Research Project Report

Program for Asia-Japan Research Development, Asia-Japan Research Institute

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East Asian Cooperation in the Decoupling of World Economy: Focusing on Rising China and "Double Twin Circles"

Kazuko TAKAYA*

Background and Significance of this Research

① Addressing various challenges in Asia

Firstly, this project examines external economic relations and domestic economic circulation that contribute to resolving the key challenges facing Asia, namely sustainable economic development and income growth. Asia, particularly East Asia (ASEAN plus Japan, China and South Korea; Northeast Asia plus Southeast Asia), has achieved economic development surpassing that of other regions amidst the "free, non-discriminatory and multilateral" principles of the post-World War II global economy, as well as the further liberalization, internationalization and globalization that began in the late 1970s. China has attracted the most attention in recent years; following high growth since the 1980s, it became the world's second-largest economy after the United States in 2010. However, in terms of per capita GDP—a key measure of economic development—it has only just exceeded US$10,000 (one-quarter of Japan's and one-sixth of the United States'). The country aims to reach a level of US$40,000 per capita—on a par with Europe and Japan—by around 2050, the centenary of the People's Republic of China; however, this would require 5% growth for 30 years, which is no easy feat. Japan, meanwhile, faces the challenge of how to maintain its high-income economy amidst the low growth that has persisted since the early 1990s. Although their stages of development differ, other Asian countries also face the challenge of achieving sustainable development. To this end, a re-examination of conventional development patterns is required.

Secondly, this study aims to contribute to resolving another critical issue: the reduction of various disparities and imbalances accompanying economic development, particularly inter-regional imbalances. Although the economic development of Japan's NIES and ASEAN countries, which did not entail widening disparities, once attracted attention (World Bank, "The East Asian Miracle," 1993), disparities have since begun to widen in the wake of subsequent "liberalization" and globalization. Whilst economic growth has led to a "raising of the floor" in many countries, correcting inter-regional development

* Project Leader at Asia-Japan Research Institute, Ritsumeikan University
Professor, College of Economics Department of Economics, Ritsumeikan University
Email: ka10taka@ec.ritsumei.ac.jp

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imbalances remains a critical challenge. In China, large-scale regional development policies have been implemented since the beginning of the 21st century, and whilst the east-west disparity has narrowed, correcting the north-south disparity and the disparity between the northeast and the south (the Yangtze River Delta region centered on Shanghai and the Pearl River Delta region centered on Guangzhou and Shenzhen) remains a major challenge. China's sustainable development holds significant implications for Asia, including Japan, South Korea and ASEAN. The expansion of the domestic cycle targeted by China's "dual circulation" strategy holds the potential to reduce disparities, such as through increased capital inflows from the south; however, it also carries the risk of widening disparities, such as the currently worsening brain drain. In addition to "inter-regional circulation" with the south, analysis from the perspective of "intra-regional circulation" within the Northeast—such as between Liaoning Province and Jilin and Heilongjiang Provinces—is essential.

② Analysis of challenges arising from social transformation and the requirements of institutions, policies, the economy and industry

To overcome the current crisis and realize the peaceful development of the Asian and global economies, this study proposes an analytical perspective centered on the balanced development of "intra-regional international circulation" and "inter-regional international circulation." The cross-border circulation of goods and foreign trade have underpinned East Asia's development, yet substantial trade surpluses with the United States, centered on China and Japan, persist. These trade imbalances formed the backdrop to the accumulation of vast financial assets in the US and the UK; as a source of funding for the financialization of the global economy, they became a key factor in the Lehman Shock. In East Asian intra-regional trade (intra-regional international circulation), the proportion of capital goods and intermediate goods is high, whilst in extra-regional trade (inter-regional international circulation), centered on the US and Western Europe, the proportion of final goods is high. Furthermore, the ratio of intra-regional trade in East Asia remains lower than that of Europe and the EU. Against a backdrop of improvements in both soft and hard infrastructure, East Asia has deepened and expanded its intra-regional international division of labor (supply chains), achieving a level of productive capacity development that surpasses that of other regions. However, the final goods resulting from this are exported to the US and Europe, generating massive trade surpluses, exacerbating global economic imbalances and driving the financialization of the global economy. This paper examines the current situation and potential for expanding intra-regional exports of final goods through income growth in Asia, particularly in countries and regions that have lagged behind in development; for reducing trade imbalances with Europe and the US; and for balancing the international circulation within East Asia with that between East Asia and other regions.

