

East Asian Cooperation & China's Role

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I. Progress of East Asian Cooperation

- ♣ East Asian cooperation is under the framework of “10 plus 3”, started from November of 1997 by leaders meeting.
- ♣ Progress has been made in the areas including institutional framework, financial and monetary cooperation, sub-regional project, as well as long-term vision.

Institutional Framework

- ➔ Leaders' annual meeting
- ➔ Ministers' meeting (foreign ministers, trade ministers, financial ministers)
- ➔ Functional cooperation programs
- ➔ Forums

Financial Cooperation

- Financial and monetary cooperation represented by Chiang Mai Initiative(CMI) and regional financial surveillance has been turned into reality.
- CMI sets up a foundation for future regional financial regime, like a regional monetary fund.

FTA

- ASEAN announced the completion of AFTA
- China-ASEAN agreed to establish a FTA within 10 years, formal negotiation will start this year.
- Some bilateral free trade arrangements were concluded and more ahead.
- East Asian FTA was recommended.

Other Areas

- Great MeKong River Development Project was initiated by ADB, but not has been taken into the framework of East Asian Cooperation.
- Cooperation in other areas, like human resource, capacity building, infrastructure, science & technology has achieved progress.

Driving Force

- The increasingly binding economic interests encourage countries in the region to cooperate.
- In face of globalization, it is necessary for East Asia to strengthen dialogue and cooperation to meet the new challenges.

Driving Force

- The Asian financial crisis posed an urgent need for East Asian countries to strengthen cooperation.
- There is the clear political understanding in promoting regional cooperation: stability, peace and prosperity through cooperation.

II. Where to Go?

- East Asia cooperation moves in a “four wheels” process: “10 plus 3”, “10 plus 1”, “3” and “10”. Multi layered process represents the reality of East Asia.
- East Asian cooperation is not exclusive. It allows and encourages other parallel arrangements with other regions.

Vision Vs. Process

- EAVG recommended in 2001 to leaders:
- Turn “10 plus 3” into East Asian Summit
- East Asian FTA
- Comprehensive cooperation including political, social, cultural, as well as security areas.
- Toward a community

Vision Vs. Process

- The real value of East Asian cooperation is its process. It has to follow gradualism and pragmatism.
- East Asia is different from Europe. It lacks a clear defined political goal and consensus building.
- Institutional building works in its gradual process.

Optimism

- China-ASEAN FTA process will press the other countries, especially Japan and Korea to join the process.
- The SWAP arrangement may lead to a regional monetary fund.
- More regional institutions will be established and finally move to a regional organization.

III. China's Role

- China is very active in promoting and participating East Asian cooperation.
- Due to its increasing economic weight and power, China's role in the regional economies becomes larger.
- After joining WTO, China becomes more confident and interested to formulate free trade arrangement with other partners.

