of [the] Indian Bomb,' along with the Indian government, sought nuclear cooperation with select Western powers. Given Prime Minister Nehru's commitment to his policy of non-alignment and a reluctance to align with the United States, compounded by historical colonial tensions that hindered cooperation with the United Kingdom, France emerged as a viable partner for India. Bhabha was instrumental in fostering Indo-French nuclear cooperation, a topic that will be explored in detail in the following section.

INDO-FRENCH COOPERATION (1951)

Apart from Homi Bhabha, the Nuclear Cooperation Agreement (NCA) between India and France signed in 1951 also played a monumental role in India's nuclear weapons development program. The NCA promised the study and construction of a Beryllium moderated low power reactor in India. As a part of this agreement, France was responsible for supplying all the Uranium required for the research and construction of the reactor, while India was responsible for supplying Beryllium. This helped India in a couple of ways. Since India got the required Uranium for the operation of these reactors from France, it could choose to not worry about the enrichment technology, and could also circumvent the disadvantage posed by its lack of uranium deposits in the country.[15] Not only did this cooperation provide India with a great deal of nuclear assistance, but it also enhanced the positioning of India's Atomic Energy Commission (AEC) in the eyes of the world. After all, the

AEC was the first nuclear commission of a foreign country with which the French Commissariat à l'Energie Atomique (CEA) had entered into nuclear cooperation. Moreover, this cooperation was "unique" and "unprecedented" as it emerged at a time when the US and Soviet-led censorship on information of nuclear technology was persistent, which rendered such technological exchanges very difficult.[16] What made the two countries cooperate then and how was it brought about?

One of the most crucial factors in bringing the two countries together was the state that the two countries found themselves in. While India, a newly independent nation still healing from the colonial period, was looking for recognition in the scientific field post-independence, France was similarly looking to recover from the "Manhattan Complex".[17] Moreover, in the Cold War structure of the international theatre, India's position of Non-Alignment resonated with France's decision to withdraw from the integrated command structure of North Atlantic Treaty Organisation (NATO). All of this coupled with the two nations' stance on the Non-Proliferation Treaty (NPT) and their ultimate decision of not signing the treaty worked well in their direction.[18] Lastly, the personal proximity between the scientists of the two countries, specifically Bhabha and Frédéric Joliot-Curie, served to play a crucial role as well. Since the two scientists were leading the atomic commissions of their respective countries, they came to form an informal network which played an influential role in fostering nuclear cooperation between the nuclear agencies of their countries. The personal proximity between the two is evident by looking at the following account.

In 1949, an agreement was made between the Government of India and the French firm *Société de Produits Chimiques des Terres Rares* for the setting up of a monazite (a source of radioactive thorium) processing plant in India. The agreement was a remarkable feat as, in the absence of Uranium reserves, "India values its thorium deposits as a future alternative to uranium for use in nuclear fuel."[19] Moreover, *Société de Produits Chimiques des Terres Rares* was the same firm which "set up the factory at Boucher for the purification of Uranium Oxide for the French Atomic Energy Commission"[20]. With another French entity joining India's quest for nuclear self-sufficiency, Indo-French Nuclear Cooperation was advancing. In fact, in succession of signing of the agreement, Bhabha wrote a personal letter to Frédéric Joliot-Curie, "It gives me great pleasure to know that this agreement will further promote cooperation

in scientific and industrial matters between India and France a country for which I personally have a great affection, and I trust that with the years this cooperation will grow in extent."[21] Moreover, when Joliot-Curie had visited India in January 1950, he and Bhabha attended a private meeting held at the home of one of the members of the AEC which was in itself a 3-member committee. At the same meeting, Joliot-Curie had "offered to share technical information on the purification of uranium, graphite reprocessing, and designs of a low power reactor in exchange for India's export to France of Thorium, Beryllium, and mineral oil for the manufacture of graphite. The offer also included the sale of Uranium should it be discovered in ample quantities at a later date."[22]

In fact, the respective energy commissions, kept cooperating even during the times when the governments of the two countries were not necessarily on their best terms. When India tested its first nuclear bomb in 1974, amidst the hostile reactions from the international community, CEA had sent congratulatory telegrams to AEC. On the other hand, the French government, owing to a change in leadership, insisted on renegotiation of the nuclear agreements with India so that French-supplied nuclear technology and materials could not be used in future Indian nuclear testing.[23]

Hence, the technological assistance and the mutual cooperation between India and France, aided by the signing of several agreements such as the NCA, proved instrumental in the former's nuclear weapons development program.

THE CHINA FACTOR

On May 14, 1964, before India's 'Smiling Buddha' and before China exploded its first nuclear bomb in Lop Nur, a report was dispatched by the United States Director of Intelligence and Research to the Secretary of State which pointed out that changing the core of the Canadian-Indian Reactor (CIR) at Trombay every 6 months was "an exceptionally short period"[24] and expressed the possibility that India might be well into the nuclear weapons development program. It said, "a six-months period is the cycle best suited to produce weapons grade plutonium for a reactor of the CIR specifications."[25] While the report explicitly mentioned that there, so far, was no evidence that India started its weapons development program already, it did say, "The Indians are now in a position to begin nuclear weapons development if they choose

to do so" and that they have "available, on demand, unsafeguarded weapons-grade plutonium or, at the least, the capacity to produce it."[26] This report holds considerable importance in that it highlights several points that put under question the necessity or requirement of setting up of a Plutonium separation plant at Trombay. It points out that the Indian nuclear energy program was "an uneconomic investment", and that the country had "no clear-cut technical reasons, flowing out of India's currently planned nuclear power program, that would make a chemical separation plant essential."[27] India did not have any "known requirements for plutonium in the quantities that the plant can produce"[28] either. Moreover, "small quantities of plutonium for research can be obtained from a variety of sources at modest cost.", the report said.[29] Thus, in light of this evidence, it is worth questioning how much weight the Chinese explosion of the atomic bomb in 1964 actually had on India's own nuclear weapons test. Especially, when one always talks about India's nuclear test in the geopolitical aspect of the Chinese threat that allegedly loomed over India in the aftermath of the Chinese explosion.

Just one month after the Chinese explosion took place in 1964, K.R. Narayanan, then Director of the China Division at the Ministry of External Affairs (MEA), Government of India, wrote a secret document to the Joint Secretaries and the Ministers. Written on November 11, 1964, the document assessed the level of threat perception that China's nuclear test had on the Indian state. It weighed the consequences of the Chinese test on India's geo-political and strategic landscape. As it turns out, in the aftermath of China's nuclear test at Lop Nur, India found itself in a quandary, left with four choices: "(1) To agree to co-exist with China on Chinese terms; (2) to seek alliance and nuclear protection from the United States; (3) to organise world public opinion against China and to work for disarmament; and (4) to make our own nuclear weapons."[30] The document reveals that Narayanan did not see the importance of development of nuclear weapons then. However he said, "While it is not yet a military factor, it will be an important military factor after 10 or 20 years when China has developed a stockpile and a delivery system"[31], and favoured development of Indian nuclear program in future years.

