Mainland China’s Strategic Diplomacy, Sino-Japan Leadership Competition, and Implications for Asia-Pacific Regional Economic Integration

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Abstract

Mainland China has shifted its reactive foreign policy strategy to a proactive approach of forging “partnership,” with the key initiative of “One Belt, One Road,” the establishment of the Asian Infrastructure Investment Bank (AIIB), and a call for a Free Trade Area of Asia-Pacific (FTAAP), among others. As expected, mainland China is ready to be a responsible stakeholder but is pursuing a new approach to maximizing common interests among equal partners with respect to diverse development paths. With the China-centric new initiatives and institutions, mainland China will be actively engaging in rule-making for global governance.

The intriguing and ongoing evolution of the China-Japan-Korea (CJK) FTA illustrates the undercurrent of Sino-Japan leadership competition not only in economic but also in political/military posturing. An earlier and successful conclusion of CJK FTA would in turn serve as a catalyst to ASEAN-central Regional Comprehensive Economic
Partnership (RCEP). Nevertheless, Japan, with uncertain geopolitical and military security considerations, seems more ambivalent towards speeding up the pace of RCEP than engaging more in the U.S.-led TPP without mainland China. The competing paradigms of the TPP and RCEP are up for conclusion in 2015 and will determine the future of FTAAP. With more consultation and confidence-building, Asian leaders should be more pragmatic and venture into giving the emerging China-centric regional order a chance for collaboration.

Keywords: CJK, RCEP, AIIB, FTAAP, One Belt & One Road

I. Introduction

This article explores mainland China’s shifting diplomatic posture for “partnership” and concrete initiatives that illustrate mainland China’s willingness to shoulder greater responsibility in rule-making for international order. The current state of play in Asia-Pacific regional economic integration also will be analyzed, with a special focus on the northeast Asian China-Japan-Korea (CJK) FTA – a dynamic factor for the evolving Regional Comprehensive Economic Partnership (RCEP), Trans-Pacific Partnership (TPP), and a future option of a Free Trade Area of Asia-Pacific (FTAAP). Mainland China’s approach to “partnership” detours from the past practice of hegemonic exceptionalism, and the inherent mindset of its own lofty standards for direction, mode, and rules of globalization. There, the concept of the “Chinese Dream” coexisting with various other national dreams would underlie the evolving global and regional architecture. Economic integration is relatively easier than political or security related realms, where ideology and cultural dimensions bear intangible underpinning. Nevertheless, political and security considerations inevitably affect and are in turn influenced by the economic architecture.
The contents of this article will include the following.

1. Mainland China’s Foreign Policy Strategy for an Evolving New World Order. The issues to be covered will include: (1) the concept of global partnership and the approach and initiatives to development agenda; (2) the treatment of mainland China’s growing role in the global financial system, including the emerging Renminbi zone, global governance of development agenda, and rule-making for the new order; (3) Institutionalization of the “Rule of Law”; and (4) the Case of the Asian Infrastructure Investment Bank.

2. Japan’s Trade Policy Consideration: Political Economic Approach to Dual-Track FTAs

3. China-Japan-Korea (CJK) FTA. There will be discussion of:

   (1) Earlier China-Korea FTAs as a catalyst for CJK FTA;

   (2) South Korea’s security balancing act; and

   (3) Economic Competition among mainland China, Japan, and South Korea.

4. Future prospects for Asia-Pacific Regional Cooperation

II. Mainland China’s Foreign Policy Strategy for an Evolving New World Order

1. Foreign Policy in 2015: Global Partnership with “One Focus & Two Main Themes”

   During the dual sessions of the NPC and CPPCC in March, Wang Yi, foreign minister of PRC, said that mainland China’s foreign
policy approach this year is focused on the “One Belt, One Road” initiative and the two themes of “peace” and “development.” He further maintained that mainland China is to further enhance dialogue with other countries, expand shared interests, and explore possible areas of mutual benefit. This is a continuation of President Xi Jinping’s diplomatic policy of “building friendship and partnership with neighboring countries” (yi lin wei ban, yu lin wei shan; 以鄰為伴、與鄰為善).