With regard to the circulation of money that underpins the circulation of goods, and the international financial system, there is a need to grasp the reality of the changes brought about by Russia's exclusion from SWIFT, the internationalization of the Chinese yuan, and China's expansion of settlement networks using the currencies of trading partners rather than the US dollar. Focusing primarily on international circulation, this study examines the realities of intra-regional international circulation (East Asian regional settlement networks, intra-regional trade and investment finance) and inter-regional international circulation (settlement relations, trade and investment finance between East Asia and neighboring regions as well as Europe), and considers the implications for the conventional international financial system and the financial hegemony of the US and the UK.

③ Trends in the relevant research field and related fields, and the significance of this study

The end of the Cold War in the early 1990s and the East Asian currency and financial crisis of 1997–1998 spurred research into the institutionalization of regional economic cooperation in East Asia—which had lagged behind that of Europe and North America—and even sparked debate regarding the feasibility of an East Asian Community. However, research has since declined amidst the transformation of the global economy following the Lehman Shock, particularly within the context of US policies aimed at containing China. Given the recent progress in East Asian regional cooperation—including the RCEP, which was launched in 2022 and marks the first time that Japan, China and South Korea have joined a common FTA and economic partnership framework—this study holds considerable academic significance in examining how the RCEP contributes to the sustainable development of both the East Asian and global economies.

Objectives

This study aims to elucidate the significance of regional cooperation for the sustainable development of East Asia and the world, against the backdrop of the "Double Twin Circles" analytical framework and drawing on an international research network comprising Japan, China and Europe. It does so amidst the growing trend of global economic decoupling in recent years—a trend exacerbated not only by China's rise but also by the COVID-19 pandemic and Russia's invasion of Ukraine.

China, which shifted to a policy of reform and opening-up in the late 1970s, achieved rapid economic development against the backdrop of globalization. However, it still faces several significant challenges. One of these is the regional disparity in economic growth (between the north and south, and between the northeast and central and southern China, for example). For example, Liaoning Province, representative of the Northeast, has established extensive economic cooperation with Japan, whilst facing developmental imbalances with South and Central China, such as the Pearl River Delta and the Yangtze River Delta. In light of these challenges and the domestic and international economic environment, China introduced a new development strategy, the "dual circulation of domestic and international markets", in its 14th Five-Year Plan (2021–2025). In this study, we add the concept of "regions" to this framework, breaking it down into: (1) intra-regional international circulation (division of labor within East Asia, such as between Japan and China); (2) inter-regional international circulation (the Belt and Road Initiative, and trade and investment relations with Europe and the United States); (3) domestic inter-regional circulation (economic exchanges between Liaoning Province and Guangdong Province, etc.); and (4) domestic intra-regional circulation (economic exchanges within the Northeast region, such as between Liaoning Province and Jilin Province or Heilongjiang Province). A distinctive feature of this study is its analysis of the Chinese economy, the East Asian economy (including Japan), and the economic relations between East Asia (such as China and Japan) and the West, from the perspective of a "Double Twin Circles" model, which overlays "intra-regional and inter-regional" and "international intra-regional and inter-regional" dimensions onto the existing "domestic" and "international" frameworks. In doing so, attention is paid to whether intra-regional and inter-regional circulation are developing in a balanced manner, and whether inter-regional circulation is unfolding on the basis of intra-regional circulation. This is because these factors are crucial to the sustainable development of the region and the broader national and global economies. Through this analysis, this study aims to clarify the significance of East Asian regional economic cooperation, which expanded and deepened in the 21st century following the 1997–1998 Asian financial crisis.