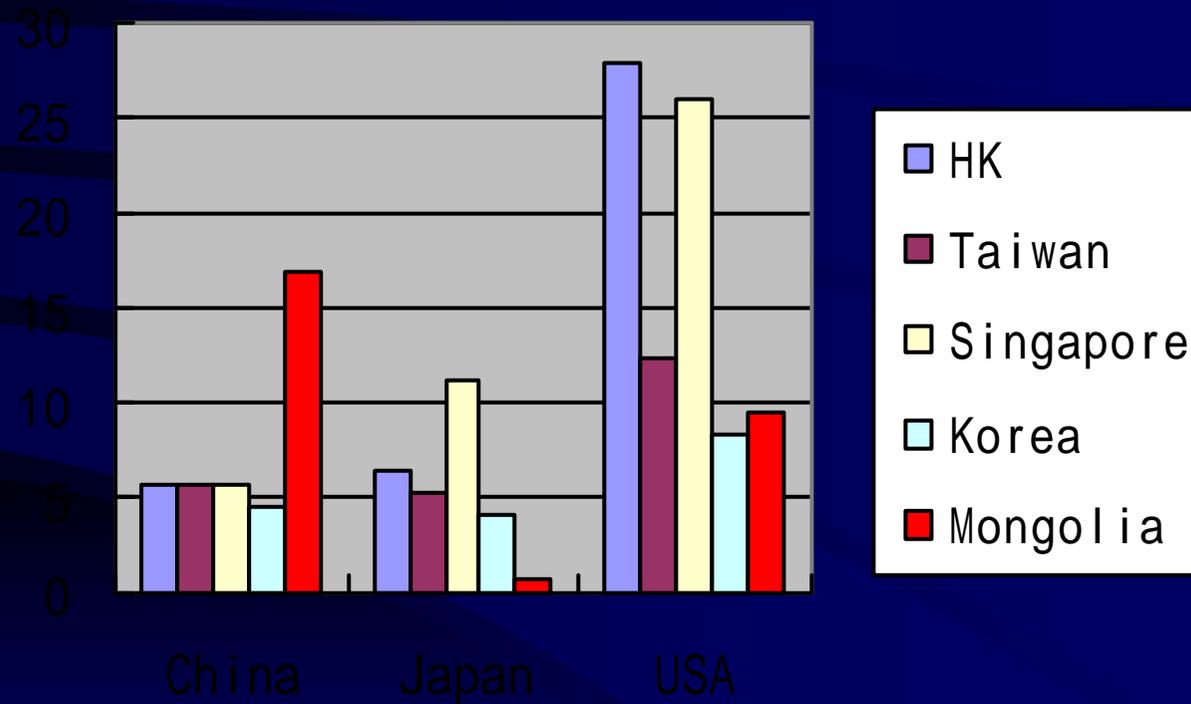
China-ASEAN FTA

- China-ASEAN FTA will create a large economic region with population of 1.7 billion, GDP \$ 2 trillion and trade \$ 1.23 trillion now. Intra-regional trade and investment will increase.
- Attract more FDI with a more rational allocation, i.e. no longer a "zero sum" choice between China and ASEAN.

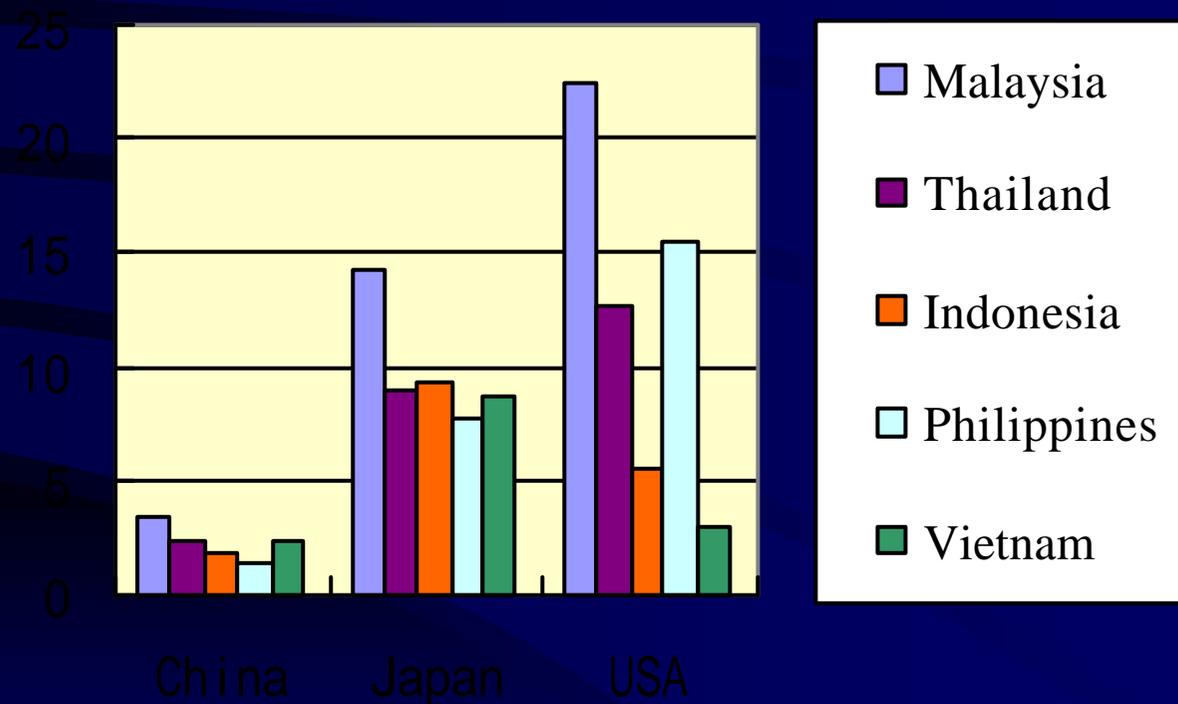
China's Increasing Role

- By keeping high economic growth rate and stable currency, China has made positive contribution to the regional economies.
- China contributes growing market for the other economies.
- China's FDI in the region will increase very potentially in the coming years.