Since President Xi took office, mainland China has shifted its diplomatic approach from reactive to proactive, with the goal of advancing its national interests and exerting its influence on a global scale. At the Central Work Conference on Foreign Affairs held last November, Xi proposed the creation of a global partnership. PRC’s diplomacy is to creatively adhere to the non-alignment principle by seeking productive partnerships rather than forming alliances.

The concept of mainland China’s Global Partnership was elaborated by Foreign Minister Wang Yi with three distinct features.\(^1\)

- Equality: The key to partnership is respect for sovereignty, independence, and territorial integrity, as well as the choice of development paths and values.

- Peace: The partnership is devoid of military confrontation, but has a focus on cooperation.

- Inclusiveness: The partnership seeks to transcend social systems and ideologies so as to maximize common interests and pursue

common goals.

In addition, Wang Yi stressed a new type of major power relations between mainland China and the U.S., saying that bilateral ties will be strengthened further during President Xi Jinping’s visit to the U.S. this September. “There is a Chinese saying: ‘sincerity can do wonders.’ As long as both sides show sincerity, and stick to the line of ‘no conflict and no confrontation,’ cementing the foundation of mutual respect, then we can expect immense possibilities of win-win cooperation between China and the United States.”

In the past two years, mainland China has put forth the “One Belt & One Road Initiatives” (The Silk Road Economic Belt, and the 21st Century Maritime Silk Road) and the Free Trade Area of the Asia Pacific (FTAAP).

Furthermore, mainland China has initiated the Asian Infrastructure Investment Bank, BRICS Development Bank, and the Silk Road Fund, which would lay a foundation for mainland China’s global partnership network and largely benefit developing countries.

2. Treatment of mainland China’s Growing Role in the Global Financial System

Although many perceive mainland China as vying for a Sinocentric financial system, in retrospect, the U.S. and Japan could have put more effort in by accommodating mainland China’s interests through the World Bank, and to make the ADB less dominated by Japan. As mainland China has become the world’s No. 2 economy

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and due to the U.S. monetary approach to quantitative easing, mainland China’s friends and trade partners deem it appropriate for mainland China’s Renminbi and voice to be upgraded in international institutions. By failing to reflect the voices of emerging economies, these institutions risk being marginalized in the long run.

In fact, as the New York Times put it, this is a problem of America’s own making. “The United States has urged China to exercise more leadership, but the top posts at the International Monetary Fund, the World Bank and the Asian Development Bank have been restricted to Europeans, Americans and the Japanese. Congress bears considerable blame for refusing to pass legislation to shift voting power more fairly among IMF member states, including China. China’s move to create the new development bank is part of the price being paid for that obstruction.”

(1) An Emerging Renminbi Zone

With increasing trade and investment relations with mainland China, most of mainland China’s economic partners have chosen to speed up the use of Renminbi as a reserve currency, a unit of settlement for trade, and a store of value for investors in securities.

(2) New Institutions to Govern Development Agenda

The BRICS (Brazil, Russia, India, mainland China, and South
Africa) decided in July 2014 to set up the New Development Bank, and a contingent reserve arrangement, so as to create alternatives to the World Bank and International Monetary Fund. In October 2014, with the support of twenty countries, mainland China inaugurated the Asia Infrastructure Investment Bank, which complements, if not rivals, the Asian Development Bank. Furthermore, Beijing is moving ahead with a scheme to create the Development Bank of the Shanghai Cooperation Organization, a six-country Eurasian political, economic, and military grouping.

(3) Institutionalization of “Rules of Law”

To most westerners, the credibility of mainland China’s ambition is in question since mainland China’s domestic record on governance is compromised by endemic official corruption, institutionalized favoritism for state-owned companies over their private counterparts, and a lack of transparency in financial dealings.

(4) The Case of Asian Infrastructure Investment Bank (AIIB)

World leaders at the G-20 Summit at Brisbane in 2014 recognized infrastructure demand in the developing world as a new source of global growth in the aftermath of the global financial crisis. Based on an ADB estimate, infrastructure demand in Asia through 2010-2020 will be US$8 trillion, which is far beyond the capacity of the ADB. The launch of the AIIB can be seen as evidence that mainland China is gearing up to become a responsible global stakeholder.

