

**Research article**

# China and New Regionalism: Theory, Policy, and Perspectives

China y el nuevo regionalismo: teoría, política y perspectivas

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## Abstract

This article explores the theory of New Regionalism, which offers a contemporary conceptual approach to analyzing political economy. Creating international agreements facilitates and regulates economic, political, commercial, and financial relationships between two countries or regional blocs. This study connects this theory's framework and recent economic trends in China. Moreover, it identifies crucial public policies and market factors contributing to the empirical findings and the concepts and ideas presented.

This study utilizes a qualitative research methodology with a critical, descriptive approach. It relies on reliable official databases and secondary sources of bibliographic information to analyze the significance of theoretical and conceptual postulates and public policies that impact China's ability to sustain its economic transformation process. Additionally, the research identifies this country's main challenges and prospects, which will play a vital role in its growth and development in the upcoming decades.

**Keywords:** foreign direct investment, globalization, international trade, multilateralism, public policy.

**JEL Classification:** E65, F13, F42, O24

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## Resumen

El presente artículo profundiza en la teoría del Nuevo Regionalismo como un enfoque conceptual moderno de análisis de economía política. Este enfoque fomenta y regula las relaciones económicas, políticas, comerciales y financieras entre dos países o bloques regionales a través de acuerdos internacionales. Este estudio establece una conexión entre este enfoque teórico y la evolución económica reciente de China. Así mismo, identifica políticas públicas y factores de mercado esenciales que contribuyen a los resultados empíricos y las ideas y conceptos presentados.

Utilizando una metodología de investigación cualitativa con un enfoque crítico y descriptivo, apoyándose en bases de datos oficiales confiables y fuentes secundarias de información bibliográfica, este estudio analiza la importancia de diversos postulados teóricos, conceptuales y de política pública que determinan la capacidad de China para continuar su proceso de transformación económica. Además, la investigación formula los principales desafíos y perspectivas que enfrenta este país, los cuales serán cruciales para su crecimiento y desarrollo en las próximas décadas.

**Palabras clave:** inversión extranjera directa, globalización, comercio internacional, multilateralismo, política pública.

**Clasificación JEL:** E65, F13, F42, O24.

## Introduction

Over the last forty years, China has made impressive strides in its economic growth, becoming the world's largest economy in terms of Purchasing Power Parity (PPP) and the top global exporter, with a lucrative consumer market due to its sizable population. The theory of New Regionalism sheds light on China's economic transformation and achievements in trade and commerce. To fully comprehend China's growth rate of nearly 9% and its ability to lift 800 million people out of poverty, it is essential to understand the strategies employed under the New Regionalism approach. The New Regionalism theory is rooted in the principles of international political economy. It involves a purposeful attempt to negotiate legal frameworks that govern trade, investments, and collaboration between countries that share geographic proximity or are situated nearby. Usually, such agreements are initiated by national governments, who advocate the adoption of established

rules and norms. This, in turn, enhances their credibility on the global economic stage and sets a positive example for other actors to follow. The New Regionalism theory is a set of concepts that elucidate the rationale behind nations' need to create trade agreements and foster economic cooperation. This theory posits that such integration arrangements can lead to significant disruptions in critical economic agents of other countries, thereby prompting them to consider similar initiatives for trade liberalization and integration. This approach primarily emphasizes regional integration, cooperation, and institutional development, which have been the key drivers of China's remarkable economic growth (Robinson & Thierfelder, 2002).

China has made considerable progress in its economic development from the perspective of New Regionalism. However, structural challenges still need to be addressed, including income inequality, decreased productivity, and demographic changes. To overcome these challenges, it is crucial to prioritize sustainable and equitable economic development strategies. Understanding the New Regionalism approach is essential to comprehend China's recent economic growth and present challenges, making it a remarkable topic for discussion. By adopting this meticulous approach, we aim to address the guiding question of the public policy results of China in recent years regarding the application of New Regionalism ideas and the current challenges focused on an economic analysis that the country faces—which are decisive in the present and future.

## Methodology

This study utilizes a qualitative, critical, and descriptive research methodology that ensures a comprehensive and robust approach grounded in the latest and most credible data. This rigorous analysis results in reliable and valid findings, providing a solid foundation for this study's conclusions. This proposal uses the most recent and reliable data for our in-depth analysis.

