

# Developments of China's Changing Role in East Asian Regionalism

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## 《Abstract》

Exuding the characteristic of diversity in culture, ethnicity, politics and economics, East Asia remains an area where broad regionalist sentiment has yet to take its hold. Currently, regionalism in the area can be understood as under three contending forces, China, Japan and ASEAN, with the APEC framework in excess of the region suggested as being possibly the most hopeful construct in advancing regionalism among Asian countries. This author argues otherwise. Similar to NATO, member countries still look towards the US to fill the role of an honest broker for dispute settlement despite the contending fact that some Asian members, like their European counterparts, would enjoy a more closed setting isolated from US influence. With China playing a bigger role on the international stage due to its increased economic and political power, a developing trend seems to be the gravitation of Asian members towards a greater leadership role for China in the region. Generally, Asia is still watchful over the revival of Japanese militarism, thus reducing the possibility of strong regionalism built around Japan. On the other hand, ASEAN serves more as a geographically limited multilateral economic interface rather than a framework that provides for East Asia in its entirety. These developments hint at the possibility of regionalism centered upon Chinese leadership.

## Introduction

China has changed a lot. Even though it is a cliché to say that “China changed,” it is also true that the Middle Kingdom has undergone many changes since its embrace of open door policy in 1979. China's change is seen in many aspects, most notably in economics, as one sees the great reduction in poverty and growth in wealth in its citizens over the past thirty years. With the adoption of the open door policy, China opened up its immense market to the world and reached out the international community. Export figures surged as Made in China spread throughout the world, resulting in double digit growth in GDP since the 1990s. Growth is not only a one way channel through exports; a two lane highway is gradually established with outside investors pouring in large amounts of foreign currency, each setting his eyes on the inexpensive labour, great scale of economy and potential

market to be exploited. In the age of capitalism, economic power implies potential power and leverage in other areas and to this end, China's economic rise has generated discussions and concerns internationally. Foremost, discussions and concerns over China's political attitude leave the world in anxiety and the Chinese leadership trying to persuade the world about its peaceful intentions, though with mixed results. Concerns over the People's Liberation Army (PLA) and its military buildup also has the world eyeing China with vigilance, pondering the possibilities of China's attempt to revive its glorious past with its new found power.

Not only do countries across the Pacific or on the other end of the Eurasian continent feel the impact of China, the presence of a new and powerful China is strongly felt by China's neighbors. China is important culturally, economically and politically in East Asia, with its significance dating back into China's past as the Middle Kingdom or "a nation at the center of the world." World order was thought to revolve around China, yet more specifically, foundation for the Middle Kingdom was based on regional order without the western world. In East Asia, China was *the* realm of marvel and prosperity, a regional political and economic center, until Japan's rapid transformation into a modern state and the forceful entry by the western powers that sealed the fate of the late Qing dynasty. Much has changed in international relations since China's fall into shambles, as massive wars changed how political leaders view the world and conduct relations with other states. Although realist thinking still persists in a world of anarchy, the end of the Cold War has brought forth thought for connection, cooperation and mutual gains.

Since the decline of Chinese power in the early twentieth century, the power vacuum has subsequently been filled by Japan and the United States. Japan headed off its leadership in the region through westernization and an endeavor to join the ranks of the industrialized western states, only to be replaced by the US after its expansionist intentions failed. The expansion of US influence into East Asia changed the calculus of regional order, adding a significant player to international relations in the region. China, Japan and the US has guided economic and political developments in East Asia in turn, first establishing the Sino-centric world order, then moving on to modernization, industrialization and capitalism. In this sense, the three major powers in East Asia greatly influenced other countries in the region while mutually influencing each other through interactions and competition to maintain influence. However, developments in East Asia took a turn in course after a series of events challenged the US superpower and question its leadership in the world. The 1997-98 Asia financial crisis gave rise to suspicion and discontent in Asian countries about US leadership through its incarnations such as the International Monetary Fund, multinational corporations and banks. The world woke up to the threat of global terrorism after the 9-11 incident, which paints the stark picture of violently destabilizing religious conflicts. US leadership reached a low point after its miscalculated war in Iraq, bringing the country more doubts than support and acclaim. Finally, global economic recession headed off by the 2008 US subprime mortgage crisis gave rise to more doubts against the US superpower and a drop in confidence in capitalism.

