The New Dynamics of East Asian Regional Economy: Japanese and Chinese Strategies in Asia

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The Japan-led flying-geese pattern of economic development has become obsolete as an accurate description of the pattern of economic relations in East Asia. Meanwhile, the rise of China as the world’s production platform has become the most significant factor in transforming the East Asian regional economy. Although the Asian financial crisis served as a major catalyst for the emergence of ASEAN+3, the China factor looms increasingly important in the subsequent development of East Asian regionalism. Despite its enhanced position in the region, however, China’s new role in East Asia is clearly different from the role that Japan played at the zenith of its economic prosperity. While Japan’s economic engagement in Asia was based on economic penetration by Japanese multilateral firms, China’s rapid growth is still predicated upon foreign
capital and technology. China’s strength lies in its ability to open up its economy for trade and investment. In trade negotiations with ASEAN, China has taken the lead, surpassing Japan, a country constrained by domestic politics. However, Japan remains an important partner for ASEAN countries, not only in providing financial and developmental assistance, but also in hedging against China’s dominance.

**Key words:** ASEAN, Japan, China, economic development, the flying geese model, Asian regionalism, APEC, ASEAN+3, trade, financial cooperation, development cooperation.

**Introduction**

The development pattern of East Asian economies was traditionally described by the so-called “flying geese” model, with Japan as the leading goose. However, beginning with the bursting of the Japanese “bubble economy” at the beginning of the 1990s and the subsequent decade-long economic stagnation, the Japan-led flying-geese pattern of economic development has become largely irrelevant to describe the pattern of economic relations in East Asia. Meanwhile, during the 1990’s China emerged as the world’s manufacturing factory. Has China become a central driver of East Asian economies, replacing the role that Japan used to play in the regional economy? What impact has the growing Chinese economic power had on political and economic relations among East Asian countries?