

*Zhang Yunling*

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and  
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# Preface

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This book contains my selected writings on East Asian co-operation issues and China's participation.<sup>1</sup> I started my research on regional cooperation in early 1980s when I worked as a research fellow and Deputy Director of the Institute of Western European Studies, Chinese Academy of Social Sciences. I wrote intensively on the issues of European integration and cooperation during early 1980s to early 1990s through which I built my knowledge foundation on regional integration and the development of regionalism. In 1993, I was appointed as the Director of Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences, when the Asia-Pacific regional cooperation with APEC as the main vehicle got the new momentum by starting the leaders' meeting and making the long term vision (a free trade and investment area and a community by 2020). This development has profound significance since it creates the institutional linkage between East Asia and North and Latin America, and China could be in-

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<sup>1</sup>In this book China refers to mainland China, Hong Kong and Macao respectively refers to Hong Kong SAR and Macao SAR of the People's Republic of China, while Taiwan is an economic region.

egrated into the region through cooperation. I immediately turned my full interest into APEC study and tried hard in promoting China's participation in this regional cooperation institution. In order to enhance the understanding of APEC and helping China's policy-making in participating APEC, I initiated Research Center for APEC Policy under the Chinese Academy of Social Sciences. The Center made valuable contribution through its domestic and international seminars, as well as publications. PEC experienced its golden years before 1997 Asian financial crisis. APEC is a great design, but it finds great difficulty in turning the vision into a reality since the region changed significantly after 1997 financial crisis and it is such a big and diversified grand region to be a real community. The value of APEC is still there. But the regionalism in the Asia-Pacific redefines its priorities by developing new emerging sub-regional identities.

With emerging trend of the regional cooperation in East Asia, I turned my major effort on studying this new development and also actively promoted China's participation into the process. Aside from intensive academic writing, I also participated some important "field work" of the regional cooperation by, for example, serving as a member of East Asian Vision Group (EAVG), a member of the Official Expert Group on China-ASEAN FTA, First General Coordinator of Network of East Asian Think-tanks (NEAT) and at current the Chairman of the Joint Expert Group for Feasibility Study on East Asia FTA which was set up in early 2005 based on the decision of "10+3" Economic Ministers, a group combining experts from all "10+3" countries.

East Asia is a region with diversity, but also with enhancing spirit of cooperation. For East Asia, forging a close partnership, a community for peace and prosperity is no longer just a visionary thought, but a foreseeable reality. East Asia

must find its own approach in moving toward a regional identity since European experience can be learned, but not be copied.

China is developing fast. It has benefited from its reform and opening policy, by which its economy has been increasingly integrated with the regional and world market. China becomes a key player in participating and promoting the regional cooperation in East Asia. As a Chinese scholar, many of my writings are focused on China from economic growth to the regional policy. My intention is to tell a real story of China's development to foreigners through my own observation.

The essays in this book are those I have written in recent years for conferences, lectures, research projects and policy recommendations on East Asian cooperation. I hope the book could be valuable to this ongoing important process of East Asian cooperation and community building.

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# Contents

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<b>Preface</b>	<b>iii</b>
<b>Emerging New East Asian Regionalism</b>	<b>1</b>
<b>Designing East Asian FTA: Rational and Feasibility</b>	<b>13</b>
<b>Understanding Emerging New East Asian Regionalism</b>	<b>27</b>
<b>East Asian Cooperation and Integration: Where to Go?</b>	<b>41</b>
<b>The Progress of East Asian Cooperation</b>	<b>65</b>
<b>How to Promote Further Monetary and Financial Cooperation in East Asia</b>	<b>85</b>
<b>The Asian Financial Crisis and Regional Cooperation</b>	<b>97</b>
<b>China's Economic Emergence and Regional Cooperation</b>	<b>113</b>

<b>China's Accession to WTO and Its Impact on China-ASEAN Relations</b>	<b>137</b>
<b>China-ASEAN FTA Under the Framework of East Asian Integration</b>	<b>161</b>
<b>China's FTA Strategy and China-Japan Economic Relations</b>	<b>179</b>
<b>Northeast Asian Community: Making Vision into Reality</b>	<b>195</b>
<b>How to Make Northeast Asian Cooperation Move?</b>	<b>215</b>
<b>Comparing China and Japan in Developing the Partnership with ASEAN</b>	<b>225</b>



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# Emerging New East Asian Regionalism<sup>1</sup>

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As a geographical concept, East Asia includes Northeast 5 countries and ASEAN 10 countries. The countries in this region are neighboring closely either by the land or the sea. East Asia as a region has gradually built up its common or shared interests in the areas of economy, politics, security, society and culture, which constitute the foundation of "East Asian regionalism".