It is in the context of US decline in power that makes China's continuing development stand out, especially in East Asia. Since China's initial lack of will to take on a larger role in international relations after its adoption of economic reform, a rapidly changing capitalist environment has encouraged China to engage the world for the goal of further economic development. Whether Chinese leaders concede to accepting a greater role in international affairs, the western world has probed China to take on a bigger global role and act as a "responsible stakeholder." In recent years, China has come to have more engagements with the international community through active participation in various global and regional institutions such as the WTO and APEC. In East Asia, Chinese activity is represented by China's interactions with ASEAN and various bilateral dialogues with other members in the region.

With the US power decline and much attention on China's rise and expectations of it to exert more global and regional influence, this paper intends to argue for China's greater role in East Asia. Specifically, China's role is reflected in bilateral and multilateral cooperation in the region that hint at a subtle but growing Chinese influence. China's policy in East Asia is guided by the twin concepts of "harmonious worldview" (和諧世界觀) and "good neighbor diplomacy" (睦鄰外交), which constitute the first part of the discussion. This paper moves on to discuss China's regional role in Southeast and Northeast Asia. In conclusion, this author hopes to offer insights into China's role in the new century and its implications for East Asia regionalism.

## **Harmonious Worldview and Good Neighbor Policy**

With China's rapid economic rise in the post Cold War period, a peaceful and stable global environment is not only regarded by China's leaders as a stabilizer for its economic development, preventing "peaceful evolution" by the West, it is also an important foundation for China to promote its integration with the international political-economic system.<sup>1</sup> Towards the aim for a more benign and beneficial environment for development, China adopts the "harmonious worldview" and "good neighbor policy." The harmonious worldview is adopted with the objective to neutralize the disruptive effects of the "China threat," a viewpoint favored by observers who eyed China's growth in power with suspicion. Correspondingly, China hopes to improve its relations with neighboring countries through bilateral or multilateral approaches under the policy guidance of "good neighbor diplomacy." The harmonious worldview and good neighbor diplomacy are complementing concepts that shape China's policy and actions in foreign affairs.

### **I Harmonious Worldview**

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<sup>1</sup> Chih-Chia Hsu, "China's New Good Neighbor Foreign Policy: Strategy and Behavior," *Prospect Quarterly*, Vol.8, No.3 (2007), p.51. (Chinese)

In 2003, China proposed the policy of “peaceful rise.”<sup>1</sup> However, the result of the proposal generated negative views from the international community and negative linkages among neighboring countries. “Rise” implies the growth of relative power and potential pressure and threat towards neighboring countries, especially under anarchy, when a state needs to pursue self interest and security, any state’s sudden increase in power inevitably causes other state’s insecurity and the rise of security dilemma.<sup>2</sup> As Herz points out, a state that seeks to increase its security has the unintended effect of decreasing the security of others.<sup>3</sup> Buzan also points out that when a state pursues power and security, security dilemma is fostered as it threatens other state’s pursuit of power and security.<sup>4</sup> This may be the reason for China’s proposal of the “harmonious world” in place of the “peaceful rise.”<sup>5</sup>

In April 2005, in the Asia-Africa Summit in Jakarta, Hu Jin Tao points out that Asian and African countries should “promote good friendship, equal dialogue and the development of prosperity among civilizations and jointly construct a harmonious world,” the first appearance of the “harmonious world.”<sup>6</sup> In May, China’s foreign minister, Li Zhao Xing, continues to point out in the foreign minister meeting of Asia-Europe Meeting (ASEM) that countries should continue to strengthen cultural exchanges, promote equal dialogue between different countries, accommodate each other, develop prosperity and jointly construct a harmonious world.<sup>7</sup> In September, at the UN 60<sup>th</sup> anniversary summit, Hu delivered a speech entitled “Making Great Efforts to Build a Harmonious World with Long-lasting Peace and Common Prosperity,” further elaborating on the new concept. Since, with Hu leading, China’s elites have enunciated the harmonious concept at different international occasions, the 2007 white paper on China’s diplomacy also elaborates diplomatic accomplishments of the past year based on the concept of “constructing a harmonious world, realizing common prosperity.”