It employs a deductive approach that involves analyzing the background, theory, results, and discussion from a general to a specific level. This approach helps obtain more precise and practical outcomes for the case study.

## Materials

Secondary documentary sources such as books, scientific articles, specialized journals, and reports are utilized to establish a robust research framework. These sources offer an in-depth understanding of the subject matter and valuable insights into the research problem. Furthermore, thoroughly examine official databases from

reputable sources such as the World Bank and the National Bureau of Statistics of China to ensure accuracy and credibility.

## Analysis

### *The New Regionalism*

According to experts, the recent trend of regionalism is grounded in the principles of international political economy. This involves a deliberate effort to negotiate legal frameworks that govern trade, investments, and collaboration between neighbouring countries or those with geographic proximity. Typically, such agreements are driven by national governments, who champion the adoption of established rules and norms. This, in turn, enhances their credibility on the global economic stage and encourages other actors to follow suit (Robinson & Thierfelder, 2002).

As various states with diverse economic sizes and global influence levels join the integration process, geographic proximity is no longer the only factor to consider. This has led to new regionalism or open regionalism, which involves integrating multiple complementary factors into economic and political relations. This approach is more complex and unique to each integration process, distinct from traditional models like the European one.

The emergence of this contemporary regionalism can be traced back to trade agreements established during the 1990s and early 2000s. As a result, it incorporates vital factors that have yet to be considered in examining previous regionalism, including the significant involvement of non-state actors in the development and negotiation of initiatives and the impact of globalization on the formation of state interests (Söderbaum, 2016).

Moreover, in the context of China's implementation, the emerging concept of regionalism aims to assess the implications of forming these regional alliances within the multilateral framework of the WTO. The focus lies in examining whether these regional agreements supplement or hinder multilateral agreements, thereby addressing the shortcomings of open regionalism.

### *Background and different perspectives*

The concept of regionalism has evolved from the ideas of Jacob Viner, who emphasized the importance of understanding the economies of scale that arise from the integration of markets. Viner identified competitiveness and investment as critical

factors that increase with integration. However, this initial theory did not explain the complex economic, political, social, and environmental effects of deeper integration processes, particularly between countries with asymmetric economies. For instance, China's interactions with various Latin American countries through initiatives like The Belt and Road and bilateral Free Trade Agreements require a more nuanced approach. Consequently, regionalism has evolved to include the analysis of changes in the general well-being of a society resulting from economic relationships and policies designed to achieve the benefits of economies of scale (Krugman, Obstfeld & Melitz, 2022).

The theory of New Regionalism encompasses various ideas that aim to explain the need for countries to establish economic cooperation and trade agreements. It suggests that such integration pacts can cause disruptions in key agents of other nations, prompting them to consider similar initiatives for trade liberalization and integration. For instance, China may form economic and political counterweights to regional blocks like the United States and Europe, thereby changing the advantages gained or opportunities available in regions such as Latin America, Southeast Asia, Central Asia, and Africa (Baldwin, 2011).

The New Regionalism is believed to originate from individual states' internal interests rather than external pressures. If the latter were the case, agreements would indiscriminately impact various sectors. However, regionalism tends to occur through a negotiated process that addresses change sector by sector. This approach prioritizes the interests of multiple industries that stand to benefit from economies of scale and market expansion. As a result, states and companies are on an equal footing, each playing an active and complementary role in the process (Söderbaum, 2016).

An alternative perspective on the origins of regionalism suggests that larger states tend to take the lead in such agreements, given their more excellent resources and bargaining power. Smaller countries, in turn, may rely on alternative political and economic tactics to secure cooperation from larger states. As a result, smaller countries may find themselves compelled to cooperate under conditions dictated by their larger counterparts, as the costs of non-cooperation may outweigh the benefits of surrender (Robinson & Thierfelder, 2002).

