Regionalism under international regime:

The trend of economic integration in East Asia.

Ching Shih

Illinois State University / National Chenchi University

Ching Shih

19 th Annual Illinois State University Conference for students of Political Science

January 28, 2011

Abstract

The exercise of regional integration in international relations requires supporting of objective elements, especially appropriate international norms and favorable relationships with other countries, which can facilitate the construction. A compatible international institution became a useful instrument, to establish international regimes and reduce uncertainty among anarchy effectively.

From the perspective of Institutionalism, this article examines the changing Asia region and the economic integration under ASEAN multilateral cooperation agreements. It mainly inspects how China used power by involving itself in the East Asian regional integration progress, further utilizing opportunities to construct international regimes, which fulfill their own interests. This is done through leadership strategies to cooperate with others, and successfully strengthen regionally shared ideology between adjacencies. As a result this promotes interdependence, reallocates regional power hierarchy, strengthens China’s power via further accumulation, and promotes East Asian coordination.

Overall in order to further inspect the relationship between regional cooperation and its alteration of power hierarchy system, this article will be divided into several sections. The first part mainly collects the theories and researches of international regimes, to analyze synthetically and interpret related historical contents. The second part utilizes timeline as the main structure by looking back on China’s changing role within ASEAN. The last part further analyzes the regionalism in Asia, and the strong power rising as a result of the regional cooperation.

EXPLAINING THE POWER REALLOCATION

IN THE ECONOMIC INTEGRATION PROCESS OF EAST ASIA

In recent years, with rapid growth in economic and international trade, a more intensive cooperation between different countries enhanced regional interdependence in the East Asian region which led China among the Asian integration to become a new focus in international relations. The motivations behind economic integration is the hope to achieve better allocation with efficiency and provide overall greater benefits by removing trade barriers to stimulate the flow of produced and tradable goods and services, resources and ideas (Dani Rodrik, 2000, p.182). However, regionalism relationship between China and East Asia is more complicated. As Keohane noted, asymmetrical information, when one part know more than another, can lead to serious problem in state interactions. However, regimes provide important information between countries, reducing the risks in making cooperation agreement. This article tries to analyze the process that China brought into regional economic organizations of ASEAN, analyzed how China utilized economic regimes to interact with other Asian nations, beneficially in reducing the perceived risks and reducing the cost of various interactions in order to understand the re-allocation of regional hierarchy in the Asia power system.

Research hypothesis includes:

1. Governing arrangements in international institutions can build up effective international regimes; this further motivates interdependency between nation states.
2. China alters its foreign policy to further participate in international organizations such as ASEAN, which further increases its influence among the region.
3. A stronger power incline is necessary to lead the international institution, and further establish beneficial international institutions designs for cooperate function.

**Methodology**

In order to comprehensively understand the progression of regionalism in East Asia, this article mainly researches in the Historical Analysis Approach and the Context Analysis Approach, to develop a more comprehensive understanding of the regionalism in East Asia. Tracing the succession of China-ASEAN relations, explicitly outlined the ongoing sequences since the 1990s, analyzes how China economically became involved in the regional cooperative organizations, then centralize on most recent periods, which emphasizes the reciprocal relations and regional identity after the East Asia Financial Crisis, and the sequences of China’s shifting role and strategies that participated in this regionalized evolution.

With the Historical Content Analysis approach, this article tries to assemble and organize specific data of the regional organization which China participated in for the past few years. Under a specific historical timeline, it further analyzes China’s turning itself from a less powerful country to a more powerful country with different circumstantial interactions with other Asian members. Moreover, it assists with information gathering; government documents and the official statistical data, as well as the research results from other scholars. Synthesized historical factors affecting China take on a different position, and different policies from China depend on the international situations.

**Result**

1. **Theories and concepts of international regimes**

International regimes, as one of the elements that are essential to understand current progress on regionalism and international cooperation, have particular relevance to the progress of regional cooperation in Asian politics. Progress in Asia’s regionalism is not only concerned with region-specific geographical characteristics, it is also informed by the political, economic, strategic and cultural concerns that take place in the environment. In order to have a clearer concept on international regimes, this part particularly focuses on understanding of the regional settings of the regimes and principles which develop regionalism.

1. **Concepts of international regimes**

The international anarchic system in the sense that it lacks an authoritative central government between nations which can enact and enforce rules of behavior, states among anarchy must rely on the means they can generate, and also make the arrangements so they can maintain security and benefits for themselves.(Waltz, 1979, p.159) Thus, a governing arrangement, which focuses on one or several given issue-areas, based on actor’s principles, norms, rules and decision-making procedures further initiates a specific rules, which are known as regimes.

International institutions or international organization usually can establish a positive relationship between countries and further facilitate interstate cooperation. As Institutionalism emphasizes, the importance of institutions or regimes is because they can largely in mitigate the effect of anarchy and additionally enhance the prospects for cooperation among states (Sara McLaughlin Mitchell, 2007, 723-725). On another hand, neoliberals assumed that international institutions can facilitate cooperation by decreasing transaction costs, reducing uncertainty, and increasing the flow of information among states. This further achieves a more harmonious relationship between nations.

For the rising power, international norms and regimes represent essential elements. Successful and accredited international regimes rely not only on decentralized enforcement but also on governments’ desires to maintain their reputations (Keohane, 1984). The international regime of regional institutionalization is sometimes explained as a method to allocate power by the most impregnable state. Because of the rules and regulations of norms within the framework of formal institutions, hegemonic powers resort to transnational regulatory networks to foster their benefits and recognitions from its neighbors.