As “China’s new concept of foreign policy” and “new development of China’s foreign policy thinking,” Hu Jin Tao has made the following explanations regarding the harmonious worldview.<sup>8</sup> First, China would “maintain multilateralism and realize common security.” States should join hands to deal

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<sup>1</sup> Zheng Bijian, “A New Path for China’s Peaceful Rise and the Future of Asia,” <http://www.brookings.edu/fp/events/20050616bijianlunch.pdf>

<sup>2</sup> Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979).

<sup>3</sup> Robert Jervis, “Realism, Game Theory, and Cooperation,” *World Politics*, Vol.40, No.3 (1998), p.317.

<sup>4</sup> Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Boulder: L. Rienner, 1991), p.295.

<sup>5</sup> Chien-Min Chao and Chih-Chia Hsu, “China’s Harmonious World: Theory and Significance,” *Prospect Quarterly*, [Vol.10, No.1](#) (2009), pp.4-8. (Chinese)

<sup>6</sup> “Hu Jin Tao’s Speech at the Asia-Africa Summit,” (*hu jin tao zai ya fei feng hui shang de jiang hua*) <http://www.chinaembassy.org.in/chn/zyjh/2009nianqian/t195315.htm>

<sup>7</sup> “Foreign Minister Li Zhao Xing’s Address at the 7<sup>th</sup> Annual Foreign Minister Meeting of ASEM,” (*li zhao xing wai zhang zai di qi jie ya ou wai zhang hui yi shang de fa yan*) <http://www.fmprc.gov.cn/chn/gxh/zlb/ldzyjh/t195402.htm>

<sup>8</sup> “Establish the Harmonious World: New Developments in China’s Foreign Thinking,” (*jian she he xie shi jie: zhong guo wai jiao si xian de xin fa zhan*) [http://news.xinhuanet.com/world/2006-08/23/content\\_4993067.htm](http://news.xinhuanet.com/world/2006-08/23/content_4993067.htm)

with global security threats, forgo Cold War thinking, erect new security concepts of mutual trust, mutual prosperity and mutual cooperation, construct an equal and effective collective security mechanism and maintain world peace and security together. Secondly, China would “maintain mutual benefit and cooperation and realize common prosperity.” In other words, China would actively push for the construction of a complete, open, equal and non-discriminatory multilateral trade system, and the further refinement of the international financial system, in pursuance of a healthy and orderly trade environment and a highly efficient financial environment for advancing the world economy. China would do its best to contribute towards joint development of nations. Third, China would “maintain the spirit of accommodation and jointly construct the harmonious world.” Differences in history and culture, social institutions and development modes should not become barriers for exchange nor reasons for mutual hostility. China proposes the diminishment of mutual suspicion and separation. Based on the spirit of equality and openness, China makes the proposal to maintain diversity in civilizations, to facilitate democracy in international relations and to construct a harmonious world accommodating various civilizations with other countries.<sup>1</sup>