### *New and old regionalism*

The new regionalism is distinctly different from the old in several key ways. The old regionalism was born during the Cold War era, when two superpowers vied for

political and economic control, resulting in a world split into two large regions. However, with the collapse of the Soviet bloc and the decline of US hegemony, the stage was set for the emergence of new ideas and a new regionalism. This shift was made possible by a shift away from the previous bipolar model that tended to be reproduced in different regions. Today, we live in a multipolar world where old powers have become regional powers competing with other emerging powers. Consequently, models of closed regionalism have more political than economic interests (Burfishet *et al.*, 2006).

The emergence of a new multipolar world is primarily driven by the growing influence of the BRICS countries (Brazil, Russia, India, China, and South Africa) as major emerging economies on the global stage. This trend has been particularly evident since 2014 when China became the world's largest economy based on GDP per capita PPP (Purchasing Power Parity). Also, projections for global growth up to 2050 indicate that China will continue to be the largest economy globally, with India following closely in second place and Brazil in fifth place, signaling a shift in economic power away from the United States and European nations (Hass, 2019; PricewaterhouseCoopers, 2017).

One key differentiator of this new regionalism is that unlike the old regionalism, which was often imposed from the top-down by superpowers, the new regionalism arises from internal pressures, particularly from the private sector of countries. Additionally, the new regionalism enables different states—such as China—to collaborate in addressing global issues with regional implications, such as developing innovative technologies in renewable energies to combat climate change. This presents a valuable tool for countries facing international transformation challenges, which they may need help to tackle independently.

Furthermore, it is essential to note that traditional regionalism was primarily focused on inward development and strongly emphasized protective economic measures. In contrast, modern regionalism is characterized by an outward-looking approach and promotes liberal economic policies. However, it is worth mentioning that specific protective measures still exist among the region's member countries, resulting in preferential treatment between them. While traditional regionalism had specific economic and political goals, modern regionalism is more comprehensive. It encompasses various factors, such as social, cultural, environmental, and defense, which encourage cooperation among countries within the new regional frameworks (Söderbaum, 2016).

There is a prevailing view that the new regionalism represents a positive and forward-looking approach. This approach involves ongoing efforts to enhance and refine states' and regions' political, economic, social, and environmental structures. As a result, many multilateral and international organizations have embraced this perspective, with entities like the United Nations, ASEAN, and the European Union promoting it in their official publications.

Over the past two decades, Latin America has witnessed a significant trend where a handful of countries are eager to align themselves with a dominant regional power, like the United States or China today. These countries initiate a process of one-sided trade liberalization and then endeavor to integrate themselves deeply with the larger country beyond just trade. Additionally, this gradual liberalization process is designed to attract foreign direct investment, which is considered a crucial catalyst for growth in a region where capital for development is limited (Kroeber, 2016).

Moreover, the regionalization process has brought forth companies that aim to promote intra-regional trade, investment, and cooperation between the primary productive sectors of countries. This marks a significant improvement compared to the limitations of previous regionalism. The latter could not establish similar processes due to the political difficulties faced by governments in opening their markets effectively. However, companies are now willing to invest and form alliances with different countries simultaneously to define the aspects of this approach. In recent years, crucial agreements have been signed among various Latin American countries, with the United States regional hegemony for its internal market, political and military influence, and other powers such as China and the European Union (Yuzhu, 2020).

It is important to note that new regionalism is a dynamic process constantly adapting to the latest developments within countries. Take, for example, China's recent reform process and shift towards globalization. As various ideas are exchanged and modified, they blend to form new perspectives specific to each region's unique circumstances. This ongoing trend requires careful analysis to understand its evolution fully.

Governments with regionalist ideologies implemented policies such as import substitution and autarky to achieve industrialization. These policies were designed to create a self-sufficient economy and were often accompanied by agreements to support domestic demand. However, due to narrow internal markets and deficient integration between countries and markets, the period of industrialization did not result in significant export development (Wu, 2010).

One significant distinction between the previous form of regionalism is its gradual and discerning approach to liberalization, in contrast to the unilateral and immediate method of the initial form. This method favored preferential treatment and limited reciprocity models for the most impoverished nations. Additionally, it is worth noting that the previous form of regionalism only fostered minimal trade within the region as there was a fragile interdependence among the various countries, which fell short of private sector expectations. Lastly, these country agreements were often unstable and short-lived due to a lack of equal benefit distribution (Söderbaum, 2016).

