



China and Asia-Pacific : the « neighbourhood policy »

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1. Asian models of economic relations

- **The colonial relation of metropolises to dependent producers (pre WW II)**
Andre Gunder Frank model from Latin America
- **The “sphere of coprosperity” or “flight of geese” model (1930s and 1960s)**
Saburo Okita
- **The import substitution scheme national development model and the free economic zones (1965)**
Singapore, Taiwan, China after 1979
- **The “win-win” move to market economy competition (1991)**
Fred Bergsten and Apec



2. China has followed none of these models, yet it has borrowed from all

- **Rise to a “North” position with the world’s “South”**
 - Turn to energy and primary material importer, industrial good exporter
 - A neo-colonial dependency may exist
- **China’s role inside the East Asian production chain fits the “flight of geese” concept**
 - Import of capital goods, processing and reexport of goods to world market
 - But this is viewed only as a transition
- **China’s import substitution schemes have never worked fully**
 - Goods made in special zones were attractive to Chinese consumers
 - Entry into WTO has opened China’s market
- **“Win-win” is the new Chinese claim** (Xi Jinping’s speech at APEC Nov. 2014)
 - America and Europe’s offers of free trade are based on open regionalism
 - China’s commercial strategy is often preferential



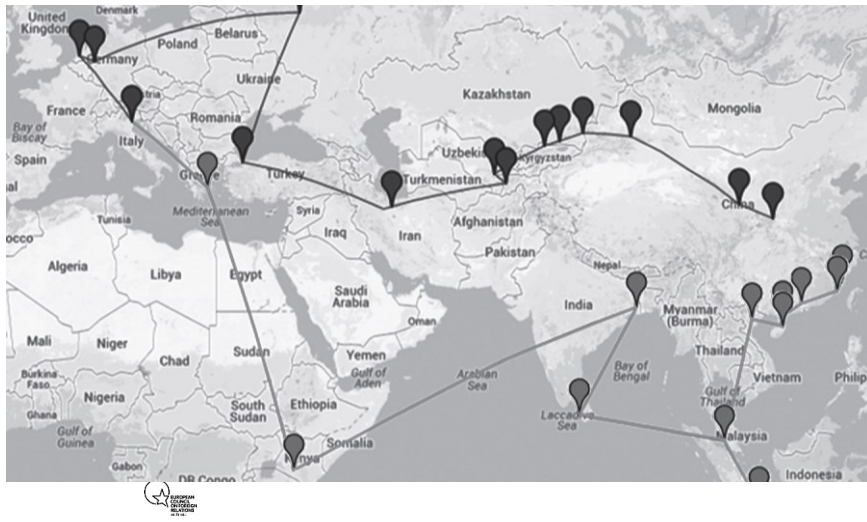
3. The context of China’s “neighbourhood policy”

- **A legacy of the Deng Xiaoping era**
 - Developmental factors
 - International relations context (1989)
- **The turnaround of the Asian financial crisis (1997-1998)**
- **China’s political use of the neighbourhood policy**
 - The “cold peace” concept and the case of Japan (1998-2012)
- **Currency reserves and neighbourhood policy**
 - Infrastructure financing as a tool
 - Towards the Silk Road Concept (2014)



3. The context of China's "neighborhood policy"

The China's Silk Road



4. The relative dependence of Asia-Pacific economies

- **Northeast Asia, Southeast Asia, South Asia**
 - From more to less mutual dependency

ASEAN trade by selected partner country / region, 2013

\$m	Export	Import	Total trade	Export %	Import %	Total trade %
ASEAN	330	278	609	26.0	22.4	24.3
Australia	45	22	68	3.6	1.8	2.7
Canada	7	6	13	0.6	0.5	0.5
China	152	198	350	12.0	16.0	14.0
EU 28	124	122	246	9.8	9.8	9.8
India	42	26	68	3.3	2.1	2.7
Japan	123	118	241	9.7	9.5	9.6
Republic of Korea	53	82	135	4.2	6.6	5.4
New Zealand	6	4	10	0.4	0.3	0.4
Pakistan	5	1	6	0.4	0.1	0.2
Russia	5	15	20	0.4	1.2	0.8
US	114	92	207	9.0	7.5	8.3
Sub total	1 008	965	1 973	79.3	77.8	78.8
Others	262	276	531	20.7	22.2	21.2
Total ASEAN	1 271	1 240	2 505	100.0	100.0	100.0

Source : ASEAN Merchandise Trade Statistics Database



4. The relative dependence of Asia-Pacific economies

- **Northeast Asia's use of the Chinese "world factory"**
- **China's use of its informal membership in a "dollar zone"**
- **The political uses of trade and investment**
 - The case of the Philippines
- **The "cold peace" scheme backfires**
 - Japan's turnaround in 2014



5. China's regional strategy and mega trade deals

- **After an eclipse in 1997-2001, China refocuses**
 - From Asian Free Trade Area to Regional Comprehensive Economic Partnership
- **China-Japan-Korea Free Trade agreement**
 - The pros and cons
- **The global poker game**
 - Transpacific Partnership, Transatlantic Trade and Investment Partnership, Japan-EU Free Trade Agreement and China
- **"Shallow" and "deep" FTAs**
 - Evaluating the FTAs of the Asia-Pacific
- **The new game**
 - Investment, service economy, norms and arbitration



Conclusions

- **China's economic relations with the Asia-Pacific are diverse**
 - Northeast Asia : integration in the global production chain
 - Southeast Asia : North-South model
 - South Asia : limited relations
- **"Neighbourhood" in the Flat World**
 - The Silk Road concept
 - The mercantilist Renminbi
- **Tying economic and political relations**
 - Mega-trade deal gamesmanship
 - The impact of disputes
- **The 2015 global economic context and China's strategy**
- **Ups and downs in neighbourhood relations**
 - Are these tactical or is China hesitating ?