A couple of years down the line, in May 1967, Indira Gandhi's Principal Secretary Lakshmi Kant Jha, submitted a report titled "Nuclear Policy".[32] This report suggested that China's use of nuclear weapons against India could be ruled out. Similar to the assessment made in regard to the nature of the Chinese

threat in 1973, this report limited Chinese threats to "pressure on the borders, threats of one kind or another, possible skirmishes and localised fighting"[33], and ruled out the possibility of full-scale invasion of India by China. In fact, Jha argued, "even if there was a full-scale war with China, I doubt if the Chinese would use nuclear weapons."[34] This was primarily because he believed that the principle of non-use of nuclear weapons against non-nuclear weapons states, which was developed post-World War II, shall bind China to not use nuclear weapons against India—a non-nuclear weapon state at the time of the production of the report. Moreover, his realism guided him to conclude that China would not use nuclear weapons against India as Beijing would be aware that such an eventuality shall invite retaliations by the US and the USSR, who would not stand by and watch nuclear wrath unfolding in Asia.[35]

As such, Jha recommended against the development of nuclear weapons by India at the time. He cited Indian economic constraints to support his argument. He said that given the advanced country that China was, it was "at least five years ahead" of India in "nuclear weapons and delivery system"[36]. If India had to "meet China militarily on the nuclear plane, the chances of our getting the worst of it would be very high."[37] Hence, he suggested the government to "remain non-nuclear for the present" even if it meant "living dangerously."[38] Jha was also apprehensive of nuclear guarantees provided by the US and the USSR to India in case India heralded its own nuclear development program. He argued that the development of nuclear weapons by India shall make the country a nuclear state which shall incite China and greatly undermine Chinese restraint of using nuclear weapons against India. It shall also weaken the nuclear guarantees provided by the US and the USSR to India in event of a Chinese nuclear attack on India.[39] He said, "the development of nuclear weapons by India would to my mind, greatly reduce the restraint on China using nuclear weapons against us and also weaken the political compulsions on the USA and USSR to come to our help in such an eventuality."[40] However, it is worth noting that in his recommendations to the Prime Minister, though he strongly argued against any changes in India's nuclear policy at that time, he stressed upon the fact that India should not shy away from developing nuclear weapons in the future. He said, "We should make it clear that we are not prepared to tie our hands in perpetuity against making nuclear weapons–guarantees or no guarantee."[41]

Yogesh Joshi (2015) talks about the Indian military threat perception in

1974-76 in one of the papers from the series of Working Papers published by the Nuclear Proliferation International History Project (NPIHP).[42] This paper refers to a report, called Apex Group I Report, which was produced in 1973 by a high-level panel committee led by the then Chairman of the Planning Commission D.P. Dhar. The objective of this report was to assess India's strategic environment and to compile and provide an account of defence expenditures to be incurred in the upcoming five years beginning 1974. The report which was prepared by a committee comprising of prominent stakeholders in India's defence policy[43] and approved by the Cabinet Committee on Political Affairs (CCPA) – India's highest decision-making body – on May 17, 1973, ruled out any direct threat from China. While acknowledging the existence of Chinese threat in terms of its material and political support to Pakistan and insurgencies in Northeastern parts of India, it said, "full scale land invasion of India from China can be ruled out."[44] It further added that the "use of atomic weapons by China can be ruled out".[45] According to the report, "Pakistan will resort to a surprise attack against India… at the points of her choosing" and that China will provide "collusive support" to Pakistan.[46] Thus, one can assess that at the time India tested its nuclear weapons in 1974, China only posed a threat to India insofar as the military hardware support it may provide in case of a Pakistani attack on India, while a direct invasion of India by China was found to be "unlikely".[47]

Quite evidently, even after China's nuclear test in 1964, India did not perceive an immediate nuclear threat from her neighbouring country. In fact, not much had changed in terms of Chinese threat perception in India over the course of around ten years since the Lop Nur test. While Indian statesmen and bureaucrats were in favour of India's development of nuclear weapons in the future, they ruled out any full-scale invasion of India by China. Furthermore, the use of atomic weapons against India by China was ruled out as highly unlikely in the near future. By looking at this evidence, in combination with the fact that India was already producing weapons-grade plutonium before the Chinese explosion, one can conclude that India's testing of its first nuclear bomb in 1974 was not a direct response to the Chinese nuclear test of 1964.

CURRENT NUCLEAR ARSENAL

India "maintains a culture of relative opacity"[48] towards its nuclear arsenal. Government officials seldom talk about the nation's nuclear capabilities or the

amount of funding spent on its nuclear program. Moreover, in 2016, the Indian government subjected Strategic Forces Command –an agency responsible for operating the country's nuclear arsenal– to the list of security organizations that are exempt from India's Right to Information Act[49], making it difficult for journalists, researchers, and the public to access critical information about India's nuclear arsenal. As such, no official information is available regarding the nuclear arsenal of India, however, some estimates suggest that India's nascent nuclear triad operates eight different nuclear-capable systems: two aircrafts, four land-based ballistic missiles, and two sea-based ballistic missiles. The estimates suggest that India is currently in possession of around 172 nuclear warheads, however, it has enough weapons-grade Plutonium to produce over 200 warheads.[50]

In addition, developments in India's nuclear stockpile suggest an important shift in India's nuclear strategy. Before March 11, 2024, "Indian missiles had only Pakistan within their range. Now, with a range of 5,000 to 8,000 kilometer (km), the nuclear-capable Agni V has Beijing, Shanghai, Guangzhou and Hong Kong within reach."[52] India currently "possesses five types of mobile land based, nuclear-capable ballistic missiles that appear to be operational: the short-range Prithvi-II and Agni-I, the medium-range Agni-II, and the intermediate-range Agni-III and Agni-IV. At least two other Agni missiles are in development and nearing deployment: the medium-range Agni-P and the intermediate-range Agni-V. A new intercontinental-range Agni-VI missile is also thought to be in the design stage, although its status is unclear."[53] While the short-range Prithvi-II and Agni-I missiles could deliver a warhead to distances of 350 and approximately 700 km respectively, the striking capability in terms of distance coverage has been strengthening with subsequent missile developments. For example, Agni-II, the intermediate-range missile and an improvement on Agni-I can cover a distance of more than 2,000 km. This brings western, central, and southern China inside the striking range of Agni-II.[54] Similarly, the deployment of Agni-III which can travel over 3,200 km, makes it the "first missile to bring Beijing within range of Indian nuclear weapons", and with the potential coverage of 3,500 km, Agni-IV is "capable of striking targets in nearly all of China from locations in northeastern India."[55] Furthermore, Agni-V, a near-intercontinental ballistic missile (ICBM), can cover a distance of less than 6,000 km. These extra range capabilities of Agni-III, Agni-IV, and Agni-V provide an added advantage of deploying these missile units away from the Chinese border, providing a strategic upper hand

to Indian authorities. The range of Agni-V, for example, allows the "Indian military to establish Agni-V bases in central and southern India, further away from the Chinese border."[56] Quite evidently, the primary focus of the Indian nuclear strategy has changed to China now. This claim stands further bolstered in light of the November 2021 statement by General Bipin Rawat, the then Indian Chief of Defence Staff, who said that China has become India's biggest security threat due to lack of trust and suspicion issues.[57] His apprehensions with respect to China had apparently stemmed from the 2017 Doklam standoff and another border dispute that broke out between Indian and Chinese soldiers in Galwan valley in the Indian territory of Ladakh in June 2020. The disputes are discussed in more detail in the subsequent section.

With the developments in the Indian nuclear arsenal, concerns abound in regard to India's original stated posture on its nuclear strategy. Frank O' Donnell and Yogesh Joshi write in their book *India and Nuclear Asia Forces, Doctrine, and Dangers*: "The emerging nuclear force structure appears to be moving away from the stated postures of credible minimum deterrence and assured retaliation".[58] New development projects like Multiple Independently Targeted Re-entry Vehicle (MIRV) technology which enables a missile to carry multiple warheads and increases the number of targets it can attack (e.g. the Agni-VI missile) indicates "Indian interest in a war-fighting capacity."[59] The 700-km-range Shourya nuclear missile, and the potentially nuclear-capable short-range Prahaar also "confer a war-fighting capability."[60]
As far as the future prospects of the Indian nuclear arsenal are concerned, as stated, India is currently developing the Agni VI missile, which is expected to be deployed in the year 2027. Moreover, six fast breeder reactors are also under construction by Indian engineers, expected to be near completion by 2033.[61] Experts say that India would need more warheads to arm the new missiles the country is currently developing,[62] but it remains to be seen what trajectory the development of India's nuclear arsenal takes from here.
The following section looks at the current Indian position vis-a-vis its No First Use (NFU) policy.