Actual Activities

- 19–20 January 2024:立命館アジア・日本研究推進プログラム「世界経済の分断と東アジア地域協力の意義：中国の台頭と「二重の双循環」を中心に」／立命館経済学会 共催公開ワークショップ at BKC, Ritsumeikan University, Shiga, Japan
  Speaker: Gary Dymski (Professor, University of Leeds), Kangkook Lee (Professor, Ritsumeikan University), Agnes Szunomar (Associate Professor, Corvinus University of Budapest), Masaki MORI (Professor, Ritsumeikan University), Sangmin Kang (Lecturer, Aomori Chuo Gakuin University), Hongwei XU (Associate Researcher, Dongbei University of Finance and Economics)
- 26 August 2024: 国际学术研讨会《东北全面振兴与双循环新发展格局》, at Dongbei University of Finance and Economics, China
  Speaker: Jidong JIN (Director of the Journal Office, Dongbei University of Finance and Economics), Shuji Matsuno (Senior Visiting Researcher, Ritsumeikan University), Yu HOU (Researcher, Dongbei University of Finance and Economics), Hiroshi TANAKA (Senior Visiting Researcher, Ritsumeikan University), Xueren ZHOU (Director of the Research Office, Dongbei University of Finance and Economics), Yang BAO (Associate Researcher, Dongbei University of Finance and Economics), Akira MATSUMOTO (Professor, Ritsumeikan University)
- 27 August 2024: We conducted a field survey in Dalian (Jinpu New Area, Changxing Island Economic and Technological Development Zone, two Japanese companies and two Chinese private enterprises). The findings of the symposium and this field survey are summarized below. 高屋和子・松野周治・田中宏・松本朗・曹瑞林・許仆尘・董佳琪・徐钰蕊「『二重の双循環』と日中経済協力―2024年8月大連シンポジウムと現地調査を中心にして―」『社会システム研究』第51号
- 24 March 2025: Open Workshop Ritsumeikan Asia-Japan Research Development Program East Asian Cooperation in the Decoupling of World Economy: Focusing on Rising China and “Double Twin Circles” at BKC, Ritsumeikan University, Shiga, Japan
  Speaker: Mizuki KOBAYASHI (Associate Professor, Ritsumeikan University), Hiroshi TANAKA (Senior Visiting Researcher, Ritsumeikan University), Gary Dymski (Professor, University of Leeds),
- 25 March 2025: Exchange Forum for Young Researchers on Urban and Rural Areas in the Transition of the Chinese Economy, at BKC, Ritsumeikan University, Shiga, Japan
  Speaker: Jin YU (Professor, Ankang University), Xiaonan CHEN (Associate Professor, Northwest A&F University), Hongchao REN (Associate Professor, Shanxi University of Finance and Economics), Nannan YUAN (Associate Professor, Zhongnan University of Economics and Law), Fengyun LIU (Associate Professor, China University of Mining and Technology), Puchen XU (Senior Research Fellow, Ritsumeikan Asia and Japan Research Institute), Caihua XU (Lecturer, Chang’an University)
- 11 July 2025: Special Seminar on the Fragmentation of the Global Economy, China’s Rise, and Intra-regional International Circulation in East Asia and Inter-regional International Circulation with Europe, at OIC Ritsumeikan University, Osaka, Japan
  Speaker: Levente HORVATH (Director of the Eurasia Center at John von Neumann University, Hungary)
- 29 October 2025: 立命館アジア・日本研究推進プログラム日中学術交流シンポジウム「世界経済の分断と東アジア地域協力の意義中国の台頭と「二重の双循環」を中心に」at BKC, Ritsumeikan University, Shiga, Japan
  Speaker: Weitong WANG (Vice-Chancellor, Professor, Dongbei University of Finance and Economics),

Congying WANG (Professor, Dongbei University of Finance and Economics), Kazuko TAKAYA (Professor, Ritsumeikan University), Bo ZHOU (Professor, Dongbei University of Finance and Economics), Ruilin CAO (Professor, Ritsumeikan University), Bin ZHOU (Associate Professor, Dongbei University of Finance and Economics), Jiaqi DONG (Doctoral Program, Graduate School of Economics, Ritsumeikan University)

- In addition, we invited external researchers and held a number of seminars.

