

EAST ASIAN ORDER FORMATION AND SINO-JAPANESE RELATIONS

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ABSTRACT

Sino-Japanese relations might be the most complex bilateral relationship in the world, nowadays they are in the process of mutual adjustments. Economic rise of China, political rise of Japan, normative influence of ASEAN and strategic adjustment of the U.S. lead to a strategic balance of power in East Asia, which give new impetus to the bilateral strategic adjustments.

East Asian order under formation provides new channel for China and Japan to improve and stabilize bilateral relations. For certain, the future of East Asian order lies on Sino-Japanese relations, and how to avoid or resolve the “Two Tigers Dilemma” between the two is the precondition of East Asian order building.

Order formation is a process of common interest convergence and institutionalization. So far, China and Japan set up a cooperative framework with ASEAN respectively based on common interest convergence and institutionalization, by providing regional and sub-regional public goods, and by ceding non-strategic self-interests. China and Japan, on the other hand, have not taken any similar actions towards each other. It is the high time for China and Japan to make strategic choice.

The two countries now are seeking for bilateral strategic reciprocal relations, and common interest convergence and institutionalization should be the only feasible way to realize the goal. In principle, the main route for common interest-based Sino-Japanese relationship is to bring bilateral coordination into the process of East Asian order building, thus enhancing bilateral strategic reciprocity in both regional and global arenas. In practice, the two countries should make efforts in understanding properly changes within the counterpart countries and make positive responses, take measures to build bilateral institutionalized framework through transparency, strategic dialogues and other confidence-building measures, and seek to set up some in-advance consulting mechanism in dealing with multilateral issues of mutual concerns.

Key Words:

Sino-Japanese relations / East Asia / regional order / common interests / strategic analysis

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East Asian Order Formation and Sino-Japanese Relations

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I. Introduction

East Asia is always regarded as one center of world attentions. Since the end of the Cold War, East Asia enters into an era of comprehensive engagements, especially triggered by China's constructive peaceful rise and the region's reply to the challenge of Asian Financial Crisis. The economic, security and political map of East Asia transforms since then, an institutionalized framework for region-wide cooperation (represented by "Ten Plus Three" and the East Asia Summit) is emerging, thus the existed East Asia Order is surging. Now, it is the high time to think about the future of East Asian order.

I.1. East Asian integration in Process

Speedy integration in East Asia mainly driven by market and economy indicates that the region is a natural trade territory, and the states within the region are natural trading partners.¹ In the process of East Asian integration, active political dialogues, security coordination in some low-politics areas, and hourly social interaction all incarnate the spillover effects of its economic cooperation. East Asia community is accepted as the consensus of "Ten Plus

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¹ Robert A. Scalapino, "Relations Among China, Japan and the United States—Progress and Challenges in the Era of Globalization", paper for a public seminar sponsored by the Japan Center for Economic Research and the Nihon Keizai Shimbun Inc. (Nikkei) on October 28, 2004; Shujiro Urata, "The Emergence and Proliferation of Free Trade Agreement in East Asia", *The Japanese Economy*, Vol.32, No.2, Summer 2004, pp.5-52.

Three” countries, which serves as the lofty goal of East Asian order. Before, it is economy, market and non-governmental actors played the role of the principal catalyst to regional cooperation. From now on, politics, especially political consideration at the strategic level, is in the driver seat of the regional integration process.

In economic aspect, since the end of the Cold War, economic integration of East Asia is in steady progress, and bitter experience of Asian Financial Crisis triggers comprehensive economic cooperation, thus trade, investment and financial cooperation have been enhanced further. In the early stage of the 21st Century, FTA, both bilateral and multilateral, becomes a cherished trend in East Asian economic integration, yet China and Japan’s respective efforts in negotiating and signing bilateral FTA shows that the initial idea about FTAs in East Asia so far is not a framework for regional cooperation encompassing all economies. In other words, East Asia countries are being integrated in substance, but institutional framework for economic integration has not been so firm so far.

Politics and economics interact, and political factors have observable effects on economy.² Economic integration is not only an attempt to increase economic growth or to achieve other economic objectives, but also an effort to regain some measure of political control over process of economic globalization that have curtained national policy instruments.³ Economic interdependence by itself is insufficient to establish a steady regional order in East Asia. It does not operate at the nation-state level, nor does it necessarily require the creation of security arrangements, features that any truly regional order or community must exhibit. Actually, political dialogues and security coordination do exist among East Asian countries, Ten Plus Three framework, now transforming from a market-driven mechanism to an institution -dominated one, is the main channel of East Asian economic and political cooperation. The ten ASEAN countries have set up a comparatively mature sub-regional order

² Susan Strange, ed., *International Relations Theory Today*, Pennsylvania University Press, 1995, p.154; James D. Morrow, Randolph M. Siverson and Tressa E. Tabares, “The Political Determinants of International Trade: The Major Powers, 1907-1990”, *American Political Science Review*, Vol.92, No.3 September 1998, pp.649-661.

³ Peter J. Katzenstein and Takashi Shiraiishi, eds., *Network Power: Japan and Asia*, Ithaca: Cornell University Press, 1997, p.344.

in Southeast Asia, while the three Northeast Asian countries, i.e., China, Japan and South Korea have promised to enhance political trust. But the ongoing political dialogues and cooperation so far are to clear up or just ease up the aftermaths of long-term political confrontation in the past, countries in the region think nationally, talk regionally, but always act bilaterally, thus a positive and strategic framework is still wanting.

Nevertheless, East Asia enters into an era of engagement, the predominant trend in East Asia is boosting interdependence among countries, cooperation, co-development become the common vision of the future East Asia, a kind of co-existence and co-prosperity community is emerging with the overall development of economic interdependence, and the growing severity of some non-traditional security problems.⁴

I.2. New East Asian Order under Formation

East Asia Community approved by countries within the region is a lofty goal and bright vista of regional order. East Asian order is a traditional but crucial concept in analyzing the realities and future of regional integration, although the concept faded away after World War II because of historical legacies and intervention of great powers outside the region. Great powers of the region are used to talk about global (or international) order, but ignore that regional order is the pillar of the global one, and the chaotic order in East Asia would be a severe problem for them in the future.

East Asian order is somehow a headache to all great powers involving, inside and outside the region. Yet, the post-Cold War world is surly different from the past. Surging regionalism reshapes regional relations, and in some aspects changes the mind of human beings worldwide. Regionalism provides East Asian countries not only opportunity for economic integration, but also impetus to political dialogues and security cooperation.

In the early stage of East Asian integration, the most prevailing situation was that economics united but politics divided, as the complexity of East Asian power relations stems from the variety of relevant actors inside and outside the

⁴ Qin Yaqing and Zhu Liqun, "Neo-Internationalism and Chinese Diplomacy", *Foreign Affairs Review* (China Bimonthly), No. 5, 2005, pp.21-27.

region, and from the asymmetries and rapid changes in the power profiles of these actors. Yet, the spillover effects of economic interdependence, the effects of regionalism push forward regional cooperation. Economic interdependence, the norms and institutions that have been emerging in the regional economic integration help East Asian countries to mitigate intraregional power asymmetries that would otherwise aggravate the security dilemma,⁵ meanwhile a patchwork of bilateral alliances, ad hoc security dialogues, multilateral forums, ministerial meetings, track-two encounters and other mechanisms of engagement are scattered across the region.⁶ Although political mistrust and security distrust are still impediments for comprehensive cooperation, most countries involved realize that the route to future order building is not through hegemonic war, but by the convergence and institutionalization of common interests among them.

In essence, Order formation is a process of common interest convergence and institutionalization. It is widely recognized that Japan and China are the two crucial pillars of East Asian integration. Before the middle of 1990s, there was no region-wide institutional framework for economic integration, it was Japanese investment in East Asia that contributed a lot to common prosperity. The 1997-1998 Asian financial crisis triggered regional economic cooperation, and since then the Chinese economy has been assuming the role of regional integrator. Yet, in the process of East Asian integration, it is ASEAN who has played the leading role so far, and ASEAN and the United States play balancing or counterbalancing role in the formation of East Asian order.

In a sense, East Asian cooperation which emerged in low-politics functional issue areas and from the challenges of economic crisis is now at the crossroads, awaiting for the political decisions and innovations in ideas of countries involved, especially those of great powers in the region.

⁵ Amitav Acharya, "Will Asia's Past Be Its Future?", *International Security*, Vol.28, No.3, Winter 2003/2004, pp.149-164.

⁶ G. John Ikenberry and Jitsuo Tsuchiyama, "Between Balance of Power and Community: the Future of Multilateral Security Co-operation in the Asia-Pacific", *International Relations of the Asia-Pacific*, Vol.2, 2002, pp.69-94.

I.3. Sino-Japanese Relations: The Pivotal Factor of East Asian Order

The ASEAN so far play the leading role in East Asian integration, and its experience in dealing with sub-regional diversity and estrangements set a good example for region-wide order building. Yet, ASEAN could launch the regional economic integration by playing a leading role, but it might be difficult to motivate further cooperation in regional order formation (or East Asia community) without reconciliation, cooperation and coactions between China and Japan.

China's economic rise and Japan's political rise are the principal catalysts to the emerging regional order, but the mistrust between China and Japan is a daunting obstacle that East Asian order formation faces. The scenario of "Two Tigers Dilemma" (i.e., no two rival tigers could exist in the same mountain area) indicates that it is very difficult for the two countries to seek for and reach to common interests. Sino-Japanese competition is profoundly affecting the process of regional economic institution building in all core dimensions: the nature of preferential trade ties between Northeast and Southeast Asian nations; the proliferation of overlapping FTA networks; and the rekindled debate on the inclusivity and exclusivity of integration processes.⁷ In security issue areas, the sense of traditional security dilemma between the two countries does exist, and it is difficult to foster a community sense based on mutual trust, mutual benefit, and interdependence. Strategic mistrust between the two countries sharpens the security dilemma of East Asia and hinders multilateral security institution-building. It is a common sense that strategy would be the last word to be used in dealing with Sino-Japanese relationship though the two countries are interdependent not only in economy and but also in security.

For certain, the future of East Asian order lies on Sino-Japanese relations, and how to avoid or resolve the "Two Tigers Dilemma" is the precondition of East Asian order building. Japan and China, therefore, stand at the crossroads.

⁷ Mireya Solis, "How Japan's Economic Class Views China and the Future of Asian Regionalism", JIIA Policy Report, July 2006. See http://www2.jiia.or.jp/en/pdf/policy_report/pr20060712.pdf.

