

The Path Choice of Regional Economic Cooperation in East Asia from the Point View of Institutional Innovation

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Abstract

Since the haze of the global financial crisis swept by in 2008, the regional economic order of East Asia has been transformed. The regional economic cooperation in East Asia has been under conflict, competition and cooperation. Besides it has been reached a series of problems hard to solve. Due to the lack of trust among the main actors in East Asia, all the countries in the East Asia Summit only reached a symbolic consensus, and failed to achieve substantive results and implementable policies. That makes it is difficult to promote the regional economic cooperation in East Asia. The aim of institutional innovation is to regulate, guarantee and promote regional economic cooperation in East Asia. In addition, informal institutions such as customs and conventions in specific cooperation of East Asian countries are important extensions of institutional innovation theory. Starting from the basic problems, we should break the old ideas, seek a feasible regional cooperation mode, promote regional economic cooperation, and build an East Asian community of common destiny.

Keywords

institutional innovation, east Asian region, economic cooperation, path choice.

1. Introduction

In today's world, the trend of counter globalization is constantly strengthening. Since Trump came to power, the uncertainty of national environment has been increased. However, due to the lack of trust among East Asian cooperative countries, their adherence to their core interests and the lack of feasible institutional guarantee in cooperation, the future economic development of East Asia is facing great challenges. On November 4, 2019, the third regional comprehensive economic partnership (RCEP) leaders' meeting was held in Bangkok, Thailand. The leaders of the meeting issued a joint statement, announcing that 15 member states except India have basically concluded the negotiations. A 7-year-old super large free trade zone covering about one third of the world's population and economic volume is about to emerge[1]. The 15 countries promised to sign the agreement next year, while India said it would not participate in the RCEP agreement. This shows that there is still a certain gap between the progress of regional economic cooperation in East Asia and the expectations of all parties, and whether substantive results can be achieved remains to be seen. So, in this dilemma, where will East Asia regional economic cooperation go in the future? What kind of cooperation model is feasible?

2. Problem Raising

The concept of "East Asia" used in this paper refers to the eastern Asia and its islands, including Southeast Asia and Northeast Asia. The trade, production, investment, science and technology, resources, intellectual property rights, labor and other industrial factors among the economies of East Asia are closely linked together through closed internal mobility on the platform of the

vast and populous East Asian continent, forming a relatively complete industrial chain, thus integrating the whole East Asia into a huge regional economy.

Since the 21st century, under the influence of many factors, the regional division of labor in East Asia has been deepened and complicated. Looking back on the history of economic integration in East Asia, we can find that its main body is diversified and expanding, and it is difficult for all countries to reach an agreement on their interest demands, which leads to complex and changeable process and hesitation. Under the background of the transformation of regional economic order, regional cooperation system has become an important content and tool for East Asian economies to carry out strategic competition. Countries develop domestic economy to maintain regional balance. The regional economic cooperation in East Asia is characterized by multiple institutional frameworks. In the field of trade liberalization, regional comprehensive economic partnership (RCEP), China Japan South Korea Free Trade Zone and other trade mechanisms. One belt, one road initiative, Japan's "high-quality infrastructure partnership" and ASEAN's general plan for interconnection and interconnection have emerged in the field of infrastructure construction, such as China's "one belt and one road" initiative, Japan's "high-quality infrastructure partnership" and 2025. It can be seen from the above that, in order to compete for the dominant power in East Asia, domestic policy plans emerge one after another. But is it effective and feasible? It remains to be discussed. In addition, although most countries in East Asia can reach consensus on some cooperation issues at the official meeting, there are still some countries that have not yet reached an agreement on cooperation mechanism, cooperation mode and specific matters. Among the existing research results, there are four types of research on the regional economic cooperation in East Asia: first, the dominant power in East Asia; second, the mode, path and policy of regional economic cooperation in East Asia; third, the problems and prospects of regional economic cooperation in East Asia; fourth, the strategies and strategies adopted by East Asian countries in regional economic cooperation in East Asia Path preference. The research shows that East Asia is gradually catching up with China to become a new regional and even world assembly factory, while China will gradually become a global manufacturing center from a global assembly center by climbing its position in the global value chain; at the same time, China will gradually become a new important regional final consumer goods market[2].

This paper mainly studies the mode of regional economic cooperation in East Asia from the perspective of institutional innovation, mainly expanding the existing cooperation mechanism, transforming the conventional informal system into the formal system, increasing the trust of countries in competition and cooperation, and making substantial progress. Based on the basic problems faced by the regional development of East Asia, this paper analyzes the individual level, regional level and interactive level, and then explores the cooperation mode which is more conducive to the regional economic development of East Asia, and realizes the construction of the community of East Asian destiny.