## II Good Neighbor Diplomacy

Since the end of the Cold War, the trend of multipolarity has developed in both global and regional affairs. The result has not only caused relations among big countries to undergo “major and deep adjustment,” various forces have also undergone new phenomena of recombination, especially the continuing development of economic globalization. These developments have deepened the degree of interdependence among states. In contrast to traditional factors such as geopolitics, military security and ideology, economics plays a role that cannot be neglected in international relations. How to enable China to join with its neighbors and the entire world quickly and smoothly is critical for future economic security and international strategic planning. In other words, since the stability and prosperity in the Asia-Pacific is most compatible with the development of Chinese interests, China must expend efforts to maintain and ensure regional stability as a foundation for economic development. To accomplish the goal, politically, China is developing harmonious neighbor cooperation and friendly and equal relations with neighboring countries. Regarding security, China promotes regional cooperation, dialogue among states and peaceful resolution of conflicts to maintain domestic and regional stability. Economically, China expends great effort in improving relations with East Asian countries to construct a regional security system that befits itself and other’s interests. Good neighbor diplomacy consists of the following points:

- (1) negotiate peacefully to resolve border conflicts and improve relations with neighboring countries
- (2) build companion and cooperative relations and advance cooperation in bilateral dialogue
- (3) participate in multilateral diplomatic mechanisms and promote joint resolution of conflicts
- (4) strengthen economic and trade cooperation

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<sup>1</sup> Chao and Hsu, *op. cit.*, p.9.

It is clear that China's good neighbor diplomacy not only shows that the "harmonious world" is its new diplomacy and the basic blueprint of international strategy, in the 15<sup>th</sup> National Congress of the Communist Party of China in 1997, relevant policy was more clearly iterated.<sup>1</sup> For example, Jiang Zemin emphasized, "affirming to good neighbor is this country's chronic stance, it will not change; regarding conflicting issues between this country and its neighbors, one should keep eye on maintaining peace, stabilizing the overall situation, and seeking resolution through friendly negotiations. If it is not possible to be resolved at once, it may be temporarily put aside, find the common ground and save the differences."<sup>2</sup> The working report of the 16<sup>th</sup> National Congress of the Communist Party of China also points out that China must continue to strengthen good neighbor and friendship, affirm to good relations and companionship, strengthen regional cooperation and strengthen exchange and cooperation with neighboring states. It is also the first time the slogan of "befriending and maintaining good relationship with the neighbor" (以鄰為伴 以鄰為善) is brought out, deepening the policy meaning of good neighbor diplomacy.<sup>3</sup> Hu Jin Tao also points out in the 17<sup>th</sup> National Congress of the Communist Party of China that China will continue to carry forth the neighboring diplomatic policy of "befriending and maintaining good relationship with the neighbor" and actively expand regional cooperation.<sup>4</sup> In sum, the good neighbor diplomacy has become the main direction of Chinese diplomacy since Deng Xiaoping's reign.

### East Asia Regionalism and China's Role

Since the establishment of Sino-centric world order at the height of Chinese power in ancient history, China has assumed an undisputed leadership role in East Asia. The Middle Kingdom lived up to its title as the "country at the center of the world" by attracting merchants to gather at its capital for commerce and trade. Yet at the turn of the 20<sup>th</sup> century, after suffering defeats from foreign incursions, China was no longer the great country that boasted vassals from across the world but a fragmented continent laid to waste by chaos, war and internal strife. East Asia's power vacuum was subsequently filled by Japan and the US while China stagnated in development. Deng Xiaoping's adoption of open reforms gradually set China onto the path of economic development and slow recovery in its position in the region. Since Deng, successive leaderships in China have adopted the harmonious worldview and good neighbor diplomacy, which pushed China to start connecting and engaging with the world. This section offers a brief survey of China's role in Northeast and Southeast

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<sup>1</sup> Ibid.

<sup>2</sup> See [http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/ziliao/2003-01/20/content\\_697207.htm](http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/ziliao/2003-01/20/content_697207.htm)

<sup>3</sup> "Jiang Zemin's Report at the 16<sup>th</sup> National Congress of the Chinese Communist Party," (*jian ze min zai dang de shi liu da shang suo zuo de bao gao*) <http://www.cass.net.cn/yaowen/16da/3.htm>

<sup>4</sup> "Hu Jin Tao's Report at the 17<sup>th</sup> National Congress of the Chinese Communist Party," (*hu jin tao zai dang de shi qi da shang suo zuo de bao gao*) [http://news.xinhuanet.com/newscenter/2007-10/24/content\\_6938568.htm](http://news.xinhuanet.com/newscenter/2007-10/24/content_6938568.htm)