In some aspects, in order to guarantee and maintain its own interest within the procedure of regional integration, emphatic powerful countries may conduct construction on international regime, to set up favorable rules which coincide with its own interest (Keohane, 1984). Further, states tend to utilize norms with rational-choice procedures, legitimately reinforce benefits and guarantee their rights. Regimes may help to facilitate the agreement to reduce barriers which are created by high transaction cost and uncertainty, and it also reduces the cost of legitimate transactions. As Cooper (1993) indicates the energy and circumspection of a leading power can be revealed more explicitly by examination of its relationship with fellowship. While Mearshiemer (2005) also postulates that great powers strive for more vigorous power, and often do not regard other regional powers as competitors. They usually cooperate with other in order to further facilitate and achieve willing of subordination for a stable hierarchy system. Thus, interdependency and consensus of regions will be the important prerequisite for hegemony within regional cooperation.

1. **Three main branches of theory of international regimes**

Stephan Haggard and Beth A. Simmons (1987) stated that international regimes assume patterns of state action are influenced by norms, but that such norm-governed behavior was wholly consistent with the pursuit of national interests. However, not surprisingly, analysts have had serious disagreements about how the “norms" and "principles" of a regime should be defined. According to the explanation by Volker Rittberger and etc., who classified international regimes as power-based, interest-based and knowledge-based that are three main theoretical approaches.

1. Realism

International politics is a competition of state of nature, so that states must rely on the means they can generate and the arrangement they can make. Focus on the actions of nations as main actors (Andreas Hasenclever, Peter Mayer, & Volker Rittberger, p.6.), power as the key role in cooperation and conflict, and distribution of power resources is also an important focus.

1. Neoliberlaism

The main assumption from Neoliberlaism is that international society is in the anarchy situation, since with certain institutional forms and codes for conduct, states can conduct mutually beneficial agreement for mutual interdependence.

1. Cognitivitism

This approach of perspective is based on international relations as social construction, and it emphasizes subjective variables that affect a states’ behavior and its role in the process. It emphasizes the importance of international ethics and culture, and identities. Further norms in adjusting relations among states. There are two schools of Cognitivism, which are Strong Cognitivism and Weak Cognitivism. The Weak Cognitivism focuses on prevailing forms of reasons that identify and assess the interests of nations. Actors based on acknowledging the international situation, further make decisions on their interests establish a theory on interest.

On the other hand, the Strong Cognitivism focuses on the interpretation of international regimes, that stress the social norms and regimes are the basic fact for decision making. It further interprets the way actors influenced in their decision making and mainly focuses on “learning”, which indicates the formation of the learning process that the regimes can change and shape at the same time (Andreas Hasenclever, Peter Mayer, and Volker Rittberger, p.86.).

No matter which theoretical approach mentioned above is used, since the formation of international regimes was mainly based on artificial allocation and design for specific purpose, analyzing the motivation of actors who set up and control the regimes will be the essential elements to understanding the interaction process of cooperation.

1. **China and East Asia regionalism: space for a growing power**
2. **Economic regionalism in East Asia**

In the past few decades, the external trade of ASEAN countries and China grew rapidly. The average annual growth rate in ASEAN from 1980 to 1996 was 11.01 percent, and China was 14.18 percent, much higher than the world average of trade 6.64 percent. The significant growth in trade is not merely the export rate, but also bilateral trade achievement between ASEAN and China accelerating further regional interaction.

From many aspects, complicatedly influenced by their different powers and integrated with diverse regional cultures and politics in the region, Southeast Asia is a diversity region which has difficulty when facing regional coordination (Zhao Jianglin, 2007; Rodolfo C. Severino, 2007; Alice D. Ba,). Nevertheless, numerous external factors in the international politics system and new internal factors emerge in the Asia region still encourage further actions in the regional develop cooperation.

Generally speaking, there are three main motivations that initiate regional integration, it includes the pressure from general context of globalization and regionalization, especially from the illustration of deepening and widening in successful combine of EU and NAFTA; the impact from Asian financial crisis of 1997 which stimulate regional identity and opportunity of cooperation; mutual interaction result in growing ties among East Asia, these elements build up the enthusiasm reinforce the East Asia regionalism.

However, in reality the structure of ASEAN countries and China are both labor-intensive, resources-based export and export-oriented countries, and this Asian regional cooperation in many aspects could be regional competition on manufacture. Thus these characteristics of economic structure may need countries some compromise and continuing efforts to eliminate the risk of trade diversion and undergo related structural adjustments. Encountering these tremendous China cheap goods economies, ASEAN will have to develop a more harmonious relationship and improve its economic competitiveness at least in the short time. Nevertheless, the Asian integration operation progressed obviously rigorous under the interwork of globalization and regional conspire arrangement. Here are two figures below which indicate the increasing interdependence between Asian countries with great correlation of economic growth.

Figure 2. 2008 ASEAN trade proportion with top five trading partners

*Note.* The data adapted from “ASEAN Economic Community Yearbook 2008”, ASEAN Trade database.

Figure 3. China proportion of trade in region 1980 to 2005

*Note*. The data are adopted from “2005 Chinese statistical yearbook”, National Bureau of Statistic of China

From the statistical table above, it obviously indicated the growing mutual relationship between ASEAN countries and Asia, while China represents one of the most important trading partners in this integration.