Nevertheless, great diversity, historical grievances, as well as some current contradictions among the countries in the region weaken the consensus building of the regionalism. East Asian regionalism is still very weak in the sense of building a real East Asian Community with clearly defined direction, approach and the goal.

The great significance of East Asian cooperation and integration is its developing process. The process itself becomes

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<sup>1</sup>This paper was written for the conference on East Asian Regionalism and its impact held by Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences in October 2004.

irreversible, which will help to make the consensus in searching for an appropriate approach and defining the long-term goal.

## **I. The Emergence of East Asian Regionalism**

The idea of East Asian cooperation has its long history. In the modern time, the Japanese are those who early put forward the concept of East Asian regionalism. By late 19th Century, Japan became the first industrial country in Asia. A rising Japan wanted to use the regionalism to enlarge its interests in Asia and strengthen its status in dealing with other big powers. Thus, Japan was very active to mobilize the spirit of "Asianism" and tried hard to establish an East Asian identity. But as the sole emerging power in East Asia, the Japanese regionalism was nurtured with expansionism and ended as militarism.<sup>1</sup> In China, some early revolutionists also intended to call on East Asian unity to oppose Western colonization and to save China from colonial carving up. However, this voice was too weak to be influential. After World War II, East Asia was divided by international politics. The voice of East Asian regionalism totally vanished away.

Starting from 1960s, the voice of regionalism in East Asia was raised again, firstly from Japan and then supported by the "Four Dragons".<sup>2</sup> But this time, it was more characterized by the "Asia-Pacific regionalism", which aimed at establishing institutional linkage between Japan and other newly

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<sup>1</sup>See Wang Ping, *Japan's Asianism in Modern History*, Commercial Press, 2004, p.55, 144, 25.

<sup>2</sup>Australia, together with Japan, played an important role in pushing the concept of the "Asia-Pacific" with the aim of identifying itself as a member of the region.

emerging East Asian economies and especially with the American economy. Several forums were set up in the Asia-Pacific area, like the Pacific Basin Economic Council (PBEC, 1967), the Pacific Trade and Development Conference (PAFTAD, 1968), the Pacific Economic Cooperation Council (PECC, 1980) and the Asia-Pacific Economic Cooperation (APEC, 1989).

In early 1990s, there was a new call for East Asian regional cooperation. Dr. Mahathir Mohamad, then Prime Minister of Malaysia called on East Asia to unite to balance the international economic order by comprising economies in East Asia and establishing an "East Asian Economic Group" (EAEG) in 1990, which was later changed into "East Asian Economic Caucus" (EAEC). His idea was not rootless since an emerging ASEAN and East Asia as a whole required a more favorable international economic system to reflect its interests. The proposal of establishing EAEC was supported by ASEAN since it could make ASEAN the core of the organization and play a pivotal role in the process. However, Japan did not give support to such initiative with an anti-Western background.<sup>1</sup>

Interestingly, East Asia as an economic region was firstly recognized by the international community in early 1990s through a World Bank report : "East Asia Miracle". Following this report, East Asia was more and more considered as an integrated region based on its economic success. East Asia as a region firstly showed in the world affairs in 1996 when ASEAN together with three Northeast Asian countries, *i.e.* China, Japan and Republic of Korea (ROK) opened the official dialogue with EU, known as ASEM.

However, the real East Asian cooperation process only started after the Asian financial crisis. A historical step was

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<sup>1</sup>Sanae Suzuki, "East Asian Cooperation Through Conference Diplomacy: Institutional Aspects of the ASEAN plus Three (APT) Framework", March 2004, IDE-JETRO, p.5.

made on December 15 of 1997 in Kuala Lumpur when leaders from ASEAN, China, Japan and ROK got together for cooperation in dealing with the financial crisis and recovering the regional economies. A joint statement was announced by the leaders the next year, which clearly indicated the shared interests for pushing forward the East Asian cooperation. Following this statement, the annual leaders informal meeting and ministers' meetings were formalized under a coordinated framework of "10+3". Although this is only a dialogue forum in nature, it began to nurture a new spirit of East Asian regionalism.

