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Paradigm Shift of Regional Economic Cooperation Mechanism in East Asia: The Case of RCEP and CJKFTA

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Abstract

The economies in East Asia, since the late twentieth century, have been important driving forces of regional and global economic growth. Among them, the development of regional FTAs and the continuous promotion of regional integration processes have played a key role. Both RCEP and CJKFTA, as two representative cases of regional FTA vision, are considered regional economic cooperation mechanisms with great potential. However, due to various factors, especially the intervention of the United States based on its interests in the Asia-Pacific region, the development process and final results of both are very different. An in-depth analysis of the two different regional FTAs can help further understand East Asia's changing overall economic and political situation and the paradigm shift in FTA strategies in the process. What is beyond doubt is that future economic cooperation in East Asia will be confronted by the U.S. Indo-Pacific strategy's policy of containment of China's regional influence. The competition between the two for regional leadership will significantly influence the future economic integration process in the region and the Asia-Pacific region. In the context of the global economic crisis caused by the pandemic, higher-level regional cooperation will effectively stimulate the potential development capacity of the East Asian region. It will lead to the recovery of the global economy through trade and other forms. On the contrary, if there is a double standard in East Asia, which is the core of the global value chain, due to political reasons, it will seriously slow down the overall global economic recovery process.

Keywords

Free Trade Agreement (FTA), Geopolitics, Regional Cooperation, East Asia, Paradigm Shift

1. Introduction

Since the end of WWII, the conception of globalization kept the dominant position most of the time due to the prevalence of international capitalism and Neo-liberalism led by Western countries, especially the United States. Undoubtedly, globalization helped the world obtain better and faster development while

increasing the gap between developing and developed nations. Especially after the failure of the Doha Development Round of WTO negotiation, more and more countries have accepted Free Trade Agreement (FTA) strategy. The difficulties in achieving comprehensive multilateral agreements led most countries to develop bilateral and smaller-scale of multilateral economic relationships. According to the theory of comparative advantage, the international division of labor will benefit all participants on absolute gain. FTA helps maximize this process's benefits by the Zero tariff on trade. With the slowdown of global economic growth and the resurgence of trade protectionism, even the emerging markets lost the continued energy to maintain their high economic growth. Therefore, mature and diverse regional trade agreements became more critical due to their full use of regional markets, capital, and labor.

Since the end of the 20th century, the East Asian region (mainly including Japan, Korea, and the great China area in this study) has been deeply integrated into the international trend of globalization and has demonstrated strong economic dynamism and growth potential due to the trade-oriented industrial development routes of the region's emerging economies and the continuous process of economic reform and opening. With the further development of the international division of labor, East Asian countries have come to dominate production and consumption in the industrial chain of some key industries and joined the core nodes of the world trade network. The World Bank called this high economic growth in East Asia during this period an "economic miracle", and this "miracle" of East Asian regional economic cooperation could not have been achieved without promoting cooperation in trade liberalization among the countries concerned.

When assessing the development of trade liberalization in East Asia in chronological order by phases, it presents itself in three main periods. The first is the 1980s to the early twenty-first century, represented by the Asia-Pacific Economic Cooperation(APEC) and China's accession to the WTO, where the idea of APEC originated at the first Pacific Economic Community meeting (later PECC) in 1980 and formally began at the first APEC meeting in 1989. This was followed by the beginning of the ASEAN+1 mechanism and the period when the idea of regional multilateral FTAs such as CJKFTA emerged, from around the 1990s to the financial crisis in 2008. In the case of the ASEAN+1 mechanism, it also took more than a decade of research and negotiations from the beginning of the ASEAN Regional Forum to 2005, when the first ASEAN-China FTA was established. Finally, the Belt and Road Initiative(BRI) and Indo-Pacific Economic Framework (IPEF) represent a vision of regional cooperation with a potential target of dominating regional order and value orientation. This period began around 2013, also in the post-crisis era, and continues to the present. Nevertheless, characteristically, the above three phases of East Asian trade liberalization have commonalities: it took about a decade from the beginning of the idea to its formal launch; they all started after the large-scale economic crisis or accelerated the negotiation process after the crisis; and there was an apparent competition among the trade liberalization ideas of the same phase. These commonalities have formed the infrastructure of institutionalized economic cooperation in East Asia, which is quite different from the trade liberalization process in other parts of the world. Moreover, over a long period, it has accelerated this region's industrial and trade development.

Yue summarized the factors driving the proliferation of FTAs in East Asia in three points. The first is the de-escalation of the regional situation brought about by the end of the Cold War, especially the normalization of relations between China and its neighboring countries. Second is the formation of economic blocs and common markets in Europe and the United States, whose preferential policies negatively affected East Asian export-oriented countries. Finally, the Asian financial crisis at the end of the 20th century led to the stimulation of regionalism in the region based on the distrust of the United States and its dominant international financial institutions. These reasons led East Asian countries to focus more on intraregional economic cooperation and trade exchanges. As part of institutional economic cooperation, currency swap agreements can primarily protect against global financial risks and are usually a first step toward a common currency area. In 2000, the three East Asian countries and ASEAN jointly reached the Chiang Mai Initiative (CMI) at the ASEAN+3 Finance Ministers' Meeting, which greatly supported the subsequent economic recovery and financial stability of the region (SUSSANGKARN 2011).

After that, regional economic cooperation in East Asia entered a new phase. For example, while China still considered the multilateral system's binding conditions and the power distribution among member states with caution, its primary regional trade practice shifted from bilateralism to multilateral consultative mechanisms (Zhao, 2010). Different from other East Asian countries, China was once part of the communist camp and did not join the democratic camp even after the end of the Cold War. However, through more formal and informal regional economic cooperation, China's attitude toward regionalism gradually moderated, which significantly improved its overall relations with its neighbors. Despite the traditional historical conflicts and regional power struggles between the two regional powers, economic growth and security stability in East Asia reached a new level during this period, as China made clear its desire to become a reliable power (Wang & Wang, 2008) and was willing to accept collective norms and fulfill commitments and obligations under multilateral mechanisms. However, it is worth noting that China was not yet a supporter of institutionalized regional economic cooperation at this time, as it saw the binding conditions imposed by highly institutionalized cooperation as a threat to its national security and interests and as a tool for countries such as the United States and Japan to limit China's regional development (Rozman, 2010). Given the significant differences in the overall development of the countries and the fact that China and Japan remained suspicious of each other, most of the East Asian regional cooperation mechanisms at this time were led by ASEAN and reflected its characteristic flexibility and looseness.