II. The Logic of Regional Order Formation

II.1. Definitions of International Order

Hedley Bull defines international order as “a pattern of activity that sustains the elementary or primary goals of the society of states, or international society”.⁸

Bull identifies three sets of rules necessary to maintain order: principled or constitutive rules (the system of states as the foundation for order), rules of coexistence (states respect the sovereignty of other states), and rules of cooperation (legal and other rules that govern interaction among states and societies)⁹ G. John Ikenberry defines international political order as the governing arrangements among a group of states: “The focus is on the explicit principles, rules, and institutions that define the core relationships between the states that are party to the order. This limits the concept of order to settled arrangements between states that define their relationships to each other and mutual expectations about their ongoing interaction”.¹⁰ In Ikenberry’s view, institutions both limit and project state power, thus playing a key role in order building and maintenance.¹¹

In my view, international order is based on the power relations among great powers in a certain period, and the result of distributions of power and interests between and among them accordingly; the stability of an international order somehow depends on whether great powers involved could come to terms on the core ideas or conceptions of the order;¹² and international institutions (regimes) which include principles, norms, rules and decision-making procedures are the crucial variables in order formation. In sum, international order results from the distributions of power, interests, and ideas between and among main actors involved, especially those of the great powers, which is always incarnated by the building and functioning of international

⁸ Hedley Bull, *The Anarchical Society: A Study of Order in World Politics*, New York: Columbia University Press, New York, 1977, p.8.

⁹ *ibid*, p.69.

¹⁰ G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, Princeton: Princeton University Press, 2001, p.23.

¹¹ Institutionalists argue that institutions could enable states to achieve their own objectives more efficiently, order could be maintained through an ever growing set of agreements and institutions. See Katzenstein, Keohane, and Krasner, eds., *Exploration and Contestation in the Study of World Politics*, MIT Press, 1999, p.662.

¹² As to the importance of idea, please refer to Albert S. Yee, “The Causal Effects of Ideas on Policies”, *International Organization*, Vol.50, No.1, Winter 1996, pp.69-108.

institutions.¹³ International order is kind of public goods, which is provided by main actors (especially great powers) in international society, and reflects and leads to cooperation and conflict among great powers; nevertheless order formation is always based on common interest convergence and institutionalization. In Charles P. Kindleberger's view, public goods always play the role of stabilizer in international order.¹⁴ While Robert O. Keohane and Joseph S. Nye, Jr. argue that hegemony is not the sole provider of public goods, without a hegemon, a few great powers could provide public goods altogether, thus stabilize the existed order.¹⁵

International order among states has been taken many different forms, but the following three major varieties are most important: balance of power, hegemonic and community-based order. Balance power order is one where the power of the leading state is counterbalanced by other states, coalitions shift with the distribution of power. A hegemonic order is one that is organized and maintained by a state wielding a predominance of power capabilities, the dominant power shapes the international order in which relations between states are stable and follow certain patterns and even rules of behavior by the dominant power.¹⁶ A community-based order is one where binding security institutions and shared political interests and values exist to shape and limit how power can be exercised, the distribution of power may still matter but not as much as in balance of power or hegemonic orders.¹⁷

II.2. New Dynamics of Order Formation: Power Shift, Problem Shift and Paradigm Shift

Order is always in process of transformation as great powers rise and fall. Since the end of cold war, or even since the end of World War II, with the surging globalization and regionalization waves, new dynamics of order

¹³ Men Honghua, "The Rise of Great Powers and International Order", *Studies of International Politics*, No.2, 2004, pp. 133-142.

¹⁴ Charles P. Kindleberger, *The International economic order: Essays on Financial Crisis and International Public Goods*, Cambridge: MIT Press, 1988, pp.121-124.

¹⁵ Robert O. Keohane and Joseph Nye, Jr., *Power and Interdependence* (3rd Edition), New York: Addison-Wesley, Longman, 2001, pp.18-19.

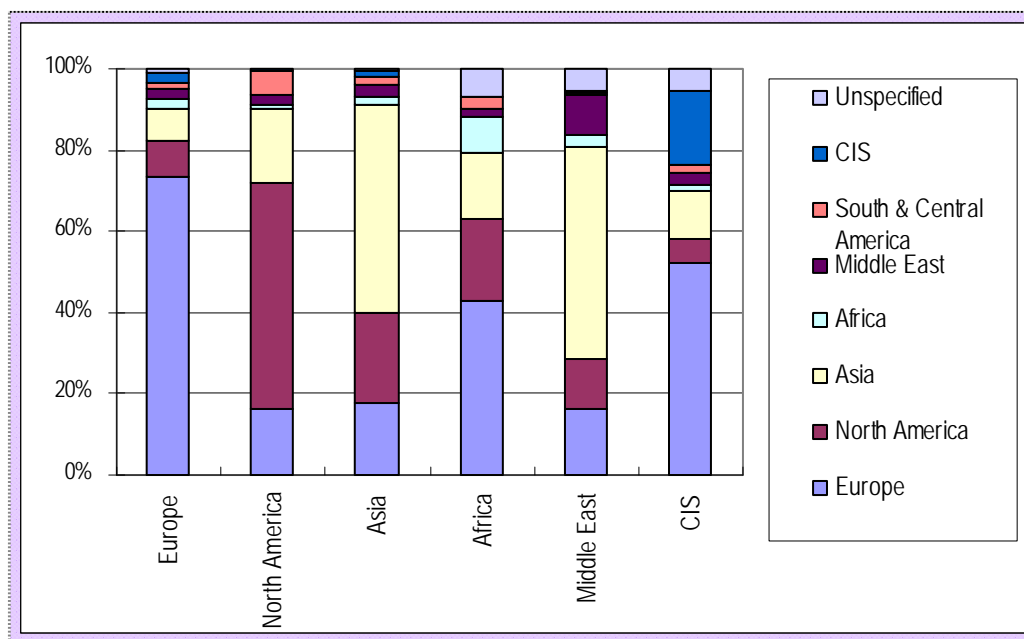
¹⁶ A. F. K. Organski, *World Politics*, New York: Alfred Knopf, 1958, pp.313-330.

¹⁷ G. John Ikenberry and Jitsuo Tsuchiyama, "Between Balance of Power and Community: the Future of Multilateral Security Co-operation in the Asia-Pacific", pp.69-94.

formation emerge, namely power shift, problem shift and paradigm shift.¹⁸

Power shift indicates that the actors and the conformation of power have been transformed by globalization and regional integration, the two main trends of the world today. Regionalism and then regionalization become generator and accumulator of power resources. With the further development of globalization, self-reliance is not regarded as the unitary choice, and regional economic cooperation (then economic integration) becomes a new trend of the world and is regarded as a strategic choice of great powers. The world is entering the third century of speedy growth driven by science and technology, accordingly economy and technology, instead of politics, war and security, play dominant role in order formation.

Figure 1. Roadmap of World Trade (2005)



Source: WTO, *International trade statistics 2006*, CD-ROM.

On the other hand, countries are willing to make regional commitments and devote more to regional integration. In a sense, Free trade is a win-win game for all nations because it allows them to concentrate on what they do best and to realize economies of scale in the generation of goods and service, and assumption well founded in fact.¹⁹

¹⁸ Men Honghua, "Power Shift, Problem Shift and Paradigm Shift: A Study of the Hegemonic Explanation Model", *American Studies*, No.3, 2005, pp. 7-31.

¹⁹ The Chicago Council on Global Affairs, the Pacific Council on International Policy and The Japan

Table 1. Intraregional Trade Share (1980-2005)

	East Asia -15	ASEAN+3	ASEAN -10	NAFTA	Old EU -15	New EU -25	MERCOSUR
1980	35	30	18	34	61	61	11
1985	37	30	20	39	60	60	7
1990	43	29	19	38	66	67	11
1995	52	38	24	43	64	67	19
2000	52	37	25	49	62	67	20
2001	52	37	24	49	62	67	18
2002	54	38	24	48	63	68	14
2003	55	38	24	47	63	69	15
2004	55	39	24	46	62	68	15
2005	55	38	24	45	62	66	15

Notes: Here "ASEAN+3" with Japan excluded; while "East Asia-15" including ASEAN-10, China, Japan, South Korea, Hong Kong China, and Taiwan China.

Source: International Monetary Fund, *Direction of Trade Statistics 2006*, CD-ROM.

The United States becomes the sole superpower of the world and enters into its second golden century. The economic rise of China, India, Russia and Brazil (BRICs) draws attention of the whole world, and Japan's political rise since 1980s is still a factor from strength to strength in world arena. Of course, there is not only great powers' rise protruding, but also severe state failure.²⁰ On the other hand, national boundaries blur and national power becomes more penetrating than ever, and non-governmental factors play increasing important role in domestic affairs and world arena,²¹ while soft power is increasingly regarded as a main aspect in measuring national power, win-win becomes a common goal between and among great powers.

Economic Foundation, *Engaging China and India: An Economic Agenda for Japan and the United States* (A Binational Study Group Report), 2006, p.37.

²⁰ Men Honghua, "Remedial Measures for Failed States: A Strategic Dimension of Sino-American Security Cooperation", *American Studies*, No.1, 2004, pp.7-32.

²¹ Jessica Mathews, "Power Shift", *Foreign Affairs*, Vol. 76, No.1, Jan/Feb. 1997, pp.50-66.

Table 2. Pioneers and Catchers-up of Globalization Waves

	Period	Pioneer	Follower	Catcher-up
The 1 st Wave	1763-1870	Great Britain	France, Belgium, Germany, the U.S., The Netherlands	France, Germany, the U.S.
The 2 nd Wave	1870-1945	Germany, the U.S	Great Britain, France, Belgium, the Netherlands, Canada, Japan, Russia, Sweden, Norway, Denmark, Australia, New Zealand	Germany, The U.S.
The 3 rd Wave	1945-1970	the U.S., USSR	Europe, Canada, Australia, New Zealand, Japan	Japan, the Four Tigers, Argentina
The 4 th Wave	1971-2020	the U.S., Canada	Europe, Canada, Australia, New Zealand, Japan, Singapore	China India Brazil

Source: Chinese Modernization Research Center of CAS, ed., *Modernization Report of China 2005: A Study on Economic Modernization*, Beijing: Peking University Press, 2005, pp.77-79.

Along with power shifts, problems that countries to deal with are shifting, some newly emerging problems or issues stand out as new priorities of international agendas, and the main concerns of countries in dealing with international affairs are no longer survival alone, but also development and prosperity.