## I Regionalism in Northeast Asia and China's Role

For a long time, Northeast Asia has been a region where cultural, political and economic conflicts abound. Northeast Asia is a realm where different historic memories collide and tangle; fragmentation is the region's richest historical legacy. Different interpretations of history and the legacy of war have major impacts on political and economic developments in the region. The survival of communism in Northeast Asia produced centralist and authoritarian regimes in China, Russia and North Korea, each being a reminder of the Cold War. While China and Russia gradually open up and engage the international community, North Korea adamantly holds on to the banner of communism and openly develops nuclear weapons, proving itself as a destabilizing factor in the region. On the other hand, ideological differences in the Cold War led to open war on the Korean peninsula and its subsequent division, meanwhile sowing the seeds of potential Sino-US conflict. Japanese atrocities in the Second World War generate outrage and protest in its neighbors while Japan's defeat in the war brought the entry of American influence into Asia and the removal of Japan's offensive capability.

Under the backdrop of an array of realist challenges, cooperation in Northeast Asia remains a slight possibility despite regional integration in other parts of the world. Japan and China's efforts towards regional cooperation produced initiatives for sub-regional economic cooperation such as the Yellow Sea Rim Economic Circle and the Japanese Sea Rim Economic Circle. In 1968, Japanese scholar Fukushima Masamitsu proposed the establishment of the Japanese Sea Rim Economic Circle for common resource development and industrial development in the region.<sup>1</sup> The proposal was further developed later by Nishikawa Jun and generated heated discussion in the early 1990s. Correspondingly, Japanese scholar Ogawa Yuhei and Korean scholar Kim Young Ho proposed the Yellow Sea Economic Circle in 1988, which also generated wide attention.<sup>2</sup> However, both projects remained unsuccessful after several years in work, as efforts were obstructed by a general lack of political will and constant tensions in the region.

A relatively more successful regional cooperation plan is the Great Tumen Initiative (GTI), formerly known as the Tumen River Area Development Plan (TRADP) when it was first proposed at the end of the Cold War. The GTI involves the Northeast Asian states of China, Russia, the DPRK, the ROK and Mongolia, with Japan participating indirectly as an observer to the plan's annual meetings. In 1990, Chinese specialist Ding Shi Cheng proposed the idea of a "golden triangle" region in the Tumen River delta, announcing for the first time the theory for the development of the big and small golden

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<sup>1</sup> Luo Hai Tao and Wang Xiao Jun, "The Commentary Research of the Northeast Asia Region Economic Cooperation," *Science Technology and Industry*, Vol.7, No.10 (2007), p.49. (Chinese)

<sup>2</sup> Zhou Zhi Chun and Sun Wei Lin, "Surround the Yellow Bohai Sea Growth Triangle Theory Inquirement," *Reformation & Strategy*, No.9 (2004), p.8. (Chinese)

triangles of the Tumen River.<sup>1</sup> The concept of the “golden triangle” is to exploit the economic complementation in China’s Northeast, the Russian Far East and DPRK to jointly develop the border region of the three states, strengthen infrastructure and revitalize regional economics. Specifically, the “big triangle” refers to the broad region formed by Vladivostok (Russia), Chongjin (DPRK) and Yanji (China) while the “small triangle,” an economic area comprised within the former, is formed by Jingxin (China), Portshire (Russia) and Rajin (DPRK).<sup>2</sup> Amidst initial discussions, high expectations were placed on the plan to develop the Tumen River area into an economic hub in Northeast Asia comparable to Rotterdam and Hong Kong. However, progress remain slow for the plan and out shadowed by tensions and conflicts in the region during its working. Nonetheless, the GTI has remained in activity since its initiation and has developed into an institutionalized cooperative mechanism over time.