From the perspective of welfare enhancement, economic cooperation in East Asia has tremendous positive implications for both the countries involved and the global economy. The institutional cooperation mechanism represented by Free Trade Agreements (FTAs) is the primary practical way to liberalize regional trade and investment. Although the institutionalization of economic cooperation in East Asia would further promote trade liberalization in the region and yield higher benefits, especially in the context of the failure of the WTO negotiation in the Doha Round, many factors have prevented the

formation of institutionalization for a long time. When talking about the institutionalization of economic cooperation in East Asia, RCEP and CJKFTA are considered classic examples. RCEP was signed without India in late 2020 and became fully operational in early 2022. On the other hand, CJKFTA has yet to make substantial progress for years.

In many pieces of research, it is considered unlikely that RCEP can be achieved before CJKFTA due to the inclusive relationship between them and the different levels of difficulties in negotiation (Lu, Pan, & Xie, 2020). On the contrary, the signing of CJKFTA would be an essential boost for both RCEP and TPP (Chiang, 2013). However, the reality is opposed to the predictions. Therefore, this paper attempts to explain why RCEP could be realized before CJKFTA and to use these two regional free trade scenarios to explain the paradigm shift in the FTA strategy when globalization takes a turn for the worse.

2. The Rise of China and Institutionalized Economic Cooperation in the East Asian Region

The concept of CJKFTA has not emerged without a foundation. In the early year of conducting advanced research on it, the government of China, Japan, and South Korea realized the welfare that could be increased for each country through CJKFTA. By 2018, this planned free trade agreement covers about 21% of the world's total population, about 23.14% of the world's entire economy (Cui, Song, & Zhu, 2018), and the share of intra-regional trade exceeds \$720 billion. This regional economic cooperation mechanism was conceived based on China's rapid and stable development following its economic reform and opening-up policy, as well as the highly complementary industrial structure and well-established supply chain system in this region. At the same time, the three countries' leaders share a common understanding of this regional vision, which has been reflected in several joint statements.

In 1978, the Third Plenary Session of the 11th Central Committee was held and officially announced the reform and opening-up policy. It was a crucial time point, meaning China changed its economic system from the planned economy to some degree of the market economy. Thanks to the enormous demographic dividend since then and the relevant policy support from the central government to the local government, the GDP of China grew rapidly, and the growth rate was about 9% per year (Shen, 2018). China had a considerable advantage in the labor-intensive industry at that time due to sufficient domestic labor. However, at the same time, China had a weak domestic market for those products, so discovering the global market became important. In 1986, China applied to join GATT formally. After 15 years of multiple rounds of negotiations, in 2001, China joined WTO, which replaced GATT on 1 January 1995. Since China joined WTO, the speed of China's economic growth has further accelerated, which was mainly reflected in the trade area. Multilateralism based on the WTO has given China lower tariffs, fewer trade barriers, and the power to participate in the formulation of the world trade order. In addition, it also improved China's domestic reform, including tariff reductions, the establishment of China's special economic zones, and the central direction of processing trade (Yu, 2018). The vast benefits and regional trade center status after China's accession to the WTO have made the Chinese government firm in its determination to pursue multilateral trade. It is still the staunchest supporter of multilateral trade,

especially after the United States announced “America First,” which embarked on the trade route of protectionism after 2016. It did harm not only economic relations but also the traditional alliance in the East Asia region, which enabled China more space to keep and enhance its economic relations with those countries like South Korea and Japan, and China’s leading position in regional and world trade order has been developed (Park & Stangarone, 2019).

On the other hand, according to Capannelli, Lee, & Petri’s quantitative study of economic integration in Asia, the trade/GDP ratio in this region had been increasing over the 40 years up to 2007 and is the highest indicator in the world. Their analysis concluded that data including the trade/GDP ratio, intraregional trade share (IT share), and intraregional trade intensity (IT intensity) provide a good measure of a region’s economic interdependence from a trade perspective. Regional economic interdependence continued to increase in the Asian region, which can be analyzed from trade, investment, and financial market statistics. The researchers also mentioned the weakness presented at that time: the lack of broader consensus among major economies due to political, cultural, and social differences led to weak governmental cooperation and official regional institutions. However, the trade trend and official economic cooperation status changed after the global financial crisis in 2008. As the most important trading partner in Asia, the transformation of China has had a profound impact on the prospects of Asian economic integration.

As shown in Table 1, China’s trade volume as a share of its GDP steadily declined from 2011 to 2017, which means that China’s overall economic dependence on trade declined. It has a tight connection with the Chinese government’s policy of “boosting domestic demand,” which has been particularly emphasized since 2008. After the global financial crisis in 2008 led to difficulties regarding trade exports, which had long been the most crucial part of China’s economic growth, the Chinese government started to shift the focus of its policy from trade to internal demand for consumption and investment to counteract the risks of international trade. In addition, the weaknesses in the development of regional integration in Asia identified in previous studies, namely, official cooperation at the governmental level and the underdevelopment of official regional institutions, improved to some degree. More regional cooperation agreements were signed, and more intergovernmental cooperation and related initiatives were accepted and promoted by more governments (Capannelli & Tan, 2013), such as the Chiang Mai Initiative Multilateralization (CMIM), ASEAN+3 Macroeconomic Research Office (AMRO), and Trilateral Cooperation Secretariat (TCS). However, there were still considerable areas for improvement in institutionalized cooperation (Hamilton-Hart, 2012). In summary, the financial crisis that occurred in 2008 can be seen as a critical juncture in the transformation of the development direction of Asian economies.

