

PhD Short Proposal (Word Count: 1269)

Domestic Actors and Institutional Settings of Regional Trade Policy-Making: a Comparative Case Study of China and Japan

The number of regional initiatives around the world has increased rapidly since the late 1980s. Most governments in the world are engaged in regionalism in one form or the other (De Lombaerde et al. 2010). *Regionalism* has been defined as a top-down initiative by states to formally coordinate activities and arrangements within a geographically confined area (Hettne 2005). Economic regionalism is a phenomenon of globalization: It is both a vehicle of market expansion and a political mechanism to deal with shortcomings of global governance (Hettne 2005). Regionalism has long been a topic of discussion within the fields of International Relations and International Political Economy. It is, however, striking that the causal link between a comparative domestic perspective and differences in regional economic cooperation has been neglected within this academic debate. Therefore, this dissertation addresses the research question of why Preferential Trade Agreements (PTAs) differ in form and scope is by analyzing the role of domestic structures. This is done by following the Comparative Political Economy tradition of Katzenstein (1976) and Gourevitch (1978). More specifically, different patterns of state-market relations are identified to assess varying degrees of capacity in shaping and participating in different forms and modes of regional economic cooperation.

The cases of Japan and the People's Republic of China (PRC or China) are compelling for three key reasons. *First*, the differences of Japan and the PRC in terms of their political systems and state-market relations are chosen to explain the differences in PTA outcomes. *Second*, Japan and the PRC are two important and competitive regional initiators of PTAs. Sino-Japanese political and economic rivalry is a contributing factor in shaping the institutional complexity of regional trade relations. The structural divide in East Asian regionalism is depicted, not only in the lack of a preferential trade agreement between China and Japan, but also in the various overlapping regional initiatives in which they appear to mitigate or eliminate each other's influence. *Third*, the differences in the preferred mode of regional economic cooperation by Japan and the P.R. China provide crucial implications for regional economic governance in East Asia.

Recent scholarship has studied the external aspects of Sino-Japanese rivalry in regionalism in great detail (Dent 2012; Park 2013; Rathus 2011; Solis, Stallings & Katada 2009; Terada 2006; Yoshimatsu 2010) – along with contributions to general East Asian regionalism (Beeson 2014/2007; Dent 2016/2008). While the field of comparative regionalism has made various new conceptual contributions and incorporated into its analysis non-state actors more thoroughly (Acharya 2012; Söderbaum 2016), it has struggled to find new analytical frameworks suitable for studying the East Asian context (Fawn 2009). The key issue has been the conceptual dichotomy of state and non-state actors and the difficulty of differentiating between the two in the cases of East Asian states. Domestic

factors of shaping regional policies in China and Japan have enjoyed some attention by scholars (George Mulgan 2015; Li 2013; Pearson 2010, Yamashita 2015; Yang 2013; Yoshimatsu 2005, 2006; Zeng 2010). However, it is startling that comparison of China and Japan's domestic actors, their interests and their institutional set-up, are still missing in discussions of regionalism.

In order to address this research gap, this dissertation introduces an approach to the *study of regionalism from the vantage point of comparative political economy*. Domestic state-market relations are examined to identify institutions which explain preferences for embedding their politico-economic systems into conducive regional environments. *First*, this dissertation provides insights into the conditions under which formal regionalisms in the form of preferential trade agreements initiated by China and Japan have been created. The domestic negotiations and outcomes of the ASEAN-China Free Trade Agreement (ACFTA) and the ASEAN-Japan Comprehensive Partnership Agreement (AJCPA) during 2000 to 2010 are used as case studies. *Second*, the 'black box' will be opened by *tracing the process of policy-making* and the position of relevant domestic actors (George & Bennett 2005). This analysis draws on both open source material and fieldwork in Japan and PRC conducted from September 2018 to January 2019. Actors such as ministries, business associations, firms, labor unions, as well as local governments are incorporated into the analysis, to highlight different interests, internal mechanisms and power distribution within actor constellations. For the consideration of how local interests are organized and how they influence trade politics, actors in Guangxi Zhuang Autonomous Region in China and Fukuoka Prefecture in Japan are examined. Both sub-national units were chosen due to their geo-economic interests and their potential to utilize their relative proximity to Southeast Asia as leverage in serving as gateways for trade with ASEAN countries. From *process-tracing* relevant actors the causal link between domestic structures and differences in PTA patterns of China and Japan can be identified, highlighting the differences in approaches and the distinct complexity of East Asian economic regionalism.

In both China and Japan a high number of actors are involved in regional trade policy-making. However, state-market relations in China and Japan differ and are fragmented in different ways. In China, state-business coalitions are organized on the national and on the sub-national level. Relevant local governments, which cooperate with local business associations are considered stakeholders in implementing PTAs and are therefore represented in negotiations of regional trade agreements (Li 2014; Pearson 2010; Summers 2012; Wan 2011). In Japan, industries are organized nationally along powerful inter-firm networks and associations that maintain close ties to ministries and politics. In Japan prefectural or sub-national units in Japan do not engage in influencing PTA negotiations and strongly organized national business associations are sufficient in representing various societal interests (Interviews November 2018)¹.

¹ Interviews with one Kyukeiren representative and one Kyushu Bureau of Economy, Trade and Industry official, Fukuoka, November 2018.

The Chinese trade agreements are smaller in scope: they contain few standards and rules, are less legally binding and comparatively vague to allow flexibility with regards to how to utilize the agreement. This seems to reflect Chinese domestic structures of informal, fragmented state-market relations that require a flexible framework. Japanese trade agreements are more formal, contain more standards and rules, are more legally binding and include additional aspects such as aid, technological cooperation and migration. This appears to complement Japan's general shift from a coordinated market economy (or developmental state) towards becoming a more liberal, 'regulatory state', in which coordination mechanisms are based on market competition and formal contracts. Furthermore, these regional projections of different state-market institutions have regional and global governance implications in the long term. Japan is supporting a regulatory-based governance comparable to the US and the EU and in line with the WTO; while China is promoting a supplementary or alternative, informal approach to global governance.

The research aim of this PhD project are threefold. *First*, to contribute to the scholarship on regionalism by developing a transnational perspective from the *vantage point of Comparative Political Economy* and to add to the efforts of strengthening the intersection between Comparative and International Political Economy. This analytical framework is often bypassed within regionalism scholarship whose debate often revolves around generalizing the effects of globalization on regional orders. *Second*, to dissolve the established dichotomy of state and non-state actors in the scholarship of regionalism by not assuming the state to be a unitary actor and focusing instead on configurations of state-market relations. *Third*, to raise attention to the study of East Asian regionalism by highlighting China and Japan as two cases that challenge the issue of differentiating between state and non-state actors in quite different ways: Their differences in configurations of state-market relations allow to make qualitative assessments on the diverging patterns of PTAs – thus offering a sub-national and transnational perspective that can help to explain the complexity of the East Asian economic regionalism.

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