**Figure: 1**

**Figure: 2**

**Figure: 3**

Meanwhile, economic capital accumulation may result in re-allocation of comparative power within the region. A hierarchical international system with dominant power at the top, may alter the distribution of power resources based on political and economic resource allocation patters correspond to dominance in some aspects (A.F.K. Organski,1958). This regional power is geographically, economically and political-ideationally delimited (Dani Rodrik, 2000, p.180). It influences with a significant way in this geopolitical delimitation and the political ideational construction of the region. Furthermore, it can displays the material, organizational and ideological resources for a regional power projection to achieve economically, politically and culturally interconnected of the region (Pradumna B. Rana, 2006, p.9-14).

As cooperation relationship deepens, some power states may spontaneously become more influential, some may need more subordinate, and inevitably develop into power hierarchy within the region. Since the regionalism among East Asia is still a developing process, as the time pass and varied adjustments in political and economic policies, China evolving assorted aspects in the procedures, implicated its growing influences and powers with greater initiatives from economic to politics aspect, which further engaging as a regional hegemony leading the coordination in East Asia region, accelerating the emergence of regional power reallocation.

1. **The Proceeding of Asia Regionalism and China Engagement:**

**A road through international regimes to greater prosperity**

The process of Asia regionalism and China’s changing role within could be explained as a phenomenon involving closer international institutions into greater prosperity. It is assumed that once cooperation relationship deepens, some of the powerful states may represent more influential, and the situation of allocate power hierarchy will inevitable emerged within the region (Heribert Dieter, 2009, 74-80). With the intention of economic development and motivation to growth, and the new international situation of power allocation, China has increasingly achieved more dominant role since post cold war era. It has shifted its foreign policy from one that avoided engagement in international organizations to one that is now embracing them; China’s motivation of regionalism is not merely in economic development but also on political impact. Overall, China and its relationship with other Asia countries, and the new regionalism in Asia can be further understand in a comprehensive way, from its role changing and shift of its foreign policy with ASEAN under historically.

1. **After cold war:**

During 1950s and 1960s, under the extreme tension between bipolar super powers of the cold war, the competition of political power and the security issue dominated the foreign policies in Asia; of course organization aim at security issue was therefore established. Under the necessity of political connive, the United States implicated the containment strategy and established several regional organization within Asia area in order to retain the spread out of Communism influence. Most of the organization established on the purpose of military and containment under the command of the United States, which are more characterized with United States leading “Asia-Pacific regionalism” than their own functional necessity. Without fundamental common interest, this organization coerced by political powers only lasting for a short period and mostly dissolved soon. After the changing of circumstances in international system such as democratize of Cambodia or the rebuilding relationship between Indonesia and China in 1989, the environment of East Asia animated more international tendency to normalize relation with China, reforming the need of multilateral interaction in East Asia region.

1. **1991-1994: Balance of Power**

In the period of the early 1990s, China was neither lacking of power nor with status on international system. At the initial novice of regional development, China based on the principle of “balance of power” to implement its diplomatic relation with other nations, and engaged more alliance with the form of trade partner, to enlarge its economic and political scales of influence. Consequently, China cooperate with other Asian members participated into the APEC(Asian Pacific Economic Commission) and also promise to the First Agreement on Trade Negotiations among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific (also known as the Bangkok Committee). This participation into regional activity also expressed their friendly intention to support other developing countries in East Asia, for achieving the goal of balancing or even contend with vigorous power from developed countries such as United States.

At the same time, the shifting priorities of U.S diplomatic evolvement both on trade and security created a considerable uncertainty in East Asia, further bring out a changing relationship between U.S and East Asia (Alice D. Ba, 2003). In the late 1980s and early 1990s, U.S. economy encountered further difficulties, thus with less willingness to support existing security arrangements and without any trade concessions to its alliances, this unilaterally attitude causing more concerns among ASEAN states toward U.S, then indicate a correspondently changing attitudes in Southeast Asia(Alice D. Ba, 2003).

Nevertheless, the U.S equipped with great economic capability still remained the most important extra regional partner for ASEAN, and ASEAN also need to continue their partnership with U.S. Therefore, under the reality, ASEAN tried to undertake an alternative political framework participated in the ASEAN Regional Forum (ARF), to address more negotiations and resolutions among this regional imbalance of power (Donald Crone, 1993). But these changing circumstances between U.S and ASEAN countries represented a shift from past U.S-centered alliance system to more Asian-focus and motivated reconsideration the ASEAN relationship with China.

1. **1995-1997: Active on initiative of Cooperation**

As the deepening of transnational production networks, the growing share of intraregional trade and substantial investment flows are providing the basis on which a process of regional political cooperation in East Asia region. Also on the other hand, under the progress of liberalizing economics, China gradually showed its enthusiasm evolving in the regional development and cooperation. Its passions and efforts to gain the chance of holding the regional ministerial conference for Asia regional affairs show out its ambition on the region leading. In order to encourage further coordination with other nations, China also providing its alliance, which majorly are ASEAN countries, with tremendous public goods and numerous financial assisting programs, voluntarily supported new technology collaboration proposals with other state members of APEC. Notwithstanding, the most significant regional cooperation movement which China had provided for East Asian financial stability system during the Asian Financial Crisis, then further enhanced regional identity during this common hardship.