In addition, the rise of China changed Global Value Chain (GVC) forever, let it into the so-called New Normal Era. Choi described the relations between GVC and China appropriately “History of GVC is the history of China’s opening up and reform, and assimilation into the global trading system.” (Choi, 2020) However, as a black swan event, Trump, who has no traditional political experience, was elected as the

new president of the United States in 2016. Based on the protectionist ideology of some conservatives in the US, the Trump administration has transformed the US from a promoter of the rules-based multilateral trading system to a destroyer of that system, reorganizing its economic and trade relations with countries around the world with more of an America-first approach as its core ideology. There have also been renegotiations and withdrawals from free trade agreements that it believes have harmed the interests of the United States. Examples include the renegotiation of the USMCA and the withdrawal from the TPP. Moreover, it is due to the continued rise of China, especially after the regional vision of the BRI in 2013, that the US has been analyzing whether China will become a real threat to the US in the future. It has translated into actual containment actions under the Trump administration: including trade wars and maintaining the long-standing advanced technology blockade that has been consistent in the past (Note). As the most critical part of the global value chain, East Asian countries have been greatly affected by this process.

In summary, China's rise in the era of globalization has been highly correlated with institutionalized economic cooperation in East Asia. Together with the changing long-term regional interests of the United States, they have shaped the political and economic landscape of East Asia at the beginning of the twenty-first century and influenced the paradigm shift of FTA strategies in the region, which also includes the development process of CJKFTA and RCEP as specific regional cooperation visions.

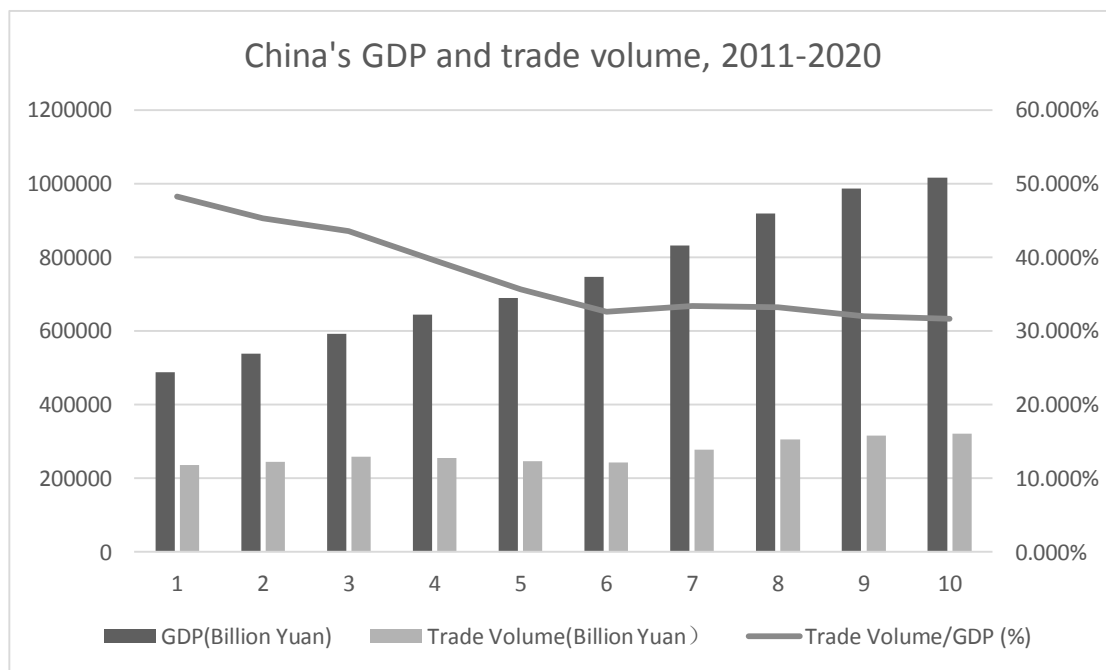


Figure 1. China's GDP and Trade Volume, 2011-2020

3. Geopolitical Influence on FTA

In 2013, both RCEP and CJKFTA started the negotiation. After over seven years, RCEP was signed in 2020, while CJKFTA does not yet have any official word on its negotiations' completion (or partial completion). Even though the two FTAs share a similar core value of progressive regional trade linkages and share the same vision of the times, the results have differed from expectations. Thus, their negotiation process is of great value for comparative study, which some unexpected factors may reflect.

3.1 Challenges and Obstacles of CJKFTA

Even though the ambition of CJKFTA was tremendous and was accepted by most of the political and economic elites in each country, it is currently in the status of an unfinished framework agreement since negotiations formally began in late 2012. This kind of situation is rare as a trade agreement that has been negotiated over nearly ten years. Usually, after several years of negotiations, at least some areas of consensus and basic proposals are reached, such as the early harvest lists reached at the beginning stage of most trade agreements. However, since there is no more official news to explain the reason for this delay, one can only infer more from contextual factors why this anomaly arose. Possible reasons include the difference in historical recognition, territorial disputes, geographical elements (Wirth, 2015), and the divergence of sectoral interests in domestic politics (Zhang, 2019). However, through historical analysis, geopolitical factors in the Asia-Pacific region may be the main reason for the lack of significant progress in CJKFTA in recent years.

The conflict between China and South Korea is mainly reflected in the US military presence. With solid support and pressure from the United States, South Korea decided to deploy the Terminal High Altitude Area Defense (THAAD) in 2016. While it asserts the defensive nature of the system, the Chinese government considers the missile system a severe threat to the security and stability of East Asia and a direct strategic threat to China's northeastern region. After Moon Jae-in's regime came to power, China-South Korea relations warmed up rapidly. The "Three No's" pledge has become an essential official basis for the return of friendly relations between China and South Korea. However, after the regime change in 2022, the conservative Yoon Seok-yeol administration advocated the additional deployment of the SAD system in South Korea and the abrogation of the Moon Jae-in administration's "three no's" pledge, making it still a point of conflict in Sino-Korean relations.

