

THE ROLE OF CHINA IN ASIA'S EVOLUTION TO GLOBAL ECONOMIC PROMINENCE

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This paper has explored the relationship between China and the surrounding Asian economies. It delved into their mutual acceptance, economic interaction and dynamics. It examined how China is influencing its neighboring Asian economies and attempted to establish whether their economic relationship is synergetic and a market- and institution-led symbiosis. This article concludes that China has been influencing the pace of economic growth in the rest of Asia for close to two decades. As the 21st century dawned, China began to appear a major driver of regional economic growth.

When the Chinese economy began its resurgence to become the largest regional economy, some of its smaller neighboring Asian economies were on their way to being among the “miracle” economies of the future. As Chinese GDP growth gained momentum, it began influencing its Asian neighbors in a significant manner. The two groups that were affected most due to China's rapid growth were Japan and the NIEs on the one hand and the ASEAN economies on the other. China becoming a regional economic powerhouse was unquestionably a significant and sensitive issue. Although during the pre-reform era China did not have close economic and political relations with its Asian neighbors, during the reform period Chinese political leadership consciously decided to engage and cooperate with the surrounding regional economies.

To that end China adopted an open trade policy stance. It also unilaterally reduced its tariffs rates and non-tariff barriers. Keeping the economy open was instrumental in cultivating regional and global interdependence. Developing a close APT grouping and strengthening it was another policy measure that brought China close to the regional economies. The APT network was instrumental in developing a sense of regional identity. This regional framework also made it feasible to seek regional solutions for regional economic and financial problems. It was a functional and valuable regional public good.

Although a latecomer, China adopted vertical fragmentation of production in the region. Very soon it came to be an important part of regional production networks. Over the last two decades, Asian economies became highly active and successful in innovative regional cooperation through production networks. Due to rapid expansion, intra-regional trade in parts, components, subassemblies and intermediate products has

increased swiftly in recent decades. Regional and global production networks in Asia existed before the emergence of China as a hub, or central assembly platform. However, with the rise of the Chinese economy a new dimension has been added to Asia's standing within global production networks. Trading activity by global production networks rose steadily since the early 1990s. Production networks in Asia and China have also successfully enhanced their status in international trade. In that context the dynamism of the Chinese economy has assisted the Asian economies. Thus, evidence abounds that the rapid growth of China added to dynamism of the surrounding Asian economies and the two have now evolved a symbiotic relationship. China can and does serve as an engine for regional growth.

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