1. **The Shift for Asian Regionalism: Asian Financial Crisis**

The challenges of economic crisis represent as an opportunity for strong power to stand out conspicuously. In this hard time, besides the passive reaction from western countries and also China active willingness and attitude on providing public goods and mutuality assistant programs, firmly established China as a leadership status within the East Asia integration.

In 1992, the tremendous financial crisis among East Asia not only exposure the weakness of East Asian economic system but also accelerate the identity of East Asia and further power changing in the region (Heribert Dieter, 2009, 74-76). Responding to the economic weakness, the necessary for policymakers to pay greater attention to managing the forces of financial globalization, particularly in an economic system of rapid short-term capital flows. Actually it is not until the crisis that the implications of the scope and magnitude of short-term capital flows were not fully understood by international investors, policymakers of the lending and borrowing countries, or international financial institutions. Management of financial globalization requires more cooperate global frameworks that reduce capital flow volatility and enhance stability of the system. Secondly, emerging market economies need to strengthen domestic financial and corporate sectors. This task requires effective regulatory and supervisory frameworks for enhancing management and governance of financial institutions and corporations. Thus, the management capacity of asset how important the governance is. Furthermore, the reaction from different nations among East Asia simulate a chances for unite. Meanwhile, the reaction from APEC is not active, the proposal for multilateral dialogues and economic concur even rejected by United State. United States insist undergone the IMF strict structural adjustment operation, that may deteriorate the economic circumstances(Mia Mikic & Chorthip Utoktham, 2009, p.38), redirect the attention for support from western countries to Asia’s own region. Other major power, such as Korea and Japan devote their ability helping the possibility of coordination to mitigate the crisis, collectively facing the regional problem and further stimulated ‘‘East Asian recognition’’.

1. **China’s Role After Crisis**

The economic crisis spontaneously formed as an opportunity, to examine tremendous growing power of China and its willingness to cooperate with other East Asia countries, it reminds the importance of regional monetary concurring, motivated the establishment of Asian Monetary Fund (AMF), and the Chiang Mai Initiative (CMI). Interestingly, within the portion of monetary resources distribution of this initiative, there is obvious a power competition between Japan, Korea and China, however, in the end of the initiative collaboration, China and Japan have the same percentage for contribution while Korea as the third contributor. From this aspect, the leadership for East Asia region is competitive between the new emerging power China and the past hegemony Japan. Moreover, a core currency acting as a power for stability among policy coordination of different nations is necessary for regional monetary cooperation. As the US dollar in NAFTA, and Euro in EU, while during the period of financial crisis in 1990s, China had obviously as a key member stabilizing the international currency through holding the currency value of RMB as public goods from fluctuation, additionally to provided substantial economic assistance for other countries in the East Asia region. This decision of providing public goods is not only aim at maintaining the stability in the crisis, but also providing as powerful resource for recovery. In contrast, the value of Yan decline tremendously, and Japan fail to provide sufficient and instant assistance for Southeast Asia countries owing to its diplomatic strategy, which trigger the reallocation of power structure in East Asia.

China offering essential assistances and providing resources to enhance the relationship with other alliances, these cooperation measures also initiate mutual confidence between members, establishing positive impression to other states among international system. Overall, the Asian Financial Crisis provided an opportunity for China to express their expectation, which China should act as a "stable responsible regional power”.

1. **1999-2001: Inclination to Be a Leader**

At this period of time, China actively participated and even tried to lead some of the important activities within the regional integration, in order to show China tendency as being a regional leader to influence the international regime. China’s growing influence also indicated from its interaction between other East Asia nations. It was further indicated through the experiences of hosting APEC committee and sponsoring for the Boao Forum for Asia, which is one of the most important regional meeting in East Asia, further implicate the importance in the region, trying to broaden consensus between regions, increasing mutual trust and strengthening comply in many political and economic aspects (Bergsten, 2000, p.5-6), showing more pull together attitude and willingness in East Asian.

1. **2001-present: The Next New Regional Hegemony**

Further need on regional cooperation among Asia was re-emphasize by the Dr. Mahathir Mohamd and the Prime minister of Malaysia, which initiate the building of The Association of Southeast Asia Nations (ASEAN). Under the consideration for regional security and politics, in 1967, the formal new regional organization aimed at cooperative security, Association of Southeast Asian Nations, was established in Bangkok.

From 1967 to 1976, the ASEAN is very limited on its accomplishments, without too much specific contribution only release several announcements to guarantee its purpose for regional peace, freedom and neutrality. Until 1976 to 1989, Facing common military threat from communism and the need to accelerate the economic growth, cultural and social progress among region, the ASEAN established the regional forum and several collaboration framework on economic connive agreements, which activate more regional economic progress under multilateral structure.

It is believed that behind economic integration by the removal of all man-made barriers, can better stimulate the flows of produced and tradable goods and services, resources and ideas (Mia Mikic & Chorthip Utoktham, 2009, p.32), then achieve better allocation used with greater efficiency and provide greater total benefits. China with abundant economic and political power, gradually playing a important role within the ASEAN organization, leading the emergence of ASEAN plus one, facilitate agreement on ASEAN plus three, also initiate other economic even political cooperation opportunities.