The conflict between China and Japan is mainly reflected in Japan's concern about China's rapidly growing regional power, especially its military power. In addition, there are various Japanese and US interests in the Pacific region, especially in the security and stability of the Taiwan Strait region. At the geopolitical level, the core area between China and Japan is the East China Sea-Taiwan waters. Any military changes in this region would directly affect Japan's maritime transportation routes, which are crucial to Japan as an island nation that relies on resource and energy imports. Any ban on navigation would significantly threaten Japan's national security and social stability. In addition to this, the closed economic ties with China and the military security alliance with the United States are irreplaceable for Japan. Therefore, on the Taiwan issue, Japan often adopts an attitude of maneuvering between the two

powers to prevent directly touching the strategic bottom line of one side or the other. Japan's unique geopolitical location with Taiwan makes many of its moves and attitudes dependent on changes in the regional situation, and its ability to act autonomously is low.

However, looking at the Asia-Pacific region as a whole, it is easy to see that the fundamental geopolitical conflict in this region is currently between China and the United States (Green & Goodman, 2015). More specifically, it is a conflict between the three island chains constructed by the United States to monitor and restrict China's global development and the enhancement of China's ocean power out of a need to protect its continuing growing overseas interests. The United States is not an East Asian country but the most important country influencing East Asia. Whether it is Japan, South Korea, or some Southeast Asian countries, it is not difficult to see the significant influence of the United States behind the scenes. Those places with US troops or US bases can be seen as an extension of US domestic power in the Asian region. These forces have been one of the cornerstones of stability in Asia since the Cold War. Nevertheless, with the rise of China, the power structure between the United States and China in the Asia-Pacific region has shifted dramatically from what it was before. China gradually caught up with the United States regarding economic and regional military power. This change in power has caused the United States to revise its Asia-Pacific policy to confront China's growing regional influence. Both the Obama-era "Asia-Pacific Rebalance" and the Trump-era "Indo-Pacific Strategy" were part of the new US Asia-Pacific strategy. At the same time, while some people in the United States still consider Russia to be the main adversary of the United States, a growing number of political elites see China as the greatest threat to the United States in the future. It has further propelled Washington to shift the focus of its global strategy from the Middle East and Europe to the Asia-Pacific region, as exemplified by the US withdrawal of troops from various battlefields.

Since the Biden administration came to power, the international community has pinned its hopes on the possible weakening of the geopolitical conflict between China and the United States, but based on actual moves, the Biden administration has no room to back off this area. On the contrary, QUAD, centered on regional security cooperation among the United States, Japan, Australia, and India, has gradually transformed from a vision into a regional security cooperation entity whose main goal is to limit China's influence and potential security threats in the Indo-Pacific region. On the other hand, an alliance with a greater emphasis on military cooperation, AUKUS, was also established during this period as a common defense mechanism for the United States, the United Kingdom, and Australia and another vital component of the US Indo-Pacific strategy. Although the US has permanently attached great importance to U.S.-European relations and hoped to obtain European assistance in its strategy to limit China, in the context of the close trade ties between China and Europe, the US again tends to sacrifice the interests of some European countries for its own and its close allies' interests. In the AUKUS case, for example, the United States and the UK would help Australia build a nuclear submarine force to enhance its military capabilities in the Pacific and support U.S.-related operations. However, prior to this, Australia had already agreed to a military order with France regarding nuclear submarines, which was eventually

canceled due to the creation of AUKUS. It caused France to suffer a substantial monetary loss in addition to an inevitable loss of national image and even more severe damage to its national relations with AUKUS members. The US later tried to appease France and promised to make certain other compensations, but the relationship between the US and France, and especially the image of the UK and the US in the minds of the French, needed much longer time to repair. Even if it paid a huge political and diplomatic price, the US remains determined to continue the Indo-Pacific strategy with AUKUS and QUAD at its core. It is easy to see its extreme concern about China's geopolitical power. The most significant difference between the ideological battle between the two camps of the past and the Soviet Union is that China is not an aligned country and, at the same time, does not conduct a closed set of economic systems but is deeply embedded in the global network through developed trade and industry, with significant economic ties to all major countries. This makes any US action subject to the economic costs attached to it: not just to itself, but to the economic losses that may be suffered by those countries with which it has strong alliances. It makes US actions no longer possible, as they were during the Cold War, and must be more flexible to reduce the additional collateral damage.

CJKFTA, as a vision of regional economic cooperation involving two allies with close ties to the US, is something the US can influence according to its regional interests. In the Asia-Pacific region, where the regional situation is complex and volatile, economic issues are less sensitive than issues such as politics and security. In Japanese and South Korean politics, the additional economic benefits of CJKFTA are less of a priority than the growing regional influence and potential security threat of China in front of them. As a much smaller regional cooperation mechanism, the CJKFTA faces significant geopolitical pressures.

3.2 Constructive Advantages of RCEP: ASEAN+1 Mechanism

Meanwhile, the RCEP shared the same general environment with CJKFTA to facilitate the negotiation of trade agreements but faced a different internal negotiation environment. ASEAN countries started the ASEAN Free Trade Area in 1992 and extended this framework by adding several regional economies. It gradually developed into the current model of economic cooperation called ASEAN+1 (Hiroyuki & Lee, 2016). RCEP was expected to be based on those five existing ASEAN+1 mechanisms on economic cooperation at first, which had been running smoothly for several years and was considered a constructive model. RCEP tried to combine and improve this kind of mechanism to reach a free trade network on a larger scale. That is the reason why many scholars consider ASEAN the cornerstone of RCEP: although in terms of economic volume, China, Japan, and possibly India are much larger than individual ASEAN countries and are at the same level as ASEAN as a whole, the economic foundation and institutional structure of RCEP are basically derived from the ASEAN+1 mechanism. On the other hand, the fact that ASEAN countries are in the majority in terms of the number of countries also brought the traditional ASEAN spirit of consensus-based decisions to the internal negotiations and subsequent discussions of RCEP, which laid an essential foundation for the rapid and effective progress of the subsequent negotiations. Considering that most RCEP countries are developing countries, including some