First, more global issues emerge, as terrorism, drug and arms smuggling, public health problems, environmental problems, resource scarcity and depletion, migration and other human flows across national borders are all worldwide problems, which need the cooperation and coordination of countries, and great powers alone could not be the whole show.²² Accordingly, the global issues to be dealt with blur the traditional internal and external boundaries, and urge countries to respect the national interests of others, thus constitute some strategic restraints to great powers and strengthen the sense of life community of the world.²³

²² Dennis C. Blair and John T. Hanley, Jr., "From Wheels to Webs: Reconstructing Asia-Pacific Security Arrangements", *The Washington Quarterly*, Vol.24, No.1, Winter 2001, pp.7-17; Tsuneo Akaha, "Non-traditional Security Cooperation fro Regionalism in Northeast Asia", Waseda COE-CAS Working Paper Series No.7, January 2004; Men Honghua, "New Security Concept, Interest Community and Strategic Thoroughfare: An Explanation to China's Security Interest", *Teaching and Research*, No.8, 2004, pp.54-58.

²³ Jean-Marie Guehenno, "The Impact of Globalization on Strategy", *Survival*, Vol.40, No.4, Winter

Second, globalization and regionalization become the new sources of cooperation, which not only give prominence to economic security, but also entangle science and technology, information, ecology and other issues into security category, and those new or non-traditional security issues become much more important agendas in world arena, and cooperative security are increasingly welcome.

Third, in the institutionalization process of international community, “democratic deficit” of the existed international institutions stands out, and countries especially great powers begin to reconsider their significance.

Power shift and problem shift above indicates that there should be some paradigm shift in dealing with and analyzing international affairs. For great powers, globalization and regionalization are strategic straitjackets, the pursuit for national interests is not only an absolute game, but also relative in some aspects,²⁴ power relations between and among countries are not only zero-sum games, but also positive-sum or even win-win. In regional perspective, open regionalism is widely accepted, and regional structures and functional types of regimes could produce a more durable order where liberal principles were seen as the constitutive rules.

1998/1999, pp.5-19.

²⁴ Joseph Grieco, “The Relative-Gains Problem for International Cooperation: Comment”, *American Political Science Review*, Vol.87, No.3; Robert Powell, “The Relative-Gains Problem for International Cooperation: response”, *American Political Science Review*, Vol.87, No.3; Duncan Snidal, “The Relative-Gains Problem for International Cooperation: Comment”, *American Political Science Review*, Vol.87, No.3, pp.738-743.

Table 3. Power Shift, Problem Shift and Paradigm Shift

	Power Shift	Problem Shift	Paradigm Shift
National Level	rise of NGOs, multinational and transnational corporation	domestic reform and openness; State-society relations	Domestic governance; Politics challenges the economics imperialism.
Bilateral Level	transformation of national power; the rise of nationalism and statism	Bilateral agendas expand and become more penetrating.	Dialogue replaces confrontation, though rivalry remains. Competition on soft power.
Regional Level	regionalism as a power resource.	More regional conflicts extrude; Traditional and non-traditional security problems coexist.	Regional cooperation and integration; Balancing and counterbalancing effects
Global Level	Globalization; rise of new great powers; Economy and technology play more dominant roles.	non-traditional security problems; North-South conflict replaces East-West conflict as the main concerns.	Global governance; Democratic deficit of international institutions; Re-orientation of region-globe relations.

II.3. Logic of Regional Order Formation

International order is often treated as a byproduct of threats of military violence, while the future of nonviolent international orders that develop as a byproduct of interstate collective identity is always regarded as uncertain.²⁵ Yet, regionalism and its spillover effects change the *idée fixe*. Actually, regional order formation depends not only on power relations and self-interest pursuit of countries involved, but also on such process factors as ideal innovation, collective identity and institution building. Robert Cox argues that any international order is the interaction of three forces: power distribution, the role of institutions and collective identity, consistence of the three forces would make a stable and preferential order.²⁶

²⁵ Janice Bially Mattern, "The Power Politics of Identity", *European Journal of International Relations*, Vol.7, No.3, 2001, pp.349-397.

²⁶ Robert Cox, "State, Social Force and World Order", in Robert O. Keohane, ed., *Neorealism and Its Critics*, Columbia University Press, 1986, pp.204-254.

In regional order formation, economic integration is always regarded as the bellwether of regional cooperation. In the process of integration, cooperation, coordination and compromise become the mainstreams, while some kind of rules, norms, principles and coordinative decision-making procedures would be gradually accepted by all participants and institutionalized as the soft laws of the region.

Those institutionalized factors are always including the following items: (1) reciprocity, which means that states within pursue not only self-interest, but the common interests of the whole region; (2) progressiveness, which means tolerance and patience of waiting for consensus; (3) inclusivity and openness to the outside actors, which accepts the participation of states and regions without; (4) both multilateral coordination and traditional bilateralism are workable simultaneously; (5) some insurance arrangements, including cooperative security arrangements starting from low-politics areas. All the items above reflect the pursuit of common interests, and actually common interests should be regarded as the principium of community. Since distributions of power are always uneven or asymmetric, small or weak states accordingly ally to counterbalance great powers, while the coordination, cooperation and compromise of great powers are essential to the regional order formation, and great powers generally mitigate the suspicion by providing regional public goods and seek for strategic trust with small and weak states.

Actually, under the present circumstances, the convergence and institutionalization of common interests should be the sole workable way to build a constructive regional order. Here, common interests not only refer to mutual benefit, but also common challenges and potential challenges. No country in the world could ward off present-day terrorism, the drugs threat and trans-border challenges at a time of the growing globalization of political, economic and social processes. In this context the pressing need for broad collaboration among all countries both at the regional and global level and for a practical contribution of each nation towards the solution of these truly global problems is beyond doubt. For centuries, many countries have been devoted to build community based on interests, the traditional alliances, the surging

FTAs and regional integration are all forms of interest community.²⁷ In sum, formation of a constructive regional order should be based on the convergence of common interests between and among regional states.

III. Dynamics of the Evolving East Asian Order

East Asia has a long history of order pursuit. Nowadays, East Asian countries embrace both the globalization and regionalization wave, and begin to think about the future regional order framework. Regional integration and its spillover effects, China's comprehensive peaceful rise, Japan's political pursuit for greater role both in regional and world arenas, ASEAN's normative influences and America's strategic adjustments in the region are the main dynamics in East Asian order formation, which determine not only the openness feature of the regional order, but also the process and roadmap of its order building.

III.1. East Asian Order: Past and Present

The idea of a regional cooperative arrangement in Asia has a long history, and East Asian order has rich yet heavy historical legacies. There three traditional regional orders in East Asia, namely, China's "Tribute System", America's Open Door System and Japan's Greater Asia Co-Prosperty Sphere.²⁸

In ancient times, it was China who played a leading role in regional East Asian order formation. The so called imperial "Tribute System" was a culture-based hierarchical order, in which the Celestial Empire provided such public goods as political authorization, concessionary trade, security guarantees to the feudatory neighboring states, while the latter paid in tribute and submitted to the supremacy of the Celestial Empire. China's supremacy and Sino-centrism reflected not only in cultural exchange, but also in political structure and economic interaction. Invasion and colonization of western industrial countries followed the collapse of Chinese Tribute System in the middle of the 19th

²⁷ Men Honghua, "New Security Concept, Interest Community and Strategic Thoroughfare: An Explanation to China's Security Interest", pp.54-58.

²⁸ Roy Kim and Hilary Conroy, *New Tides in the Pacific: Pacific Basin Cooperation and the Big Four (Japan, PRC, USA, USSR)*, "Preface"; Quoted from Norman Palmer, *The New Regionalism in Asia and the Pacific*, Lexington, Mass.: Lexington Books 1991, p.45.

Century, which led to the Open Door system put forward by the United States by the end of the 19th Century and at the outset of the 20th Century, the Greater Asia Co-Prosperity Sphere pursued by Japan in 1930s and 1940s, both of which were unequal and colonial arrangements. America's Open Door System was a balance-of-power colonial order, in which great powers outside the region play dominant role in maintain the stability of the existed order, it stands for the penetrating nature of East Asian order, and makes open regionalism the sole choice in East Asian order formation even nowadays.

Both China's Tribute System and Japan's Greater Asia Co-Prosperity Sphere are hegemonic orders. China's Tribute System was dominated by cultural supremacy, which means that its formation was through a comparatively natural process; while Japan's Greater Asia Co-Prosperity Sphere was dominated by military conquest. The historical legacies of China's Tribute System and China's economic rise since 1980s enwind and cause some kind perception of China threat in East Asia and other regions.²⁹ On the other hand, it was Japan who advocated the idea of a regional cooperative arrangement in Asia first in the form of the Greater Asia Co-Prosperity Sphere during the World War Two, thus Japan is rather reluctant to take any initiative in order building which might revive a bad memory from other Asian states. Therefore, China and Japan so far put forward concrete design for global order but talk little about East Asian order.³⁰ This might be one important reason why both China and Japan agree that ASEAN plays leading role in regional order design and corresponding practices.

Since the end of World War II, there have been three partially regional orders in East Asia, namely American-led security system, Japan-led economic order (the Flying Geese order), and the ASEAN sub-regional community order. The U.S.-led security system in East Asia has a character of hegemonic stability, and is still regarded by members as the mainstay of East Asia stability. In Japan-led Flying Geese order, economy (especially foreign direct investment)

²⁹ Dai Fan and Zhou Yu'e, "Towards an Unified East Asian Order? ", *The Pacific Journal*, No.12, 2005, pp.20-27.

³⁰ It is argues that over the past half a century, there was no original approach to having regional ideas, in that just having such ideas was considered imperialistic. It became taboo to debate how to create a wide-ranging order that spread across East Asia. See Yonosuke Hara, *New East Asia Theory*, NTT Press, 2002, pp.32-33.

plays a leading role, while Japan's strategic consideration is also a crucial factor in the order formation. The Flying Geese order and the Southeast Asian order have formed with the new wave of globalization and regionalization, and coexist with American-led security system.

East Asia witnesses the normative rise of Southeast Asia, the political rise of Japan, the economic and then comprehensive rise of China, and preservation of U.S. hegemonic arrangements. Accordingly, East Asian power relations are much more balanced, a kind of regional balance of power is taking shape. Unless other regions, balance of power in East Asia leads to strategic restraints to great powers, which might be a precondition for further cooperation and regional order building. Besides, economic integration and its spillover effects reshape the security relations of the region, and all countries involved enjoy the bonus of regional cooperation.