However, whenever ASEAN cooperate with other East Asian countries, they always utilize the Regional multilateral institutions which aggregate ten ASEAN countries combination as a bigger economic community, and try to surpass over other nations. This method of combination with alliance also indicate the principle of balance of power (Kevin G. Cai, 2003), and the purpose that ASEAN try to overcome its initially weakness on the economic scale, further develop cooperative relationship with China.

1. **Promotion of Free Trade Area (FTA)**

Starting from 2001, the idea of Free Trade Area where producers will benefit from better supply of resources thus enable to serve larger markets and the consumers can enjoy greater variety and lower prices for consumption proposed as the basic element of economic community widely(Mia Mikic & Chorthip Utoktham, 2009, p.37). The ASEAN plus three cooperation (ASEAN cooperate with Japan, China and Korea) expected to create more efficient infrastructural and transport networks, and additionally create more employment (Sarah Y. Tong & Catherine Chong Siew Keng, 2010, p.1-2). Therefore, the initiative for ASEAN plus three spontaneously emerged during the ASEAN plus Summit; achieve the goal aiming to establish the Supplementary Regional Financial Arrangement, and to implement regional measurements.

Despite the enthusiasm for an East Asian grouping has been accelerated after the wake of the Asian financial crisis, numerous existing obstacles in reality still hinder regional integration process. Especially the huge gap of economic development levels between East Asian countries, require different policy priorities and interests. Diversity among members impedes ASEAN countries to coordinate swimmingly. Indeed, the FTA framework need evolving unanimous on fiscal policies, regional dynamic, technological assistance, macro-economic coordination and ulterior issues of concerns, these cooperation agreements requires adjustment and compromise to each other to achieve the goal of integration.

However, acknowledged numerous difficulties of East Asia regional coordination, ASEAN members alternately turn their attention from ASEAN plus Three agreements to solely agreement with China, expecting China will represent a much more significant role and provide more motives to cooperation and facilitate the regional economy. Intend to response this request, Beijing government proposed several projects and agreement on align, and initiate the China-ASEAN Free Trade Agreement Proposal in 2002, which was immediately accepted by ASEAN. In 2004, China and ASENA subscribed the “China-ASEAN Framework Agreement on Comprehensive Economic Cooperation Agreement on Trade and Foods”, consolidated the China-ASEAN trade dispute settlement mechanism, and stabilized an interactive network of trade relationship. In 2007, both sides committed to the rules on trading in services agreement, while 2009 accede upon the Investment Framework Agreement and intend the China-ASEAN Free Trade Area (CAFAT) into practice in 2010. Progress between these two partners involve most rapidly, effectively and successfully in East Asia regionalism.

1. **Related positive adjustments from China**

Toward ASEAN, China was influenced by a desire to reassure his partners and diminish their fears of a coercive, therefore such adjustments and compromise toward ASEAN from China obvious showed China friendly attitude and great commitments toward other ASEAN members (Ralf Emmers, 2005, 650-651; 張心怡, 2010, 136-138). As noted before, the international regimes by participate in international organizations, in order to build shared identity and benefits (Mark Beeson, 2009, p.500-501). Especially from the aspect of psycho-sociological persuasion, participation in common rules and norms can help to develop new attitudes and preferences, create sense of shared identity thus provide (Joshua Kurlantzick, 2007, 68-70).

Since similar economic structure between Southeast Asia and China may potentially contribute to serious competition further arouse considerations from East Asian countries, and ASEAN also hope to ensure their comparative advantages and benefits in this cooperation. With these purposes, in 2004 China offered a unilaterally zero-tariff market to ASEAN members beforehand for three years(Masahiro Kawai, 2004, p.17), which well known as the “Early Harvest Program”. Further the China-ASEAN Protocol on Enhanced Dispute Settlement Mechanism and Agreement on Trade in Goods were signed at the tenth China-ASEAN summit 2004.

Contrary to China actively involve into trade policy, other Asian countries may not so willing to accept a new free trade agreement so rapidly. Not until the success cooperation between China and ASEAN had further stimulated its willingness, the pressure pushes Japan following the framework, consulate the economic partnership in 2004. Japan is more hesitate to open the free trade market with ASEAN countries due to its agriculture trading deficits (Pradumna B. Rana, 2006, p.25). The FTA between South Korea is also under progress, adopting further economic policies and proliferation of FTAs within East Asia is being proposed and under implementation, aftermath, the increasing trend of economic unite is inevitably increasing. Above all, the ASEAN-China agreement is the most successful and efficient one, while other two regional exercise slowly under process, but still may result in better integration.

1. **The regional integration and regional hegemony**

As regional integration correspondent with numerous multilateral institutions, it offers an opportunity to influence states behavior and make their actions more calculable. And it is assumed that the international institutions can also reduce the uncertainty among nations, further enforcing agreements and help stats achieve collective gains (Robert O. Keohane, 1998, p.83-85). However, at the same time, international institutions can also be used as instrument of discrimination and exclusion against other states, and further power redistribution in this hierarchy system. This reflects the difficulties for cooperation between China and ASEAN.

The movement of ASEAN and China toward FTA not only implicate the changing relationship of regional power, but also reflects the adjustment of their foreign policies of direction in East Asian integration. In the past few years, China have difficulties to cooperate since the countries in East South Asia are in some level of similarity (Shambaugh, David L., 2004, p.64), thus negative attitude and fear often took China as a threat in many aspects. Even though it is generally presumption that economic coordination will accelerate mutual benefits in the empirical (Andrew Rose, 2005, p.696), and ASEAN-China Free Trade Area also seems cooperated smoothly, but still, with the emergence of regionalism in East Asia area, there still bring tensions about whether China is a parent or is actually a threat. Furthermore, with primarily similar economic structure with China, the underlying properties of comparative advantage and export competition from other countries still indicated China as a concern or even a threat. To further understand the trade relationship between ASEAN and China, and understand whether this relationship represent opportunity to pull regional resource together or actually as a threat rival with other developing countries.