particularly underdeveloped countries, RCEP takes into account the development situation of these countries from the formulation of rules and the scope of coverage. The agreement set relatively low standards, some exception items, and tax reduction transition periods, which to a certain extent, affect the overall benefits of the agreement. However, it can reduce the pressure from domestic members and help it to complete more quickly (Wilson, 2014). Similar to the situation of CJKFTA, there were also some disputes between RCEP members on territory, especially in the area of the South China Sea. The conflict and controversy peaked in 2013, and then the atmosphere gradually eased due to the enhancement of China's naval power and the change of US strategic focus in the Asia-Pacific area (Yahuda, 2013). At the same time, the high degree of economic ties and rapidly growing trade among RCEP members exemplifies a more assertive role, making the countries involved willing to set aside some territorial disputes in exchange for considerable future welfare gains. As a part of the whole ASEAN, some ASEAN countries will also play an important communication and coordination role, helping to persuade conflicts within ASEAN members and external RCEP members to reach an early agreement. Such an advantage is based on the internal system and core spirit of ASEAN.

From the aspect of the internal politics and systems of ASEAN, it pursues the principles of decision-making by consensus and non-interference to members according to the ASEAN Charter (Lee, 2010). Therefore, even though the domestic political environments were not stable enough in some ASEAN countries like Thailand and Myanmar, the principle of non-interference to members helped ASEAN to promote its target of regional development despite unexpected changes, and the policies jointly decided by ASEAN have long-term sustainability in all of its member states. These principles, combined with the shared ambition for economic development among the ASEAN countries, led to the result that ASEAN as a whole played a positive role in the negotiations. In particular, in its approach to the RCEP negotiations and relations with China, ASEAN has managed to effectively push the negotiation based on the considerable economic benefits of RCEP, despite the geopolitical tensions between some of its members and China. On the other hand, ASEAN has not excluded the US influence in this region. Singapore, the most developed and essential country in ASEAN, maintains a high level of economic and military contact with the US and provides one of the crucial bases for the US military in Asia-Pacific. Such double hedging behavior allowed ASEAN to maintain a flexible role between the US and China competition, rather than favoring one side over the other, which makes it rarely be suffered excessive intervention and possible retaliatory behavior after choosing one.

4. Possible Reasons Why RCEP Was Completed before CJKFTA

4.1 Different Potential Economic Benefits

The analysis from the viewpoint of industry and economic benefits may bring us some thoughts on this issue. The first thing that can be observed from the data is the difference in the number of potential benefits between these two regional FTAs. According to the mode introduced by Lu, Pan, & Xie (2020), even under the implementation of CJKFTA, the welfare level of the three countries has been significantly

improved. Compared with China and ROK, Japan can gain more welfare. The increasing amount is about US\$18250.11 million. Furthermore, if RCEP is also considered in this mode, the increasing Japanese welfare will reach US\$26,173.72m. Nevertheless, for the countries outside such FTAs, their welfare will decrease due to the higher tariffs on various goods and more capital and personnel flow costs. For example, the signing of CJKFTA will hurt the economy of ASEAN countries from the perspective of trade. So, they decided to accelerate the negotiation of RCEP, which can increase their welfare by about US\$6,348.59m. It can help them to counteract the possible adverse effects of CJKFTA.

Some crucial factors like the geographic advantages and industrial complementarity of China, Japan, and Korea will make these three countries more eager to achieve the FTAs, including all of them. And at the same time, the larger the scope of FTA, the higher the benefits. In the case of only considering absolute income, the most significant regional FTAs like FTAAP will be better than Mega regional FTAs like CPTPP and RCEP, but the CJKFTA will get a little benefit. On the other hand, in terms of the negotiation basis of RCEP and CJKFTA, as mentioned above, RCEP has a better prior basis of the ASEAN+1 mechanism, so there are more precedents in the details of the negotiations than CJKFTA, which started from scratch. In addition, the conflict of interest among more regional members will involve more areas. The main interests pursued by countries at different stages of development in this regional mega FTA are different, so the hope to reach RCEP means that these member countries must give up some interests in some areas in exchange for the feasibility of the overall scheme. At the same time, due to a large number of members, these relinquished interests are relatively equal for each country. Therefore, the size of the loss is easy to control and can be compensated by gains in other areas. In the case of CJKFTA, the conflicting interests of the three countries are concentrated in several areas, making direct concessions more difficult. Once the concessions are excessive, they will likely bring a fundamental strike to their own countries in critical sectors such as agriculture or semiconductors. Such a negotiation background may also be one of the reasons why RCEP was completed before CJKFTA.

4.2 US Free Trade-Related Policy Shifts: From TPP to CPTPP

The second possible reason is the partial political dysfunction of the US government in recent years due to political polarization and the constraints of the opposition party on the policies of the ruling party through Congress. It is mainly reflected in the change of attitude of the United States towards the free trade agreement represented by the TPP. The US presence in the Asia-Pacific region is irreplaceable, and even if China tries to catch up with the US in various fields, for the time being, no major institutional arrangement in the Asia-Pacific region is immune to US influence. The same is valid for constructing RCEP and CJKFTA as important regional economic cooperation regimes. An anomalous outcome, therefore, must also be correlated in some way with some inherent changes in the United States. First, let us go back to the beginning stage of the Trans-Pacific Partnership(TPP) negotiation.