Despite the slow progress in regional cooperation, China has taken on an active role in promoting friendship and cooperation in the region. Regardless of political and cultural tensions among regional members, under the guidance of the harmonious worldview and good neighbor policy and a focus on economic development, China has shown an effort to adjust its relations with neighboring states, especially Japan. In 2007, following the visit to China by Japan’s former prime minister Abe Shinzo, Chinese prime minister Wen Jia Bao conducted a formal visit to Japan, realizing the “journey to melt the ice” after Abe’s “journey to break the ice.”<sup>3</sup> The China-Japan Joint Press Communique was issued on Wen’s return visit, reaffirming friendship and cooperation between the two states and China’s commitment to continued peaceful development.<sup>4</sup> It is clear that China is more willing to interact and establish better relations with its neighbors under its new leadership.

On the other hand, China has also taken the lead in revitalizing cooperation in Northeast Asia. Corresponding to plans to develop its coastal and western regions, the Chinese government has adopted plans to revitalize its industrial base in Northeast China. At the end of 2009, China’s state department formally approved the Tumen River Cooperation Development Plan centered on the key development areas of Changchun, Jilin and the Tumen River (Changjitu).<sup>5</sup> In the new plan, China proposed concrete goals for the development of the Changjitu region. By 2012, international cooperation in the Tumen River region would achieve breakthrough developments, with the Changjitu pilot district becoming a highlight in northeast regional economic development; by 2020, China's

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<sup>1</sup> Hui Qing, “Tumen River Development Moves Northeast Asia Regional Economic Cooperation,” (*tu men jiang kai fa dai dong dong bei ya qu yu jing ji he zuo*) *Economy Today*, No.342 (February 1996), p.37. (Chinese)

<sup>2</sup> Chen Cai and Yuan Shuren, *Regional Cooperation in Northeast Asia and the Development of the Tumen River Area* (Changchun: Northeast Normal University Press, 1996), p.237. (Chinese)

<sup>3</sup> Jin Xide, “China-Japan Relations: Breaking Ice, Melting Ice to a New Turning Point,” (*zhong ri guan xi: po bing rong bing dao xin de zhuan ji*) *Global Vision*, No.2 (2008), p.38. (Chinese)

<sup>4</sup> “China and Japan Issue Joint Press Communiqué,” <http://www.fmprc.gov.cn/eng/wjdt/2649/t276184.htm>

<sup>5</sup> “State Department Formally Reapproves Tumen River Regional Development Plan,” (*guo wu yuan zheng shi pi fu tu men jiang qu yu kai fa gui hua gang yao*) [http://big5.xinhuanet.com/gate/big5/chinaneast.xinhuanet.com/jizhe/2009-11/16/content\\_18241852.htm](http://big5.xinhuanet.com/gate/big5/chinaneast.xinhuanet.com/jizhe/2009-11/16/content_18241852.htm)



Tumen River area will achieve major breakthroughs as a developing and open area and Changjitu's economic gross would quadruple to reach the national advanced level.<sup>1</sup> As an established power in the region, it is clear that China would play an important role in spearheading cooperation in Northeast Asia.

## II Regionalism in Southeast Asia and China's role

Following the footsteps of the European Union and NAFTA, Southeast Asia hosts a relatively successful regionalist project in ASEAN. Until recent years, Southeast Asia remained outside the spotlight of international relations as part of the developing world. However, since the collapse of the bipolar system, Southeast Asia has gained much strategic and economic importance. Strategically, Southeast Asia lies at the intersection of the world's two most heavily traveled sea-lanes. The east-west route connects the Indian and Pacific Oceans while the north-south route links Australia and New Zealand to Northeast Asia. Both routes are economic lifelines by which the economies of Northeast Asia receive critical inputs such as oil and other natural resources and export finished goods to the rest of the world.<sup>2</sup> Economically, Southeast Asia possesses an advantage in labor power while the ASEAN countries form a lucrative market in the world economy.