1. **China as a trade partnership**

The progress of East Asia region cooperation has grown much more dependently and rapidly than 1993 as we discuss in the beginning of the article, while generally assume that a larger scale of economy is, can attract more movement of goods and services between countries and foreign directly investment (FDI), facilitate more supporting to the prevalent practice of MNCs to invest (Luis A. Rivera Batiz & Paul M.Romer, p.532-537).

Figure 3: The proportions of trade between ASEAN and selected partners.

*Note.* The data are adapted from “ASEAN Economic Community Yearbook 2009”, ASEAN Trade database.

From the figure 3 above, it is obvious that the progress of economic cooperation in East Asia region is immense and continuing increase. Enormous scale of economy established by the collaboration expansion like China-ASEAN free trade agreement, may attract and facilitate the movement of goods and services between countries, supporting the MNCs to invest, thus in ideal presumption, ASEAN can benefit in terms of more foreign direct investment inflow into their regional area.

In China’s aspect, it supports the establishment of ACFTA, and adopting this policy as an active participation to international regimes, broadening consensus and increasing mutual trust and strengthening collaboration. This agreement adopting the strategy of using ASEAN-China Free Trade Agreement (CAFTA) as the stepping stone, to occupying more substantial position in the process of CAFTA and establishing future region-wide grouping in East Asia. From the perspective of ASEAN, the decision to form an FTA with China is motivated by benefits of alliance with Northeast Asia, especially the enormous market in China, attracts countries to enhance mutual trade dependence and partnership, which can strengthen its position in global market, and increase its prevention under cooperative power to prevent circumstances like financial crises. If aggregated growth in East Asia can be sustained to facilitate the structural adjustments necessity to optimize regional specialization of labor, and more specifically, a preferential market access will granted to ASEAN countries for more advantages under this ASEAN-China free trade agreement.

In order to express their friendly toward other ASEAN countries, China in the process of evolution within China-ASEAN relations attempt to established an image of a “cooperative hegemony”. Co-operative hegemony is a “soft “form of domination by means of cooperative institutional arrangements based on long term strategy (Pedersen 2002). Regional integration and institutionalization are instruments of power aggregation, that is especially important for emerging regional powers which want to boost their influence in global politics, while in the situation of East Asia integration, China actively participate with regional organization and further initiate multilateral international trade institutions, which correspondence with the soft domination arrangement of co-operative hegemony. Furthermore, a domination based on co-operative hegemony is more stable and more legitimate. Because China co-opts other states via positive incentives and guaranties stability in the region; secondly, the institutions can mitigate fears of cheating and so allow comply to emerge and provide as a information necessary to serve as reliable solutions to distributional problems, so can alleviate fears of unequal gains from cooperation.

1. **China as a trade rival**

Some research indicate through trade flow analysis that there is still an extensive patterns of export-competitiveness, Chinese economic emergence is giving significant new growth of East Asian regional economy, but as David Roland Holst and John Weiss (2004) noted that in the short run at least, ASEAN and China are experiencing intensified export competition in prominent third markets such as Japan and the US. These competition at least in two dimension, one is competition in trade and another is competition in investment.

At least in the short term consideration, the market export competition between ASEAN and China do exist. Substantial loss of ASEAN export markets share with Chinese exports across the majority of product categories to the market of US and Japan in the period of 1995 to 2000 (Holst & Weiss, 2004). Due to similar export structure, China’s top exports accounting for about 84 percent of its total exports are also ASEAN’s major exports (Jose L. Tongzon, 2002). Further according to the computable general equilibrium (CGE) approach and studies commonly conclude that China will obtain a considerable market share in various commodities at the expense of other developing countries.

However, not only with similar export structure result in competition in trade, the research of revealed comparative advantage index (RCAI) also indicates that China with comparative advantage on these labor-intensive exports, which overlap and may compete with ASEAN countries, and influence the foreign direct investment(FDI) flow between region, thus the competition in investment is another consideration. To eliminate the suspicious from other counties towards its intention of development, China tried numerous cooperative programs with its partners. China launched a US$ 10 billion infrastructure investment fund to improve road, railway, airlines and information telecommunications links between China and ASEAN (Raul L. Cordenillo, 2005). China also providing a US$ 15 billion credit facility to promote regional integration and regional connectivity. With China’s global investment strategy just beginning to take off, and judging from the US$ 52.1 billion in FDI outflows from China in 2008, there would be more investments along the value chain in ASEAN. All these endeavors from China were trying to erase the image of “rising as a threat” for other countries.