TPP originated from the Trans-Pacific Strategic Economic Partnership Agreement(TPSEP), which was introduced by Brunei, Chile, New Zealand, and Singapore in 2005. After that, during the summits of APEC in 2011, a total of nine countries, including the United States, decided to establish a regional

economic cooperation mechanism and named it TPP. The main target of TPP was to promote regional economic development from trade, laws, labor, environment, Etc. However, even during the years around the first decade of the 21st century, China's development made itself not only located in the center of the Asia-Pacific area geographically but became more and more critical there from an economic perspective. According to the materials offered by Devadason in 2014, 23% of China's global trade in 2010 was linked with the TPP economies. The average annual trade growth rate between China and TPP economies in the first decade was about 19%. Hence it was unreasonable to exclude China from this Trans-Pacific cooperation if this agreement had the ambition of gaining the most welfare for all partners. China would bring considerable benefits to other TPP countries if it were within the framework of the TPP, both in terms of its growing industrial manufacturing capacity which can provide cost-effective manufactured products and public goods to the region and globally, and its substantial growing market. Even if it can not be announced definitely, TPP, which was dominant by the US then, had a specific significance in restricting the influence of China's regional economy and kept the United States' strategical advantage in the Asia-Pacific area. TPP was mainly welcomed by Obama's supporters but not every part of the United States. There were two main obstacles for the US to negotiate the TPP. The first one is from the Democratic Party itself. Even though President Obama was from Democratic Party, many influential Democrats considered that TPP would lead to the direct result of losing local American jobs, which conflicted with the traditional political philosophy of the Democratic Party. At the same time, the increasingly fierce conflict of interest between the two parties in the United States has affected the implementation of the Obama administration's Asia Pacific strategy. Even the cross-party consensus based on the exchange of interests is becoming increasingly difficult to form. This political fragmentation within the United States is intensifying, especially after the Republican majority assumed control of the US Senate again in 2015 (Peter, 2021). Moreover, President Trump finally withdrew from TPP as the priority after winning the election, putting a temporary end to the U.S.-TPP relationship.

Japan dominated the negotiation of TPP after 2016 and achieved the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018. However, the CPTPP did not include the most important two countries in this area, so the significance of regional economic development and cooperation under the CPTPP framework was relatively weakened. Nevertheless, even the high standard offered a good sample for future FTA evolution. We can now see that some countries are both members of CPTPP and RCEP, including Japan, the leading country of CPTPP. The basic logic of these countries in favor of continuing the RCEP after the completion of the CPTPP is that the RCEP includes China which has an unparalleled central position in the economic field of the Asia-Pacific region. Thus the partnership with China under the RCEP framework can help member countries consolidate the local trade networks and make up for certain welfare losses caused by the absence of the United States in CPTPP. By comparison, CJKFTA does not have such urgency based on the regional variation of FTA strategy. That reason could slow down the negotiation process of it.

In addition, since 2016, the Trump administration has pursued an “America First” policy, especially when dealing with trade issues with other countries. Moreover, in contrast to the past approach of taking into account the global financial and natural economic cycles, it had focused very directly on the US own trade deficit problem, trying to carry out deficit reduction through restrictive trade measures, statistically allowing the US to reduce its current account in “deficit.” However, the overall long-term US trade deficit is a very reasonable phenomenon due to the US industrial structure in the context of a developed international division of labor and the international currency status of the US dollar. In contrast, the US portion of the loss in the trade deficit will be compensated through interests of the US dollar-dominated international financial system and foreign direct investment. The Trump administration’s trade policy had clearly ignored these factors in favor of treating trade issues separately while paralyzing the WTO’s trade dispute arbitration mechanism through the appointment of a veto in the expectation that WTO reform will take place in a form consistent with US interests. Although the WTO indeed needs some reform to conform to the latest international trade issues, the US’s tough actions have heavily weakened the WTO’s current proper function and made it more challenging to resolve trade issues between countries. All of the above have led no matter China, considered a future full-fledged competitor of the United States, and Japan or the EU, treated as traditional US allies, to increase their conflicts and disputes with the US in various fields during this period, which led them to think about more alternate solutions to deal with the changes in the global trade landscape brought about by a non-traditional US administration. Analyzed from this perspective, the RCEP’s rush to complete the signing in late 2020 is an advanced layout of the countries concerned for a possible second term of the Trump administration from 2020 to 2024. Before the outbreak of the epidemic, due to Trump’s progress in completing his campaign promises and particular populist sentiment in the United States, the probability of his re-election in the 2020 presidential election was still relatively high, so countries must do planning for the future based on his policies and attitudes in the first four years to prevent some possible future “irrational behavior” of the United States. RCEP, as a framework for economic and trade cooperation in East Asia, includes the largest economies in the region, which also have a high degree of independence in dealing with US policies. Such a cooperative mechanism could create a stable regional trade network and reduce its exposure to US factors. The fact is that Biden won the final election victory, but still did not start considering a possible return to the TPP as expected. Plenty of the domestic political, and international security issues facing the Biden administration have led it to publicly exclude any FTA negotiations from current consideration, placing them at a lower priority. It makes the signing of the RCEP in 2020 and its official operation in 2021 very significant, especially in safeguarding stability and promoting trade networks and economic integration in East Asia.

4.3 Trade Dispute Settlement Mechanism

The third reason can be the differences in dispute settlement. There is a big gap between ASEAN countries and China in strength, so some regional disputes have decreased significantly. Although Singapore meets the criteria of a developed country, ASEAN as a whole is still some distance away from

China in terms of its level of development. Whether in terms of total economic volume, industrial structure, or even population size, ASEAN member countries are hardly comparable to China alone and are even some distance away from Japan and South Korea. Such a gap leaves them with relatively few bargaining chips to use in exchange for interests in handling their relations with China. In terms of dispute resolution, the more significant the power gap, the less likely it is that a long-term conflict will occur between the two countries; and often, the closer the power, the more frequently conflicts based on shared interests will occur, just like which happened in the history between Japan and the United States, the Soviet Union and the United States, and current China and the United States relations. In summary, Japan and South Korea are closer to China in terms of overall national strength and have the help of the extraterritorial influence of the US military presence, which gives them more leverage to play in some conflicts and more willingness to gain more benefits for themselves during agreements negotiation.