In a regional sense, the financial cooperation made a big progress by "Chiang Mai Initiative", which established a regional framework through "SWAP arrangements". This framework provides a foundation for further institutional development in the area of monetary and financial cooperation in East Asian region.

In the trade and investment area, FTAs are in a multi-layered approach: ASEAN FTA (AFTA), China-ASEAN FTA (CAFTA), Japan-Singapore Close Economic Partnership (JSC-EP), as well as intended Japan-ASEAN FTA (JAFTA) and ROK-ASEAN FTA (KAFTA). In theory, the benefits from an East Asian FTA (EAFTA) are much larger than any bilateral or a sub-regional one, but it has not been on the leader's agenda yet though it seems that the pressure on early starting EAFTA has become strong, especially from the business community.

As a matter of fact, "10+3" framework is not just an economic cooperation process. It also has the political significance. It will help to improve the relations among the countries in the region. "10+3" serves as a unique regional platform for all parties to engage and cooperate through dialogue and joint activities. China and ASEAN have significantly improved their relations in the process of establish-

ing FTA and comprehensive economic partnership. The two sides have now defined themselves as the strategic partnership. China, Japan and ROK started their informal leaders' dialogue annually under this framework, and a joint declaration on strengthening economic cooperation was issued in 2003 by three leaders for the first time in their history.

Based on such progress, a new concept, *i.e.* East Asian Community (EAC) has emerged and seems to be accepted by all sides.<sup>1</sup> EAC is both considered as a long-term goal and a gradual process for cultivating the partnership among all parties in the region.

## **II. Development of East Asian Regionalism**

East Asian cooperation started from pragmatic need without a well-designed political goal, to some extent, even no consensus building. However, as a process, the consensus may be gradually built up.

Economic cooperation and integration provide a fundamental stake for East Asian regionalism. But the high level economic integration can only be achieved step by step due to the great differences among countries in the region. A fully liberalized and integrated East Asian big market needs at least more than a decade long effort.

In facing current multi-layered efforts in building FTAs, it is necessary to make them consolidated and lead finally to EAFTA. Based on the current three "10+1" FTAs formula (CAFTA, JAFTA, KAFTA), there are two choices: one is that EAFTA will be a combination of three "10+1" FTAs, thus let three "10+1" complete first; another is that while three "10+1"

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<sup>1</sup>EAC was firstly recommended by the East Asian Vision Group to "10+3" leaders in 2002. In 2003, Japan and ASEAN leaders formally called on to develop East Asian Community in their joint statement.

FTAs are progressing, EAFTA is to be initiated in an early time and to insure that it will be completed before 2020.<sup>1</sup> This requires political determination of the leaders of East Asian countries.

The success of developing EAFTA is essential. As mentioned above, it is desirable to design and initiate EAFTA in an early time.<sup>2</sup> The significant role of EAFTA is to harmonize the East Asian market system through legal agreements according to the recognized international standards. China and Japan should work together in forging an EAFTA, rather than competing "for a leadership in East Asia and each maintains its influences on ASEAN by promoting their own individual relations with ASEAN"<sup>3</sup>.

The regional financial institution is an important part of East Asian economic community. The Chiang Mai Initiative provides a starting foundation based on the bilateral SWAP arrangements for East Asian financial cooperation, but this needs to go further. The further step is to establish the regional framework of the SWAP arrangement and enlarge its size, and then if this works, it is necessary to move it to a regional fund with the idea of pooling some of the large foreign reserves in East Asia. The main role of this fund is to back up the confidence of the financial market and to serve as a rescue capital if the crisis emerges. Nevertheless, it should also help to enhance the regional financial institutions and the level of

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<sup>1</sup>Three "10+1" approach is already a fact since ASEAN decided to start formal negotiations with Japan and ROK in 2005 and finish them by the end of 2007.

<sup>2</sup>Some Japanese experts recommended launching EAFTA in 2005 and signing a treaty for East Asian Economic Community. See Kenichi Ito, "Japan's Initiative for Economic Community in East Asia", JFIR report, Jun. 2003, p.9.

<sup>3</sup>Sanae Suzuki, "East Asian Cooperation Through Conference Diplomacy: Institutional Aspects of the ASEAN plus Three Framework", p.13.

the financial management.