INDIA'S NO FIRST USE (NFU) DILEMMA: To be or not to be [63]

The South Asian region comprising India, Pakistan, and China is a nuclear hotspot. While Pakistan never had an NFU policy, India has maintained that posture ever since it tested its nuclear weapons in 1998. However, some recent

skirmishes between India and Pakistan, and India and China have aggravated the already existing concerns about the dangers of nuclear weapons in this theatre. Moreover, there have been indications of a shift in India's stance on NFU, which further complicates the situation.

In February 2019, India and Pakistan found themselves in a conflict when an Indian paramilitary police convoy was attacked in the Pulwama district of India-administered Kashmir by a Pakistan-based militant group, Jaish-e-Mohammad.[64] The skirmish that ensued brought the two close to a nuclear conflagration. It triggered the convening of the National Command Authority of Pakistan which is the body that is responsible for Pakistan's nuclear arsenal. Moreover, the India-Pakistan crisis had touched a new low when, in March 2022, India accidentally launched BrahMos – a nuclear capable, medium range ramjet supersonic cruise missile – 124 km into Pakistan's territory. The accidental launch, which India attributed to "technological malfunction" [65] inflicted damage to civilian property. However, according to officials from Pakistan, India neither alerted them using the high-level military hotline nor issued a public statement about the accident until two days later. In the absence of any such measures, "Pakistan reportedly suspended all military and civilian aircraft for nearly six hours and placed line bases and strike aircraft on high alert." [66] Similarly, India had a couple of disputes in recent years with China as well. In the summers of 2017, Indian and Chinese troops engaged in a two-month standoff in the Doklam area – a disputed area less than 100 square km in size, lying at the trijunction of India, China, and Bhutan. Doklam is a contentious land on which both China and Bhutan lay their claims, however, India supports Bhutan's claims. The controversial issue sparked again in 2017 when China attempted to extend a road southward in Doklam. India was concerned that "if the road is completed, it will give China greater access to India's strategically vulnerable "chicken's neck", a 20km wide corridor that links the seven north-eastern states to the Indian mainland." [67] Hence, the Indian soldiers, "at the request from Bhutan," [68] entered Bhutanese territory and stopped the Chinese road-building measures. The Indian and Chinese troops withdrew only after two months from the border. Similarly, another skirmish broke out between India and China in June 2020 along the Line of Actual Control (LAC) – an official line defining and differentiating Indian and Chinese territories. The 2020 skirmish, broken out along the Himalayan border, was borne out of a territorial dispute as India "accused China of sending thousands of troops into Ladakh's Galwan valley" and saying that

"China occupies 38,000sq km of its territory." [69] The unfortunate incident had precipitated into the death of at least 20 Indian and 4 Chinese soldiers, making the scuffle the first deadly clash between the two countries along the border in at least 45 years.[70] Because of such conflicts arising out of sensitive causes, the risk of conflict escalation in this theatre remains high. Looking at it in light of an increasing stockpile of Indian nuclear machinery, there is a constant fear amongst scholars that India might renounce its NFU policy. In fact, in 2003 India declared that it could potentially use nuclear weapons in response to chemical or biological attacks.[71] This has recently given rise to a discourse around India's 'conditional NFU' amongst scholars with some asserting, "India's NFU [no-first-use] policy is neither a stable nor a reliable predictor of how the Indian military and political leader-ship might actually use nuclear weapons".[72] Additionally, in 2016, the then Indian Defence Minister Manohar Parrikar, on the occasion of his book launch, said that India should not bind itself to the NFU policy. However later, he was quick to add that "it was my personal opinion."[73] Similarly in August 2019, Defence Minister of India Rajnath Singh attracted attention when he appeared to draw away from India's NFU stance. Mr. Singh was on a visit to Pokhran in commemoration of the first anniversary of the death of former Prime Minister of India, Atal Vihari Bajpayee, under whom the country had conducted its second nuclear tests in 1998. During this visit, Mr. Singh tweeted, "India has strictly adhered to this doctrine. What happens in the future depends on the circumstances."[74] It is interesting to note that his tweet came after the Pulwama Attack of February 2019[75], which suggested a shift in India's nuclear doctrine in light of changing security dynamics vis-à-vis her neighbouring nuclear armed countries. In light of all these developments, several scholars have pointed out a change in India's nuclear doctrine. Ankit Panda, Stanton Senior Fellow in the Nuclear Policy Program at the Carnegie Endowment for International Peace pointed out in his article that there is a change in India's nuclear doctrine from "no first use to no, first use".[76]

Given the non-maintenance of an NFU policy by Pakistan and an indication of a recent shift in India's NFU policy, it is extremely concerning that such skirmishes serve to be potential triggers for a nuclear war between the countries. Hence, there is an urgent need of further research into ways that can ensure nuclear disarmament, and/or non-proliferation of nuclear weaponry maintained by several countries. Measures that can guarantee peace in the region need to be ascertained at the earliest.

CONCLUSION

In regard to India's nuclear development program, it can be concluded that though India maintained that it was interested only in peaceful and civilian use of atomic energy, the closed-knit circle of top leaders and scientists knew that the development of nuclear weapons was inevitable. Many were party to India's attainment of its objectives. Homi J. Bhabha, who found himself at the helm of India's nuclear institution, played a monumental role in the process. The Nuclear Cooperation Agreement (1951) between India and France was key to India's nuclear activities and Bhabha played an important role in bringing that about as well.

As far as the contributing factors to India's nuclear weapons test of 1974 are concerned, China did not pose an immediate nuclear threat to Indian territories. However, in more recent times, with China laying claims on Indian territories and on areas strategically crucial to her with increasing frequency, China does emerge as a threat to India. As such, continuous developments in India's nuclear arsenal have been taking place which reflects a shift in India's nuclear strategy. Beijing appears to be the primary focus of this new strategy. In light of this, there is an urgent need for preventive diplomacy and crisis management in the South Asian region: an additional area of potential research.

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The Impact of the Regional Comprehensive Economic Partnership (RCEP) on Southeast Asian Exports and Trade Dynamics

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Abstract: *The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement implemented on January 1, 2022, has the potential to significantly reshape Southeast Asia's economic landscape. This study aims to analyse the early impacts of RCEP on Southeast Asian exports and identify emerging trends in regional trade dynamics. Employing a qualitative method with insights from 25 expert interviews, the study reveals that RCEP has accelerated intra-regional trade, particularly benefiting smaller Southeast Asian economies, and has led to increased integration of Southeast Asian manufacturers into regional production networks. Sector-specific impacts are observed, with electronics, textiles, and agriculture experiencing significant changes in export patterns. However, challenges in harmonizing regulations and standards across member countries are identified as potential obstacles to fully realizing RCEP benefits. These findings provide crucial insights for businesses and policymakers in Southeast Asia, guiding strategic decisions in investment, market entry, and supply chain management. The research also informs policy recommendations to maximize the agreement's benefits for Southeast Asian economies. By examining the complex interplay of economic factors, regulatory environments, and industry-specific trends, this study contributes to a deeper understanding of how RCEP is influencing Southeast Asian economies and their position in global value chains (GVCs), offering valuable perspectives for navigating the evolving trade landscape in the region.*

Keyword*: RCEP, Southeast Asia, international trade, exports, economic integration, free trade agreement, trade dynamics*

1. Introduction

The Regional Comprehensive Economic Partnership (RCEP), which came into effect on January 1, 2022, represents a watershed moment in the economic landscape of the Asia-Pacific region. As the world's largest free trade agreement, RCEP encompasses 15 member countries, including several Southeast Asian nations, and accounts for approximately 30% of global GDP and population.[1] This pact has the potential to fundamentally reshape trade dynamics and export patterns in Southeast Asia, a region long characterized by its export-driven economies and strategic position in global supply chains.[2]

The agreement aims to eliminate tariffs on about 92% of goods traded among member countries over 20 years while also addressing non-tariff aspects such as trade facilitation, regulatory coherence, and digital commerce. RCEP's scope is comprehensive, covering trade in goods and services, investment, economic and technical cooperation, intellectual property, e-commerce, competition, small and medium-sized enterprises (SMEs). One of its key features is the harmonization of rules of origin across the region, which is expected to streamline regional value chains and reduce the complexity of overlapping trade agreements.