Given the historical legacies, so far any initiatives on regional order lack a long-term vision and a clear roadmap, and cooperation in East Asia in general lacks formal institutionalization, some kind "arms walk" emerges, indicating that traditional security dilemma still hinders the further cooperation among great powers.³¹ On the other hand, the military trend around the region is not the development of armed forces capable of invading and occupying neighboring states. Instead, it is the development of capabilities to inflict damage for intimidation or punishment.³² Accordingly, for years to come, East Asia will be a region that exists somewhere between a balance of power and a community-based order.³³

III.2. Dynamics of East Asian Order Formation

III.2.1. Economic Integration and Its Spillover Effects

Economic integration in East Asia has experienced three developmental phases so far. The period from 1960s to the middle of 1990s was a phase driven by market or investment, economic growth was mainly derived from

³¹ Joseph S. Nye, "China's Re-Emergence and the Future of the Asia-Pacific", *Survival*, Vol.39, No.4, Winter 1997/1998), pp.65-79.

³² Dennis C. Blair and John T. Hanley, Jr., "From Wheels to Webs: Reconstructing Asia-Pacific Security Arrangements", pp.7-17.

³³ G. John Ikenberry and Jitsuo Tsuchiyama, "Between Balance of Power and Community: the Future of Multilateral Security Co-operation in the Asia-Pacific", pp.69-94.

respective national policy, other than economic cooperation under multilateral framework. Japan played a key role in regional economic cooperation and industrial transfer, and the flying geese order emerged from the economic interaction. The resulting expansion of trade and FDI has become the engine of economic growth and development in East Asia. The period from 1997 to 2001 was a phase of economic coordination triggered by financial crisis, states within the region began to take concrete measurements to answer up crisis and prevent future severe challenges. Following the crisis, East Asian economies have embarked on regional economic cooperation in the areas of trade / investment and currency / finance. The crisis prompted the regional economies to realize the importance of closer economic cooperation among themselves which were increasingly interdependent and to undertake various initiatives for the institutionalization of such interdependence.³⁴ Thus coordination in trade, investment and finance made great progress, which laid solid foundations for future cooperation, and Chiang Mai Initiative signed in May 2000 was regarded as the milestone of East Asia's institutional cooperation. Since 2001, economic integration in East Asia enters into an institution-driven and strategy-driven phase, the notion of East Asia Community is gradually accepted by most countries in the region, East Asia Summits have been held twice, many FTA proposals have been put forward and some have become realities. East Asia becomes a FTA region, though an overall FTA agreement would not be signed in the near future. In the last two phases, China begins to play a key role in regional integration.

³⁴ Masahiro Kawai, "Regional Economic Integration and Cooperation in East Asia", paper prepared for presentation to the Experts' Seminar on the "Impact and Coherence of OECD Country Policies on Asian Developing Economies," which is organized by the Policy Research Institute of the Japanese Ministry of Finance and the OECD Secretariat and to be held in Paris, June 10-11, 2004

**Figure 2. Matrix of FTAs Between/among Ten Plus Three
(Until August 2007)**

	China	Japan	South Korea	The Philippines	Indonesia	Malaysia	Thailand	Singapore	Brunei	Vietnam	Laos	Cambodia	Myanmar
China	■	♂	♂	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Japan	♂	■	▲	▲	▲	Ⓡ	▲	Ⓡ	▲	▲	◆	◆	◆
South Korea	♂	▲	■	Ⓡ	Ⓡ	Ⓡ	▲	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
The Philippines	Ⓡ	▲	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Indonesia	Ⓡ	▲	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Malaysia	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Thailand	Ⓡ	▲	▲	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Singapore	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Brunei	Ⓡ	▲	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ	Ⓡ
Vietnam	Ⓡ	▲	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ	Ⓡ
Laos	Ⓡ	◆	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ	Ⓡ
Cambodia	Ⓡ	◆	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■	Ⓡ
Myanmar	Ⓡ	◆	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	Ⓡ	■

Notes: Ⓡ Entered into force or signed;

▲ Under negotiation or agree to negotiate bilaterally;

◆ Under negotiation or agree to negotiate multilaterally;

♂ Under consideration or initiate feasibility study.

East Asia's stability and prosperity lie on the regional economic integration, and the spillover effects of economic integration in turn strengthen the regional cooperation in political, security, social and cultural areas, some institutional framework emerges in the ongoing process. As one of the spillover effects of economic integration, East Asia is truly in the midst of being formed as a region,³⁵ and the notion of East Asia community was accepted as the lofty goal of regional cooperation. Competition between and among great powers in the region does not lead to severe conflict, crisis or war so far,³⁶ whereas further cooperation with regional economies and the provision of more regional public goods and preferential treatments become new top priorities of great powers' competition. Financial crisis triggered regional cooperation and gave

³⁵ Kazuko Mori, "Taking on the Challenging of Contemporary Asia Studies", keynote speech on COE -CAS Symposium, 3rd Session, December 3, 2006.

³⁶ Robert Ross, "The Geography of the Peace: East Asia in the Twenty-first Century", *International Security*, Vol.23, No.4, Spring 2004, pp.81-118.

birth to political decision on further economic integration, the traditional logic of “beggar-thy-neighbor” strategy was not adopted. In fact, a strong sense among East Asian leaders that their country’s future are linked to a stable regional and global future was enhanced, co-development and co-prosperity become a positive driving force of East Asian cooperation.

III.2.2. The Comprehensive Peaceful Rise of China

Economic reform and opening to the outside world since the late 1970s have shaped China as the fastest-growing economy in the world. Since 1978, China has transformed itself more thoroughly and more rapidly than any society in history, almost three decades of high growth generally estimated at 9.67% annually have made China the world’s fourth largest economy and the third largest trading partner.

Table 4. China in World Economy (%)

	Population	GDP	Export	Manufacturing Output
1820	36.57	32.88	—	29.8
1870	28.15	17.05	2.49	16.1
1913	24.4	8.83	1.78	3.6
1929	21.28	7.37	1.87	3.4
1950	21.66	4.5	1.69	2.3
1973	22.52	4.62	0.65	3.9
2005	20.74	14.01	7.5	21.1
2020	19.5	18.5	13	25

Sources: Paul Bairoch, “International Industrialization Levels from 1750 to 1980”, *Journal of European Economic History*, Vol.11, No.2, Fall 1982, pp.269-335; Angus Maddison, *The World Economy: Historical Statistics*, Paris: OECD, 2006; World Bank, *World Development Indicators 2005 & 2006*, CD-ROM.

East Asian economies have been making great contributions towards China’s rise, while China at the same time provides market and other opportunities towards its neighbors, and more regional public goods recently. The spillover effects of China’s rise become a main factor in East Asia interdependence. As Nicholas R. Lardy once said, “For all these countries in Asia, China is such a

large force, the only rational response is to figure out how to work with it”.³⁷

Table 5. FDI Flows into China (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hong Kong	40.7	40.6	38.1	35.7	33.9	33.1	31.3	29.8	32.1
Taiwan	6.4	6.4	5.6	6.4	7.5	6.3	5.1	3.6	3.4
Japan	7.5	7.4	7.2	9.3	7.9	9.4	9.0	10.8	7.3
South Korea	4.0	3.2	3.7	4.6	5.2	8.4	10.3	9.4	6.2
Singapore	7.5	6.6	5.3	4.6	4.4	3.8	3.3	3.7	3.6
East Asia	66.1	64.1	59.9	60.5	61.4	61.1	62.0	59.2	52.6

Source: *China's Statistics Yearbook*, from 2000 to 2007.

China endeavors to create a peaceful, prosperous and stable environment for the sake of its modernization goals, so it is now satisfied to play a constructive and active role in world arena and regional integration. Accordingly, China becomes one of powerhouse of world economic growth, the stabilizer of regional macroeconomic prosperity and the accelerant of regional integration.

Table 6. China's Contribution to World Incremental GDP (%)

	1990-2005	2006-2020
China	28.14	36.6
The U.S.	19.31	16.2
Japan	2.95	1.9
Other OECD Countries	18.33	13.8
India	9.46	11.9
Other Asian Developing Countries	7.13	7.4
Latin America	7.14	6
World in total	100	100

Source: David Dollar, "Asian Century or Multi-polar Century?" paper prepared for "The Rise of Asia?" the Global Development Network Annual Conference, Beijing, China, January 13-14, 2007.

There are 26 neighboring economies around Mainland China, in 1995, Mainland China was the largest trading partner of 4 neighboring economies, the second trading partner of 3 neighboring economies, and the third trading

³⁷ *New York Times*, June 28, 2002. See [Http://www.sullivan-county.com/id2/china.html](http://www.sullivan-county.com/id2/china.html).

partner of 5 neighboring economies; in 2005, Mainland China became the largest trading partner of 10 neighboring economies, the second trading partner of 6 neighboring economies, and the third trading partner of 5 neighboring economies. Accordingly, Mainland China's trade intensity index with its neighboring economies increase a lot in recent years.

Table 7. Trading Relations among Mainland China and Its Neighboring Economies

	1995	2000	2005
The Largest Trading Partner	Hong Kong	Mongolia, Hong Kong and North Korea	Hong Kong, Macao, Taiwan, Mongolia, North Korea, South Korea, Japan, Kirghizia and Viet Nam
The Second Trading Partner	Afghanistan, Macao, Kazakhstan, Kirghizia, Japan, Mongolia, Taiwan, North Korea and Burma	Japan, Macao, Taiwan, Pakistan, Burma and Laos	Kazakhstan, India, Laos, Burma, Pakistan, The Philippines and Russia
The Third Trading Partner	South Korea	Kazakhstan, South Korea, Kirghizia, Nepal, Russia, Viet Nam and Tajikistan	Singapore, Malaysia, Nepal, Tajikistan and Thailand

Sources: IMF, *Direction of Trade Statistics 2006*, CD-ROM.