1. **China is not the only regional hegemony**

Some authors had presumed that China growing may reduplicate its role as a core empire in the Asian regionalism history again. Especially some authors like David C. Kang (2003) arouse the explanation from Asian perspective to analyze international relationship in Asia, and also the classic tributary relationship analyzed by John King Faribank (1968). Despite the significance of China’s regional rise and the allocation with other ASEAN countries seems part of its strategies for hegemony, some scholars argue that it is too arbitrary to conclude that the Asian regional system has become Sino-centric or dominated by China (David Shambaugh, 2005). From the regional conspirator data, it is not hard to find out that China shares the regional stage with the United States, Japan, ASEAN, and increasingly India. The United States remains to be the region’s powerful actor, although its power is neither unconstrained nor uncontested. While as for Japan, which is biggest economic in East Asia region, its economic weight and ASEAN’s normative enounce are also significant elements in the emerging Asian order. Furthermore, its advanced economic structure which specialized more on high-technological, enable it to consolidate its comparative advantages in the trade integration. Moreover, the ASEAN free trade area utilize the economic aggression of ten countries combination also the regional multilateral institutions, to ensure their status within the regional order. It is assured that China is not the only hegemony currently among the region, but its growing influence on international regime and institutions may lead to further benefits for East Asian regional cooperation and more represent as a “co-operative regional hegemony”.

Table 1. The progression of China within the regional cooperation

|  |  |  |
| --- | --- | --- |
|  | **Representative Movement** | **Strategy** |
| 1991-1994 | Participate in APEC to establish alliance relationship with developing countries in Asia. Committee to Bangkok contract searching more opportunities for mutual coordination. Join into ASEAN become part of the liberalization on trading system. | Balance of Power: Seeking For Alliance |
| 1995-1997 | Providing resources during the Asia financial crisis. Supplying resources for alliance to influence the coordinate relationship. Sustaining the value of currency during economic crisis. Supporting technology development and further provision of technical assistance with other APEC members. Cooperate on post-crisis management of the financial sector. | Enlarge Influence Through Cooperation |
| 1999-2001 | Expand the bilateral swap agreement network under the Chaing Mai Initiative (CMI) and further actively hosting also initiating regional economic collaboration movements as a leading role. Gradually influence and instituted the international regimes. Planned and initiated the Boao Forum for Asia as a regional leader. | Tendency of Being a Leader |
| 2001-present | Providing regional public goods and maintain as a leading status among region. Directing the advanced connive of ASEAN plus China (the first successful regional cooperation among ASEAN and North East Asia), installed further collaboration on ASEAN plus Three.  Threat? | Regional Hegemony  Opportunity? |

Overall, the recent growing for an institutionalized East Asian regionalism is widely seen as the opportunity for East Asian to enlarge the economic cooperation scale. Economic ties among East Asia and the impact of Asian financial crisis both promoting the interests of East Asian to advanced regionalism and provide an opportunity for a regional hegemony to cooperate other nations with responsibility, consolidate the importance of China for a region.

**Conclusion**

The interaction in Asia has expended considerable recently, not only engage into further economic interdependence but also for political influences. As more efforts on bilateral and multilateral agreement in regional organization, the interaction of regional conspiring are gradually evolve as a large regional community. During this regional integration progress, China start from the strategy of “balance of power”, further operated to regional hegemony.

In this process, the environment for a regional hegemony to develop not only depends on its own internal economic and political supporting, but also require external environment as facilitation from surroundings. Especially the challenge of economic financial crisis obviously rebuilds a stronger regional identity and necessary incorporated further regional collaboration. In contrast to the shifting attitude from western countries, China successfully played as a responsible country providing stable monetary and multilateral assistant program and other optimistic attitude toward Asian integration to consolidate regionalism.

However, even though generally speaking, there is consideration that the similar economic structure between ASEAN countries and China and its comparative advantage in international trade also represent that concurring may cause competition instead of mutual benefit. But even in the short term developing countries probably need to share the market with China, in the long term the benefits of considerable scale of economic still represent a great economic directed opportunity. The regionalism evolution in East Asia have shaped the context in which China and ASEAN had interact, and also providing a stage for the growth of a regional hegemony to navigate new region.

**References**

Alice D.Ba. China and ASEAN: Renavigating relations for a 21st century Asia. (2003). *Asian Survey*, 43(4), 622–647.

Andreas Hasenclever, Peter Mayer, and Volker Rittberger (1997), *Theories of International Regimes,* UK: Cambridge University Press

Andrew Rose. (2005). Which International Institutions Promote International Trade? *Review of International Economics*, 13(4), p.682–698.

Ann Kent. (1998). China, International Organizations and Regimes: The ILO as a Case Study in Organizational Learning. Pacific Affairs, 70(4), 517-532 retrieved from: <http://www.jstor.org/stable/2761321>

ASEAN Secretariat. *ASEAN-China Free Trade Area: not a zero sum game*. Retrieved January 28, 2011, from: <http://www.aseansec.org/24161.htm>

Beeson, Mark (2003). “The ASEAN Plus Three and the Rise of Reactionary Regionalism.”Contemporary Southeast Asia, 25(2), 251-268.

Dani Rodrik (2000). How Far Will International Economic Integration Go? *The Journal of Economic Perspectives*, 14(1), 177-186

[David C. Kang](http://muse.jhu.edu/journals/international_security/v027/27.4kang.html#authbio) (2003) Getting Asia Wrong: The Need for New Analytical Frameworks. *International Security,* 27(4), 57-85

David C. Kang. (2003). Getting Asia Wrong: The Need for New Analytic Frameworks. *International Security*, 27(4), 57–85.

David C. Kang. (2003). Hierarchy, balancing and empirical puzzles in Asian international relations. *International Security*, 28(3), 165-180

David Shambaugh. (2005). China engaging Asia: reshaping the regional order. *International Security*, 29(3), 117-213

Donald Crone. (1993). Does Hegemony Matter? World Politics. 45, 501–25.