Results and Perspectives

The Rise of China and the Potential for a New World Economic Structure; The Significance of East Asian Regional Economic Cooperation Development

1. Is there Potential for a Higher-order, New Global Economic Structure to Form?

Since shifting to its reform and opening-up policy in the late 1970s, China has achieved an unprecedented 30-year period of 10% growth in world economic history. It has continued to maintain economic growth, significantly exceeding not only that of advanced nations but also the global average. As a result, China's presence in the world economy has continued to expand. This high growth and expanding presence occurred against the backdrop of accelerating globalization and marketization since the late 1970s, with China playing a crucial role. However, movements toward deglobalization have intensified, driven by the 2007/2008 global financial and economic crisis (the Lehman Shock), the subsequent slowdown in economic growth rates in developed countries, the worsening of global environmental issues symbolized by climate change, and the widening of various disparities.

How will China's rise impact the current global economic structure? Some view the capitalist world economic structure through a "center-periphery" lens, framing China's rise within this framework. This view posits that China and East Asia, as peripheries to the core United States, are growing. China's expansion into Southeast Asia and the expansion of trade and investment relations are creating a new core-periphery structure between China and Southeast Asia (China's "semi-centralization"). We cannot adopt this perspective of a so-called "layered core-periphery structure 2" (United States - <China - Southeast Asia> - peripheral countries). The experience of East Asian newly industrialized economies such as South Korea and Taiwan, along with China's own development, demonstrates that the "center-periphery" relationship is not necessarily fixed.

As this research has shown, international inter-regional circulation between China/East Asia and Europe is expanding through Chinese investment in Eastern Europe and the development of logistics networks with Europe under the Belt and Road Initiative. Furthermore, China's development of railways and ports, construction of industrial parks, and corporate investments in Southeast Asia are expanding intra-East Asian international trade circulation. South Asian regions like India are also increasingly entering this circulation (Suehiro, Akira et al., "China-Emerging Nations Nexus"; the higher-order revival of intra-Asian international circulation <Sugihara, Kaoru, "Intra-Asian Trade">).

The current world economy, formed after World War II, has been centered on the United States. East Asian economies such as Japan, South Korea, Taiwan, and China have also achieved high growth, with the US as their ultimate market. However, following the Lehman Shock, the so-called "expiration date" of the current world economic structure is becoming increasingly apparent. What we have argued throughout this book is that the expansion of inter-regional and intra-regional circulation generated by the recent development of China and East Asia holds the potential to lead not to the creation and

solidification of a "new center-periphery structure," but to the formation of a "higher-order new world economic structure." Furthermore, it emphasizes the crucial role that the expansion and deepening of East Asian regional economic cooperation can play in realizing this.

2. Increasing Risks of Global Economic Fragmentation and Slowing National Growth

The unilateral imposition of high tariffs and forced investment in the United States by the Trump administration's second term, along with policies aimed at curbing the development of China as the "sole competitor," combined with the exclusion of Russia from the global economy due to its invasion of Ukraine and the existing economic sanctions against North Korea and Iran, are heightening the risks of global economic fragmentation and suppressed economic growth in various countries. Trump has touted the US trade deficit as a "national crisis" to "rationalize" his policies. However, underlying this is the global economic structure, in which massive exports of final consumer goods from China and East Asia to the US and Europe create a substantial US trade deficit. This structure not only fosters US unilateralism and protectionism but also, through global imbalances in trade and current accounts, leads to the massive accumulation of US dollar-denominated assets in international financial centers such as New York and London. This expansion of dollar-denominated financial assets in the US and Europe enables wealth accumulation through financial markets using these assets—essentially, casino capitalism.

As this book has revealed, the internationalization of the Chinese yuan has its limits, and it is not conceivable that the yuan will replace the dollar as the world's reserve currency in the near future. China, East Asia, developing countries, and advanced economies alike require economic growth. Against the backdrop of current global economic imbalances, deglobalization is intensifying. However, globalization should not be entirely rejected; rather, it is necessary to maximize its positive aspects and minimize its negative ones.