A crucial aspect of the former regionalism model was its notable exclusion of the United States. This marginalization as a critical participant led to scepticism on the part of the US, mainly due to the country's preference for multilateral initiatives like the GATT rather than committing to bilateral or regional agreements.

It can be deduced that three key factors contributed to the shift towards embracing a New Regionalism approach in China during the late 1990s. Firstly, the formation of the European Union served as a model. Secondly, the United States' shift from multilateralism to bilateralism and regionalism played a role in the trade strategy. Lastly, there was a significant change in the economic policies of developing nations, with a move away from import substitution industrialization towards more liberal policies (Baccini & Dür, 2012).

One crucial aspect that influenced the choices of various developing nations, like China's shift towards international trade with developed countries in the early 21st century, was the inefficacy of prior trade pacts. These agreements disproportionately hindered the latter by restricting the export of competitive manufactured goods, which affected countries that had achieved a higher level of development, depriving them of the advantages that the poorest nations could potentially enjoy.

China's efforts have resulted in a notable boost to its bargaining power on a global scale. China has established trust in its reform initiatives by talking with other nations through regional groups. This has been demonstrated by signing numerous agreements between countries and regional blocs focusing on infrastructure, investment, trade, environment, and technology.

### **A new perspective and consensus of ideas**

After analyzing the varying perspectives presented by multiple authors regarding regionalism, it becomes clear that no singular idea encompasses all the aspects



mentioned above and others. This led to the emergence of new regionalism, which aimed to explain why different countries were increasingly interested in entering into bilateral cooperation agreements and Free Trade Agreements, as opposed to multilateral tariff preference agreements. In general, three specific factors influenced states' decision to pursue regionalization: the end of the Cold War and the old regionalism of that era, a rapid technological shift, and the growth of globalization (Wang, 2020).

New Regionalism is a modern approach that addresses the increasing movement of private economic entities across state boundaries. This movement was initiated by China's accession to the World Trade Organization in 2001. As a result, the monetary policies of various nations have been adjusted to handle this shift. New Regionalism is an economic policy that seeks to effectively address the growing mobility of private economic actors whose interests and activities transcend national borders (Anadi, 2024).

The emergence of this regionalism brings about unprecedented costs and significance for both governmental and private entities. At its core, this phenomenon is marked by the formation of trade agreements between one or more developing countries, like Colombia, and one or more developed countries. These multifaceted agreements, which seek to eradicate trade barriers and promote greater integration, encompass diverse economic, commercial, and cooperative elements (Mansfield & Milner, 2003).

Subsequently, these agreements have gained a reputation for being accompanied by significant unilateral trade liberalization in underdeveloped countries, necessitating macroeconomic and trade policy reforms. This enables these countries to make more substantial trade concessions under such agreements, as developed countries often already have low tariffs, as exemplified by the 2012 Free Trade Agreement between Colombia and the United States.

### **Paradigms that emerge and end**

The theory of New Regionalism has undergone significant evolution in recent decades, resulting in the disappearance of some paradigms and the emergence of new ones. The most crucial disappearance of past paradigms of New Regionalism is focused mainly on Economic Nationalism, which dominated much of the 20th century and promoted the idea that nation-states should shield their economies from foreign competition through protectionist measures. However, this paradigm has gradually become less relevant, particularly since the 1980s with the rise of neoliberalism, which advocated economic openness and trade liberalization as catalysts for economic prosperity.

Furthermore, another paradigm, like the Closed Regionalism Paradigm, is practically extinct and refers to forming regional blocs primarily focusing on political or defensive measures to safeguard against external threats. An example is the European Economic Community (EEC), which eventually transformed into the more economically oriented European Union. This evolution reflects a shift towards a more open and market-driven regionalism paradigm (Söderbaum, 2016).

While other new paradigms have emerged, such as Open and Market-Oriented Regionalism, it has gained momentum in recent years. This approach focuses on economic openness, trade integration, and collaboration in investment, infrastructure, and regulation areas. It is rooted in the belief that regional integration can bring substantial economic advantages for member nations and enhance their standing in the global economy (Anadi, 2024).

