

Panel: China and East Asian Regional Integration (Orchid Room)

Date/Time: Wednesday, December 12, 2012 / 13:45-15:00

Talking Points for: Zhao Huaipu, Director, European Studies Center

Since the 1990s, economics in East Asia have gradually increased their interdependence through internal structural reforms and external liberalization and have further expanded intra-regional economic relations, thus creating a de-factor “common market”.

However, the region on the whole still lacks a strong institutional framework or a solid regional structure, in other words, East Asia is a region with intensified economic interactions and interdependence but without a common political mandate and without any institutionalized arrangement of regional integration.

ASEAN has been playing an active role in sub-regional integration in the past decades (recently leaders of ASEAN countries declared their goal of realizing ASEAN Community by the end of 2015, and in recent years the organization demonstrates a dynamic facilitating function in East Asian regionalization process. Since 1997 ASEAN has initiated regular series of meetings at the Cabinet and head-of-government levels with their counterparts from China, Japan, and South Korea. In 2004, ASEAN signed bilateral FTA agreement with China, followed by similar FTA agreements with South Korea and Japan in 2007 and 2008, respectively. However, the “ASEAN+” model still has many structural problems. It lacks infrastructure and institution to lead the process. Most ASEAN countries are small countries and it is beyond their political and economic capacity to lead the big countries in the process of regional integration and to construct an effective regional security. Accordingly, the ASEAN’s inadequate leadership authority is unsurprisingly reflected by the limited role it can play in diplomatic balance among big powers.

The three big economies in North East Asia, China, Japan, and South Korea do not even have a free trade arrangement among themselves. The growing economic interdependence among their countries since the end of the Cold War has not been matched by a corresponding improvement in relations in socio-political and socio-cultural spheres. Without substantial foundations and levels of social, intellectual and political trust these three countries will not be able to overcome the historical problems making a true full-fledged regionalism in East

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Asia unreachable. Other countries in the region do not have sufficient confidence, nor do they have the economic power to play the leadership role.

Although a grand vision of regional integration (such as East Asia Community building) has been presented and there are growing sentiments among East Asian countries to move towards the direction, there are still many difficulties (including regional security dilemma, and until now there is no commonly accepted and recognized security system or mechanism in controlling and balancing the multi[le regional actors; and political, territorial and historical obstacles) to be resolved.

Since China started the economic reform in late 1970s, the world witnesses the return of China's emergence as a regional and global political and economic power. Particularly, throughout the 1980s and 1990s China's continuous economic dynamism and its constructive role in releasing the heavy pressure of the regional financial crisis in 1997 made China the engine of regional economic growth. The region recognized the fact that it was China, not the US nor Japan, that played the most important role in the region's economic recovery. Today China is increasingly looked as the locomotive of the region's economic growth and development. While having a large surplus in its trade with the US and the EU, China actually has trade deficits with most Asian countries. China's import is helping to fuel the economic recovery and growth of its smaller neighbors.

As a new engine in promoting economic and trade growth China's role in East Asian regionalization process is prominent. On the one hand, China's closer integration with economies in the region, along with a trend toward more assertive political and diplomatic manner, has contributed to great optimism for the economic and political regionalization in East Asia. On the other hand, China's rise has raised a leadership problem that may constitute an unknown factor on the process of increased regional integration in East Asia. Regional integration has reached such a historical stage in East Asia where more structure and leadership is needed. China's future role is vital but hard to define. However, one thing is sure that China will continue to act as a facilitator and enforcer of regional cooperation.

A crucial question to bear in mind is whether political integration in East Asia has ever been

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an objective of the regional integration project? In the case of EU, supra-national sovereignty was historically already part of the initial ideals behind the integration project. Currently, some sub-regional integration movements of free trade (including the proposed ASEAN Community and the FTA agreement negotiations among China, Japan and South Korea) are developing. It is interesting to observe whether these sub-regional movements can generate the positive spill-over effect to eventually reach the regional integration at a higher institutionalized level.

Under the current situation in term of regionalization in East Asia, establishing and enhancing institutionalized cooperation among China, Japan, and South Korea via FTA arrangement is crucial to revitalize and sustain the regional integration process. To this end political leaders of the three countries should demonstrate their visions, political wisdoms and courage and be daring to seek deeper integration among themselves, and in such a way to provide great dynamism for the regionalization of East Asia.

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