3. The Importance and Means of Balancing Intra-Regional and Inter-Regional Circulation at both the International and Domestic Levels

To achieve this, balancing intra-regional and inter-regional circulation is essential. This book has clarified the importance of achieving this twin circles equilibrium in East Asia and the measures required to accomplish it. While China entered the global economy and achieved high growth, the Northeast region faced various difficult challenges. It grapples with international environmental challenges affecting regional development (e.g., Russia, North Korea), and despite over two decades of regional revitalization policies alongside the nation's globalization, disparities in growth rates with regions like the Yangtze Delta and Pearl River Delta, along with population outflow, persist. It is necessary to realize an international environment supportive of development through coordination with neighboring countries while expanding intra-regional circulation within Northeast China. Similar to China's Northeast region, South Korea's Busan region has seen its domestic economic standing decline amid globalization. This book clarifies cases within Busan where development combines international intra-regional circulation (Korea-Southeast Asia) with international inter-regional circulation (East Asia-US), as well as changes in Korea's economic growth pattern. As seen with the Trump administration's establishment, domestic imbalances in various countries are leading to "narrow nationalism," and preventing this is required.

Regarding the balance of intra-regional and inter-regional circulation within the East Asian region, this study has clarified the development of intra-regional international circulation (trade, investment, connectivity, etc.) achieved through East Asian regional cooperation over the past period, and the potential for its expansion and deepening. It has become clear that expanding intra-regional international

circulation—such as by increasing the intra-regional market for final consumer goods through raising incomes in relatively slower-growing areas—and balancing this with inter-regional international circulation (global movement of people, goods, and capital) with regions like the US and Europe can reduce the risks of global imbalances and fragmentation of the world economy. This has created the possibility of envisioning a new, higher-level world economic structure that can achieve equilibrium in intra- and inter-regional circulation in domestic and international spheres, and inter-regional circulation (movement of people, goods, and capital) based on intra-regional circulation (cooperation and collaboration).

Project Members and Roles

Role	Name	Affiliation	Position	Field of Specialization
Project Leader	Kazuko Takaya	College of Economics	Professor	Chinese Economy, Global Value Chains (GVCs), Rural Economy
Project Member	Lee Kangkook	College of Economics	Professor	Korean Economy
Project Member	Akira Matsumoto	College of Economics	Professor	Social Economics, Monetary and Credit Theory, International Finance
Project Member	Cao Ruilin	College of Economics	Professor	Public Finance, Chinese Economy
Project Member	Mizuki Kobayashi	College of Economics	Associate Professor	International Business, Theory of Multinational Corporations
Project Member	Masaki Mori	College of Business Administration	Professor	International Management, Chinese Business Studies
Project Member	Shuji Matsuno	Institute of Social Systems	Senior Visiting Researcher	East Asian Regional Economic Cooperation
Project Member	Hiroshi Tanaka	Institute of Social Systems	Senior Visiting Researcher	Comparative Economics, Relations with Eastern Europe
Project Member	Sang-min Kang	Kinki University	Associate Professor	Small and Medium-sized Enterprise Management, Internationalization Strategy
Project Member	Yang Qiuli	Kyoto Tachibana University	Associate Professor	Chinese Business Management
Project Member	Wang Weitong	Dongbei University of Finance and Economics	Professor	Regional Economy, Public Economics
Project Member	Gary Dymski	University of Leeds	Professor	Currency, Macroeconomic Theory and Policy
Project Member	Agnes Szunomar	Corvinus University of Budapest	Associate Professor	Chinese Economy, China's International Trade and Investment Policy, Central and Eastern Europe and China
Project Member	Hideo Fukuyama	Japan Maritime Center	Visiting Researcher	International Multimodal Transport

Senior Research Fellow	Xu Puchen	Asia-Japan Research Institute	Senior Research Fellow	Chinese Economy, Economics of Education
PhD Candidate	DONG Jiaqi	Graduate School of Economics		East Asian Economy, Northeast China Economy
Doctoral Student	XU Yurui	Graduate School of Economics		Corporate Strategy
Doctoral Student	Ei Ei Thein	Graduate School of Economics		Empirical Analysis of SME Finance in Southeast and South Asia

※Unless otherwise stated, Ritsumeikan University

Selected List of Publications

- We plan to publish the following English-language book during the 2026 financial year.
  Title: *East Asian Cooperation: Examining China's Dual Circulation Policy*
- In addition, each member has presented at numerous academic conferences and symposia both in Japan and abroad and has published a large number of papers.