Achieving Supreme Excellence: How China is Using Agreements with ASEAN to Overcome Obstacles to Its Leadership in Asian Regional Economic Integration

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I. INTRODUCTION

Hu Jintao’s first visit to the White House as China’s president in April 2006 made headlines, but for reasons Hu may want to forget. The White House refused to offer him a state dinner fit for the head of such a large country, instead dubbing Hu’s trip a “working visit.”¹ In addition, Hu was greeted by protesters, including one who interrupted his address on the White House lawn, and a White House announcer referred to China using the formal name of Taiwan.² These protocol indiscretions and gaffes arguably indicate that in some respects China lacks the status of a recognized world leader. China, however, is trying to change that perception, at least with regard to economic matters.

According to Sun Tzu, “supreme excellence consists in breaking the enemy’s resistance without fighting.”³ Today, Sun Tzu’s axiom assumes a new meaning as China attempts to become the leader of Asian regional economic integration despite encountering some stubborn roadblocks, namely intra-region rivalries and diplomatic complications involving Japan, Taiwan, and South Korea. China’s solution to the problem has not been to flex its political and military muscles, but rather to use negotiation and diplomacy. Indeed, China has taken a proactive approach to crafting international agreements, particularly with the Association of Southeast Asian Nations ("ASEAN"), in order to overcome obstacles to its ultimate goal of leading economic regionalism.

Before delving deeper, a preface on what is meant by “Asian region” and “regionalism” would be useful. In the context of economic integration, the

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² Id.
Asian region typically has encompassed “ASEAN Plus Three,” the ten members of ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) as well as China, Japan, and South Korea. More recently, however, India, Australia, and New Zealand have made strides toward inclusion within this framework. This Comment considers the addition of these countries, though not in great detail.

With regard to “regionalism” and its variants, this Comment uses the term synonymously with economic integration, which is consistent with existing literature.

Economic regionalism in Asia was once a pipe dream, given the history of animosity between Asian countries and their seemingly incompatible models of economic development. Now, however, economic integration is becoming an increasingly important reality. While Asia is less economically integrated than the European Union (“EU”) or the North American Free Trade Area (“NAFTA”), the Asian economies continue to push toward an East Asian Community (“EAC”) to balance such institutions in the West. Asia has the economic capacity to compete with other regional trade blocs. What Asia needs is a leader to bring some version of the EAC to fruition. As Ong Keng Yong, the Secretary-General of ASEAN, stated in his opening address at the 2004 ASEAN Leadership Forum in Kuala Lumpur:

Leadership must discern, reconcile and maximize the complementarities of regional integration, competitiveness and community building while mitigating their inherent contradictions. We need to lead our competition into positive sum situations; preserve our national identities and cultural diversity... blend our national interests with the regional interests; and craft a balance in the exercise of national sovereignty with shared responsibility and a sense of community. These are the challenges of our

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4 See, for example, Eric Teo Chu Cheow, New Challenges for Building an East Asian Community, 5.2 China Brief ¶ 8 (Jan 18, 2005), available online at <http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3201&article_id=2369111> (visited Jan 15, 2007) (discussing the importance of ASEAN Plus Three in the “pan-East Asian regional framework”). See also M. Ulric Killion, Chinese Regionalism and the 2004 ASEAN-China Accord: The WTO and Legalized Trade Distortion, 31 NC J Intl L & Comm Reg 1, 49 (2005) (stating, in the context of regional security, “The region known as the Asia-Pacific does not include South Asia (India, Pakistan, Afghanistan, Bangladesh, and Sri Lanka), or Southwest Asia (the Arab Peninsula, Iraq, and Iran). Instead, the Asia-Pacific refers to the region comprising East Asia and Southeast Asia.”).

5 Cheow, 5.2 China Brief ¶¶ 7, 9 (cited in note 4).


times that require leadership to lift our vision to higher sights and raise our deeds to new heights.

Although these remarks were directed at government officials from ASEAN member states, Yong's call for leadership is applicable to the entire Asian region.

This Comment argues that not only does China seek to be the leader of Asian economic integration, but also that it is using international agreements with ASEAN to break barriers to the fulfillment of its leadership aspirations. Section II provides a brief summary of the history of Asian regional economic integration and an analysis of the status quo. Section III highlights the economic and political motivations behind China's desire to lead Asian regionalism. Section IV examines some of the obstacles to Chinese leadership, namely Japan's concurrent leadership aspirations, China's inability to control Taiwan, and South Korea's potential as the dark horse leader of Asian regionalism. It also discusses how China has used agreements with ASEAN to circumvent those barriers to its leadership. Section V offers some concluding remarks about China's future prospects for leading a potential East Asian Community.

II. ASIAN REGIONAL ECONOMIC INTEGRATION: PAST AND PRESENT

Asia is subdivided into several overlapping regional associations, both de facto and formalized. Principal among these groups are the Asia-Pacific Economic Cooperation forum ("APEC") and ASEAN.

A. APEC

Although APEC is not purely "Asian" because its membership includes countries that are not located geographically within the Asian region, it remains

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8 Ong Keng Yong, Leadership Challenges in the 21st Century Southeast Asia: Regional Integration, Competitiveness and Community Building, Opening Address at the ASEAN Leadership Forum 28 (Mar 22, 2004), available online at <http://www.aseansec.org/16017.htm> (visited Jan 15, 2007).