Moreover, among the ASEAN member states, the ones with more conflicts with China over territorial disputes in the South China Sea are mainly Vietnam and the Philippines. The Philippines has quickly restored friendly relations with China after the Duterte administration came to power due to its distinctly anti-American attitude. Not only does it rarely mention territorial disputes, it even sides with China on global issues. Vietnam has long tried to emulate China's development route and thus has a more sophisticated industrial system than most ASEAN members. Although Vietnam is a communist country, it does not have special political ties with China due to historical conflicts. The RCEP was signed when Vietnam was the chair of ASEAN, but there were never any additional demands on China or any obstacles to the agreement. In addition to domestic political and economic factors, ASEAN countries have maintained a unified attitude of not taking sides in the US-China-related issues, which means that they will not suffer from choosing the wrong side. China's geographical closeness as ASEAN's most important neighbor is impossible to change, so rejecting the economic development benefits offered by a rising China is unacceptable. At the same time, US influence in Southeast Asia has been operating for a long time. ASEAN has also accepted this by not challenging US values on issues of concern to the United States and never considering excluding US regional influence.

Another exciting example of the national power structure in this region is India. As the only country with a population size that rivals China, India has the power potential to compete with China in Asia fully and is therefore also included in the framework of the Indo-Pacific strategy introduced by the United States and Japan (Mohan, 2020). India is also recognized as a democratic country by many democratic states, so it is considered an important strategic partner in implementing democratic values in Asia to counteract China's non-democratic system jointly. During the RCEP negotiations, Japan actively advocated for India's inclusion because India could offset China's enormous influence in the RCEP to some extent while reducing US concerns about whether the RCEP would become a trade weapon for China against the United States in the Asia-Pacific region. Although India did not choose to join the RCEP signing because of its internal industrial protection, the RCEP reserves special conditions for India to join (Gaur, 2020). At the same time, Japan is still actively developing relations with India, hoping to combine Japan's

economic and technological strength with India's favorable demography to contain China's growing regional power with an Indo-Pacific strategy (RAJESH, 2020).

4.4 Changes in Economic Interdependence in East Asia

In addition to the three possible reasons mentioned above, the changing economic dependence in East Asia is also a contextual reason why RCEP can be completed more quickly.

In East Asia, the economic interdependence between Northeast Asia countries and Southeast Asia countries is becoming much closer compared to the relative decline in economic interdependence between Northeast Asia countries. While China, Japan, and South Korea remain important trading partners with each other, total trade with ASEAN is growing rapidly. Possible reasons include a high level of export similarity index within the region (Nguyen et al., 2017), and the trade import/export ratio growth behind the trade integration index (Bang & Tuo, 2013). A specific example is that ASEAN is now China's top trading partner, surpassing the United States and the European Union, which have long been China's largest trading partners. In addition, the Chinese market has become less attractive to Japan in some areas. At the same time, the Japanese consortium system makes it difficult for Chinese capital to enter smoothly, and unlike China and Korea, China and Japan do not have direct trade agreements with each other. These factors have led to a perceived decline in economic interdependence between China and Japan. Zhang and Yeung emphasize economic interdependence as a factor in East Asian economic cooperation, using the CJKFTA as an example. To different degrees, they both argue that the lower the current economic interdependence, i.e., the lower the proportion of intraregional trade, the weaker the willingness to institutionalize trade and economic integration. On this point, they both discuss that the proportion of trade between China, Japan, and South Korea has fallen based on the tracking of relevant data at the beginning of the twenty-first century. These studies consider it an important influencing factor that prevents the CJKFTA from reaching an agreement, and are pessimistic about future development prospects.

Yeung's study, conducted in 2021, counted and summarized the economic interdependence between China, Japan, and Korea. In her research, she divides the economic relations between China, Japan, and Korea into three phases. In the first phase (1999-2004), intra-regional trade increased rapidly in volume and proportion. Furthermore, there is the same trend in Foreign Direct Investment (FDI) projects. The three countries have a high degree of economic interdependence at that time. In the second phase (2005-2012), China's trade with the other two countries rose, but the share of regional trade declined. The main reason is that China's accession to the WTO has accelerated economic globalization. Its trading partners are not limited to East Asia but have more global trade ties emerged. In addition, due to the political actions of Japan, the relationship between the two countries deteriorated, and the amount of foreign direct investment showed a downward trend. Moreover, during this period, China promoted the ASEAN+3 financial cooperation, strengthening the degree of economic ties between Northeast and Southeast Asia. However, the development of ASEAN+3 has yet to reach the expected heights due to Japan's attempts to offset China's growing influence in the ASEAN+3 mechanism by bringing Australia and New Zealand

into the new East Asia Summit. Meanwhile, China has continued to develop its trade relations with ASEAN through ASEAN+1. The above reasons led to the loss of Japan's position as China's top trading partner in 2008 but also accelerated the development of economic cooperation between China and ASEAN.

In the third phase (2013-2019), China, Japan, and South Korea experienced a decisive decline in economic interdependence, mainly due to changes in bilateral relations and China's proposed Belt and Road Initiative (BRI) as a future regional trade plan. In addition, as a result of the Diaoyu/Senkaku Islands dispute and the THAAD incident mentioned above, as well as the ongoing conflict in Japan-South Korea trade, China and its two neighbors have suffered some shocks and policy barriers in the trade area. The decline in economic interdependence has also dampened the willingness to institutionalize economic cooperation among the three countries, which means that the gains from institutionalization are no longer as high as expected. However, there is another explanation, namely that such a shift is the result of China's increased trade with the rest of the world following its accession to the WTO and China's rapid overall trade growth (Kimura, 2014). Interestingly, 2013 also coincides with the official start of negotiations on the CJKFTA, so it has been facing negative changes in the economic ties of the three countries from the beginning. It could explain why it has not been able to reach even a basic version of an agreement for a long time. All three countries are updating their assessment of this FTA in the light of new circumstances, looking for the most interests belonging to them own. Suppose China, Japan, and South Korea had maintained the degree of economic interdependence and the upward trend of the first phase. In that case, the CJKFTA could have been completed more quickly because it is highly aligned with the interests of the three countries.