Southeast Asia, with its diverse economies and rapidly growing markets, stands at a crucial juncture as RCEP unfolds. The agreement promises to reduce tariffs, streamline customs procedures, and harmonize standards across member countries, potentially opening new avenues for trade and economic cooperation.[3] For Southeast Asian nations, RCEP presents both opportunities and challenges in terms of export competitiveness, market access, and integration into regional value chains.[4]

The impact of RCEP on Southeast Asian exports and trade dynamics is an important topic for policymakers, businesses, and academics alike. As the agreement is still in its early stages of implementation, there is a pressing need to analyze its initial effects and identify emerging trends. This study aims to bridge this knowledge gap by examining how RCEP is influencing trade flows, export patterns, and economic integration within Southeast Asia and beyond. While previous research has explored the potential impacts of RCEP based on economic modelling,[5] there remains a significant gap in understanding the observed effects of the agreement in its initial implementation phase.

This research is motivated by the need to provide valuable insights for stakeholders navigating the evolving trade landscape under RCEP. By understanding the early impacts of the agreement, businesses can make informed decisions about market entry strategies, supply chain management, and investment opportunities. Similarly, policymakers can gain crucial information to fine-tune their economic policies and maximize the benefits of RCEP for their respective countries. The practical relevance of this study aligns with calls in the literature for more empirical research on the concrete outcomes of free trade agreements, particularly in the context of developing economies.[6]

As RCEP continues to unfold, this research aims to contribute to the growing body of literature on regional economic integration and its effects on trade dynamics. By focusing specifically on Southeast Asia, a region at the heart of RCEP, this study offers a timely and relevant analysis of one of the most significant developments in international trade in recent years. The research extends existing literature on regional trade agreements[7] by providing early empirical evidence of RCEP's impact, addressing a critical gap in our understanding of how such large-scale agreements affect regional trade patterns in practice.

Moreover, this study seeks to address the often-overlooked dynamic nature of trade impacts following the implementation of free trade agreements. While much of the existing literature focuses on static or long-term equilibrium effects,[8] this research aims to capture the evolving nature of trade dynamics in the immediate aftermath of RCEP's implementation. This dynamic perspective has been largely understudied in previous research on regional trade agreements, particularly in the context of Southeast Asia.[9]

By addressing these gaps in the literature and providing a comprehensive analysis of RCEP's early impacts on Southeast Asian exports and trade dynamics, this study aims to make a significant contribution to our understanding of regional economic integration in the Asia-Pacific region. Specifically, this research will: (1) analyse changes in export patterns and trade flows in Southeast Asian countries since RCEP's implementation through expert interviews with 25 key stakeholders including policymakers, industry representatives, and economists; (2) examine how RCEP is influencing

the integration of Southeast Asian manufacturers into regional production networks; and (3) identify institutional factors affecting the implementation and effectiveness of RCEP provisions across different Southeast Asian economies. Through this qualitative approach, the findings will not only inform academic discourse but also provide valuable insights for policymakers and businesses navigating the complex landscape of international trade in the post-RCEP era.

2. Literature Review

2.1 Regional Economic Integration and Free Trade Agreements

Regional economic integration and free trade agreements (FTAs) have become central pillars of international economic policy and a key subject of study in international economics. These concepts encompass a range of economic arrangements designed to reduce barriers to trade and promote economic cooperation among countries, typically within a specific geographical region. The spectrum of integration ranges from preferential trade agreements and free trade areas to more comprehensive forms such as customs unions, common markets, and economic unions.

At its core, regional economic integration aims to create larger, more efficient markets by reducing or eliminating barriers to the flow of goods, services, capital, and labor between participating countries. This process is often formalized through free trade agreements, which are legally binding contracts between two or more countries that outline the terms of reduced or eliminated customs tariffs, quotas, and other trade barriers. FTAs can vary significantly in their scope and depth, from simple agreements focusing solely on tariff reduction to comprehensive deals encompassing services, investment, intellectual property rights, and regulatory cooperation.

The theoretical foundations for understanding the impacts of regional integration and FTAs can be traced to Viner, who introduced the concepts of trade creation and trade diversion, which have become fundamental to analyzing the welfare effects of economic integration.[10] According to Viner, trade creation occurs when lower-cost imports from a member country replace domestic production, leading to increased efficiency and welfare. Conversely, trade diversion happens when imports from a lower-cost non-member country

are replaced by higher-cost imports from a member country due to preferential treatment, potentially reducing overall welfare.

Building on Viner's work, subsequent scholars have developed more sophisticated models to capture the complex effects of regional integration. Balassa proposed a framework for understanding different stages of economic integration, from free trade areas to full economic unions, which has been instrumental in conceptualizing the progression of integration efforts, such as those observed in the European Union.[11] In the 1980s and 1990s, the field of international trade theory underwent significant developments that provided new insights into regional integration. Krugman (1991) introduced the concept of "natural trading blocs," arguing that geographical proximity and pre-existing trade patterns play a crucial role in determining the welfare effects of regional integration.[12] This theory has been particularly relevant in understanding the formation and impacts of regional trade blocs like ASEAN in Southeast Asia.

The new trade theory, developed by scholars such as Helpman and Krugman, incorporated elements of imperfect competition and economies of scale into trade models.[13] This approach helped explain intra-industry trade and the potential gains from integration in terms of increased variety and lower prices for consumers. Baldwin and Venables further expanded the theoretical framework by examining the dynamic effects of regional integration, including impacts on foreign direct investment, productivity growth, and long-term economic development.[14]

Empirical research on the effects of regional integration and FTAs has grown substantially in recent decades, facilitated by advancements in econometric techniques and data availability. Gravity model analyses, such as those conducted by Baier and Bergstrand (2007), have provided robust evidence for the trade-creating effects of FTAs, estimating that on average, FTAs approximately double two members' bilateral trade after a decade.[15] However, these studies have also highlighted the heterogeneity of FTA impacts, emphasizing the importance of agreement design, implementation, and country-specific factors in determining outcomes.

In the context of Southeast Asia, regional economic integration has been a key policy objective, manifested through initiatives such as the ASEAN Free

Trade Area (AFTA) and various ASEAN+1 FTAs. Studies by scholars like Pomfret and Ando and Kimura have examined the effects of these agreements on intra-regional trade, the formation of production networks, and the region's integration into GVCs.[16] These analyses have highlighted both the successes of Southeast Asian integration efforts and the challenges faced, such as the persistence of non-tariff barriers and the complexities arising from overlapping agreements (the "noodle bowl" effect).

The proliferation of regional trade agreements has also sparked debates about their impact on the multilateral trading system. While some argue that regional integration can serve as building blocks for broader liberalization, others worry about potential negative effects on non-member countries and the fragmentation of global trade rules.[17] This tension between regionalism and multilateralism remains a key area of research and policy debate in international trade.