Under the guidance of the harmonious worldview and good neighbor diplomacy, China seeks to build better relations with Southeast Asia. In 1991, Qian Qi Chen's appearance in ASEAN's foreign minister meeting is the first formal contact between China and ASEAN. After the establishment of the ASEAN Regional Forum (ARF) in 1994, China first participated in the forum as a consulting partner and then advanced into a dialogue partner in 1995. In 1996, ASEAN advanced China's status as a consulting partner into a partner state with full dialogue and set up a "joint cooperation committee" between China and ASEAN in the following year. In 2003, ASEAN and China established the "strategic partnership for peace and prosperity" and declared to jointly pursue political, social, security and regional cooperation and interaction. In the following year, both parties agreed on the "Plan of Action to Implement the Joint Declaration on Strategic Partnership for Peace and Prosperity" as a comprehensive plan for 2005-2010.<sup>3</sup>

Yet a more significant development of ASEAN is the cross regional interface for dialogue it provides to the countries of Northeast Asia, a region burdened by heavy historical baggage. In 1997, ASEAN invited China, Japan and South Korea to open an "ASEAN + 3" meeting during its unofficial leadership summit. Leaders from ASEAN, China, Japan and South Korea held the first 10 + 3 meeting in Malaysia and exchanged opinions on the problems of development and cooperation and the future

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<sup>1</sup> Ibid.

<sup>2</sup> Richard Sokolsky, et. al., *The Role of Southeast Asia in U.S. Strategy toward China* (Santa Monica: RAND, 2000), pp.10-11.

<sup>3</sup> See "Plan of Action to Implement the Joint Declaration on Strategic Partnership for Peace and Prosperity," <http://www.aseansec.org/16805.htm>

of East Asia in the new century.<sup>1</sup> In the ASEAN summit in 1999, leaders from China, Japan and South Korea held the first informal breakfast meeting to discuss possibilities for cooperation. In 2001, the three states agreed to cooperate under the framework of ASEAN + 3 and establish a meeting mechanism of economic and trade ministers. In 2003, leaders of the three states agreed to the Joint Declaration on the Promotion of Tripartite Cooperation consisting of cooperation in fourteen economic and non-economic fields.<sup>2</sup> It is obvious that cooperation among the Northeast Asian states has found an indirect channel for realization through Southeast Asia.

Aside from cooperation in trade, financial cooperation is a noteworthy result of ASEAN + 3. Based on the ASEAN Swap Arrangement and establishment of the Bilateral Swap Arrangement, agreed in 2000, the Chang Mai Initiative (CMI) concretely moves forward currency cooperation with the intention of reducing the risks of another financial crisis. Similar to the loan mechanism in the IMF, the swap agreements enable ASEAN member states to acquire relief funds in crisis. Currently, real usable funds amount to \$50 million to \$60 million and depending on the specific BSAs in place between ASEAN states and the three main creditor states of Japan, China and South Korea, the amounts that individual countries can access under the arrangements vary.<sup>3</sup> Coupled with advances in economic interactions under the ASEAN + 3 framework, ASEAN is currently the driving force for regional integration in East Asia. Japan, China and South Korea have established economic partnerships with ASEAN respectively, with free trade agreements (FTA) realized or under discussion. Since discussions for a free trade area after the turn of the century, the ASEAN-China Free Trade Agreement (CAFTA) is officially in effect in 2010. On the other hand, the ASEAN-Japan FTA was signed in 2008 while ASEAN and Korea have agreed to establishment of a free trade agreement by 2015.<sup>4</sup>

Developments in regionalism in Southeast Asia offer an important leadership role for China in the region. Although ASEAN provides an interface for dialogue between China, Japan and Korea, the organization does not seem to have sufficient political and economic strength to become the driver of East Asia regionalism alone. With the memory of the Asian Co-prosperity Sphere still lingering and Korea being a developing middle power short of sufficient political and economic sway, China became a suitable candidate for heading cooperation in the region. Despite cautions of a potential China threat, since the 1997-98 Asian Financial Crisis, countries in Southeast Asia have come to regard China more favorably. As a result of China's decision not to depreciate its currency, Southeast Asia was saved from more economic pressure amidst crisis. After the crisis, since China indirectly exerted considerable positive aid towards economic stability in Southeast Asia, China's