3. Basic Issues of Regional Economic Cooperation in East Asia

In the process of promoting regional and sub regional cooperation, East Asian countries are facing a series of basic and serious problems. Among them, including geopolitical factors, unbalanced development, the system needs to be improved and the historical contradictions among countries.

3.1. Geopolitical Factors: The Geographical Coverage of East Asia is Large, the Competition among Big Powers is Intensified, and the Security of East Asia is Difficult to Guarantee

East Asian regional organizations cover a large range, and there are differences in interests and political positions among Member States, so the actual progress of regional economic cooperation is relatively low. In addition, due to the national strategic and diplomatic interests of the United States, Australia, Japan, India and other countries, the geographical coverage of East Asia is expanding to the Asia Pacific region. From the perspective of physical geography, China is a natural East Asian country, while the United States is far away from the Pacific Ocean and does not have the qualification to become an East Asian country.

From the perspective of big power competition, the United States attempted to intervene in the process of regional cooperation in East Asia through a series of measures to fight for the regional dominance in East Asia, so as to restrain China's development and prevent China from gaining due geopolitical and economic benefits. Because of its wide geographical coverage, the biggest and most enduring difficulty is in the field of security. The six-party talks on the North Korean nuclear issue have not produced substantial and significant results, and the Taiwan and South China Sea issues cannot be resolved. With the U.S. factor, it is difficult to establish a security system in East Asia.

3.2. Economic Development: There are Great Differences in the Level of Economic Development, Market Scale and Even Social and Economic Systems among East Asian Countries

With the improvement of regional economic integration, this difference will not disappear immediately. In a long period of time, this imbalance of interests will be further highlighted. China is far larger than any other country in East Asia in terms of nation-state size. East Asia lacks local historical experience on how to deal with this "natural" imbalance in the sense of regional integration. In addition, there is a big imbalance of power among countries related to this[3]. In recent years, China's economic development has surpassed that of many East Asian countries. From 1998 to 2006, the proportion of exports from emerging economies in East Asia to China's GDP increased from 6.2% to 12%. China has surpassed Japan as the largest trading partner of each economy. In 2002, the amount of FDI absorbed by China surpassed that of the United States for the first time, ranking No.28 in the global competitiveness index in 2019, ranking first among BRICs countries[4]. Generally speaking, ASEAN's national strength, economic development and political capacity are quite limited compared with those of China, Japan and South Korea. In addition, there are differences and competition among East Asian countries in terms of historical problems and internal development. Faced with the great powers with much greater strength and influence, they will instinctively be full of suspicion and resistance, which often hinder the leading countries from leading the region. The willingness and action of cooperative practice.

3.3. The Lack of System: The Cooperation Mechanism Overlaps Diversely and Lacks Specific Rules and Policies that can be Implemented

As the geographical scope of the regional cooperation mechanism in East Asia is gradually expanding, its topics are numerous and complex, redundant and overlapping, and various organizational systems emerge in endlessly. The multilateral institutions in East Asia (APEC, East Asia Summit, ASEAN Security Forum, etc.) are too loose, so it is difficult to play a real role in determining specific rules and policies that can be implemented. Judging from the development and results of the previous APEC and East Asia Summit, most of the time, they just issued a declaration and made some progress, but it was not enough to reach an executable common policy and did not make the expected substantive progress. Due to the differences in

political systems and social forms among countries, it is difficult to reach an agreement in the process of coordination and system related cooperation policies, which is facing great obstacles.

3.4. Ethnic Contradictions: Historical Contradictions and East Asian Relations

There are great differences in political system, social form and religious belief among East Asian countries, which are different from those of western countries. In addition, there are serious historical contradictions. During the Second World War, Japan's invasion left indelible painful memories among East Asian countries, and there were doubts and vigilance in varying degrees. From the perspective of East Asian economic cooperation model, Japan is one of the key links, but due to historical reasons, it can not form a realistic trust mechanism. The sovereignty of the South China Sea, the Taiwan issue and the ethnic issues within the East Asian countries have a great impact on the regional economic cooperation in East Asia.

Various variables in the relations among East Asian countries also affect the process of East Asian economic cooperation. The specific cooperation involves the political interests of all countries. Therefore, the development of East Asian economic cooperation is based on the common political consensus to a certain extent. Japan actively advocates East Asian regional cooperation, which has added a card to its relations with the United States.