9 Some groups that will not be discussed in depth but are worth mentioning include Australia and New Zealand, which strengthened economic cooperation through the Australia New Zealand Closer Economic Trade Relations Agreement ("ANZCERTA"); the CLMV grouping comprised of Cambodia, Laos, Myanmar, and Vietnam—a subset of ASEAN membership; and JACIK, which includes ASEAN Plus Three as well as India.

10 APEC has twenty-one "Member Economies": Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; US; and Vietnam. For more information, see About APEC, available online at <http://www.apec.org/apec/about_apec.html> (visited Jan 15, 2007).
influential in the area of Asian economic integration. At APEC’s inception in 1989, the Three Chinas—China, Taiwan, and Hong Kong—were excluded. By design, APEC initially lacked a formalized institutional framework. Indeed, two of APEC’s largest economies, the US and Japan, eschewed the establishment of such a framework in favor of using APEC as a vehicle for informal consultation. However, a few years after the Three Chinas were invited to participate in APEC in 1990, APEC leaders established a permanent secretariat, signed a Declaration of Trade and Investment Framework and Action Plan, and created a Committee on Trade and Investment. Moreover, as part of APEC’s increasing institutionalization, APEC members promulgated the Bogor Declaration to create a free trade area by 2020. Subsequently, APEC leaders also agreed that each member economy would produce an Individual Action Plan that detailed how it intended to liberalize trade by the target dates. Despite these ambitions, such plans were often described as inadequate.

Although APEC has ambitiously attempted to replicate the EU and World Trade Organization agendas, its efforts have been insufficient to overcome fundamental, inherent flaws. Its diversified membership has resulted in collective action problems, prisoners’ dilemmas, and mutual suspicion among individual member economies. In particular, the failure of larger economies, such as the US and Japan, to promulgate bolder proposals for trade liberalization has set a conservative tone among lesser-developed member economies, which would not consider opening their markets unless developed members did so as well. Furthermore, many APEC members operate in an environment akin to “high-stakes trade poker” in which the economy that initiates trade liberalization exposes itself to greater competition without necessarily gaining reciprocal concessions, resulting in a sort of prisoners’ dilemma.

Perhaps more importantly, ASEAN countries within APEC have expressed doubts about expanding APEC’s scope. A primary concern among joint members of ASEAN and APEC is that APEC will evolve into an

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11 See Thomas C. Fischer, A Commentary on Regional Institutions in the Pacific Rim: Do APEC and ASEAN Still Matter?, 13 Duke J Comp & Intl L 337, 343 (2003) (“APEC clearly has influence, so it would be wrong to treat it as less than a de facto organization.”).
13 Id at 128-29.
15 Id at 345.
16 Id at 346.
17 Id at 345.
instrument of US foreign policy. Consequently, APEC’s role in Asian economic integration is constrained by the diversity of its potential membership. An exclusively Asian association with a strong leader thus appears to be the only plausible vehicle for successful regional integration.

B. ASEAN

ASEAN was founded in 1967 as a means of securing peace, stability, and development in Southeast Asia. It began with just half of the countries in the region—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—and gradually incorporated the remaining countries until it formally included all ten Southeast Asian nations in 1999. With the specter of communism looming during the 1970s, ASEAN members quickly adopted two treaties to foster greater economic cooperation, the Treaty of Amity and Cooperation in Southeast Asia and the Declaration of ASEAN Concord, both signed at the 1976 Bali Summit.

The rise of trade blocs in Europe and North America during the 1990s inspired calls for deeper economic integration within ASEAN. Such calls culminated in the seminal ASEAN Free Trade Agreement (“AFTA”) in 1992. AFTA’s ultimate purpose is to increase ASEAN’s competitive edge in the world market, an objective that China has for itself. While ASEAN and China’s twin goals would seem to put them in competition with one another, AFTA may actually create an opening for one of the larger Asian-Pacific economies, such as China, to expand its economy.

In contrast to APEC, ASEAN has a relatively homogeneous membership. Indeed, it is comprised of lesser-developed economies, which is both a strength and a liability. On the one hand, ASEAN members are unified by a shared resentment of the West and its domineering politicians. Yet it is the lesser-developed nature of ASEAN members that also hinders the regional association’s competitive edge in the global marketplace. At the turn of this century, for instance, the ten member countries of ASEAN received only a fraction of the foreign direct investment that flowed into China, a trend that is

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19 Lay Hong Tan, Will ASEAN Economic Integration Progress beyond a Free Trade Area?, 53 Intl & Comp L Q 935 (2004).
20 Id at 938.
21 See Dichter, 16 U Pa J Intl Bus L at 135 (cited in note 12) (stating that AFTA, as a “manifestation of the desire to create Asian alternatives to the regional trading blocs which are developing around the world and a response to the threat of regionalism posed by the [EU] and NAFTA,” “serves as an institutional framework upon which others might build.”).
likely to continue. Although China (as well as Japan and South Korea) has a larger economy than the members of ASEAN, it needs the support of these lesser-developed states in order to promote economic regionalism. Thus, a symbiotic relationship exists within the ASEAN Plus Three framework.

At present, the ASEAN Plus Three bloc, or a subset thereof, is the most promising vehicle for Asian regional economic integration. As it currently stands, however, ASEAN Plus Three lacks a strong leader. The question that remains is whether China can be such a leader, filling the role of the nucleus already present in other major regional economic blocs.