In contrast, the economic interdependence between China and ASEAN is undoubtedly on the rise at a high rate. In 2020, ASEAN became China's top trading partner for the first time, surpassing the EU and the US, which is inextricably linked to the rising economic interdependence and the development of industrial chain cooperation between China and ASEAN in the 21st century, especially after the completion of CAFTA in 2010. According to Wong and Chan, the trade volume between ASEAN and China was low at the end of the last century, mainly because the two economies are more competitive than complementary in terms of industry and trade structure. With China's rapid progress in manufacturing, its position in the global division of the labor chain has risen, leading China to become more involved in manufactured and intermediate goods than in primary commodities and making it the "World Factory." Especially in bilateral trade with ASEAN, the proportion of processing trade in the export sector is very large. In addition, the majority of developing economies in ASEAN have slowed down due to the Asian financial crisis and are still mainly producing and trading primary commodities, thus forming more trade complementarities with China and providing the various components needed by China as the "World Factory." After 2010, the signing of the CAFTA led to more institutionalized economic cooperation between China and ASEAN and coincided with a period of overall industrial upgrading and transformation in China. In this period, due to multiple reasons, such as policy shifts and

rising labor costs, both China and developed countries started to transfer more low-end manufacturing industries from China to Southeast Asia, and market opportunities and the related technology transfer made Southeast Asian countries gain a development dividend and enter an era of rapid economic growth. From the perspective of Foreign Direct Investment (FDI), China's overall investment in ASEAN encompasses all major industry sectors but is mainly concentrated in manufacturing, which grew from 18% in 2010 to 32.8% in 2018, corresponding to a decline in investment in the financial sector. This phenomenon can indirectly prove that China's industrial transfer to ASEAN countries has two implications: first, it is an attempt to increase its outward investment and favor the real economy sector over the financial sector; second, it has helped China consume its excess capacity and upgrade and restructure its domestic industries. As emerging markets, ASEAN countries used to have little trade with China. However, the large market generated by their manufacturing development and China's rapidly expanding demand has led to the rapid growth of bilateral trade and increased trade dependence with China. Such a fast-growing mutual trade relationship has become an essential foundation for the ASEAN+China mechanism. As the most significant part of the trade relations integrated by RCEP, the deep economic integration and frequent trade exchanges between China and ASEAN have played a significant role in facilitating the formation of RCEP.

5. The FTA Paradigm Shift

In the early days of globalization, each country gained more economic growth through fewer trade barriers and a greater willingness to develop economic and trade relations with other countries, as exemplified by the success of the WTO up to the Doha Round. In the second decade of the twenty-first century, institutionalized economic cooperation in East Asia is still evolving but facing more geopolitical obstacles. Moreover, shifts in the preferences and behavior patterns of different state actors have led to a corresponding shift in the FTA strategy as a model of institutionalized cooperation.

With the rise of China, the overall political and economic situation in East Asia has undergone significant changes. While neighboring countries are increasing their economic engagement with China, they have also begun to worry whether China's continued growth in regional influence will threaten their future interests, especially in military and security. In addition, the United States, as an extraterritorial country, has long-standing regional interests in East Asia and is one of the core regions of US global hegemony. Therefore, the gradual growth of China's power as a political entity with a political system and ideology different from the West poses a potential threat to US global hegemony and neoliberalism. The FTA strategy, a well-established model of institutionalized cooperation, has also transformed the process. The FTA strategy is no longer just about pursuing higher regional integration and economic benefits but has taken on more geopolitical considerations and even involves regional leadership and rule-making capabilities. To some extent, from large regional FTAs like RCEP and CPTPP to newer comprehensive regional visions like BRI and IPEF, all contain some containment and competition for regional discourse. Compared to the traditional FTA model, such cooperative mechanisms are more extensive in coverage

and involve some political, security, and ideological elements to meet their constructive purposes. This paradigm shift has also led to the birth of RCEP. In contrast, CJKFTA has failed to effectively promote due to its smaller scale, more direct geopolitical conflicts, and some regional influence considerations.

6. Conclusion

In the new cycle of economic decline, relative interests have become more of a priority for political entities than absolute interests. On the other hand, the competition for regional leadership has also entered a more complex situation, with the CPTPP having the significance of partially containing China's regional influence during the TPP phase and forming a counterweight to China's RCEP push. In the face of such a regional vision against itself, the Chinese government repeatedly announced its interest in joining CPTPP, which has enormous benefits, including promoting domestic system reform, high-level opening to the foreign capital, and strengthening its position as an economic center. It is still not determined when the negotiation of CJKFTA will be completed, but just as the UK tried more bilateral free trade negotiations after Brexit, China also formally submitted its application to join the CPTPP a few months later (interestingly, the Republic of China also announced its application to join the CPTPP after less than a week).

Accelerating negotiations to build CJKFTA and join CPTPP are both clear goals in China's next five-year plan, and there is no doubt about their high priority in the plan in terms of chronology. In addition to CPTPP, DEPA and FTAAP are also core objectives of China in the trade area to expand a high level of openness to the whole world. South Korea also declared in 2021 that it would actively pursue CPTPP, which means that CJKFTA, RCEP, and CPTPP will interact more with these three countries. CJKFTA negotiation and subsequent expansion of CPTPP will promote each other, and the regional competitiveness of CPTPP to RCEP will further decline due to the China factor. The integration and upgrading of the two will bring more economic benefits to the region. Furthermore, the reforms China will act to meet the higher standard will also be welcomed by advanced countries, including the United States, from the perspective of environmental protection, human rights on labor, further marketization, and fewer subsidies for state-owned enterprises. Thus, regional conflicts will be reduced, and a higher quality economic recovery will be reached.

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Note

The Wassenaar Arrangement is used to restrict exports of advanced and sensitive technology to China for a long period