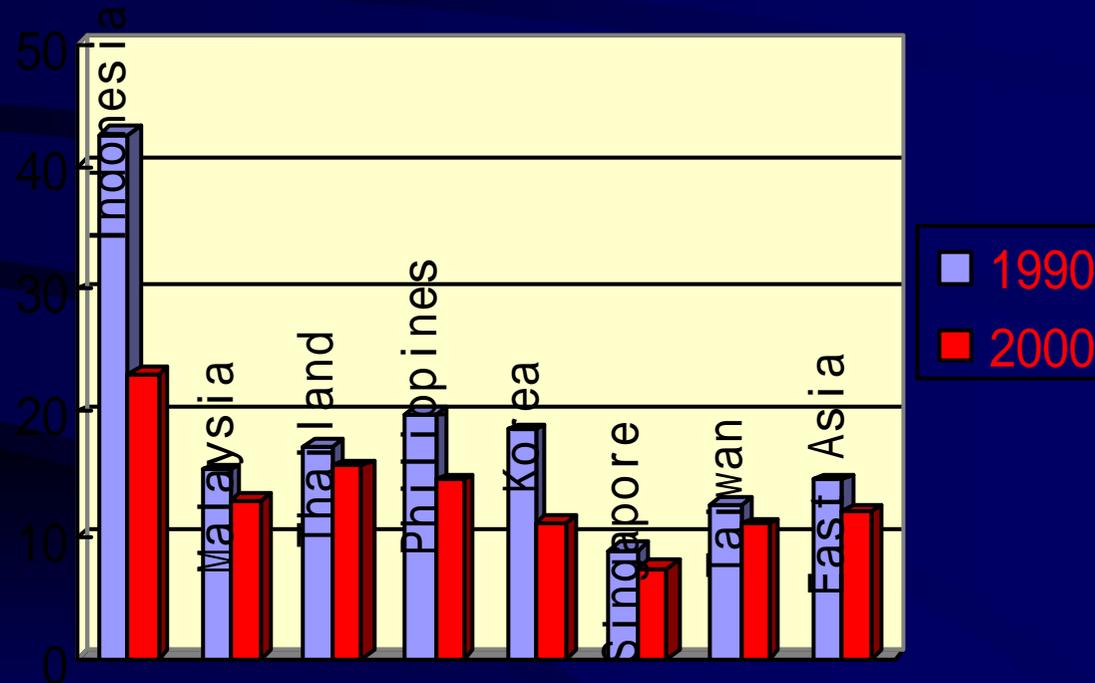
Export to China as % of GDP(Group I)



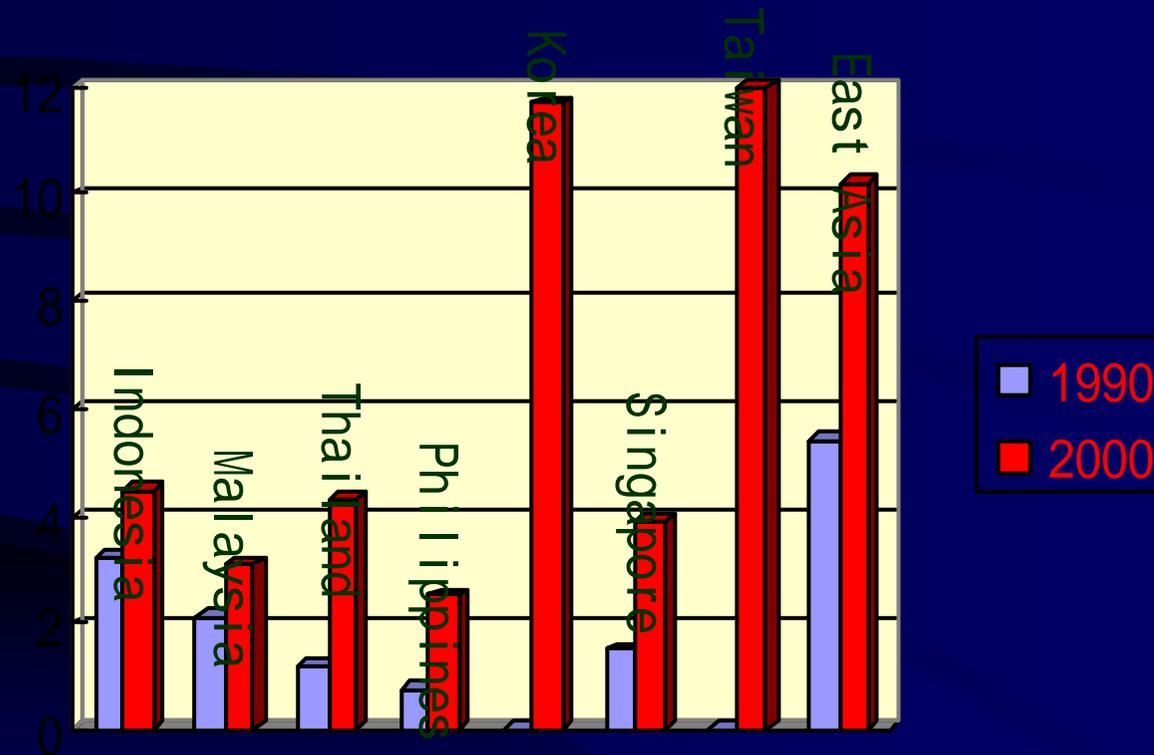
Export to China as % of GDP(Group II)



Export Share to Japan



Export Share to China



China's Potential

- Due to its economic size and import capability, China's role to the regional economies still limited, not an engine for East Asia yet.
- The potential of China's market is considerable: high economic growth may sustain for another 10-15 years at the rate of about 7%.
- Imports doubled within 5 years, to \$500 billion, 60% from East Asia.