In addition to the agreements that China has forged with ASEAN (discussed infra), Chinese leaders have exercised diplomatic tact in their courtship with ASEAN. Chinese ministers have been careful to avoid the appearance of having plans to dominate the movement toward Asian regionalism, preferring instead to generate harmonious feelings toward China among ASEAN members. For instance, Prime Minister Wen Jiabao has touted China as a “gentle and friendly elephant” to its smaller Asian counterparts. Moreover, China has willingly played the part of a gracious guest at various ASEAN summits. Perhaps China is assuming a non-threatening stance in order to avoid stirring the type of resentment that ASEAN members have toward the West. This strategy may be working.

The current state of competition for leadership of Asian economic regionalism is that of a tug-of-war between Japan and China. While Japan is intensifying its clout with ASEAN members, China has already established that it is an integral part of the Asian economic integration process. India, Australia, and New Zealand have lobbied China actively for inclusion in this process, thus indicating their perception of China as a potential leader in this regard. Whether China will be the sole leader of Asian economic regionalism remains an unanswered question. However, China is certainly trying to lead, and it has good reason to do so.

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23 Tan, 53 Intl Comp L Q at 961 (cited in note 19).
25 See Tan, 53 Intl & Comp L Q at 965 (cited in note 19) (“There is a lack of what is termed the ‘nucleus’, like the German-France axis in the EU and the ‘nucleus’ role played by the US in NAFTA.”).
26 Cheow, 5.2 China Brief ¶ 3 (cited in note 4).
27 Id.
28 Hišane Masaki, China, Japan Tug-of-War over Indochina, Asia Times (Oct 5, 2005), available online at <http://www.atimes.com/atimes/Japan/GJ05Dh03.html> (visited Jan 15, 2007).
29 Cheow, 5.2 China Brief (cited in note 4).
III. THE RATIONALE BEHIND CHINA’S LEADERSHIP ASPIRATIONS

In order to understand why China seeks to lead Asian regional economic integration, one must initially ask why Asian countries want a regional economic grouping in the first place. Much of the early impetus for the development of an Asian-Pacific economic grouping arose from the inadequacies of the General Agreement on Tariffs and Trade ("GATT"). The GATT lacked an institutional identity and a permanent adjudicative body, resulting in interstate bargaining being the primary means of dispute resolution. In turn, a country’s bargaining power depended on its relative economic and political clout in the international community, rather than the relative merits of its claim. As a result, more powerful Western countries often triumphed regardless of the merits of their claims.

Additionally, Asian leaders have been inspired by the creation and development of other regional trading blocs, while recognizing the economic and socio-political benefits to regional trade generally. The apparent success of the EU and NAFTA did not go unnoticed by Asian leaders. Moreover, a regional economic grouping would generate positive trade effects. It could, for example, expand trade within the regional economic grouping and shift trade from outside the grouping to within the grouping. Asian economic regionalism would also strengthen Asian countries’ positions in intergovernmental organizations as well.

China’s leadership aspirations in the arena of Asian economic regionalism are based on its desire to capture the economic and political benefits of regional trade. More specifically, leading Asian economic integration would boost China’s domestic economy. Chinese leaders increasingly recognize that a primary benefit of participating in trade liberalization initiatives is increased competition in China’s domestic market, which would spur badly needed structural reform of state-owned enterprises. An alliance with ASEAN in particular would have a strong positive effect on the Chinese economy. Indeed, ASEAN is China’s fifth largest trade partner, and China’s trade alliance with ASEAN is projected to

30 Dichter, 16 U Pa J Ind Bus L at 102 (cited in note 12).
31 Id at 106.
32 Id at 99–100.
33 Lyou, 11 Ind J Global Legal Studies at 260 (cited in note 24).
34 Id.
35 Qingjiang Kong, China’s WTO Accession and the ASEAN–China Free Trade Area: The Perspective of a Chinese Lawyer, 7 J Ind Econ L 839, 843 (2004).
increase Chinese and ASEAN exports by 50 percent and China’s domestic economy by 0.3 percent.\textsuperscript{36}

Along with economic benefits, leadership in Asian economic regionalism also has political ramifications for China. Some Chinese authors have noted that a desire to counteract US influence is one reason why China is seeking alliances in Asia.\textsuperscript{37} The enhancement of China’s position in negotiations with the West is therefore a tangible side effect to China’s economic alliances in Asia.

Furthermore, an Asian economic grouping dependent on Chinese leadership could fulfill China’s other objectives involving security and the resolution of disputes with its neighbors in the region. Indeed, China has already forged non-economic agreements with ASEAN. For example, in 2002, China and ASEAN issued the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues as well as the Declaration on the Conduct of Parties in the South China Sea. With the non-traditional security agreement, China sought to address issues such as drug trafficking, human trafficking, piracy, and arms smuggling, while also strengthening personnel exchange, training, and joint research on non-traditional security matters.\textsuperscript{38} Meanwhile, with the latter agreement, China sought to resolve territorial concerns over islands in the South China Sea. In the South China Sea Declaration, China and ASEAN member countries agreed, among other things, “to resolve their territorial and jurisdictional disputes by peaceful means,” “reaffirm their respect for and commitment to the freedom of navigation in and overflight above the South China Sea,” and to refrain “from action of inhabiting on the presently uninhabited islands.”\textsuperscript{39} Therefore, economic cooperation could lead, and has led, to beneficial cooperation on other non-economic issues that are important to China.