Mainland China officially launched the Asia Infrastructure Investment Bank with an initial capitalization of US$50 billion, most of which was contributed by mainland China. It is expected that it will increase to US$100 billion. This would be nearly two-thirds the
size of the US$165 billion Manila-based Asian Development Bank, which is strongly influenced by Japan and the U.S.

India was the first large economy to sign up for the Chinese initiative, followed by Mongolia, Uzbekistan, Kazakhstan, Sri Lanka, Pakistan, Nepal, Bangladesh, Oman, Kuwait, Qatar, and all of the Association of Southeast Asian Nations except Indonesia. Indonesia later tried to negotiate with mainland China for having the site of AIIB set up in Jakarta, and a post of Vice Chairmanship.

The Obama administration has been pressuring its allies to ignore mainland China’s initiative since mainland China is unlikely to promote the sound environmental, procurement, and human rights standards accorded by the World Bank and Asian Development Bank. Nevertheless, PRC’s officials view American opposition as an attempt to contain its global rise. According to the Financial Times, some former U.S. officials feel that the U.S. has hurt itself in the new competition for influence with mainland China. On the one hand, the U.S. has urged mainland China for years to be a “responsible stakeholder” in global governance. On the other hand, the administration, although supporting an IMF reform on quotas that would give mainland China a greater role, failed to gain congressional support. Robert Zoelick, former President of the World Bank and former U.S. Trade Representative and Deputy Secretary of State under George W. Bush, criticized the Obama administration for pressuring allies, such as Australia and South Korea, not to join the AIIB by disadvantaging them.

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Mainland China’s reaction is not difficult to guess when the West insists that the World Bank and ADB are exemplifications of multilateralism. After years of deliberation, the World Bank in 2010 agreed to raise mainland China’s voting share from 2.8% to 4.2%, which trails Japan’s 6.8% and the U.S. 15.8%. Mainland China, as the world’s No. 2 economy, has a GDP double that of Japan and a population 10 times larger.\(^8\)

Mainland China’s efforts to found a new AIIB have gained support not only from Asia but also from Europe. The U.S. has been trying to dissuade some of its closest Asian allies from joining the bank, including Australia, Japan, and South Korea, but others, such as New Zealand, Singapore, and Thailand, have had no hesitation in signing up. In March of this year, first Britain and then France, Germany, and Italy expressed their interest in joining the bank as founding shareholders. Other European countries, including Luxembourg and Switzerland, are considering joining the queue.\(^9\)

Britain’s announcement is likely to reignite the government’s internal debate about the merits of membership, said Hahm Chaibong.

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“It will give a lot of ammunition to those who have been pushing for [membership in the bank],” Dr. Hahm said. “The Ministries of Trade and Finance have been for it. The United States has been unremittingly negative.”

In view of the allies’ defiance and diplomatic embarrassment, the Obama administration finally proposed that the AIIB work in partnership with Washington-backed development institutions, such as the World Bank. “The U.S. would welcome new multilateral institutions that strengthen the international financial architecture,” said Nathan Sheets, U.S. Treasury under Secretary for International Affairs, “Co-financing projects with existing institutions like the World Bank or the Asian Development Bank will help ensure that high quality, time-tested standards are maintained.” Co-financing, combined with European membership, would presumably keep the new institution in line with international standards.

The British move also has reignited the debate of whether Australia’s national interests reside with mainland China or align with the U.S. Julie Bishop, Australia’s foreign minister, is concerned that

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mainland China has a 49 percent share in the bank, in contrast to the conventional largest shareholding of 20 percent in other existing multilateral organizations. Nevertheless, six months after an invitation, Australia’s federal cabinet, on March 23, approved its membership application for the AIIB.

South Korea sent a letter of intent on March 26 to join the AIIB. Having South Korea as a founding member is a considerable coup for Beijing. President Xi Jinping of mainland China has been wooing President Park Geun-hye, who must balance the security that the United States provides to South Korea against the relatively new economic clout of mainland China.

Partly due to fear of a diminishing role of the Japan-dominated Asia Development Bank, Japan has reservations about the AIIB. It was reported that “a former Japanese high-ranking diplomat predicts that the AIIB may fail due to its poor practices and unprofitable projects. He likened the bank to a subprime lender giving out concessionary loans to customers with poor track records but high needs.”