Table 8. China's Trade Intensity Index with its 24 Neighboring Economies

	Mainland China			Japan			The U. S.		
	1995	2000	2005	1995	2000	2005	1995	2000	2005
Afghanistan	2.55	0.73	0.28	2.07	1.07	0.59	0.13	0.12	1.04
Brunei	0.45	0.32	0.44	3.67	4.93	5.60	0.40	0.69	0.65
Cambodia	0.90	1.25	0.61	0.59	0.56	0.69	0.13	1.94	3.53
Mainland China				2.25	2.30	2.35	1.29	1.31	1.49
Hong Kong	8.88	7.76	5.05	1.59	1.46	1.68	0.75	0.60	0.52
Macao China	3.98	4.48	3.19	0.76	0.51	0.46	1.93	1.89	1.37
Taiwan China	2.75	2.38	2.52	2.55	2.83	3.01	1.59	1.31	1.06
India	0.49	0.61	1.03	0.94	0.70	0.53	0.98	0.92	0.92
Indonesia	1.13	1.37	1.22	3.35	3.24	3.34	1.04	0.92	0.87
Japan	2.25	2.30	2.35				1.81	1.57	1.42
Kazakhstan	1.15	1.54	2.00	0.07	0.19	0.21	0.15	0.29	0.30
South Korea	1.97	2.27	2.66	2.49	2.30	2.38	1.58	1.32	1.07

Kyrgyzstan	5.03	2.13	5.04	0.04	0.17	0.02	0.14	0.34	0.11
Laos	0.84	0.91	1.02	1.06	0.51	0.30	0.10	0.09	0.07
Malaysia	0.65	0.91	1.39	2.45	2.33	1.77	1.35	1.24	1.23
Mongolia	5.15	6.45	5.08	2.16	1.16	0.71	0.36	0.90	0.66
Burma	6.63	2.84	2.37	0.96	0.99	0.78	0.22	0.64	0.01
Nepal	1.48	2.65	1.09	0.77	0.51	0.22	0.77	0.96	0.46
North Korea	6.86	3.62	4.80	3.19	2.26	0.81	0.02	0.01	0.01
Pakistan	1.04	1.11	1.43	1.17	0.65	0.80	0.86	0.95	0.92
The Philippines	0.55	0.63	1.90	2.58	2.45	2.68	1.90	1.57	1.37
Russia	1.03	0.97	0.86	0.54	0.52	0.63	0.39	0.45	0.47
Singapore	0.98	1.08	1.30	1.97	1.84	1.29	1.28	1.06	0.83
Tajikistan	0.19	0.39	0.63	0.18	0.01	0.09	0.34	0.06	0.94
Thailand	0.79	1.20	1.36	3.04	2.79	3.18	1.12	1.13	0.98
Vietnam	1.28	1.65	1.60	2.29	2.44	2.19	0.17	0.26	0.95

Notes:

1 . $TII = T_{ic} / T_{iw} / T_{wc} / T_{ww}$, *TII* means Trade Intensity Index; T_{ic} indicates trade volume between economy *i* and China, T_{iw} indicates trade volume between economy *i* and the world; T_{wc} indicates trade volume between China and the world; while T_{ww} means trade volume of the whole world.

2 . All exports are calculated by CIF price.

3 . Because of the lack of key data, Bhutan is not included.

Source: IMF: *Direction of Trade Statistics 2006*, CD-ROM; data of Taiwan China are from the following website: <http://www.moea.gov.tw/>.

Historically, rising powers have been regarded as challengers to the existing order and have often precipitated major wars. China's rise has also evoked concerns from its neighbors and other major powers, including the United States. However, China and its neighbors have found ways of mitigating many of these concerns, principally through a process of integrating into the region through its participation in a number of multilateral institutions based on the principles of cooperation and consensus. Such institutions do not, in and of themselves, meet all the standard security needs of member states, but they are well suited to improving relations between states that are neither

adversaries nor allies.³⁸ China is a co-builder of the emerging regional institutions. In the process of mutual engagement, China becomes a responsible stakeholder of East Asia. China's policy is gradually but steadily focus on matters that relate to what is good globally, regionally, as well as what is needed internally. David Kang summarizes the improvement of China's relations with its East Asian neighbors, and concludes that "historically, it has been Chinese weakness that has led to chaos in Asia. When China has been strong and stable, order has been preserved. East Asia regional relations have historically been more peaceful, and more stable than those in the West."³⁹ China so far has played constructive diplomatic roles in regional affairs.⁴⁰ its new regional posture is summarized by David Shambaugh as participation in regional organizations, establishment of strategic partnership and deepening bilateral relationships, expansion of regional economic ties and reduction of distrust and anxiety in the security sphere.⁴¹ In realist view, East Asian order under formation is structurally asymmetrical unstable. Yet, from the liberal institutionalist view, China's reemergence is a natural phenomenon and economic interdependence would channel and shape the rising environment, institution-building is a key factor in order formation. While from the constructivist view, China could be socialized into a set of norms that will not only pacify it, but will also make Beijing a status quo power and cooperative partner.⁴²

The image of China in East Asia has improved with its constructive consideration on common interests. China's strategic interests extend with its economic rise, and competitions with other countries enlarge in scope and depth. Accordingly, common interests are crucial to the guarantee of its national interest.

³⁸ Michael Yahuda, "The Evolving Asian Order", in David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics*, Berkley: University of California Press, 2005, p.347.

³⁹ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Framework", *International Security*, Vol.27, No.4, Spring 2003, pp.57-85.

⁴⁰ James A. Schear, "Remedial Strategies for Conflict Regions", paper prepared for a workshop of the U.S.-China Project on Areas of Instability and Emerging Threats, Beijing, 23-24 February 2004, sponsored by the China Institute of Contemporary International Relations and the Atlantic Council of the United States.

⁴¹ David Shambaugh, "China Engages Asia: Reshaping the Regional Order", *International Security*, Vol.29, No.3, Winter 2004/2005, pp.64-99.

⁴² Nicholas Khoo, Michael L.R. Smith, and David Shambaugh, "China Engages Asia? A Caveat Lector", *International Security*, Vol.30, No.1, Summer 2005, pp.196-213.

III.2.3. Japan's Pursuit for Greater Political Role Both in World and Regional Arenas

For Japan, economic growth, social stability and security in East Asia is critically important, because of its geographical proximity and close economic relations.

Japan, as the second largest economy of the world, is the pioneer in regional economic cooperation, and one of the investment powerhouses of East Asia. From 1960s to the middle of 1990s, Japan's ODA (Official Development Assistance), FDI and relocation of production facilities acted as driving forces of East Asia's rising waves, and played a comparatively dominant role in regional economic development and regional economic order as well. The Flying Geese order was a landmark in exhibiting Japan's economic strength. Recent economic revival after a decade's stagnation indicates Japan will rally its self-confidence and be ready for a more active role in regional and global arenas to play.

Table 9. Japan's Outward FDI (Balance of Payments Basis, Net and Flow)
Unit: million USD

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Asia	8447	9749	13114	7814	1811	2132	7797	8177	5028	10531	16188
ASEAN	3987	5238	7780	4454	1032	207	4013	4256	432	2800	5001
Asia NIES	1771	3039	5228	2286	728	-686	2459	3001	31	1873	4902
ASEAN4	3312	3836	4954	3551	339	1684	2920	2166	773	2534	4276
China	3183	2317	1862	1301	360	934	2158	2622	3980	5863	6575
South Korea	347	405	172	421	383	1074	650	437	333	771	1736
Singapore	676	1119	2559	721	595	-1521	951	1884	-457	138	556
Thailand	935	1337	2044	1668	-119	593	1594	528	678	1867	2126
Indonesia	946	1494	1570	916	199	585	481	307	484	498	1185
Malaysia	371	522	992	445	-332	-4	570	257	-504	163	525
Philippines	1061	483	349	521	591	510	275	1074	114	6	441
EU	3230	3214	2581	2268	8334	10968	17886	9770	8029	7341	7873
USA	9018	11114	7430	6013	7140	14121	7031	7441	10691	7559	12126
World	22651	23443	26057	24627	22266	31534	38495	32039	28767	30962	45461

Notes:

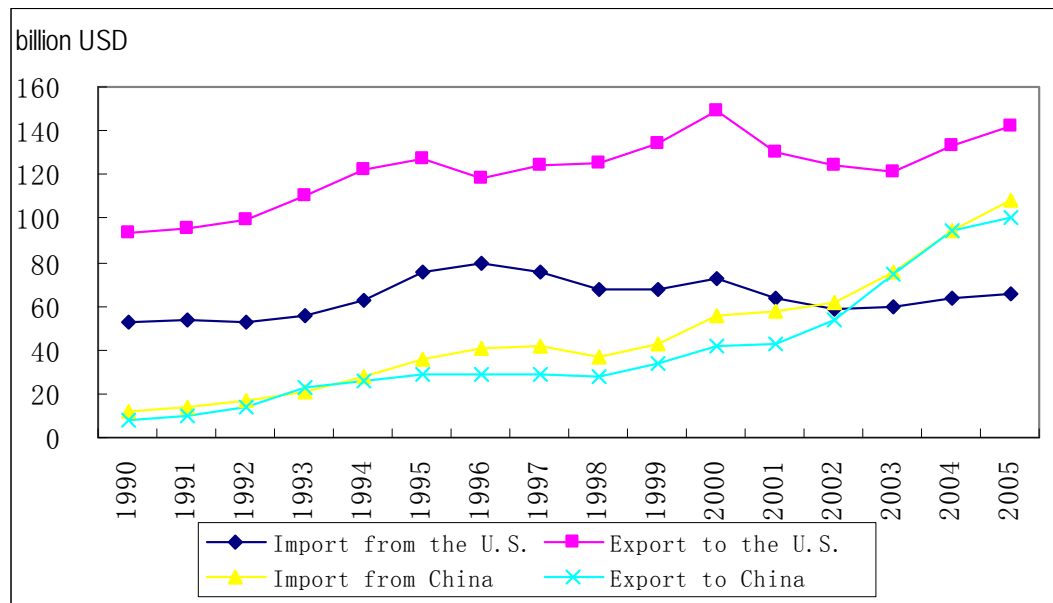
1. ASEAN includes Laos and Myanmar from 1998, Cambodia from 1999;
2. Asia NIEs include Singapore, Taiwan, Hong Kong and South Korea;
3. ASEAN 4 includes Singapore, Malaysia, Thailand and Indonesia;
4. Due to the EU enlargement, member states have increased (Austria, Finland and

Sweden in 1995, 10 accession states in 2004);

4. Here "World" includes countries those are not classified into each region, therefore world here is not necessarily equal to the sum of regional component

Sources: JETRO Website, http://www.jetro.go.jp/en/stats/statistics/bpfdi_03_e.xls.

Figure 3. Japan's Trade with China and the U.S.



Source: UN COMTRADE database, <http://comtrade.un.org/db/>.

Japan's economic ambitions have almost been fulfilled as the second largest economy of the world. Since the 1980s, however, Japan has affirmed its strategic objective to be a great power in political perspective, and the objective was summed up as "Normal Nation" in 1990s. In other words, Japan began to pursue the status of a great political power in compliance with its economic strength. Japan has great aspiration to play a greater role in regional and global affairs. In global arena, Japan seeks greater recognition by such position as a permanent seat on the UN Security Council; while in regional arena, it seeks to play a leading role in defining and exploring the concept, framework and main features of East Asian community to be built in the feasible future.

Japan has been benefited from the US-led regional security order which evolved in East Asia in the postwar era. But economic development in many East Asian countries and China's rise as an economic powerhouse are transforming the regional security order already. So the most important measurement for Japan to take was to redefine and reaffirm U.S.-Japan

alliance, which is regarded by the two countries as the cornerstone of the bilateral national interests in East Asia.