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<sup>1</sup> Jin Xide, "Regional Cooperation in East Asia: Development, Problems and Prospect," *World Economics and Politics*, No.1 (2009), p.50. (Chinese)

<sup>2</sup> See "Joint Declaration on the Promotion of Tripartite Cooperation among the People's Republic of China, Japan and the Republic of Korea," <http://www.aseansec.org/15284.htm>

<sup>3</sup> C. Randall Henning, "The Future of the Chiang Mai Initiative: An Asian Monetary Fund?" <http://www.petersoninstitute.org/publications/pb/pb09-5.pdf>

<sup>4</sup> Mohamed Aslam, "Is Japan Competing with China in East Asian Regionalism?" paper presented at University of Malaya, October 14-15, 2008, p.4.

regional influence showed clear signs of increase.<sup>1</sup> Moreover, compared to Japan and other states with an interest in Southeast Asia, China's establishment of a free trade area in the region consolidates its vital role in Southeast Asia with clear implications for international relations in East Asia. The ASEAN-China FTA (CAFTA) market is estimated to have a population of two billion people and a total sum of production of \$2.4 trillion. Based on the scale of population, the area would become the largest global economic area. In terms of the scale of economics, the area would only trail behind NAFTA and EU. Overall, one may conclude that China is a critical economic player in Southeast Asia.

## Conclusion

With US power diminishing since its foray into the Middle East, producing a difficult attempt to eliminate global terrorism and a failed overture in Iraq, observers and analysts have come to question the role and capability of the US superpower: is it still capable of being the lone superpower or global hegemon? The global economic recession in 2008 dealt a further blow to US leadership, as countries around the world wake up to the failure of capitalism, which inevitably lead to suspicions of other values represented by the US. East Asia has been hard hit once by the financial crisis in 1997 and does not seem willing to undergo another crisis, at least not without making moves towards damage reduction. At this particular juncture, China seems like a favorable candidate to replace some functions of the US in East Asia. As concerns for the China threat remain strong, China's leading role in East Asia is mostly confined to economic issues. Regarding East Asia regionalism, at least three central roles may be envisioned for China.

First, if China continues its steady economic development, it may be foreseeable that China may not be able to stop the momentum for it to take up a greater economic role in East Asia. Although China's priority still lays in domestic development, US economic decline and Japan's historic baggage leave East Asia adrift without economic leadership. China has much economic leverage to be exploited in its neighborhood. Second, China's effort towards cooperation in both Northeast and Southeast Asia suggests that China has an important role in guiding regional integration. In Northeast Asia, even though Chinese effort is confined within its border, with the exception of the DPRK regime, depending on further actions, developments in China's northeast may have the effect of attracting more investment into the region and possibly revive the drive for a regional cooperative institution in the GTI. On the other hand, in Southeast Asia, high expectations are given to the potential economic benefit of CAFTA and further integration in East Asia following the success of CAFTA. In Southeast Asia,

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<sup>1</sup> Eric Teo Chu Chew, "China's Rising Soft Power in Southeast Asia," *PacNet*, No.19 (May 3, 2004), p.1; Jean A. Garrison, "China's Prudent Cultivation of "Soft" Power and Implications for U.S. Policy in East Asia," *Asian Affairs : An American Review*, Vol.32, No.1 (Spring 2005), p.26.

China's economic performance is the key for continued developments towards East Asia regionalism. Finally, China has the potential to offer economic guidance and a model of development in East Asia through its status as a creditor country within the Chang Mai Initiative. Although China is not without economic problems such as corruption, failing state enterprises and development and wealth inequalities, the Chinese model of economic development offers an alternative to the western capitalist model headed by the Washington Consensus. At the critical juncture of an economic recession, the Beijing Consensus may seem more attractive for states that begin to lose faith in undisciplined capitalism.