More recently, attention has turned to the "mega-regional" trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). These large-scale agreements represent a new frontier in regional economic integration, covering vast markets and addressing complex "behind-the-border" issues such as regulatory coherence, digital trade, and intellectual property rights. Scholars like Petri and Plummer have analyzed the potential impacts of these agreements, highlighting their significance for global trade patterns and economic governance.[18]

2.2 The Regional Comprehensive Economic Partnership (RCEP)

RCEP's origins can be traced back to 2011 when the concept was first introduced at the ASEAN Summit in Bali, Indonesia. The agreement was conceived as a way to broaden and deepen ASEAN's engagement with its existing FTA partners, aiming to harmonize the various ASEAN+1 FTAs into a more cohesive and comprehensive economic partnership. After nearly a decade of negotiations, RCEP emerged as a testament to the region's commitment to open, inclusive, and rules-based multilateral trade.[19]

The potential economic impacts of RCEP have been the subject of significant scholarly attention. Petri and Plummer provided early estimates using a

computable general equilibrium (CGE) model, projecting that RCEP could add $186 billion to global national income annually by 2030.[20] Their analysis suggested that the agreement could offset global losses from the US-China trade war, highlighting RCEP's potential role in stabilizing regional and global trade dynamics.

For Southeast Asian countries, RCEP presents both opportunities and challenges. On one hand, the agreement is expected to boost intra-regional trade and investment, potentially accelerating the region's economic recovery in the post-pandemic era. The harmonization of rules and procedures under RCEP could facilitate Southeast Asian countries' deeper integration into regional and global value chains, potentially enhancing their export competitiveness.[21]

On the other hand, the diverse levels of economic development among RCEP members pose challenges for the implementation and distribution of benefits. Concerns have been raised about the potential for increased competition, particularly for less developed economies within ASEAN. However, proponents of RCEP argue that its provisions for technical cooperation and capacity building could help address these disparities over time.[22]
RCEP's significance extends beyond its economic implications. The agreement is seen as a geopolitical milestone, marking a shift in the center of gravity of global trade towards the Asia-Pacific region. The inclusion of China, Japan, and South Korea in a single FTA for the first time is particularly noteworthy, potentially paving the way for deeper economic integration among these major East Asian economies.[23]

Moreover, RCEP is expected to play a crucial role in shaping the future of digital trade in the region. The agreement includes provisions on e-commerce, data flows, and digital trade facilitation, which could significantly influence the development of the digital economy in Southeast Asia and beyond.[24]
While theoretical models and projections provide valuable insights, the actual outcomes of RCEP as it enters the implementation stage will depend on a complex interplay of economic, political, and institutional factors. Future empirical studies will be crucial in assessing the agreement's effectiveness in reshaping Southeast Asian exports and trade dynamics.

2.3 Concepts of Trade Dynamics and Export Patterns

Trade dynamics refer to the changing patterns, volumes, and compositions of international trade over time. These dynamics are influenced by a variety of factors, including shifts in comparative advantage, technological changes, evolving consumer preferences, and alterations in trade policies. The gravity model of international trade pioneered by Tinbergen and refined by Anderson and van Wincoop provides a theoretical foundation for understanding these dynamics.[25] This model suggests that bilateral trade flows are proportional to the economic sizes of trading
partners and inversely proportional to the distance between them.

Export patterns, a key component of trade dynamics, describe the composition, destination, and evolution of a country's or region's exports. These patterns are shaped by factors such as resource endowments, technological capabilities, domestic policies, and global market conditions. In recent decades, the concept of GVCs has significantly influenced the analysis of export patterns. GVCs, as described by Gereffi and Fernandez-Stark, encompass the full range of activities that firms and workers perform to bring a product from conception to end-use and beyond.[26]

In the context of Southeast Asia, trade dynamics and export patterns have undergone significant transformations. Athukorala examined the changing landscape of production networks in East Asia, highlighting a shift from primary commodities towards manufactured goods, often as part of complex regional and global supply chains.[27] The "flying geese" pattern of economic development, originally proposed by Akamatsu, has been influential in understanding these evolving trade dynamics in the region.[28] This model describes how manufacturing industries gradually relocate from more advanced economies to less developed ones in a pattern resembling flying geese in formation. The lead "goose" (historically Japan) develops and exports increasingly sophisticated products while moving labor-intensive manufacturing to follow "geese" (initially countries like South Korea and Taiwan, followed by Southeast Asian nations). As each country moves up the technological ladder, it passes labor-intensive industries to countries further behind in development, creating a cascading pattern of industrial development and trade specialization.

Recent global events and technological advancements continue to shape trade

dynamics and export patterns. The rise of digital technologies and e-commerce has introduced new dimensions to international trade, enabling new forms of cross-border transactions, particularly for SMEs. Additionally, environmental concerns and sustainability issues are increasingly influencing trade patterns, as highlighted by the concept of "embedded carbon" in trade.[29]

2.4 Institutional Theory and Trade Agreement Implementation

Institutional theory offers valuable insights into the implementation and effectiveness of trade agreements, particularly in the context of diverse economic landscapes such as those found in Southeast Asia. At its core, this theory emphasizes the role of institutions both formal rules and informal norms—in shaping economic performance and interactions.
Douglass North (1990) laid the groundwork for understanding how institutions influence economic outcomes.[30] He argued that institutions reduce uncertainty in human exchanges by providing a structure to everyday life and economic transactions. This perspective is crucial when examining large-scale trade agreements such as RCEP, as it suggests that success depends not only on formal provisions but also on how these interact with existing institutional structures in member countries.

Building on this foundation, W. Richard Scott (2008) proposed a framework of three institutional pillars: regulative (rule-setting and enforcement), normative (values and norms), and cultural-cognitive (shared conceptions).[31] This multi-faceted approach helps analyze how trade agreements might be interpreted and implemented across different cultural and political contexts in Southeast Asia.

In the realm of international trade, Büthe and Milner (2008) applied institutional theory to explain how trade agreements can enhance policy credibility. They argued that such agreements serve as commitment devices for governments, signaling policy stability and creating costs for violation.[32] This perspective is particularly relevant for RCEP, suggesting it could bolster policy credibility across Southeast Asian countries.

For RCEP, institutional considerations are especially pertinent given the diverse economic and political landscapes of member countries. Wilson (2015) highlighted the importance of institutional capacity in realizing the benefits of regional integration in Southeast Asia.[33] His work emphasized the challenges

of varied institutional capacities, regulatory harmonization, and the need for domestic reforms.

These insights suggest that RCEP's effectiveness in Southeast Asia will depend not just on its formal provisions, but also on the institutional readiness of member countries to implement them. This may necessitate adaptive implementation strategies, capacity-building initiatives, and a focus on aligning the agreement with informal norms and practices across the region. Ultimately, a long-term perspective may be required to fully assess RCEP's impact on Southeast Asian trade dynamics, allowing time for necessary institutional adjustments and adaptations.

The theoretical concepts and frameworks described in Part 2 guide our research methodology in several ways. First, they inform the design of our expert interview questions, particularly regarding changes in trade flows and export composition following RCEP implementation. Second, they provide analytical tools for interpreting observed changes in Southeast Asian trade patterns, helping distinguish between RCEP-induced effects and broader economic trends. Finally, they enable us to assess whether RCEP's early impacts align with theoretical predictions about regional economic integration and trade creation.

2.5 Research Gap

In the existing literature on regional trade agreements and economic integration, several significant research gaps exist regarding RCEP's impact on Southeast Asian economies. One prominent gap is the lack of empirical evidence on the early implementation effects of RCEP. While Petri and Plummer[34] offer theoretical projections and economic modeling of its potential impacts, the study does not examine RCEP's effects during the initial implementation phase. Most studies focus on ex-ante predictions rather than observed outcomes, leaving a crucial gap in understanding how RCEP is influencing Southeast Asian trade patterns in practice.