Southeast Asia is vital to Japan's economy and regional status, Japan further enhances cooperative relations with ASEAN countries by concluding bilateral and multilateral Economic Partnership Agreement (EPA) with them.⁴³ For Japan, FTA will play an effective role in promoting economic integration in East Asia, in order to contribute to economic growth, and political and social stability, which in turn would have positive impacts on Japan.⁴⁴ On the other hand, Japan is eager to establish FTA with ASEAN because of its importance to Japan not only in economic but also political and strategic aspects. As the first mover in East Asia order, Japan would not trail China in regional order designing and building. In 2002, then Japanese premier Junichiro Koizumi put forward the vision of enlarged East Asia Community beyond the framework of ASEAN-plus-3, revealing its consideration to counterbalance China's increasing regional influence.

III.2.4. Normative Influence and Leading Role of the ASEAN

ASEAN was formed in August 1967, with Indonesia, Malaysia, the Philippines, Singapore, and Thailand as the founder members. Until 1999, all countries in Southeast Asia joined in and ASEAN becomes an institutional framework for the whole sub-region.

ASEAN is a new model of regional cooperation and regional alliance. In its development and evolving process, informality and consensus are cherished as the most important principles; the principle of noninterference in affairs external the region and internal the member is rigidly carried out; equality is of utmost eminence; members seek consensus through discussion and consultation, other than vote or any form of competition; all proposal are approved unanimously. Amitav Acharya summarizes the model by coining the term "ASEAN Way",⁴⁵ which is regarded as the normative power of ASEAN in

⁴³ Comparing to FTA, Economic Partnership Agreement is a much more comprehensive economic agreement including the transfer of money and the movement of labor between countries and regions.

⁴⁴ Shujiro Urata, "Japan's FTA Strategy and a Free Trade Area of Asia Pacific" in Takatoshi Ito, Hugh Patrick and D. E. Weinstein, eds., *Reviving Japan's Economy*, Cambridge: the MIT Press, 2005, pp.71-86.

⁴⁵ Amitav Acharya, "Ideas, Identity, and Institution-Building: from the ASEAN Way to the Asia Pacific Way?" , *The Pacific Review*, Vol.10, No.3 (1997), pp. 319-320.

dealing with regional and global issues. By “ASEAN Way”, Southeast Asian countries solve bilateral or multilateral disputes peacefully, and gradually build up a stable sub-regional order. Compared to the Northeast Asia, Southeast Asia is with a wider cultural and ethnical diversity; while Northeast Asia is still in chaos, Southeast Asia has already established a higher sense of community sub-region-wide.

East Asian countries learned from the Asian financial crisis that the crises could not be solved only by the ASEAN countries, and international institutions such as IMF could not be reliable, close cooperation with countries within the East Asian countries becomes the viable choice. Since then, ASEAN’s leading role in regional integration is respected and applauded by other countries in or out of the region. Accordingly, ASEAN adheres to open regionalism, and appeals to co-development between economies within and without.⁴⁶ ASEAN has continued to play a key role in institutionalizing the potential regional frameworks for establishing an East Asian order, and sought to remain at the center of regional initiatives as the potential rivalry for leadership between Japan and China, while the ARF, ASEAN-plus-Three and East Asian Summit are being gradually institutionalized.

III.2.5. Strategic Adjustments of the United States

The United States has important interests in all corners of East Asia,⁴⁷ and always safeguards its interests via a network of formal and informal institutional arrangements. In security issue areas, by allying with Japan, South Korea, the Philippines and Thailand, the United States has set up a hub-spoke system in East Asia, with the United States at the center of bilateral ties. As the cornerstone of the security arrangements, U.S.-Japan alliance had been redefined in 1990s. Besides, The United States is also active in ARF, the sole trans-regional security talk shop of East Asia. It was American withdrawal of its armed force in Southeast Asia that triggers multilateral security dialogues and provides the possibility of regional security regime building.⁴⁸ After September

⁴⁶ Masahide Shibusawa et al, *Pacific Asia in the 1990s*, London, 1992, p.101.

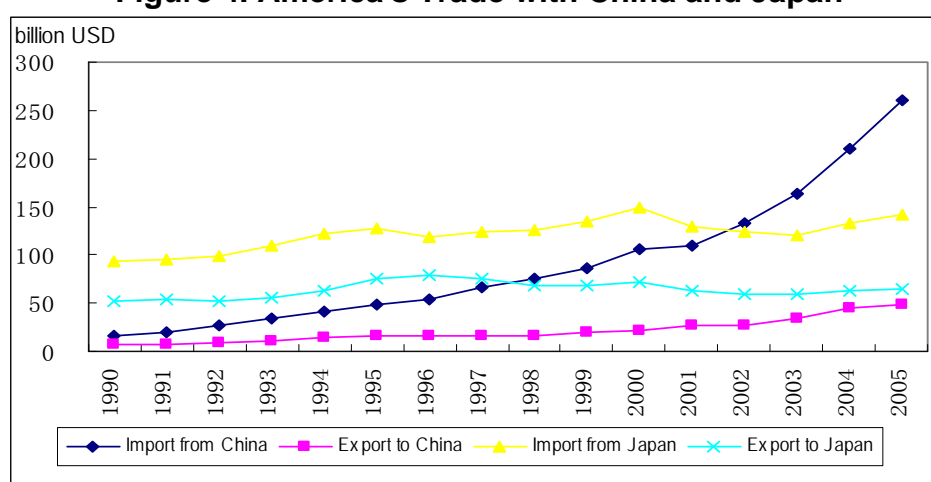
⁴⁷ Dennis C. Blair and John T. Hanley, Jr., “From Wheels to Webs: Reconstructing Asia-Pacific Security Arrangements”, *The Washington Quarterly*, Vol.24, No.1, Winter 2001, pp.7-17.

⁴⁸ Wu Jinping, “Multilateral Security Institution-Building in East Asia and the U.S”, *Southeast Asia*

11 2001, The United States returns to Southeast Asia again, and plays an even more active role in East Asian security.

The United States is a major economic partner of all the East Asian economies. East Asia's share in American trade is steady at 37-38%, ⁴⁹and its share in American FDI increases from 15% to 18% recently. America's complicated economic relations with Japan and China always catch the eyes of the whole world, and become a weatherglass in measuring America's overall relations with the two.

Figure 4. America's Trade with China and Japan



Source: UN COMTRADE Database, see <http://comtrade.un.org/db/>.

Table 10. East Asia's Share in U.S. Trade (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ASEAN	8	8	8	7	7	7	6	7	6	6	6
China	4	5	5	5	6	6	7	8	9	10	11
Japan	14	13	12	11	11	11	10	9	9	8	7
South Korea	4	3	3	3	3	3	3	3	3	3	3
World	100	100	100	100	100	100	100	100	100	100	100

Source: UN COMTRADE Database, see <http://comtrade.un.org/db/>.

Studies, No.4, 2004, pp.15-18.

⁴⁹ East Asia's share of U.S. trade is broadly comparable to U.S. NAFTA partners, and exceeds Western Europe's share. See Eng Chuan Ong, "Anchor East Asian Free Trade in ASEAN", *The Washington Quarterly*, Vol.26, No.2, 2003, pp.57-72.

**Table 11. America's FDI in East Asia
(selected economies, billion US dollar)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ASEAN 5	30	37	39	40	44	50	70	72	71	79	83
Mainland China	3	4	5	6	9	11	12	11	11	15	17
Hong Kong	12	14	17	18	23	27	32	40	36	35	38
Japan	37	35	34	41	55	57	56	66	58	68	75
Korea	6	7	6	7	7	9	10	12	13	17	19
Taiwan	4	4	5	6	7	8	9	10	12	n.a.	13

Notes:

1. "ASEAN 5" includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.
2. The data of Indonesia through 2002-2004 are not available.

Source: U.S. Department of Commerce, *International Economic Accounts, Bureau of Economic Analysis*, <http://bea.gov/international/di1usdbal.htm>.

Since early 1990s, the United States has been playing a leading role in APEC, the sole trans-regional framework for economic cooperation, and made some success in discussing security and other non-economic issues on its informal summits with leaders of the Asia Pacific region. The United States decides to strengthen its economic interactions with East Asian economies other than China and Japan, and recently seeks to sign bilateral FTAs with some East Asian countries.

The most dramatic change in America's strategic adjustment in East Asia reveals in the improvement of Sino-U.S. relations. Since the end of the Cold War, American strategy towards China has swayed between engagement and containment.⁵⁰ After hesitation for more than a decade, the U.S. begins to take

⁵⁰ Thomas Christensen, "Posing Problems without Catching Up: China's Rise and Challenges for U.S. Security Policy", *International Security*, Vol.25, No.4, Spring 2001, pp.5-40. For examples of concerns about China's rise to great power status, see Nicholas Kristof, "The Rise of China," *Foreign Affairs*, Vol. 72, No. 6 (November/December 1993), pp. 59-74; and Denny Roy, "Hegemon on the Horizon? China's Threat to East Asian Security," *International Security*, Vol. 19, No. 1, Summer 1994, pp. 149-168. Richard Bernstein and Ross Munro even predict that China will become a global rival of the United States in the next two decades. See Bernstein and Munro, "Coming Conflict with America," *Foreign Affairs*, Vol. 76, No. 2, March/April 1997, pp.18-31; and Richard Bernstein and Ross Munro, *The Coming Conflict with China*, New York: Alfred A. Knopf, 1997. For predictions of China as a peer competitor in line with previous power transitions in history, see Peter T.R. Brookes, "Strategic Realism: The Future of U.S.-Sino Security Relations," *Strategic Review*, Summer 1999, pp. 53-56. For counterarguments emphasizing China's persistent weaknesses in comparison to the United States and other militaries, see Michael C. Gallagher, "China's Illusory Threat to the South China Sea," *International Security*, Vol. 19, No. 1, Summer 1994, pp. 169-194; Paul Godwin, "The PLA Faces the Twenty-first Century: Reactions on Technology, Doctrine, Strategy, and Operations," in James R. Lilley and David Shambaugh, eds., *China's Military Faces the Future*, Armonk: M.E. Sharpe, 1999, pp. 39-63; Robert S. Ross and Andrew J. Nathan, *The Great Wall and the Empty Fortress China's Search for Security*, New York: W.W. Norton,

a more balanced view on China's rise. Robert Zoellick articulated American vision of China as a responsible stakeholder in September 2005, reaffirming America's commitment to engagement with China.⁵¹ Generally speaking, Sino-U.S. relationship is now stabilized via bilateral institutional channels, and engagement is chosen as the constructive path which provides solid foundation for bilateral strategic interaction and multilateral dialogues.