The political significance of East Asian regionalism is to realize the regional political reconciliation and peace making. Considering its great diversity, East Asia should find its own model for political unity, with the principle of respecting the differences in political systems, social structures and culture colors.

The regional institutional building needs to be strengthened. A further step from current "10+3" dialogue framework to the Summit and then possibly to a regional organization (for example, East Asian Organization<sup>1</sup>) is absolutely necessary. The major role of the regional institutional building is peace making through cooperation under a regional framework. For this purpose, the region does not just need the security dialogue, but also security arrangement. In fact, a pivotal role for the process of East Asian cooperation is that East Asian countries learn how to live together peacefully and to make rules for their relations.

In forging an integrated approach for current multilayered processes, it will not end up the existing sub-regional institution, like ASEAN, or stop individually initiated programs. However, it will have to coordinate all those different progresses into an East Asian framework, rather than competing with each other.

The development of East Asian regionalism has to overcome many difficulties. Great diversity within the region is clearly an obstacle since economic integration is based on high-level economic convergence. For example, EAFTA will have to respect the differences of the economic interests on the one hand, and establish standard system for liberalization of the regional market on the other hand.

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<sup>1</sup>The same group of Japanese experts proposed to establish the "Organization for East Asia" (OEA), p.9.

East Asian integration and market liberalization started from the sub-regions and bilateral arrangements. East Asian institutional building has to overcome the difficulty in balancing the regional institutions and sub-regional formalities. For example, ASEAN's identity and role in East Asian institutional building must be respected, but ASEAN itself has to adjust to the new development in East Asia. Further more, East Asian regionalism includes political cooperation. It needs collective wisdom to define and establish East Asian political cooperation mechanism and security institution without hurting the existing relations both in the region and with those outside the region.

A key factor for the progress of East Asian regionalism is China-Japan relations. East Asian identity will not be built up if China and Japan fail to share common interest and to consolidate each other in the areas of EAFTA, the financial co-operation, the security strategy and the regional institutional building. The current "cooling atmosphere" in the relations between China and Japan delays the progress of East Asian regionalism.

China's active participation and role are also crucial in pushing East Asian regionalism. Nevertheless, China has to clear its own house at the same time. Taiwan issue does not just influence China's role, but also the whole East Asian Community building. China will not allow Taiwan to be involved if its government will not give up its independent policy, and a regional community will not be realized if we fail to find an acceptable way to let Taiwan be part of the regional community process. The division and confrontation on the Korean Peninsula is another factor that should not be underestimated.

As a matter of fact, the process of East Asian cooperation and integration plays a dual role in the community build-



ing: reconciliation among the countries (new partnership), and cultivation for every member itself (towards a new looking). However, we have already witnessed some new development of East Asian regionalism. As mentioned above, a significant step forward is the understanding and acceptance of "East Asian Community" recommended by East Asian Vision Group(EAVG).<sup>1</sup> The consensus has almost been reached in pushing forward the current "10+3" dialogue structure into an "East Asia Summit". If this is to be realized, the embryonic identity of East Asian regionalism will be created.

The current East Asian regionalism has shown its new characteristic feature. Thus, we may call them as "new East Asian regionalism". The current process of new regionalism is economic-centered, equally participated and consensus built,<sup>2</sup> which is totally different from the ancient and modern regional order. We have already found some new features in this process:

Firstly, the institutional building will not intend to develop a regional organization with super-regional power. The regional cooperation is more characterized by a kind of "functional institutional building"<sup>3</sup>. Gradualism and pragmatism are two important principles in the process of regional cooperation and integration. The functional mechanism will help to build up the foundation of East Asian regionalism.

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<sup>1</sup>"Towards an East Asian Community: Region of Peace, Prosperity and Progress", East Asian Vision Group Report, 2001.

<sup>2</sup>Dr. Prapat Thepchatree called it equality, consensus and comfort level in "Towards an East Asian Community", paper presented on NEAT II, 2004, Bangkok, p.5.

<sup>3</sup>Simon Tay from Singapore suggested that the emerging East Asian sense of community be founded on a functional interdependence and institutional identity without exceptionalism. See Simon Tay, "Regionalism and Legalization: Recent Trends and Future Possibilities in East Asia", *Reader*, Singapore Institute of International Affairs, Vol. 4, No. 1. 2004, p.32.