In the framework of its strategic interests, the policies implemented by the United States through APEC have, to a certain extent, checked and balanced the development of countries in the East Asia region. There are some obvious or potential crises. Trade protectionism measures of the United States directly impact on the import and export trade of East Asian countries. In May 2019, China's imports fell by 8.5% year-on-year, while exports increased by only 1.1%.

4. Constructing an Analytical Framework of Regional Economic Cooperation in East Asia from the Perspective of Institutional Innovation

The framework and institutional arrangement of regional economic cooperation in East Asia is often based on the consideration of the relative benefits of the country, and focuses on the role of institutional innovation in the process of regional economic cooperation in East Asia. When the regional economic cooperation in East Asia is in trouble, the interaction between institutions and regional organizations is the key. So why do institutions with little real efficiency still exist for a long time? Firstly, it is restricted by the culture, tradition and environment of a particular period, and secondly, various factors often lead to some kind of "self maintenance mechanism" of inefficient system. To sum up, this paper will try to build an analysis framework of regional economic cooperation from the individual, regional and interactive levels, and explore the feasible mode of regional economic cooperation in East Asia from the perspective of institutional innovation.

4.1. Individual Level: The Main Body of System Innovation

A complete and clear description of the concept of institutional innovation theory was given by Davis and North (1971) in institutional change and American economic growth: "the main function of a social institution is to establish a stable (but not necessarily efficient) structure of people's communication to reduce uncertainty. But the stability of institutions does not mean that they will not change. All of these systems are constantly evolving, changing the choices that are available to us [5]. "In the existing theories of institutional change, institutional change is often equivalent to institutional innovation. At least, institutional innovation is the most substantive core stage in the process of institutional change.

Along with the research idea of the power source of system innovation, this paper makes a concrete analysis of the main body of the system. In the regional economic cooperation of East

Asia, the main body of institutional innovation is the regional economies. The subjective insight of the countries in East Asia determines the choice of cooperation mechanism. The actual or potential benefits come from the opportunities perceived by these subjects, which originate from external or internal environment. Planned institutional innovation is the result of various countries' estimation, which is the basis for whether institutional innovation is needed. According to this logic, the pursuit of political and economic goals leads to the interaction between organizations and institutions, which gradually promotes institutional innovation.

4.2. Interactive Level: The Power Source of System Innovation

The next question is, where does the power of institutional innovation come from? In the case of the stagnation of regional economic cooperation in East Asia, intra regional cooperation mode, cooperation mechanism and strategic mutual trust are the key points. If we can cooperate closely in trade, finance, agriculture, culture and so on, it will bring a considerable economic benefit and bring more development opportunities to the participants. One country (or organization) may always obtain the benefit opportunity from the operation of the system at the expense of another country (or organization). Focusing on the existing framework of regional economic cooperation in East Asia, if this kind of cooperation mechanism can not bring higher economic benefits in the region, the opportunity discoverer should carry out institutional innovation. On the basis of the relationship between economic benefits and institutional innovation, Davis and North provided a theory that can help to predict the new institutional arrangements (individual, voluntary cooperative and government arrangements) and the time period between the recognition of potential profits and the new arrangements.

4.3. Regional Level: The Path of Institutional Innovation

The starting point of institutional innovation is stagnation. The deeper the degree of rigidity, the greater the institutional crisis. Under the circumstances of rampant trade protectionism, resurgence of populism and increasing anti globalization trend, the competition among big powers has become increasingly fierce, and the process of regional economic cooperation in East Asia is also facing many obstacles. The current cooperation mechanism has been difficult to maintain the development demands of various countries, which require the ownership of production factors. Therefore, the potential benefits that can be foreseen will be formed, and the system innovation can benefit. The signing in of regional cooperation agreements is to rationally choose the system that they think can maximize the realization of their own interests, and the behavior of innovation subjects will also be constrained by other stakeholders. Other collectives lack innovation motivation due to the asymmetry of costs and benefits (such as India). They want to "free ride". However, if they fail to reach an agreement, only a few countries can not fully promote further institutional innovation. As a result, economies that want to innovate have to share some of their own interests with other interest groups in order to obtain consent for further innovation. We can find that when there is no new interest without damaging any collective interests, the interest subjects are unwilling to carry out new institutional innovation, and the system reaches equilibrium.