More significantly, taking a leadership role in Asian economic integration would allow China to craft the economic rules of the region, rather than merely follow them. Given that international economic rules establish the system of relations between regional neighbors, such rules and the ability to make them are crucial to China’s national interests. If China does not assume a position of leadership in Asian regionalism, it may be forced to follow economic rules

\begin{itemize}
\item Id at 842–43.
\item Id at 844.
\item Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues, art II(1) (Nov 4, 2002), available online at <http://www.aseansec.org/13186.htm> (visited Jan 15, 2007).
\end{itemize}
promulgated by other, possibly rival countries. As one Chinese law professor summarized:

Indeed, China is fully aware of its limited national strength vis-à-vis Japan in the region. But it is also aware that if it refrains from playing a leading role in rule-making for the region until its economy becomes developed, then China will possibly have to follow the rules decided by other countries. In other words, should China not initiate formation of a regional arrangement, it would have no other alternative but to accept the existing rules in the future. From the perspective of Realpolitik, it is understandable that China tries to preempt the right to participate in rule-making by taking the initiative.  

China and its competitors' vision of Realpolitik then is not based on blood and iron but on strategic diplomacy.

IV. BREAKING THE ENEMY'S RESISTANCE WITHOUT FIGHTING: OBSTACLES TO CHINESE LEADERSHIP AND AGREEMENTS WITH ASEAN

Although China has demonstrated that it has both an impetus and the resolve to lead the Asian regionalism movement, its ascension to the position of sole leader in this regard is far from guaranteed because it faces several obstacles to its leadership aspirations. In particular, Japan has desires for primacy in Asian economic policy (if only to frustrate China's plans), Taiwan has shown that it is a necessary but unwilling partner, and South Korea has the potential to be the dark horse in this race to lead the Asian-Pacific region to an economic community akin to the EU and NAFTA. However, China has been the first among the Plus Three countries to forge a host of comprehensive agreements with ASEAN, a vital component of Asian economic integration, which may help China overcome these barriers.

A. JAPAN

Japan and China have a rivalry that is rooted deeply in history, and it evinces no signs of abatement. The possibility that China may eclipse Japan as Asia's economic leader has generated new anti-Chinese sentiments that permeate

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40 Kong, 7 J Intl Econ L at 846 (cited in note 35). China has already demonstrated its refusal to follow the political rules of other countries. For example, in his speech at Yale University in April 2006, President Hu Jintao, though he sought to suppress apprehension about the effects of China's ascendancy, was adamant that China would not follow US instructions for political development, stating in Chinese, "On one hand, we are ready and willing to draw on the useful experience of foreign countries. On the other hand, we will not simply copy the political models of other countries." See Joseph Kahn, In Hu's Visit to the U.S., Small Gaffes May Overshadow Small Gains, NY Times A8 (Apr 22, 2006).
This intense competition, in part, drives Japan’s concurrent leadership aspirations. While the institutions of Asian regionalism were still in the nascent stages of development, Japan appeared to be the most promising candidate for leading Asian-Pacific economic integration. It has also continued to forge trade liberalization agreements with its neighbors. In other words, Japan is a threat to Chinese leadership in Asian economic regionalism because of its early leadership potential and its ongoing efforts to frustrate China’s plans through competing economic agreements with its counterparts in the area.

During the 1990s, the formative years of Asian regionalism, Japan was ahead of its neighbors in the quest for leadership in economic integration. Japan was a member of APEC before the three Chinese economies—China, Hong Kong, and Taiwan—were admitted to the regional association. Furthermore, Japan had been, and still is, the primary source of multinational investment capital in Asia. Additionally, the Japanese economy was impressive enough that this factor alone was thought to be sufficient for Japanese leadership in economic regionalism. According to one observer, “The Japanese market has the size and wealth to induce the nations of East and Southeast Asia to agree to bind themselves in a supranational legal framework with a membership based on the [East Asian Economic Grouping].” Japan was therefore a logical choice to lead economic integration in the Asian-Pacific region.

For a time, Japan looked to the West, regarding the EU and the US as its primary trading partners. However, China’s economic ascendancy and apparent leadership aspirations have spurred Japan in its more recent rapprochements with other Asian countries. A year after the 2001 ASEAN-China Summit in Brunei Darussalam, Japan and ASEAN issued their Joint Declaration of the Leaders of ASEAN and Japan on the Comprehensive Economic Partnership. It stated in part:

We recognized that, for the creation of economic partnerships and linkages of a leading nature between ASEAN and Japan, ASEAN and Japan should seek broad-based economic partnership covering not only liberalization of trade and investment but also trade and investment promotion and facilitation measures, including, but not limited to customs procedures, standards and conformance, non-tariff measures, and cooperation in other areas, such as financial services, information and communications.

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41 See Norimitsu Onishi, Ugly Images of Asian Rivals become Best Sellers in Japan, NY Times A1 (Nov 19, 2005) (“Today, China and South Korea’s rise to challenge Japan’s position as Asia’s economic, diplomatic, and cultural leader is inspiring renewed xenophobia against them here.”).
44 Lyou, 11 Ind J Global Legal Studies at 265 (cited in note 24).
technology, science and technology, human resource development, small and medium enterprises, tourism, transport, energy and food security.\textsuperscript{45}

Moreover, in the wake of China’s 2002 negotiations with ASEAN regarding a free trade area, Japan quickly agreed to a free trade area with ASEAN member Singapore, resulting in the Japan-Singapore Economic Partnership Agreement.\textsuperscript{46}