Another area of concern is the insufficient focus on institutional dynamics. Current literature emphasizes quantitative economic impacts but pays limited attention to the institutional challenges and adaptations required for effective implementation of the agreement. There is little research exploring how varying institutional capacities among Southeast Asian countries affect their

ability to harness RCEP's benefits, particularly in less developed economies within the region.
Additionally, there is a limited analysis of s
ector-specific impacts.

The role of SMEs in the RCEP framework is also underexplored. While RCEP includes specific provisions to support SMEs, research on how these enterprises in Southeast Asia are adapting to and benefiting from the agreement is sparse. This is a critical gap given the pivotal role SMEs play in the region's economies.

Finally, there is a lack of research on digital trade impacts under RCEP. Despite its inclusion of e-commerce provisions, few studies address how these are fostering digital trade development in Southeast Asia, particularly in the context of the digital acceleration spurred by the COVID-19 pandemic.

This research aims to address several of these gaps by offering a more nuanced understanding of RCEP's impact on Southeast Asian economies. It does so by providing empirical evidence of RCEP's early implementation effects through expert interviews and case studies. Additionally, it examines the institutional factors influencing RCEP implementation, shedding light on the varying capacities of Southeast Asian countries to adapt to the agreement.

The study also delves into sector-specific impacts and value chain reconfigurations in key industries, offering detailed insights often overlooked in macro-level analyses. Furthermore, it incorporates perspectives from SME representatives and industry associations, ensuring that the experiences of these critical economic players are included. Lastly, the research considers the emerging dynamics of digital trade under RCEP, providing a timely analysis of its effects in the post-pandemic context.

3. METHODOLOGY

This section presents information about research methods, including research objectives, research objects and scope, research design, data sources for research, sampling techniques, interview questionnaire design, and methods of data analysis. These are based on the issue setting and research objectives

mentioned in Part 1 as well as the theories mentioned in Part 2.

3.1 Proposed research model

Based on the literature review and theoretical frameworks discussed, we propose a qualitative research model to analyze the impact of the RCEP on Southeast Asian exports and trade dynamics.

Theoretical Foundation

The proposed research model ichs grounded in the following key theoretical frameworks:

- Regional Economic Integration Theory: Considering trade creation and diversion effects of RCEP.
- GVCs: Analyzing how RCEP affects the integration of Southeast Asian countries into regional and global value chains.
- Institutional Theory: Examining how institutional factors influence the implementation and effectiveness of RCEP across diverse economic and political landscapes in Southeast Asia.

The proposed model consists of the following key components:
Expert Interviews: Conducting semi-structured interviews with 25 experts, including:
a) Trade policymakers from Southeast Asian countries,
b) Representatives from key export industries (e.g., electronics, textiles, and agriculture),
c) Economists specializing in regional integration, and
d) Trade association leaders.

Thematic Analysis: Analyzing interview data to identify
a) Emerging trends in trade dynamics and export patterns,
b) Challenges in RCEP implementation,
c) Perceived impacts on specific sectors and industries, and
d) Institutional factors affecting RCEP's effectiveness.

Document Analysis: Reviewing and analyzing
a) Policy documents related to RCEP implementation,
b) Industry reports and trade association publications, and
c) Government statements and press releases on RCEP impacts.

3.2 Research objectives, scope, and data sources

The primary objective of this research is to analyze the early impacts of the RCEP on Southeast Asian exports and trade dynamics. Specifically, the study aims to identify emerging trends in regional trade patterns, assess the challenges and opportunities presented by RCEP implementation, and examine the institutional factors influencing the agreement's effectiveness. The objects of the research are the Southeast Asian member countries of RCEP, with a particular focus on their export-oriented industries and trade policymaking institutions. The scope of the research encompasses the period from RCEP's implementation on January 1, 2022, to the present, allowing for an examination of the agreement's initial effects. Data sources include primary data collected through expert interviews and secondary data from policy documents, industry reports, government statements, and academic publications related to RCEP and Southeast Asian trade.

3.3 Research Approach

This study adopts a qualitative research approach, employing a combination of expert interviews, case studies, and document analysis. The methodology was chosen for its ability to provide rich, contextual insights into the complex dynamics of trade agreement implementation and its effects on diverse economies. This approach allows for an in-depth exploration of the perceptions, experiences, and strategies of key stakeholders involved in or affected by RCEP. The research design is informed by grounded theory principles[35] - a systematic methodology that involves collecting and analyzing qualitative data to construct theories that are "grounded" in the data themselves. Unlike approaches that begin with a hypothesis, grounded theory starts with data collection and allows researchers to develop theoretical insights through systematic observation and analysis of patterns in the data. In our study, this means we analyze interview transcripts and documents without preconceived hypotheses, allowing key themes and concepts about RCEP's impact to emerge naturally from the stakeholders' experiences, while also drawing on existing theoretical frameworks in international trade and institutional theory to enhance our understanding.

3.4 Informant Recruitment

Informants for this study were recruited through purposive and snowball

sampling techniques. The target sample size is 25 experts - this sample size was determined based on the saturation principle[36] in qualitative research, where data collection continues until no new insights emerge, ensuring a comprehensive understanding of RCEP and Southeast Asian trade. The informant pool includes trade policymakers from Southeast Asian countries, representatives from key export industries (particularly electronics, textiles, and agriculture), economists specializing in regional integration, and leaders of relevant trade associations. Potential informants were initially identified through professional networks, academic publications, and industry forums. Additional informants were recruited through referrals from initial participants. Care was taken to ensure representation from various Southeast Asian countries and different stakeholder groups to capture a comprehensive range of perspectives on RCEP's impacts.

3.5 Interviews

Semi-structured interviews were conducted with the recruited informants. An interview guide was developed, covering key themes such as perceived changes in trade patterns since RCEP implementation, challenges in implementation, institutional adaptations, and sector-specific impacts. The semi-structured format allows for consistency across interviews while providing flexibility to explore unique insights offered by each informant. Interviews were conducted in English or the local language with translation support as needed. Each interview lasted approximately 60-90 minutes and was audio-recorded with the informant's consent.

Table 1: Composition of Expert Informants

Category	Sub-category	Number	Percentage
By Role	Trade Policymakers	7	28%
	Industry Representatives	8	32%
	Economists/ Academics	6	24%
	Trade Association Leaders	4	16%
By Country	Indonesia	4	16%
	Vietnam	4	16%
	Thailand	3	12%
	Malaysia	3	12%
	Singapore	3	12%
	Philippines	3	12%
	Cambodia	2	8%
	Myanmar	2	8%
	Regional Organizations* (World Crafts Council)	1	4%
By Industry Sector (Industry Representatives & Trade Association Leaders)	Electronics/ Technology	4	33%
	Textiles/Garments	3	25%
	Agriculture/Food	2	17%
	Automotive	2	17%
	Handicrafts	1	8%

Table 2: Interview Questions

Theoretical Framework / Theme	Questions
Regional Economic Integration Theory	a) In your opinion, how has RCEP affected trade flows between Southeast Asian countries and other RCEP members?
	b) Have you observed any instances of trade creation or trade diversion since RCEP's implementation? Can you provide specific examples?
	c) How do you think RCEP is shaping the formation of natural trading blocs within the Asia-Pacific region?
	d) What impact do you think RCEP will have on intra-industry trade within Southeast Asia?
GVCs	a) How is RCEP influencing the integration of Southeast Asian countries into regional and global value chains?
	b) Can you describe any changes you've observed in production networks or supply chains since RCEP's implementation?
	c) How do you think RCEP's rules of origin provisions are affecting value chain configurations in Southeast Asia?
	d) Are there specific industries or sectors in Southeast Asia that you believe are benefiting most from RCEP in terms of GVC participation?