The U.S., not to mention Japan, has little political cloud to block the new bank. Since mainland China is not an OECD member, the stringent conditions and safeguards of the Development Assistance

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Committee will not bind mainland China in any way. Singapore hopes that, with Japan, it can jointly carry some weight within the governance structure.14

It is unclear whether Tokyo will join the mainland China-led institution, but foreign minister Kishida did not completely close the door at the trilateral Foreign Minister Meeting. Currently, mainland China and the U.S. account for roughly the same proportion (18%) of Japan’s exports.

III. Japan’s Trade Policy Consideration: Political Economic Approach to Dual-Track FTAs

1. Political/Security vs. Economic/Trade Considerations

Despite Japan’s lead in its economic and technological capabilities in the world, Japan is a regional great power whose policy concern is directed towards the maintenance of political and economic influence in East Asia as an ally of the United States. Nevertheless, mainland China’s rapid economic growth has surpassed and replaced Japan as the world’s 2nd largest economy and has eclipsed Japan’s influence in East Asia. Furthermore, the Chinese challenge also expanded to the security dimension as maritime security tensions over the Diaoyu/Senkaku Islands escalated after 2010. Under such conditions, Japan, as a defensive great power in East Asia, is pursuing a diplomatic objective of enhancing a political and security position by taking advantage of economic and trade policies.

The Japanese government has been pushing the export of package-

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14 Tomoo Kikuchi & Takehiro Masutomo, “Japan should influence the Asian Infrastructure Investment Bank from within.”
type infrastructure, in which domestic firms are involved in everything from designing to financing, since 2010. Japanese Prime Minister Shinzo Abe has pledged to continue this effort and triple the export of infrastructure-related business to 30 trillion yen (about US$ 247 billion) annually by 2020, with a strategic focus on power stations and high-speed rail.

On the financial front, the Japanese Exchange Group aims to be Asia’s infrastructure hub. Meanwhile, Japanese commercial banks are expanding into the Asian region to gain advantages in project finance.

According to a study, the economic benefits for Japan to participate in the TPP were not substantial in comparison to “ASEAN+6”-turned-RCEP. The effect on GDP growth was projected to be 0.54% for TPP, 1.1% for RCEP, and 0.74% for the trilateral CJK FTA. A critical factor for Japan to participate in TPP is a strong need for closer political links with the United States in the wake of the growing Chinese threat in maritime security. The diplomatic relationship with mainland China has become worse, especially after the nationalization of the Diaoyu/Senkaku Islands in September 2012. The tension in the waters surrounding the islands has escalated, causing the locking of fire-control radar on a Maritime Self-Defense Force destroyer by a PLA navy ship in January 2013 and mainland China’s imposition of the East China Sea Air Defense Identification Zone in November. By joining the TPP, Japan further enhances its alliance with the U.S.
2. CJK: Passive but Necessary for Japan

From the very beginning, despite Japan’s industrial sector’s interest in forging the CJK FTA, Japan has been wary of liberalization in agricultural sector; therefore, Japan was keen on having investment agreements with mainland China and Korea.

Japan’s final decision to join CJK was based on the following rationale.16

1. To expand Japan’s trade with mainland China

This would achieve several commercial objectives. First, it would contribute to expanding Japan’s trade with mainland China. In 2012, tariffs were levied on some 70% of Japan’s exports to mainland China, worth US$ 144.8 billion, while some 70% of Japan’s imports from mainland China, worth US$ 189 billion, were free from tariffs. Accordingly, improvement in market access to mainland China through the trilateral FTA is important for Japan.

2. To incorporate high-standard elements into the trilateral FTA

The TPP was proclaimed to be WTO-plus, high standard, 21st century platinum FTA, particularly in the areas of intellectual property rights, environment, labor, government procurement, etc. Japan hopes to apply high-standard elements reached at the TPP negotiations to the CJK FTA.

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(3) To strengthen production networks and supply chains in East Asia, particularly not lagging behind mainland China

The envisaged trilateral FTA could apply common standards and regulations to the entire East Asia region. It certainly would contribute to the smooth formation of production networks and supply chains for Japanese manufacturing companies.