In addition, Japan has put aside its rivalry with its Northeast Asian neighbor, eagerly touting the Japan-Korea Free Trade Agreement.\textsuperscript{47} More recently, in September 2005, Japan initiated periodic economic ministerial meetings with four of the least-developed ASEAN members, Cambodia, Laos, Myanmar, and Vietnam (collectively “CLMV”).\textsuperscript{48} Japan and CLMV agreed on a new set of Japanese aid programs to modernize the Mekong River area, including help in building a production and distribution system and assisting intra-regional trade through the use of tags that utilize radio frequency identification.\textsuperscript{49}

Japan’s private sector has also improved the country’s ties to Southeast Asia. For instance, several companies in Japan’s automotive, electrical and electronic, and food processing industries—including Toyota, Honda, and Sony—have participated actively in the ASEAN Industrial Cooperation (“AICO”) program, which gives the output of cooperative arrangements (the so-called “approved AICO products”) preferential tariff rates and unfettered access to participating countries’ markets.\textsuperscript{50} Furthermore, Japan has contributed to the AICO scheme by providing foreign direct investment to the automotive and electronic sectors.\textsuperscript{51} Through these vehicles, Japan has signaled its desire for greater cooperation in Asia and renewed efforts to lead economic integration in the region, which has perpetuated the rivalry between China and Japan.\textsuperscript{52}

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\textsuperscript{46} See Nohyoung Park, Overview on the State of WTO Dispute Settlement Involving the ASEAN+3, in Mitsuo Matsushita and Dukgeun Ahn, eds, WTO and East Asia: New Perspectives 241, 242 (Cameron May 2004) (“After China agreed to create an FTA with the ASEAN, Japan became concerned about the possibility of losing leadership over the East Asia economic integration. Therefore, Japan promptly agreed to an FTA with Singapore . . . .”). The full text of the agreement is available online at <http://www.meti.go.jp/english/report/data/gl-SFTA1e.pdf> (visited Jan 15, 2007).

\textsuperscript{47} Lyou, 11 Ind J Global Legal Studies at 265 (cited in note 24).

\textsuperscript{48} Masaki, China, Japan Tug-of-War, Asia Times ¶ 2 (cited in note 28).

\textsuperscript{49} Id ¶ 5.

\textsuperscript{50} Tan, 53 Ind & Comp L Q at 942 (cited in note 19).

\textsuperscript{51} Id at 943.

\textsuperscript{52} See Masaki, China, Japan Tug-of-War, Asia Times ¶ 43 (cited in note 28) (“Amid growing talk of creating an [EAC] in recent years, Japan and China have been jockeying for the leadership role in what will be the long and arduous process of community building. And the two Asian powers have competed for stronger and closer ties with ASEAN.”).
China has responded in kind to Japan’s overtures to ASEAN countries. Like Japan, it too has offered a financial assistance program for the development of the Mekong River sub-region.\(^{53}\) Perhaps in a bid to outdo its archrival, China also forgave Cambodia’s estimated $1 billion debt, and in July 2005 announced that it would broaden the array of products from Cambodia, Laos, and Myanmar eligible for preferential tariffs.\(^{54}\) Additionally, China has signed many agreements with CLMV and Thailand to foster cooperation on issues such as transportation, building an information superhighway, and power trade.\(^{55}\) Consistent with a policy of playing the part of a gentle giant in its courtship of ASEAN members, Chinese Prime Minister Wen Jiabao summarized China’s wishes by stating somewhat poetically, “[m]ay our friendship and cooperation run as long and deep as the Lancang-Mekong River,” and “[a] close neighbor is more helpful than a distant relative.”\(^{56}\)

In contrast to their militaristic and violent relationship in the past, China and Japan are currently engaged in a war of statecraft. Whether China can surpass Japan as the head of Asian economic integration is not yet evident, as Japan refuses to relinquish its competitive position in the region. What is certain, however, is that diplomacy is of prime importance. Both countries have demonstrated that they are adept at using it to forge strategic cooperation, to facilitate their respective bids for leadership, and, on some occasions, to raise their opponent’s ire.

B. TAIWAN

At a parliamentary committee meeting in March 2006, Japanese Foreign Minister Taro Aso remarked, “[Taiwan’s] democracy is considerably matured and liberal economics is deeply ingrained, so it is a law-abiding country. In various ways it is a country that shares a sense of values with Japan.”\(^{57}\) It was a comment that generated such headlines in China’s state-run media as “China ‘shocked’ by remarks of Japanese FM”\(^{58}\) and scathing, though unsubstantiated, statements such as “[i]nternational news media say Aso lacks the required basic political qualifications as a foreign minister because he frequently goes back on

53 Id ¶ 32, 33.
54 Id ¶ 34, 35.
55 Id ¶ 36.
56 Id ¶ 37, 38.
his own words.” Aso’s comment also captured the essence of what makes Taiwan an obstacle to Chinese leadership of Asian economic regionalism: that Taiwan is economically vital to China and to the region yet unofficially regards itself, and is regarded by others, as a de facto independent country, functionally separate and distinct from China.