In sum, East Asian order under formation is one of the spillover effects of ongoing regional integration, the power structure of the region determines the open character of the order, within which the ASEAN Way has expanding normative effects, Sino-Japanese relations have decisive influences, and the mightiness of external hegemony indicates that convergence and institutionalization of common interests is the only feasible route to a stable regional order.

III.3. Future of East Asian Order

Openness, penetrability, bi-multilateralism, public goods provision by great powers, comparatively low institutional level, and counterbalance to prevent the rise of regional hegemony are the main characteristics of the nowadays East Asian order formation. The uniqueness of East Asian order building is that great powers in or out of the region do not play leading roles, the ASEAN's normative effects play a key role in reshaping the regional power relations. China, Japan and South Korea's active interaction with ASEAN not only enhances co-development and a sense of life community, but also bring apprehensions for future uncertainty.

Power structure in East Asia is much more balanced than ever in its history. As mentioned before, it is a precondition for regional order formation. In a sense, integration process, not power structure plays a potential decisive role in building a constructive and stable order, and the countries involved follow the principles of coordination, consensus, cooperation, comfort Level, closeness

1997; Robert S.

⁵¹ Robert B. Zoellick, "Whether China from Membership to Responsibility", speech at National Committee on U.S.-China Relations, September 21, 2005. See <http://www.state.gov/former/zoellick/tem/53682.htm>.

and openness.⁵²

Hitherto, we could expect fruitful functional cooperation in low-politics issue areas, but must be curious about political and security cooperation. Actually, even in economic areas, different FTA proposals might lead to some “spaghetti effects”, and add more costs for regional integration. In security arrangements, there is gradual change and reconstruction from wheels to webs, East Asia is increasingly able to manage its insecurity through shared regional norms, rising economic interdependence, and growing institutional linkages,⁵³ but ARF is precisely a security talk shop, not a defense arrangement.⁵⁴ The absence of multilateral security regime is not a severe problem for self-help nation-states, but the sense of security threat would be a nightmare and an obstacle to further regional integration.

Why severe dilemma co-exists with economic integration in full swing? The very reason lies in some kinds of imbalance in the region. The first imbalance is the contrasting situation in Southeast Asia and Northeast Asia. The sub-regional order building in Southeast Asia and Northeast Asia is imbalanced. The Southeast Asia with a wider cultural and ethnical diversity as compared to the Northeast Asia, has already established a community order. In contrast, the Northeast countries, especially China, Japan and South Korea, sharing more common cultural legacies, do not have a comparable sense of community among themselves so far, and traditional security dilemma is still the black cloud for sub-regional coordination. The three countries have been already deeply integrated through market forces, which will further deepen the three economies’ integration even without any institutional efforts.⁵⁵ But the solution to the present security dilemma needs more ideas innovations, political foresights and strategic courage. Anyhow, cooperation among the three countries should be a key factor in building a region-wide East Asia order.

⁵² Wu Jianmin, “East Asia Identity under Formation”, see http://www.neat.org.cn/chinese/hzdt/contentshow.php?content_id=39.

⁵³ Amitav Acharya, “Will Asia’s Past Be Its Future”, *International Security*, Vol.28, No.3, Winter 2003/2004, pp.149-164.

⁵⁴ Chong Guan Kwa and See Seng Tan, “The Keystone of World Order”, *The Washington Quarterly*, Vol.24, No.2, 2001, pp.95-103.

⁵⁵ Il Sakong, “Enhanced North East Asia Economic Cooperation towards the Ultimate Goal of East Asia Community”, *JCER Bulletin*, July 2006.

The second imbalance is the roles that ASEAN, China and Japan play in regional order building. So far, the ASEAN play a constructive leading role in region order building, but its apprehensions toward great powers and the low-institutionalization-level nature of its proposals indicates that East Asia need another powerhouse for order building. Cooperation of China and Japan could be a constructive and mighty powerhouse of regional order building. Yet, the two countries realize that no country could play dominant role by itself in East Asia, but they have not been cognizant of the pressure and necessity of comprehensive cooperation.

The third imbalance is the bilateral relations between China, Japan and the ASEAN. So far, China and Japan set up a cooperative framework with the ASEAN respectively based on common interest convergence and institutionalization, provision of regional and sub-regional public goods, and bestowal of non-strategic self-interests. China and Japan, on the other hand, have not taken any similar actions towards each other. The imbalances hereinbefore indicate that growing political rift between China and Japan poses the most serious challenge to East Asian order building.

Sino-Japanese relationship is at the center of the three imbalances. As the most complex relationship in the world, economic interdependence and security distrust coexist in the bilateral relations. In detail, the two countries have formed reciprocal and win-win economic relations in economic aspect, and the overall foggy relationship does not check the further depth of economic interdependence.⁵⁶ Japan's capital, technologies and China's market and potentials are regarded as vital "special demands" for both the two countries. The close economic interdependence becomes a kind of barrier to prevent any most malignant conflicts. Mistrust and distrust between the two countries do remain, but the bilateral interdependence still grows on. In my view, since both China and Japan are in some kind of "rising" process, a lot conflicts between them would actually lead to future strategic adjustments.

The change of the bilateral relations since the second half of 2006 proved the correctness of my view. Nowadays, China and Japan commit themselves to set up bilateral strategic reciprocal relationship, and have reaches some

⁵⁶ Thomas J. Christensen, "Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy toward East Asia", *International Security*, Vol.31, No.1, Summer 2006, pp.81-126.

consensus on the contents of the new strategic relations: support the counterpart's peaceful development to enhance bilateral political trust, deepen reciprocal cooperation to reach common development, strengthen defense dialogue and communication to safeguard and promote regional stability, intensify human exchanges to enhance the mutual understanding and friendly feelings between Chinese and Japanese people, strengthen coordination and cooperation to meet the regional and global challenges together. The two governments decide to enhance cooperation in energy, environmental protection, agriculture, medicine, IT and other material fields, and cooperate both in dealing with regional and global affairs. The new development of the bilateral relations provides new dynamics and opportunities for regional common interest convergence and regional order building.

On the other hand, East Asia has set up such useful institutional frameworks as three "Ten Plus One", Ten Plus Three, The Big Three (China, Japan and South Korea), the ASEAN, ARF, and East Asia Summit at sub-regional, regional and super-regional levels, all of which are resulted from common interest convergence and institutionalization (or in the process of institutionalizing). Among those frameworks, ARF is the only multilateral security one, which is expected to work as confidence-building measures, decreasing the risk of escalating security dilemmas and promoting cooperative security; East Asia Summit is the only super-regional framework, East Asian countries have different views on its functions, so it could not play a leading role in dealing with regional issues. East Asian states will continue to promote the cooperation in the spirit of openness, tolerance and win-win results of mutual benefit, ASEAN's leading role in East Asia cooperation is respected, and ASEAN-plus-3 is regarded as the main channel in pushing forward East Asian integration, while strategic cooperation between and among Northeast Asian countries, i.e., China, Japan and South Korea would be key to future region-wide order. On the other hand, as East Asia enters into an era of institution building and identity searching, common interests become a common ground in regional countries' consideration.

In a sense, China and Japan are ready for regional order building, although some kind of competition for regional leadership exists. The two countries are active in regional cooperative multilateral frameworks, and respective

proposals of regional cooperation have been implementing, they begin to realize that the fierce competition restricts their strategic interests, and to set up a bilateral cooperative framework based on common interests would be the feasible route to solve the imbalances and advance regional order building. Nowadays, the strategic reciprocal relationship between China and Japan mainly deals with bilateral relations, how to stabilize the bilateral relationship and connect the bilateral strategic reciprocal relationship with the respective Ten-Plus-One (ASEAN and China, ASEAN and Japan) reciprocal relationship, thus to form an overall common interest framework of East Asia, would be a great step in East Asian order formation. For China and Japan, it is not only a great challenge, but also an opportunity one in a thousand.

IV. A Common Interests-based Strategic Framework for Sino-Japanese Relations

Sino-Japanese relations might be the most complex bilateral relationship in the world, with somehow the longest history of friendly exchanges, and somehow insurmountable strategic distrust (and mistrust). In recent years, both the two countries realize that they must deal with the bilateral issues in a boarder scope, both regionally and globally. East Asian order transformation driven by regional integration and the impact of globalization wave provide necessary external conditions for the positive development of Sino-Japanese relations. To stabilize bilateral relations, to pursue and then reach common interest convergence and institutionalization in East Asian order formation, thus set up and develop bilateral strategic framework, should be regarded as a feasible way of solving bilateral conflicts, improving bilateral coordination and cooperation, and working together to push forward regional integration.

IV-1. The Complex Sino-Japanese Relationship

As the most complex bilateral relationship in the world, Sino-Japanese relations affect not only the two countries themselves, but also the region they are located and the whole world as well. Historical legacies, political mistrust, security distrust lead to some kind complex dilemma between the two, while

close economic cooperation, common security concerns indicates certain interdependence is also existed between them. Here “complexity” not only contains negative factors, but also positive aspects.

As to bilateral relations, although there are 233 sister-city agreements so far have been signed, and personnel flow is hourly (more than 4.8million persons in 2006), historical legacies are heavy on the minds of the people, which reflect on fragile sentiments and complicated public opinions both in China and Japan. Economic interdependence has been enhanced, and the two countries enjoy ever-closer economic ties. Bilateral trade volume in 2006 reached to 207 billion U.S. dollars; by November 2006, accumulative total of Japan’s investment in China was 57.45 billion U.S. dollars, only second to Hong Kong, accumulative total of Japan’s ODA to China during 1991 to 2005 reached to 3133.1 billion Yen, and more than 36 thousand Japanese projects have been implemented in Mainland China. In a word, Japan has been and continues to be an indispensable source of China’s capital, technology, and to a less extent, an export outlet. China’s economic rise provides Japan with new opportunities. China today is the leading source of Japanese imports, and second-largest destination for Japanese exports, complementation of bilateral trade brings co-development effects, it is widely recognized that China economic development has so far played a positive role in Japan’s recent economic revival.⁵⁷ Such interdependence would be costly to break for either side and would act as a deterrent to severe conflict. Yet, in political and security aspect, both have been beset by antagonisms and deep-seated suspicions, and political suspicions magnify the somehow run-of-mill disputes on the Diaoyu Islands and the East China Sea. It is a cliché that bilateral relations are mixtures of hot economics and cold politics. Actually, although distrust remains, bilateral interdependence grows on, and the two governments do show a desire to see an improvement in bilateral relations. Accordingly, to portray a zero-sum game is somehow misleading, any account that does not factor in the *de facto* economic interdependence and political adjustment between Japan and China is myopic.