Institutional Theory	a) How would you describe the institutional readiness of Southeast Asian countries to implement RCEP provisions?
	b) What challenges have you observed in harmonizing regulations and standards across RCEP member countries?
	c) How are formal and informal institutions in Southeast Asian countries adapting to the requirements of RCEP?
	d) In your view, how is RCEP affecting policy credibility and stability in Southeast Asian countries?
Trade Dynamics and Export Patterns	a) What changes have you observed in export patterns of Southeast Asian countries since RCEP's implementation?
	b) How is RCEP influencing the competitiveness of Southeast Asian exports in regional and global markets?
	c) Are there particular export sectors in Southeast Asia that are experiencing significant changes due to RCEP? Can you elaborate?
	d) How do you think RCEP will affect the diversification of export markets for Southeast Asian countries?

Implementation and Challenges	a) What do you consider to be the main challenges in implementing RCEP in Southeast Asia?
	b) How are different stakeholders (government, businesses, industry associations) responding to these challenges?
	c) Can you discuss any capacity-building initiatives or technical assistance programs related to RCEP implementation in Southeast Asia?
	d) How do you see the varying levels of economic development among RCEP members affecting the agreement's implementation in Southeast Asia?
Future Outlook and Policy Implications	a) Based on the early impacts you've observed, how do you expect RCEP to shape Southeast Asian trade dynamics in the long term?
	b) What policy measures do you think Southeast Asian countries should consider to maximize the benefits of RCEP?
	c) How might RCEP influence Southeast Asia's position in future trade negotiations or agreements?
	d) Are there any potential unintended consequences of RCEP for Southeast Asian economies that policymakers should be aware of?

Closing Questions	a) Are there any other important aspects of RCEP's impact on Southeast Asian exports and trade dynamics that we haven't discussed?
	b) Can you recommend any other experts or sources that might provide valuable insights on this topic?

The above questions are designed for semi-structured interviews with experts, based on the theoretical framework of regional economic integration, GVCs, and institutional theory. These questions aim to explore the impact of RCEP on Southeast Asian exports and trade dynamics.

3.6 Qualitative Data Analysis Process

The qualitative data analysis followed a thematic analysis approach. Audio recordings of interviews were transcribed verbatim and, where necessary, translated into English. The transcripts were coded using NVivo qualitative data analysis software. The coding process involved both deductive coding based on the theoretical frameworks and research questions and inductive coding to capture emerging themes. Initial codes were refined and organized into broader themes and categories through an iterative process. The analysis also involved cross-case comparisons to identify patterns and divergences across different Southeast Asian countries and sectors. Document analysis was integrated with the interview data to provide additional context and triangulation. Throughout the analysis process, memo writing was used to document analytical insights and develop conceptual links. The final stage of analysis involved synthesizing the findings to develop a comprehensive understanding of RCEP’s early impacts on Southeast Asian exports and trade dynamics, and to generate policy-relevant insights.

4. RESULTS

4.1 Regional Economic Integration Effects

The interviews indicated a general consensus that RCEP has begun to influence

trade flows within the region, albeit with varying degrees of impact across different countries and sectors.

Trade Creation: Several experts noted instances of trade creation, particularly in sectors where tariffs were previously high. For example, one policymaker from Vietnam reported a significant increase in textile exports to Japan and South Korea since RCEP's implementation: "Vietnamese textile exports to Japan increased by 25% in the first half of 2022 compared to the same period in 2021, according to trade data cited by policymakers. This growth was attributed to RCEP's tariff reduction schedule, which lowered duties on Vietnamese textiles entering Japan from an average of 8.4% to 3.2%."[37]

Intra-Industry Trade: Economists interviewed observed early signs of increased intra-industry trade, especially in the electronics sector. A representative from a Malaysian textile industry association stated, "We're seeing more specialized component exchange within the RCEP bloc, which is enhancing our position in regional supply chains. Malaysian manufacturers have expanded their production of technical textiles, particularly advanced synthetic fibers used in athletic wear, with new supply agreements with Japanese and Korean manufacturers. One of our biggest Malaysian textile firms reported a 30% increase in exports of moisture-wicking polyester fibers to Japan in 2022."[38]

Natural Trading Blocs: While it's still early, some experts suggested that RCEP is reinforcing existing trading relationships rather than creating entirely new ones. An economist specializing in ASEAN integration commented, "RCEP seems to be deepening trade ties that were already strong, particularly between Southeast Asia and China."

4.2 Impact of RCEP on GVCs

The impact of RCEP on GVCs emerged as a significant theme, with experts highlighting both opportunities and challenges.

Value Chain Reconfiguration: Several industry representatives noted ongoing efforts to reconfigure supply chains to take advantage of RCEP's rules of origin. A Thai handicraft industry expert explained, "We're seeing

companies adjust their sourcing strategies to meet RCEP's regional value content (RVC) requirements (regional value content is requirement for a minimum percentage of a good to be produced in the producer's local region, in order to qualify as originating), which is gradually reshaping our industry's value chain."
Accordingly, the following changes in sourcing strategies were observed following that expert's insights:

- Shift from Chinese to RCEP-member raw materials to meet the 40% RVC requirement
- Development of local supplier networks for traditional materials including bamboo and rattan
- Implementation of origin tracking systems to ensure compliance

Sector-Specific Benefits: The electronics, automotive, and textiles sectors were frequently cited as benefiting most from RCEP in terms of GVC participation. An Indonesian trade official noted, "Our electronics manufacturers are reporting increased orders from Japanese and Korean firms, indicating deeper integration into regional production networks."

Challenges for Smaller Economies: Some experts expressed concern that the benefits of GVC integration might not be evenly distributed. A representative from Cambodia's garment industry cautioned:

While RCEP offers opportunities, we're struggling to upgrade our position in value chains due to capacity constraints. Infrastructure limitations present a significant challenge. Currently, our port facilities operate at only 30% of the required capacity, severely restricting our export capabilities. Additionally, we face a shortage in cold chain infrastructure, which is crucial for maintaining the quality of perishable goods during transport. Another pressing issue is the unreliable power supply, with an average of 15 outages per month, disrupting operations and increasing costs. On the technical front, there is a notable shortage of skilled labor, with only 25% of the required technical workers available. This gap hampers our ability to maintain high production standards and innovate. Moreover, our testing and certification capabilities are limited, impacting our ability to meet international quality standards. Coupled with this, our quality control systems are insufficient, further challenging our competitiveness in global markets. Financial constraints also significantly impact our operations. Many SMEs struggle to access trade finance, with only 35% able to secure the necessary credit. This limitation

restricts their ability to scale and invest in essential technologies. Additionally, our logistics costs are 30% above the regional average, making our exports less competitive. Finally, the limited capacity for technology investment hampers our ability to modernize and improve efficiency.

4.3 Institutional Factors

The interviews revealed that institutional readiness and adaptation are critical factors in realizing RCEP's potential benefits.

Varying Institutional Readiness: Experts consistently highlighted disparities in institutional capacity among Southeast Asian countries. A Singapore-based trade lawyer observed, "While countries like Singapore and Malaysia have robust institutions to implement RCEP, others like Myanmar and Laos are facing significant challenges in aligning their regulatory frameworks." Countries such as Singapore and Malaysia have well-established institutions and regulatory frameworks that facilitate the implementation of complex trade agreements, including RCEP. These countries have the necessary legal, administrative, and technical capabilities to adapt to new trade rules and standards efficiently. In contrast, countries like Myanmar and Laos face more substantial challenges. These nations often have less developed institutional frameworks, which can hinder their ability to align with RCEP requirements. Issues such as bureaucratic inefficiencies, lack of technical expertise, and weaker regulatory systems can slow down the implementation process. Additionally, political and economic instability in some of these countries can further complicate the adoption of new trade regulations.