Taiwan’s economic importance to China and the Asian region is due to its growing economy and status as a primary regional exporter and importer. Indeed, the Republic of China’s Directorate-General of Budget, Accounting and Statistics indicated the country’s 2006 economic growth rate was a strong 4.39 percent. Moreover, Taiwan could count mainland China, Hong Kong, Japan, and Singapore as four of its top five export targets in 2004. That same year, Taiwanese exports to Indonesia, the Republic of Korea, Malaysia, the Philippines, Thailand, and Vietnam exceeded well over one billion dollars for each country. Taiwan itself is a key destination for neighboring countries’ products. In 2004, for example, Japan, mainland China, and Indonesia were among the top exporters to Taiwan. That same year, imports to Taiwan from Indonesia, Malaysia, the Philippines, Singapore, and Thailand surpassed two billion dollars for each country. Taiwan is therefore an economic powerhouse, and a fundamental component of the Asian economic system.

In its quest to assume leadership of Asian economic integration, China may need Taiwan to a greater degree than that to which Taiwan is amenable. At best, Taiwan is a reluctant, if not unwilling, Chinese partner. It seeks to maintain stable separation from China, which could limit the ultimate degree of regional integration. Compounding China’s difficulties with its cross-strait rival,

60 Directorate-General of Budget, Accounting and Statistics, Republic of China (Taiwan), Key Economic and Social Indicators, available online at <http://eng.stat.gov.tw/public/Data/711717163371.xls> (visited Jan 15, 2007).
62 Id.
64 Id.
65 Lyou, 11 Ind J Global Legal Studies at 266 (cited in note 24). See also Separate Ways, Economist 11, 12 (Jan 15, 2005) (“Ultimately, China will have to come to terms with Taiwan’s permanent separation. The most it can ever realistically hope for—even if a liberal democracy were to take root on the mainland—is an arrangement along the lines of the European Union that preserves separate sovereignties. Taiwan would not want to get any closer.”).
Taiwan’s President, Chen Shui-bian, has signaled the possibility of *de jure* independence for the island. He has, for instance, rejected the “One China” principle, which he believes undermines Taiwan’s own sovereignty. More recently, in what China perceived as an act of defiance, President Chen ended the National Unification Council and the Guidelines for National Unification, both of which had been effectively defunct yet important symbols of the island’s political connection to the Mainland. At a minimum, Taiwan’s tendencies toward independence are a minor distraction to China’s larger objectives for Asia, diverting diplomatic energy to issues of cross-strait relations rather than to its efforts to drive Asian economic regionalism forward. However, China’s inability to rein in Taiwan’s separatist identity could also pose a complete obstacle to Chinese leadership in crafting an Asian-Pacific economic bloc by frustrating China-led plans for integration and altering other countries’ perceptions of the Mainland’s leadership capabilities.

Already, other countries and institutions tread a fine line between appeasing China and acknowledging Taiwan’s de facto, and nearly *de jure*, independent sovereignty, which indicates the limits of Chinese power as well as the importance of Taiwan in international relations. Even though China does not recognize the island as a separate country, Taiwan still maintains formal diplomatic relations with twenty-four nations. Numerous countries have established unofficial diplomatic organizations in order to engage in commercial relations with Taiwan, which is represented in 122 countries. Furthermore, at least one major regional economic association, APEC, has bypassed the issue of Taiwanese independence through some diplomatic maneuvering and semantics. It included Taiwan separately from China in its membership by using the term “member economy” instead of “member country” or “member state.” That so many nations are willing to circumvent the Mainland’s “One China” policy is a sign of Taiwan’s economic significance both regionally and globally.

China apparently recognizes Taiwan’s distinct presence and has taken steps to counteract this rival’s separate ascendancy in the region’s economic affairs, again utilizing agreements rather than resorting to a show of military force. Indeed, China has assumed a less aggressive stance toward its cross-strait neighbor in recent years. It has seemingly resigned itself to allowing Taiwan to

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66 Muted Celebration, Economist 44, 45 (May 21, 2005).
67 Keith Bradsher, Taiwan’s Leader Defies Beijing’s Warnings, NY Times A9 (Feb 28, 2006).
68 US Department of State, Background Note: Taiwan, available online at <http://www.state.gov/r/pa/ei/bgn/35855.htm> (visited Jan 15, 2007).
69 Id.
70 See About APEC (cited in note 10).
be functionally, though not formally, independent.\textsuperscript{71} A more outwardly harmonious relationship with the Republic of China may be part of the Mainland’s larger plan to bolster its leadership prospects. As some analysts have observed, “[i]f the Olympic Games in Beijing in 2008 were held against a background of rapprochement across the strait, that would greatly assist China’s efforts to project itself as a responsible world power.”\textsuperscript{72} Such projections, as a component of what is effectively a public relations campaign on a global scale, could, in turn, build China’s reputation as a natural choice to lead an Asia-Pacific economic bloc.

Instead of focusing on Taiwan itself, China has directed more diplomatic attention to regional economic agreements, especially with ASEAN, as a means of offsetting Taiwan’s strong position in Asia. Specifically, the ASEAN-China Framework Agreement (discussed infra), with its attendant increased market opportunities, could cause an exodus of Taiwan-based businesses to the Mainland.\textsuperscript{73} Burgeoning, China-initiated regional trade agreements may lead to the wholesale exclusion of Taiwan, creating a China-centric economic system in the area.\textsuperscript{74} Moreover, such economic exclusion of the island through China’s amicable relations with ASEAN could, in effect, suppress Taiwan’s leanings toward independence.\textsuperscript{75} Thus, China’s pursuit of agreements with ASEAN appears to be a fruitful strategy both economically and politically. It could prove that a form of Asian economic integration is possible without Taiwan, but given Taiwan’s economic and financial importance to the region, such a bloc seems unlikely to be successful in balancing similar Western institutions. Undoubtedly, an Asian economic bloc would be comparatively weak and incomplete without Japan, Taiwan, or South Korea.