⁵⁷ Interview to Mr. Akira Kojima, Chairman of the Japan Center for Economic Research, November 29, 2006.

Table 12. Japan's ODA to China (1991-2005, Billion Yen)

Year	Grant aid	Technical cooperation	Loan aid
1991	6.652	6.855	129.607
1992	8.237	7.527	137.328
1993	9.823	7.651	138.743
1994	7.799	7.957	140.342
1995	0.481	7.374	141.429
1996	2.067	9.890	170.511
1997	6.886	10.382	202.906
1998	7.605	9.830	206.583
1999	5.910	7.330	192.637
2000	4.780	8.196	214.399
2001	6.333	7.777	161.366
2002	6.787	6.237	121.214
2003	5.150	6.180	96.692
2004	4.110	5.923	85.875
2005	1.440	52.05	-
Total	147.17	155.76	3,133.06

Source: Embassy of Japan in China, "Over View of Official Development Assistance to China", June, 2006, see <http://www.cn.emb-japan.go.jp/bilateral/koryu0603.htm>; Japan Ministry of Foreign Affairs, *Bluebook of Diplomacy 2007*, p.31.

In dealing with regional affairs, China and Japan's desire for a larger role has become a principal catalyst in shaping a new order in East Asia. Japan worries about possible Chinese dominance of the East Asia, while China worries that the exclusivity of strategic ties between the U.S. and Japan would impair its key national interest. Regional institutions, therefore, can play a catalytic role in maximizing gains from economic exchange, and help diffuse mistrust in the security arena. In other words, the regional cooperative frameworks could provide wide channels for bilateral coordination and dialogues. On the other hand, most countries in the region expect the improvement of Sino-Japanese relations which would be a driving force for further regional cooperation. China and Japan realize that dominance by any single country would not be the prospect of East Asia, the most effective way to safeguard their vital national interests is to act as the stakeholders of the region and play a responsible role within the regional frameworks. Competition between the two could not avoid all the time, win-win, the optimum result, would not always be reached in bilateral relations, but they could try their best to avoid zero-sum, and pursue

the suboptimal objectives, i.e., positive-sum.

IV-2. Common Interests between China and Japan

China and Japan are in the process of mutual adjustments. Many strategists said that the next 10 years would be the moment of truth. The bright vista is surly to set up a comprehensive framework for coordination and cooperation, with strategic trust at the center. Given the complex bilateral relations, the practical or suboptimal measures to take are to set up a strategic framework based on common interests, and hopefully strategic trust would generate form the framework step by step.

Japanese Prime Minister Shinzo Abe tabled the proposal of building strategic reciprocity relationship with China shortly after he took office. It was the first time that Japan leaders used the word “strategic” to describe Sino-Japanese relations, and many strategists regarded it as a great turn in Japan’s policy towards China. In the Spring of 2007, Chinese Premier Wen Jiabao paid an official visit to Japan, during which the two governments reached important consensus on the on the contents of the new strategic relations.

In my understanding, bilateral relationship of strategic reciprocity means a reciprocal relationship based on common strategic interests, a comprehensive, long-term, and stable bilateral relationship that beyond tactical cooperation.

How to define common interests between China and Japan? The central task for Chinese and Japanese decision-makers is to define expectations for the future of Sino-Japanese relations in the context of globalization and regionalization. The agenda for such a relationship must be defined more broadly and more strategically than simply returning to the issues of Japan’s historical legacies, Taiwan issue and China’s nationalism.⁵⁸ It also requires the regional ad global concerns. In sum, Sino-Japanese strategic reciprocal relations must be centered on bilateral common interests, meanwhile contain regional and global common interests. The following chart summarizes the basic common interests between the two countries, indicating that the convergence and institutionalization of regional common interests are vital to

⁵⁸ Scott Snyder, “Introduction: Prospects for a China-Japan-U.S. Trilateral Dialogue”, in Japan Center for International Exchange, *New Dimensions of China-Japan-U.S. Relations*, Tokyo and New York: Japan Center for International Exchange, 1999, pp.19-20.

the bilateral strategic framework.

Table 13. A Common Interests-based Strategic Framework for Sino-Japanese Relations

	National Level	Bilateral Level	Regional Level	Global Level
Political Dimension	Non-independence of Taiwan, to cooperate in efforts to ensure cross-strait relations do not escalate tensions; Both adhere to the road of peaceful development.	To enhance political coordination via certain mechanisms building; To keep routine exchange visits of top leaders.	To coordinate in regional political dialogues and cooperation; To coordinate to maintain regional cooperation and its main features as openness, inclusivity and progressiveness.	To set up dialogue mechanism on global issues of common concerns, and take an open attitudes on the issues vital to the core interest of the other side.
Economic Dimension	China manages to keep macro-economic stability.	To facilitate bilateral trade and investment; To expand and utilize bilateral economic complementarities for further economic cooperation.	To push forward regional and sub-regional(China, Japan and South Korea) trade and investment; To maintain regional macro-economic and financial stability; To facilitate financial market development.	
Security Dimension		To maintain and strengthen bilateral strategic dialogues; To enhance exchanges between bilateral military circles.	To resolve and prevent regional conflicts on the Korean Peninsula; To cooperate in sub-regional energy security by protecting the common petroleum transit; To cooperate in dealing with various non-traditional security problems ^[1] .	To resolve and prevent regional conflicts on the Korean Peninsula; To cooperate in dealing with state failure; To cooperate in dealing with various non-traditional security problems ^[1] .
Cultural Dimension		To push forward study on historical issues together, to prevent historical issues from hindering present relations. Common	To push forward study on historical issues together among China, Japan and South Korea.	

		efforts are necessary in walking out of historical shadow. To enhance cultural exchanges and mutual understanding.		
Social Dimension		To enhance non-governmental interaction such as tourism, academic exchanges, to set up exchange mechanisms for youth, thus to lay solid foundations for bilateral relations.	To enhance non-governmental interaction such as tourism, academic exchanges.	

^[1] Non-traditional security problems include but not limit to terrorism; transnational crime prevention as drug trafficking, piracy, money laundering and corruption; human security issues as aging, communicable disease control, environmental protection and natural disaster response; Clear energy; etc.

In the above strategic framework, the national level and bilateral level should be regarded as the basic interests, which reflect the importance of bilateral reciprocity; while the regional level should be the center of the framework, which means that common interests between the two do not base only on the pursuit of reciprocal benefits, but also on dealing with common threats together; the global level should reflect the strategic vision of the two great powers, and the openness feature of East Asian regionalism determines that the two countries should consider global interests in decision-making and framework design.

The above bilateral common interests-based strategic framework is about an ideal type, which would be adjust and expand with the development of Sino-Japanese relations. In other words, when we analyze common interests in the bilateral relations, we should not only focus on the structural aspect, but also the process as well. The former aspect would be the foundation of the bilateral relations, while the later would be more important to the future Sino-Japanese relations.

On the other hand, there are undeniable zero-sum factors in Sino-Japanese relations, such as historical legacies, the disputes on the Diaoyu Islands and

the East China Sea. Disputes and conflicts always coexist with cooperation and common-interest pursuit in bilateral and multilateral relations. This should be regarded as the dialectic of nowadays international relations. In other words, disputes and conflicts would not necessarily hedge the pursuit of common interests, while the mitigation and reasonable resolution of disputes and conflicts of course will enhance the promotion of common interests.

IV-3. Feasible Strategic Measurements to Take

China and Japan's respective cooperation with ASEAN indicates that both of them have accumulated rich experiences in building strategic framework via common interest convergence and institutionalization. The White Paper on "Peaceful Development Road of China" and recently speeches by Chinese top leaders show that China has the strong will to enhance cooperation with neighboring countries based on common interests.⁵⁹ Accordingly, a combination of pragmatic accommodation, normative convergence, economic interaction and some strategic hedging takes place between China and most of its neighbors. China and ASEAN are forging a productive and lasting relationship that is gradually erasing a history built on wide spread suspicion, painful memories, and lingering tensions.⁶⁰

As Ryosei Kokubun points out, Japan's re-emergency and China's healthy development are in favor of each other, yet genuine understandings on the kind life community and relevant actions are missing between the two countries.⁶¹ In principle, the main route for common interest-based Sino-Japanese relationship is to bring bilateral coordination into the process of East Asian order building, thus enhancing bilateral strategic reciprocity in both regional and global arenas. In practice, to transcend the present mistrust and misperception, the two countries need first to make ideas innovations towards each other, including but not being limited to make efforts in understanding properly changes within the counterpart countries and making positive responses are essential to mutual understanding and trust. Second, the two

⁵⁹ Mori Kazuko, "East Asia Community and China", *International Affairs*, No.551, May 2006, pp.4-14 (毛里和子: "東アジア共同体と中国", 「国際問題」第551号 2006年5月号より, 頁4-14)。

⁶⁰ David Shambaugh, "China Engages Asia: Reshaping the Regional Order", pp.64-99.

⁶¹ Ryosei Kokubun, "Thirty-year Japan-Chinese Relationship", *Japan Studies*, No.2, 2003, pp.17-21.

countries could take measures to build bilateral institutionalized trust through transparency, strategic dialogues and other confidence-building measures (CBMs). Third, the two countries could take necessary measures to set up in-advance consulting mechanism in dealing with multilateral issues of mutual concerns.

V. Conclusion

The convergence and institutionalization of common interests should be the sole workable way to build a constructive regional order. East Asia has a long history of order pursuit. Nowadays, East Asian countries embrace both the globalization and regionalization wave, and begin to think about the future regional order framework. Regional integration and its spillover effects, China's comprehensive peaceful rise, Japan's political pursuit for greater role both in regional and world arenas, ASEAN's normative influences and America's strategic adjustments in the region are the main dynamics in East Asian order formation, which determine not only the openness feature of the regional order, but also the process and roadmap of its order building. East Asia has set up useful institutional frameworks at sub-regional, regional and super-regional levels, all of which are resulted from common interest convergence and institutionalization.

Foresight tells us that Sino-Japanese relations are crucial to the future of East Asia order. Now China and Japan are ready for regional order building, they realize that the fierce competition restricts their strategic interests, and to set up a bilateral cooperative framework based on common interests would be the only feasible route. Nowadays, the strategic reciprocal relationship between China and Japan mainly deals with bilateral relations, how to stabilize the bilateral relationship and connect the bilateral strategic reciprocal relationship with other regional reciprocal relationships, thus to form an overall common interest framework of East Asia, would be a great step in East Asian order formation. For China and Japan, it is not only a great challenge, but also an unassailable opportunity.

A great nation must think before it acts. It is the high time for China and Japan to make strategic choices.