Regulatory Harmonization: The process of harmonizing regulations and standards across RCEP countries was identified as a major challenge. An official from the Philippines' trade department stated, "We're making progress in areas like customs procedures, but harmonizing technical standards remains a complex, long-term process."

Policy Credibility: Several economists noted that RCEP has generally enhanced policy credibility in the region. One expert commented, "RCEP is serving as an external commitment device, encouraging governments to maintain consistent trade policies."

4.4 Changes in Trade Dynamics and Export Patterns

The interviews provided insights into emerging changes in export patterns and competitiveness.

Export Diversification: Some experts reported early signs of export market diversification. A Vietnamese trade official noted, "We're seeing increased interest from Australian and New Zealand buyers in our agricultural products, markets that were previously less significant for us."

Competitiveness Challenges: Concerns were raised about the competitiveness of some Southeast Asian industries. An economist focusing on Indonesia remarked, "Some of our labor-intensive manufacturers are facing increased competition from more efficient producers in the RCEP bloc."

Digital Trade: Multiple experts highlighted the growing importance of digital trade. A representative from a regional e-commerce association stated, "RCEP's provisions on electronic commerce are facilitating cross-border digital transactions, opening new avenues for Southeast Asian SMEs. E-commerce provisions enable Southeast Asian SMEs to expand through simplified digital payments, streamlined customs procedures for low-value shipments, and greater access to cross-border data flows, allowing businesses to scale via platforms like Lazada, Shopee."

4.5 Implementation Challenges and Future Outlook

The interviews revealed several ongoing challenges in RCEP implementation and perspectives on its long-term impact.

Capacity Building Needs: Many experts emphasized the need for sustained capacity-building efforts. A regional ASEAN official commented, "We're seeing a strong demand for technical assistance, particularly in areas like intellectual property rights and e-commerce regulations." In fact, many RCEP member countries lack the expertise and institutional frameworks to fully comply with complex trade rules, making technical assistance crucial. Intellectual property rights enforcement remains inconsistent, and harmonizing e-commerce regulations is challenging due to differing data protection laws and digital infrastructure gaps. Capacity-building initiatives, such as training programs and knowledge-sharing forums, help countries align their

policies and enhance regulatory efficiency.

Long-Term Optimism: Despite short-term challenges, most experts expressed optimism about RCEP's long-term impact. A senior economist working for an international organization summarized, "While the full benefits of RCEP will take time to materialize, it's laying the groundwork for more integrated and resilient regional trade in Southeast Asia." RCEP is fostering deeper economic integration by gradually reducing tariffs, streamlining customs procedures, and harmonizing trade regulations across member countries. This groundwork includes the development of regional supply chains, increased foreign investment, and enhanced cooperation in key sectors like digital trade and services. In the long run, Southeast Asia is expected to become a more competitive and interconnected trade hub, with SMEs gaining better access to international markets, improved economic resilience against global disruptions, and stronger intra-regional trade relationships.

5. DISCUSSION AND CONCLUSION

5.1 Discussion

The findings of this study provide valuable insights into the early impacts of the RCEP on Southeast Asian exports and trade dynamics. These results, when interpreted through the lens of our theoretical framework, offer several key points for discussion.

The observed instances of trade creation, particularly in sectors like textiles and electronics, align with classical trade theory predictions about the effects of free trade agreements. However, the varying degrees of impact across different countries and sectors suggest that the benefits of RCEP are not uniformly distributed. This heterogeneity underscores the importance of country-specific factors, such as existing trade relationships and industrial competitiveness, in determining the outcomes of regional integration efforts.[39] The reported increase in intra-industry trade, especially in the electronics sector, supports the predictions of new trade theory.[40] This trend indicates that RCEP is fostering greater specialization and economies of scale within the region, potentially enhancing the overall productivity and competitiveness of Southeast Asian industries.

The ongoing reconfiguration of supply chains in response to RCEP's rules of origin provides empirical support for the theoretical links between trade agreements and global value chain (GVC) dynamics.[41] The sector-specific benefits observed in electronics, automotive, and textiles industries highlight the varying degrees of GVC integration across different sectors in Southeast Asia. However, the concerns raised about smaller economies struggling to upgrade their position in value chains point to potential limitations in the "flying geese" model of economic development in the context of RCEP. This suggests that complementary policies and capacity-building initiatives may be necessary to ensure a more equitable distribution of GVC participation benefits across the region.

The varying levels of institutional readiness among Southeast Asian countries, as highlighted by our findings, underscore the critical role of institutions in shaping the outcomes of trade agreements, as emphasized by North and Scott.[42] The challenges in regulatory harmonization and the ongoing efforts to align domestic institutions with RCEP requirements demonstrate the complex interplay between formal trade agreements and domestic institutional structures. The observation that RCEP is enhancing policy credibility in the region aligns with the arguments of Büthe and Milner regarding the credibility-enhancing effects of international trade agreements.[43] This suggests that RCEP may have positive spillover effects on the overall institutional quality and policy stability in Southeast Asia, potentially attracting more foreign investment and fostering economic development.

The early signs of export market diversification reported by some experts indicate that RCEP is beginning to influence trade patterns in the region. This aligns with the predictions of gravity models of international trade, which suggest that reducing trade barriers can lead to the expansion of trade with a wider range of partners.[44] However, the competitiveness challenges faced by some labor-intensive industries in Southeast Asia highlight the potential for trade diversion and the need for industrial upgrading in response to increased regional competition. This underscores the importance of complementary policies to enhance productivity and innovation in Southeast Asian economies. The growing importance of digital trade, facilitated by RCEP's e-commerce provisions, points to an emerging area of opportunity for Southeast Asian countries. This trend suggests that the impact of trade agreements in the digital age extends beyond traditional notions of goods trade, necessitating new

analytical frameworks to fully understand modern trade dynamics.

5.2 Conclusion

This study provides early evidence of RCEP's multifaceted impact on Southeast Asian exports and trade dynamics. The findings suggest that while RCEP is creating new opportunities for trade creation, value chain integration, and export market diversification, it also presents challenges related to uneven institutional capacities, regulatory harmonization, and industrial competitiveness.

The research underscores the complex interplay between trade agreement provisions, institutional factors, and industry-specific dynamics in shaping the outcomes of regional economic integration. It highlights the need for nuanced, country-specific approaches to maximizing the benefits of RCEP, particularly for smaller and less developed economies in Southeast Asia.
Looking ahead, several key areas emerge as priorities for policymakers and businesses in the region:

- Strengthening institutional capacity to effectively implement RCEP provisions and harmonize regulations across member countries.
- Developing targeted strategies to support the integration of domestic firms, especially SMEs, into regional and global value chains.
- Investing in digital infrastructure and skills to capitalize on the opportunities presented by growing digital trade under RCEP.
- Implementing complementary policies to enhance industrial competitiveness and facilitate structural transformation in response to changing regional trade dynamics.

While the full impact of RCEP will take years to materialize, this early analysis suggests that the agreement has the potential to significantly reshape Southeast Asian exports and trade dynamics. However, realizing these potential benefits will require sustained effort in policy implementation, capacity building, and industrial upgrading across the region.

Future research should continue to monitor the evolving impacts of RCEP, particularly focusing on long-term changes in trade patterns, value chain configurations, and institutional development in Southeast Asia. Quantitative analyses of trade flows and econometric studies of RCEP's impact would complement the qualitative insights provided by this study, offering a more comprehensive understanding of the agreement's effects on the region's economic landscape.

In conclusion, RCEP represents a significant milestone in Southeast Asian economic integration, with early signs pointing to its transformative potential. However, the realization of this potential will depend on the ability of countries in the region to address implementation challenges, adapt to changing competitive dynamics, and leverage the opportunities presented by this landmark agreement.

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