IV. China-Japan-Korea Trilateral Cooperation

1. China-Korea FTA: a Catalyst for CJK FTA?

South Korea’s “first come” trade strategy has a global, rather than regional, reach, and it is meant to enhance Korean firms’ position against their Japanese rivals. A Korea-U.S. FTA and a Korea-EU FTA are particularly important in competition with Japan, especially in automobile and other manufacturing industries.

Mainland China is now the world’s largest importer of South Korean goods and accounted for more than a quarter of South Korea’s overall exports in 2014. Mainland China and South Korea began their FTA negotiations in May 2012 and concluded the negotiations on November 10, 2014. The agreement, currently in English, is expected to be translated into the two parties’ native languages before it is officially inked sometime within the first half of 2015.

According to the Trade Ministry of South Korea, 310 products from the inter-Korea joint industrial complex in Kaesong, North Korea, will benefit at once from a reduction or elimination of mainland China’s import tariff.

Under the China-Korea FTA, in the span of 10 years, South Korea will completely eliminate its tariffs on 79 percent (or 9,690
items) of all products from mainland China, whereas mainland China will reciprocate on 71 percent (or 5,846 items) of the products from South Korea. Within 20 years after the FTA goes into effect, South Korea will eliminate its tariffs on 92 percent of all goods from mainland China, whereas mainland China will eliminate its tariffs on 91 percent of all products from South Korea. In addition, South Korea has gained better market access and established a better business environment in mainland China for financial and communication service providers.

The Seoul government maintains that the proposed FTA would cause little or no harm to local farmers, as 596 out of 2,240 agricultural & fishery products will be permanently excluded from market opening, whereas 16 others, including rice, were not subjects of negotiations from the beginning. Nevertheless, 44 items from mainland China, including tobacco and onions, will not be protected under special agricultural safeguards (SSGs), which allow temporary import restrictions for special market circumstances, such as a sudden increase in imports.17

Table 1: 2011-2014 Korean Investment relations with Japan and Mainland China

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<th>2011</th>
<th>2012</th>
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<tr>
<td><strong>Mainland China</strong></td>
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<tr>
<td>China→Korea</td>
<td>3.537,499</td>
<td>4.800,199</td>
<td>4,036,944</td>
<td>6,649,922</td>
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<tr>
<td>Korea→China</td>
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<td>Japan</td>
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<tr>
<td>Japan→Korea</td>
<td>268,206</td>
<td>254,005</td>
<td>649,592</td>
<td>660,573</td>
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<tr>
<td>Korea→Japan</td>
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Table 2: 2011-2014 Trade relations of Korea-China and Korea-Japan

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<th>2011</th>
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<tr>
<td><strong>Mainland China</strong></td>
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<tr>
<td>China→Korea</td>
<td>86.43</td>
<td>134.2</td>
<td>134.33</td>
<td>145.87</td>
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<tr>
<td>Korea→China</td>
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<tr>
<td>Japan→Korea</td>
<td>65.86</td>
<td>39.7</td>
<td>40.66</td>
<td>36.13</td>
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<tr>
<td>Korea→Japan</td>
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Source: Ministry of Commerce, PRC; Japan External Trade Organization.

2. Korea’s Balancing Act: THAAD

The United States has about 28,500 troops based in South Korea. Recently, the U.S. has made it clear that South Korea should install an American missile defense system, known as Terminal High-Altitude Area Defense (THAAD), as a necessary deterrent against North Korea, which has been developing its ballistic missile technology. Concurrently, Beijing has exerted pressure on Seoul to refuse the deployment of THAAD, as it is perceived that the real target is mainland China. Kim Min-seok, a spokesman for the South Korea Defense Ministry, said during a regular news briefing: “A neighboring country
can have its own opinion on the possible deployment of the THAAD system here by the U.S. forces in South Korea, but it should not try to influence our security policy.” According to a report from *the New York Times*, although Washington maintains that the deployment would be aimed solely at dealing with North Korea’s threat, mainland China is anxious over the extension of the radar sensor (AN/TPY-2) capabilities deeper into mainland China’s territory, which could compromise its strategic deterrent.