The path of institutional interaction between countries and other regional economies is slowly emerging. First, through the analysis of the existing system, the economies within the framework of cooperation put forward institutional innovation plans. On the principle of not harming the national interests of a country to a certain extent, they declare topics. Countries conduct full investigation and revision, vote at the official mechanism meeting, and implement the spirit of the document after the meeting. Second, we should fully consider the cultural traditions and customs of various countries, and transform the convention into a common system, so as to enrich the content of regional economic cooperation system and expand its universality, applicability and scientificity.

5. Practice Path of Regional Economic Cooperation in East Asia under Institutional Innovation

After the Asian financial crisis, the regional economic cooperation in East Asia has a history of rapid development. However, due to a series of internal and external factors, regional cooperation has been on and off in the past decade, and the process is very difficult. From the perspective of development, it is a realistic choice for countries to strengthen their efforts at the following three levels.

5.1. From the Individual Level to Guide the Development of Backward Countries, and to Reduce Regional Differences between Countries

All countries in the world are eager to achieve sustainable development. However, for most countries, this will only be a dream and beyond our reach. Supporting regional countries to develop diversified development and imparting advanced development experience to them can increase the national strength of each country and reduce its own obstacles for specific cooperation.

5.1.1. Supporting of the Diversification of Regional Countries

Countries in East Asia have different systems and have their own unique development advantages. In the process of promoting regional economic cooperation, they do not need to achieve complete integration. If they follow the rules and regulations, they will lose the vitality of development. Diversification is the trend of world development. Malaysia is a trading country. Any product exported by Malaysia will affect the growth of Malaysia if the market is depressed. When Malaysia was the world's largest producer of tin and rubber, its growth was like a roller coaster. Because at that time, the export markets of tin and rubber were often turbulent, and as a result, Malaysia's economic development was hindered. Later, after product diversification, Malaysia began to export palm oil, which somewhat alleviated the ups and downs of growth. The growth potential of East Asia is so great that its growth will certainly affect all East Asian countries and the whole world.

5.1.2. The Advanced Development Experience Teaching to Backward Countries

China is actively carrying out aid diplomacy and poverty alleviation diplomacy to impart China's poverty alleviation experience to other backward countries. Agriculture plays an important role in East Asian countries. China supports the strengthening of the 10 + 3 rice emergency reserve mechanism, and is promoting the construction of demonstration bases for modern agricultural cooperation in East Asia and a trading platform for animal husbandry products in East Asia. It will continue to run relevant projects and strengthen exchanges and cooperation with all parties in the circulation of agricultural products (15.78, - 0.22, - 1.38%), agricultural production technology, agricultural financial support and personnel training[7]. Most of the poor are concentrated in rural areas, and the development of agriculture is closely related to the development of the country. China has actively implemented the "East Asia poverty reduction Cooperation Initiative" and jointly carried out infrastructure and public service projects with East Asian countries, so that poverty alleviation cooperation can directly serve the grassroots and benefit more people. In addition to imparting agricultural development experience, it should also involve political, economic, cultural development and other aspects to strengthen exchanges and experience sharing, so as to reach consensus and promote the specific project construction into the implementation stage.

5.2. Deepening Regional Institutional Cooperation in East Asia from the Regional Level and Promote Regional Economic Development

Through deepening the regional institutional cooperation in East Asia and strengthening the policy coordination and experience exchange mechanism of East Asian countries, we can

continuously expand domestic consumption demand, promote the regional economic development of East Asia, and strive to achieve substantive results.

5.2.1. Clearing the Direction of Commodity Export and Realize Trade Integration

For a long time, the governments of East Asian countries have a strong interest tendency on the issue of import and export. When dealing with the balance of import and export, they try their best to enlarge the surplus and avoid deficit. When China implements the export-oriented strategy, we must give up this mercantilism complex completely. When China has become the world's largest emerging market and the domestic industrial structure is in urgent need of upgrading, the policy of overemphasizing export is obviously unsustainable, and it is obviously time to emphasize two-way trade. We should fully realize the importance of import. First of all, import technology is one of the main channels of technological progress in developing countries; secondly, import trade can promote domestic enterprises to accelerate technological progress and provide strong stimulation and impetus for management system innovation. For big developing countries, import is even more important than export. Import should be the basic purpose and starting point of trade between developing countries. The basic purpose of trade activities of developing countries is to introduce foreign advanced economic structure, and then promote the development of China's economy. China should change the terms of trade in a favorable direction, treat imports with a more open attitude, and remove many outdated restrictions, so as to promote domestic technological progress, and then promote economic cooperation in East Asia.