\textsuperscript{71} See \textit{Muted Celebration}, Economist at 45 (cited in note 66) (noting that China has implied that “the status quo would be tolerable,” whereas “[i]n the past, China has threatened war against Taiwan simply for refusing to talk.”); \textit{Separate Ways}, Economist at 12 (cited in note 65) (noting that China’s “one country, two systems” idea “is no longer pushed quite as aggressively as before” and that one of its “most authoritative pronouncements on Taiwan policy in recent years . . . did not mention ‘one country, two systems’” and abstained from “railing against Taiwan’s de facto independence.”).

\textsuperscript{72} \textit{Separate Ways}, Economist at 12 (cited in note 65).

\textsuperscript{73} Kong, 7 J Intl Econ L at 844 (cited in note 35).

\textsuperscript{74} See Killion, 31 NC J Intl L \\& Com Reg at 50 (cited in note 4) (“Taiwan faces the threat of Beijing building an Asian strategic order centered on China, because Beijing remains highly sensitive about the \textit{de jure} and \textit{de facto} recognition of Taiwan’s legitimacy through participation in regional and international dialogues.”).

\textsuperscript{75} Kong, 7 J Intl Econ L at 844 (cited in note 35).
C. KOREA

As part of the ASEAN Plus Three framework, the Republic of Korea has been an important, though often overlooked, partner in Asian economic relations. Korea warrants greater attention as a possible candidate for leading Asian economic integration because of its longstanding investment relationship and recent efforts toward formalized cooperation with ASEAN. As early as 1968, just one year after ASEAN’s founding, Korea began overseas direct investment in the region through the Korea South Development Corporation.\(^\text{76}\)

Korea’s investment in ASEAN declined during the early 1990s because of the Asian financial crisis and the country’s increased investment in China after the normalization of Chinese-Korean diplomatic relations.\(^\text{77}\) Yet ASEAN is currently third among Korea’s foreign direct investment targets, and ASEAN members have received more than 25 percent of Korea’s official development assistance.\(^\text{78}\) Like China and Japan, Korea has therefore demonstrated its willingness to expend financial resources in order to encourage cordial ties to what is the most plausible vehicle for regional integration.

Given the substantial history of Korea’s involvement with Southeast Asian countries, ASEAN is unsurprisingly amenable to formal cooperative agreements with such a durable financial supporter. Just as China and Japan have been proactive in pursuing agreements with ASEAN members, Korea has sought aggressively to keep pace with its Plus Three counterparts. During its “rush to catch up on free trade agreements,” it completed successful negotiations with Japan and Singapore.\(^\text{79}\) More significantly, in December 2005, Korea and ASEAN entered into a Framework Agreement on Comprehensive Economic Cooperation, which established the Korea-ASEAN Free Trade Area.\(^\text{80}\) Korea’s Ministry of Foreign Affairs and Trade was quick to compare its position to that of China, noting, “[a]lthough Korea initiated negotiations with ASEAN three years later than China, it has reached agreements to establish free trade zones by 2010, just [like] China.”\(^\text{81}\) In what is perhaps the most striking indication of

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\(^\text{76}\) Kwon Yul, Toward a Comprehensive Partnership: ASEAN-Korea Economic Cooperation, 16 E Asian Rev 81, 85–86 (Winter 2004).

\(^\text{77}\) Id at 87–88.

\(^\text{78}\) Id at 81, 91–92.

\(^\text{79}\) Id at 95.

\(^\text{80}\) Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of the Association of Southeast Asian Nations and the Republic of Korea (Dec 13, 2005), available online at <http://www.aseansec.org/18064.htm> (visited Jan 15, 2007).

\(^\text{81}\) Spokesperson of the Ministry of Foreign Affairs and Trade, Republic of Korea, FTA Framework Agreement Signed with ASEAN (Dec 14, 2005), available online at <http://www.mofat.go.kr/me/me_a002/me들과/1195619_973.html> (visited Jan 15, 2007).
Korea’s competitive leadership aspirations, the Ministry further declared that “the Korea-ASEAN [Free Trade Agreement] will connect Northeast Asian and Southeast Asian markets centering in Korea and create a foundation for the establishment of the East Asian Community. We further believe that the [Free Trade Agreement] will contribute to Korea’s rise as the hub of regional cooperation in Asia.”82 Thus, while China may have had a head start in unifying negotiations with ASEAN, Korea has the motivation to supersede it.

Besides competition from China, Korea has other incentives to lead cooperation with ASEAN in the form of oil, trade dependence, and a boost to its domestic economy. ASEAN is Korea’s biggest oil provider and also supplies two-thirds of the liquefied natural gas that the country consumes.83 Furthermore, Korea is highly dependent on trade,84 and ASEAN is Korea’s fourth-ranked export market.85 The Korea-ASEAN Free Trade Agreement is expected to result in a $10 billion increase in Korean exports to ASEAN86 and a 0.13 percent rise in Korea’s gross domestic product.87 Given these tangible benefits, Korea, like China, has an economic impetus to direct the charge toward economic regionalism through symbiotic formalized agreements with ASEAN members. It therefore has potential to be the unexpected leader of Asian economic integration, though not without persistent competition from China.