3. Trilateral Economic Competition among China, Japan & Korea

As an essential element for future Asian economic integration under the umbrella of the Regional Comprehensive Economic Partnership (RCEP), the evolution of an envisaged China-Japan-Korea FTA (CJK) has come into the spotlight. After Japan’s initial proposal for a feasibility study on CJK, the three leaders officially announced the trilateral talks in May 2012, and the first round of negotiations was in March 2013.

Based on KIEP’s study in 2005, the benefit of an envisaged CJK would outweigh those of three respective FTAs of CJ, CK, and JK. Srinivasa Madhur suggested in September 2013 that a dual-track approach to an eventual CJK FTA should be in place – (1) a “fast-track route” to an expeditious completion of a China-Korea FTA and (2) simultaneously, a “steady-track route” for the completion of a trilateral CJK FTA. The former could even produce a domino effect on the three countries to hasten the steady-track negotiations for a CJK FTA.

After the 4th round of negotiations, President Xi Jinping of mainland China and President Park Geun-hye of South Korea formed a united front and have refused to meet with Prime Minister Shinzo
Abe of Japan. This is due to the fact that they deemed Japan’s view of history to be wrongheaded and unrepentant, symbolized by Abe’s visit to Yasukuni Shrine, where convicted World War II war criminals are enshrined among the country’s war dead.

The earlier success of CJK (constituting 15.9% of the world trade) would be tantamount to the success of RCEP (25.0% of the world trade) since CJK would be a driving force behind RCEP in terms of capital formation and technological advancement.

This merits more optimistic perspective especially when the institutionalization of regional monetary and fiscal cooperation, listed below, has been coming of age.

1. Multi-lateralization of the Chiang Mai Initiative and establishment of the $240 billion regional reserve fund;

2. Operation of the ASEAN+3 Macroeconomic Research Office (AMRO);

3. Creation of a Credit Guarantee and Investment Facility [CGIF as part of the Asian Bond Markets Initiative (ABMI)].

4. CJK Cooperation beyond FTA

1. Regional Security Concerns

The 7th Trilateral Foreign Ministers’ Meeting was held on March 21 of this year in Seoul, with Foreign Minister Yun Byung-se of the ROK as Chair, and his counterparts, Fumio Kishida of Japan and Wang Yi of PRC.
According to the joint press statement following the trilateral CJK Foreign Ministerial Meeting, they decided to continue promoting 50 inter-governmental consultative mechanisms and reviewing a number of ongoing trilateral ministerial meetings on the environment, public health, and disaster management, in addition to making further effort toward the trilateral FTA negotiations that were initiated since 2013.

The ROK’s “Northeast Asia Peace and Cooperation Initiative,” proposed by President Park in 2013, was welcomed by further developing the idea and resuming dialogue on various issues, such as counter-terrorism, cyber policy, and air pollution. Furthermore, there has been discussion of North Korea’s capacity of developing nuclear weapons and a resumption of the 6-party talks, last held in 2007, for further dialogue on denuclearization of the Korea Peninsula.

(2) Treatment of Historical Issues

Given that this year marks the 70th anniversary of the end of World War II, mainland China and the ROK jointly have called for Japan to recognize its wartime past and have expressed hope that Japan would make progress on the issue. Mainland China seems determined to frame an upcoming speech that Prime Minister Abe is to give before the U.S. Congress in April as a soul-searching exercise. Abe’s domestic opposition has been neutralized following the positive evaluation of Abenomics and the outcome of the election in 2014, in which these issues did not significantly affect Abe’s Liberal Democratic Party. Furthermore, Minister Wang of mainland China has

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insisted that the resolution of historical issues be a condition for the three leaders to meet in another summit.

V. Future Prospect for Asia-Pacific Regional Economic Integration

The current state of Asia-Pacific dynamics is in a stage of optimism, with mainland China willing to play a more active role and willing to commit to peaceful development. The Asia-Pacific region is taking on the goal of regional economic integration with the parallel approaches of RCEP and TPP.