5.2.2. Refining the Rules of Commodity Flow and Realize the Liberalization of Factors

Commodity and factor flow opening is the main content and characteristic of the new stage of economic globalization. It belongs to "border opening" in essence, that is to say, to reduce or even cancel trade and investment barriers and realize trade and investment liberalization. In the face of profound changes in the domestic and international environment, we should continue to promote the flow of goods and elements, and at the same time, pay more attention to the rules and other institutional opening-up, so as to achieve a new round of high-level opening-up.

5.2.3. Learning from the Customs and Practices of Various Countries and Realize the Practicality of the System

When a custom exists for a long time, it will also advance to the social system which is a part of the custom itself as a kind of social reality, so as to harden into a kind of convention[8]. Due to the different cultural traditions and living habits, different countries have formed different customs and practices, which lead to different synchronic and diachronic characteristics in the formal system innovation. Institutionalization also includes the formulation of internal operation rules and operating procedures and the construction of implementation mechanism. In the details of the cooperative mechanism, we should fully respect the customs and habits of various countries, and take the initiative to absorb the essence of the customs and practices that are worth learning, so as to enrich the contents of the regional economic cooperation system and expand the universality, applicability and scientificity of the cooperation system. Secondly, build a scientific and effective evaluation index system. Scientific and effective evaluation index system plays an important role in guiding the opening of rules and other systems. Therefore, we can establish a new scientific evaluation mechanism to meet the requirements of institutional opening-up development, such as rules, by benchmarking the international advanced and current rule system.

5.3. Strengthening Cooperation and Dialogue from the Interactive Level and Increase the Impetus of Regional Cooperation

Regional economic integration and development is an irresistible trend of the times and the common interests of all countries in the region. People to people exchanges are conducive to enhancing mutual understanding and trust, gradually reducing differences between countries, establishing and strengthening the sense of East Asian community, and constantly improving the basis for the expected stability of regional cooperation in the future.

5.3.1. Strengthening Functional Cooperation and Enhancing the Impetus of Regional Cooperation

The cooperation mechanism of East Asian countries is characterized by official leadership, which is composed of institutional meeting arrangements held regularly from vertical and horizontal dimensions. Vertically, "10 + 3" leaders' meeting (supplemented by "10 + 1", ASEAN Summit and leaders' meeting of China, Japan and South Korea) is the highest level mechanism to make strategic planning and guidance for East Asia cooperation and development. The following is the Ministerial Conference mechanism responsible for policy planning and consultation in relevant fields. From a horizontal perspective, there are 17 Ministerial Conference mechanisms in the fields of diplomacy, trade, finance, information, agriculture and forestry, culture and tourism to promote the process of all-round multilateral cooperation in the region.

Strengthening functional cooperation, especially on key issues, should be pragmatic cooperation, common development and common prosperity. By continuously improving the level of trade facilitation and reducing trade transaction costs, we can expand the dividends of countries participating in regional division of labor and enhance the driving force of countries to promote regional cooperation.

5.3.2. Frequent Exchanges among Countries to Enhance Trust among Countries in the Region

As mentioned above, political consensus is the basis of regional economic cooperation in East Asia. We should strengthen coordination and interaction between governments in politics and diplomacy, and form good diplomatic relations. Strengthening cultural dialogue and people to people exchanges is an important measure to enhance mutual trust. We should actively implement the spirit of the conference speech, promote the development of the 10 + 3 ministerial conference mechanism on tourism, education, culture and journalism, and promote regional people to people exchanges and cooperation. China supports strengthening exchanges and interaction between the "East Asian cultural city" and the "ASEAN cultural city", and supports the signing of the memorandum of understanding on 10 + 3 tourism cooperation as soon as possible. Next year, China will also hold an exchange of young scientists and an "Asian mainstream media look at China" activity[9]. Through rich and colorful cultural exchange activities, countries in the region can have a deep understanding and achieve strategic mutual trust in the conflict and integration of civilizations.

6. Conclusion

East Asia's regional integration forms are diverse and cross each other, which reflects the competition among countries and the uncertainty of future expectations. It also needs the active coordination of East Asian countries to gradually promote the integration of competitive integration organizations. The current situation calls for China to adopt more active and promising policies and strategies to break the current deadlock of regional economic cooperation in East Asia. We should not only focus on the path of economic and trade cooperation, but also focus on the path of institutional innovation, and try to solve the above

problems or some difficulties within the feasible limit. In the process of cooperation, East Asian countries can deepen the cooperation of free trade area, strengthen mutual policy coordination and experience sharing, so as to improve the efficiency of solving problems and create a new process of regional cooperation in East Asia.

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