D. CHINA’S AGREEMENTS WITH ASEAN

According to one journalist, “China is driving intra-Asian economic integration through the Association of Southeast Asian Nations . . . . To sweeten the economic bonds, China has not been too pushy in other areas, stepping politely to address its strategic and diplomatic goals as it seeks the affections of surrounding countries.”88 The outcome of such coy gamesmanship has been favorable to China, which has concluded a series of agreements with ASEAN ahead of its closest rivals. These agreements, which may be loosely categorized as fundamental agreements, agreements with economic side effects, and general cooperation agreements, have been designed to facilitate cooperation on

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82 Id (emphasis added).
83 Yul, 16 E Asian Rev at 90 (cited in note 76).
84 Id at 96.
85 Spokesperson of the Ministry of Foreign Affairs and Trade, Republic of Korea, FTA Framework Agreement Signed with ASEAN (cited in note 81).
86 Id.
87 Yul, 16 E Asian Rev at 96 (cited in note 76).
88 Jane Perlez, China’s Role Emerges as Major Issue for Southeast Asia, NY Times A3 (Mar 14, 2006).
multiple fronts, possibly entrenching China’s status as the frontrunner in the competition to lead regional integration.

1. Fundamental Agreements

China’s fundamental agreements with ASEAN include the Framework Agreement on Comprehensive Economic Cooperation and the Agreement on Trade in Goods. The Chinese Ministry of Foreign Affairs heralded the Framework Agreement, which was signed on November 4, 2002, as “a milestone,” signifying that “China-ASEAN economic and trade cooperation has entered a new historic stage.”

True to its name, the Framework Agreement includes a set of objectives, specific measures for comprehensive economic cooperation, a schedule of goods and tariff rates, provisions on trade-in-services, and a timeframe establishing a China-ASEAN free trade area by 2010 for older ASEAN members and 2015 for newer ASEAN members. Moreover, the Framework Agreement strengthens cooperation in five priority sectors, namely agriculture, information and communications technology, human resources development, investment, and Mekong River basin development, as well as several other areas. As such, the Framework Agreement has been the foundation for extensive cooperation between China and ASEAN on numerous issues, pushing forward a more complete form of regionalism that encompasses more than just economic integration.

Meanwhile, the Agreement on Trade in Goods, which was signed on November 29, 2004, will further facilitate a China-ASEAN free trade area. China’s state-run media report that this resulting free trade area will have an impressive gross domestic product of $1.8 trillion and a trade volume of $1.2 trillion. More tellingly, it “will allow all members to enjoy more favorable treatment in trade and investment than the World Trade Organization can offer.” In addition, the Agreement on Trade in Goods recognizes China as a

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91 Id.


93 Id.
“full market economy,” perhaps auguring other countries’ changing perceptions about China and the role of its government in its economic policy.

2. Agreements with Economic Side Effects

Some of China and ASEAN’s agreements with economic side effects include the Memorandum of Understanding on Agricultural Cooperation and the Memorandum of Understanding on Cooperation in Information and Communications Technology. The terms of these temporary agreements indicate that China continues to play the part of a gracious benefactor in its interactions with ASEAN. In particular, the agricultural agreement provides that China will conduct training courses for ASEAN members and that China will supply machinery as well as the bulk of financing to cover the international travel expenses of both Chinese and ASEAN agricultural specialists, with no reciprocal provisions on ASEAN’s part. Similarly, pursuant to the information and communications technology agreement, China will open its domestic training bases to educate ASEAN personnel and “will actively assist and facilitate the construction and development of information infrastructure such as fixed/mobile communications networks, multimedia applications, and Internet in ASEAN Member Countries.”

3. General Cooperation Agreements

The Joint Declaration and subsidiary Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity are together one of the general cooperation agreements between these parties. The Joint Declaration reflects the signatories’ mutual acknowledgment that “the relationship between ASEAN and China has seen rapid, comprehensive, and in-depth growth and ASEAN and China have become important partners of cooperation.” The Plan of Action is a master plan that details the parties’ joint strategy on cooperation in the realms of politics, security, economics, regional and international affairs, and a

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96 Memorandum of Understanding between the Association of Southeast Asian Nations and the People’s Republic of China on Cooperation in Information and Communications Technology, arts II(1), (2) (Oct 8, 2003), available online at <http://www.aseansec.org/15148.htm> (visited Jan 15, 2007).

miscellaneous category of “functional cooperation” that covers matters as wide-ranging as public health, culture, media, and youth exchanges.98

Collectively, the comprehensive body of agreements between China and ASEAN is firm evidence that an exclusively Asian regional association on equal footing with the EU and NAFTA is not far from fruition. Chinese leadership of Asian economic integration is no longer a pipe dream either. However, the other components of the ASEAN Plus Three framework, Japan and Korea, should not be underestimated. They have demonstrated their potential to lead as well. While the agreements have been mutually beneficial to the parties, the true winner may ultimately be ASEAN, which has reaped the benefits of the Plus Three rivalry.

V. CONCLUSION

China has attempted to achieve supreme excellence by breaking its enemies’ resistance, not by fighting in the most conventional usage of the term, but through agreements with ASEAN. Yet China has been fighting its “enemies” in another sense. It has been unable to put aside its animus toward Japan, Taiwan, and Korea. China’s perception of its counterparts as obstacles or competitors could limit both the scope and depth of regional cooperation. Thus, the real path to supreme excellence is for China to unify divergent regional interests through sincere, transparent diplomacy. The success of Asian economic integration depends on it.

98 Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity (Nov 29, 2004), available online at <http://www.aseansec.org/16806.htm> (visited Jan 15, 2007).