RCEP, well designed with ASEAN-centrality, will hinge upon the success of an ongoing series of CJK FTA negotiations, which would serve as a catalyst for moving RCEP forward. With uncertain geopolitical and military security considerations, Japan seems ambivalent towards speeding up the pace of RCEP or seems inclined to engage more in the U.S.-dominated TPP without mainland China.

When Xi Jinping hosted the APEC informal Leaders’ Meeting, mainland China made an impression not only the readiness for leaping into the status of a big power, but also the willingness for shouldering greater responsibilities.

There has been considerable speculation about when mainland China, as host of APEC 2014, chose to re-invent the U.S.-initiated Free Trade Area of Asia Pacific (FTAAP) in 2006 as the landmark initiative for the APEC summit. No doubt, there has been a general distrust regarding mainland China’s motivations, and some APEC officials have shown no hesitation in trying to block it wherever possible, as long as it has been proposed by mainland China, even though it was not initiated by mainland China. The debates before the summit
were intriguing, with various questions. Why is mainland China reviving the FTAAP, which many ASEAN members and mainland China opposed when it was supported by most of the developed economies in APEC since 2005? What is the grand plan of mainland China? Is mainland China’s proposition intended to derail the TPP? Would mainland China be better off proposing FTAAP than joining TPP after the negotiations have been completed by others?

Mireya Solís summed up her observations regarding mainland China’s three seemingly plausible motivations for reviving the FTAAP initiative:19

1. to pursue the most ambitious goal of defining the trade agenda with the group incorporating both mainland China and the U.S.

2. to prevent the Trans Pacific Partnership (TPP) from becoming the focal point of economic integration efforts and a reaffirmation of America’s leadership as a Pacific power; and

3. to play a much more proactive role in drafting the new rules of the economic order. Here, this author would put forth three additional possibilities.

4. One is to emulate the time in 2010 when developed APEC economies were required by the Bogor Goal to achieve voluntary trade and investment liberalization; this time meeting the 2020 deadline for developing economies to achieve liberalization. In the final 2014 APEC Ministerial Statement,

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developed economies were urged to continue liberalization efforts toward the 2020 Bogor Goal, even though developing economies will be on the spot for delivery;

5. Another is to echo the westward “one belt, one road” with an eastward FTAAP in a comprehensive balancing act in response to U.S. “rebalancing” or “pivoting” in Asia.

6. The last is to check an RCEP without the U.S. and a TPP without mainland China, along with instilling a refreshing sense of new mode of big power relations.

Although it is yet to be seen whether RCEP and TPP will meet their respective targets of completing negotiations this year, a strategic study on FTAAP is being undertaken now in APEC. With more consultation and confidence-building, Asian leaders should be more pragmatic and venture towards giving the emerging China-centric regional order a chance for collaboration.

VI. Conclusion

Mainland China’s proactive approach to “partnership” in its foreign policy is highlighted in the “One Belt, One Road” strategic plan and in a proposition to revitalize the concept of FTAAP.

The respective planned conclusion of an RCEP (without the U.S.) and a TPP (without mainland China) would have significant impact on an envisaged FTAAP.

The emerging Renminbi zone, along with the new institutions of AIIB, BRICS Development Bank, and the Silk Road Fund, are milestones for China to lead and set new rules in the global economic
Japan is no doubt in a competitive mindset and action against mainland China. Even though the benefit of RCEP outweighs that of TPP for Japan, Japan is in favor of TPP over RCEP, given the perceived interest in allying with the U.S. to counter mainland China’s seemingly aggressive foreign policy. Japan maintains a dual-track trade policy of enthusiastically engaging in TPP negotiation, and passively participating in a CJK FTA. A CJK FTA presumably surpasses the benefits of any respective bilateral FTAs of CJ, CK, or JK. Given the concluding negotiations of the China-Korea FTA, Japan trails behind but remains interested in CJK due to the consideration of advancing corporate interests, influencing rule-making, and enhancing supply chain connectivity.

The future of regional economic integration will hinge upon the possibility of the envisaged FTAAP, which contains the dual tracks of TPP and RCEP. The CJK FTA would in turn affect the success of RCEP. No doubt, mainland China’s evolving roles as a responsible stakeholder in the global and regional schemes will add much to the dynamics of the great power relations, which sustains the key to future regional economic integration.
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