Jaeho Hwang & Hyoung-kyu Chey. (2007). China's Approach toward ASEAN and Its Implications for South Korea. *Prospect Journal*, (3), 142-143.

John King Fairbank, ed. (1968). *The Chinese World Order: Traditional China's Foreign Relations*. Cambridge, Mass: Harvard University Press

Joshua Kurlantzick, (2007), Pax Asia-Pacifica? East Asian Integration and Its Implications for the United States. *The Washington Quarterly*, 30(3), 67–77.

Kevin G. Cai. (2003). The ASEAN-China free trade agreement and East Asian Regional Grouping. *Contemporary Southeast Asia*, 25(3), 387-404.

Luis A. Rivera Batiz & Paul M.Romer. (1991). Economic Integration and Endogenous Growth. *The Quarterly Journal of Economics*, 106(2), 531-555

[Malcolm Cook](https://muse.jhu.edu/search/results?action=search&searchtype=author&section1=author&search1=%22Cook,%20Malcolm,%201970-%22). (2008).The Regional Economy: Looking Forward by Looking Back.[*Southeast Asian Affairs*](https://muse.jhu.edu/journals/southeast_asian_affairs/toc/saa.2008.html), 28-42

Mark Beeson & Iyanatual Islam (2005), Neo-liberalism and East Asia: resisting the Washington Consensus. *The Journal of development Studies*, 41(2), 197-219.

Mark Beeson, (2009), Geopolitics and the Making of Regions: The Fall and Rise of East Asia. *Political Studies*, 57, 498–516

Masahiro Kawai (2004). Regional Economic Integration And Cooperation In East Asia.( Policy Research Institute of the Japanese Ministry of Finance and the OECD Secretariat working paper) Retrieved January 6, 2011, from http://www.oecd.org/dataoecd/43/7/33628756.pdf

Mia Mikic & Chorthip Utoktham (2009). *ASEAN and Trade Integration*. (Trade and investment Division staff working paper of UNESCAP) Retrieved January 3, 2011 from http:// www.unescap.org/tid/publication/swp109.pdf

Multhiah Alagappa. (1993). Regionalism and the quest for security: ASEAN and the Cambodian Conflict. *Journal of International Affairs,* 46(2), 231-764

Noer Azam Achsani & Hermanto Siregar. (2010). Classification of the ASEAN+3 Economies Using Fuzzy Clustering Approach. *European Journal of Scientific Research,* 39(4), 489-497

Pradumna B. Rana. (2006). *Economic integration in East Asia: Trends, prospects, and a possible roadmap*. (Asia Development Bank Working paper on regional economic integration) Retrieved December 29, 2010 from http://www.adb.org/documents/papers/economic-integration/WP02-Rana.pdf

Ralf Emmers, (2005), Regional Hegemonies and the Exercise of Power in Southeast Asia. Asian Survey, 45(4), 645–665

Raul L. Cordenillo. (2005) *the Economic Benefits to ASEAN of the ASEAN-China Free Trade Area.* Retrieved January 30, 2011, from www.aseansec.org/17310.htm

Ravenhill, John (2002). “A Three Bloc World? The new East Asian Regionalism, “International Relations of the Asia-Pacific, 2(2), 167-195.

Robert Axelrod & Robert O. Keohane. (1985). Achieving Cooperation under Anarchy: Strategies and Institutions. *World Politics*, 38(1), 226-254

Rosemary Foot. (1998). China in the ASEAN Regional Forum: Organizational Processes Thought. *Asian Survey,* 38(5), 425-440

Shambaugh, David L. (2004). China Engages Asia Reshaping the Regional Order. *International Security*, 29(3), pp. 64-99.

Shaun Breslin. (2000). *Comparative Theory, China, And the Future of East Asian Regionalism.* Retrieved from: http://journals.cambridge.org/action/displayJournal?jid=RIS

Stephen D. Krasner. (1976). State Power and the Structure of International Trade. *World Politics*, 28(3), 317-347.

Vietnam academy of social sciences centre for ASEAN and China studies (2008). *ASEAN-China trade relations: 15 years of development an prospects*, 32-48, 62-77, the Gloi publisher : Vietnam.

Vinod K. Aggarwal. (1993). Building International Institutions in Asia-Pacific. *Asian Survey*, 33(11), 1029-1042. Retrieved from: http

Zhao Jianglin, (2008), *Recent Development of China-ASEAN Trade and Economic Relations: From Regional Perspective.* Retrieved from: <http://www.omgsearch.net/asean-international-hanoi.html>.

江啟臣(2008), “亞太地區經濟整合新趨勢” APEC通訊, 111, 2-3

[吳玲君(1998), "亞太經合會與區域安全的關係," 問題與研究月刊, 37(11), 1-13.](http://iir.nccu.edu.tw/iir2/?include=member_intro&mode=research&id=509)

[吳玲君(2001), “中共APEC策略與角色的轉變:新現實主義的解析," 問題與研究月刊, 40(3), 1-21](http://iir.nccu.edu.tw/iir2/?include=member_intro&mode=research&id=505)

張心怡, (2010),「東協+3」vs.「跨太平洋策略性經濟夥伴協定+N」：亞太經濟整合的擴大及其效應, 國際關係學報, 29, 131-167