Moreover, in recent years, the Flexible and Plurilateral Regionalism paradigm has emerged and evolved as regional blocs have increasingly varied in size, scope, and goals. This approach involves multiple actors in shaping and carrying out regional policies, including states, international organizations, companies, and non-governmental organizations. Finally, another new paradigm based on Sustainable and Resilient Regionalism is emerging to respond to global challenges like climate change, environmental degradation, and the economic and political crisis. This paradigm involves regional blocs integrating sustainability and resilience considerations into their policies and strategies. This implies increased regional cooperation in natural resource management, climate change adaptation, food security, and public health (Tussie & Santander, 2020).

### *Globalization and recent evolution*

The impact of globalization on regional agreements is undeniable. Significant developments include the rise of a global financial system, the transnationalization of economic activities, and the international spread of technology, favouring developed countries. In addition, globalization has brought about changes in the service sector, global production organization, and worldwide diplomacy, where companies and states negotiate economic priorities. A universal culture and identity have also emerged, along with a worldwide geographic space where nation-states hold less significance.

Furthermore, it is noted that the connection between these fresh agreements and globalization is also influenced by past collaboration, with technological advancements playing a significant role, particularly in the services sector of developed economies versus the manufacturing sector of these economies. This dynamic is

currently evident in underdeveloped regions, such as the emergence of Artificial Intelligence technology and the consequent transformation of communication methods, which has increased the mobility of socioeconomic agents across state borders. This trend has led to the growing importance of comparative advantages regarding geographical location ([Wang, 2020](#)).

The concept of New Regionalism has evolved to encompass a more diverse set of interests beyond just economic incentives and integration. Non-Governmental Organizations (NGOs) now play a crucial role in promoting global labour and environmental agreements. This new approach also facilitates harmonizing monetary policies between states, such as the internationalization of the Yuan versus the American dollar. This higher level of integration enables the development of public policies aimed at deeper integration ([Choudhari, 2024](#)).

Looking at the New Regionalism from China's perspective, a positive approach emphasizes its potential as a tool to increase trade accessibility and fairness, promote global governance that respects international laws, and contribute to peace and security. The state policy goals should include strengthening commercial integration among regional countries, fostering a favorable environment for private sector development, implementing infrastructure programs that facilitate regional growth and integration, improving government institutions to ensure adequate public administration, reducing social exclusion to build a more inclusive civil society, guaranteeing global security and stability, promoting environmental sustainability, and encouraging interaction and dialogue with other regions in the world system ([Lardy, 2018](#)).

This can be viewed as a positive outlook on collaboration through regionalism, as it acknowledges the significant differences between the current context and past regionalism. The post-Cold War political climate has created a multipolar global landscape, resulting in a new world order shaped by China's presence and actions in the 21st century.

The COVID-19 global health crisis has underscored the importance of enhanced regional cooperation in public health, food security, and crisis management. Regional blocks have worked together to exchange information, align responses, and ensure fair distribution of vaccines and medical supplies. Also, the pandemic has revealed weaknesses in global supply chains and prompted a review of certain countries' reliance on manufacturing and delivering essential goods. As a result, some countries and regions are looking to enhance regional economic cooperation to build resilience and minimize vulnerability to future disruptions.

However, the pandemic has generated tensions in international relations and led to a readjustment of strategic alliances and partnerships. Some countries have turned to their regional blocs as primary sources of support and collaboration amid the crisis, strengthening their role in world politics. Furthermore, in light of the pandemic, certain nations have ramped up initiatives to bolster their regional autonomy, advocating for self-sufficiency in particular industries and diminishing reliance on worldwide markets. This shift has accentuated the importance of regional collaboration and consolidation to tackle shared challenges (Wang, 2020).

Today, globalization and New Regionalism shows in the regional free trade agreements and customs unions, such as those formed by the European Union, Mercosur in South America, and the Association of Southeast Asian Nations (ASEAN), have enhanced the movement of goods, services, capital, and people within their regions. This has led to increased regional integration, but it also has implications for the global economy, as it can impact the distribution and direction of trade and investment flows. Moreover, regional blocs compete for foreign investment, market access, and natural resources, impacting global economic dynamics. Simultaneously, these blocs collaborate on infrastructure, security, and crisis management, influencing global stability and development.

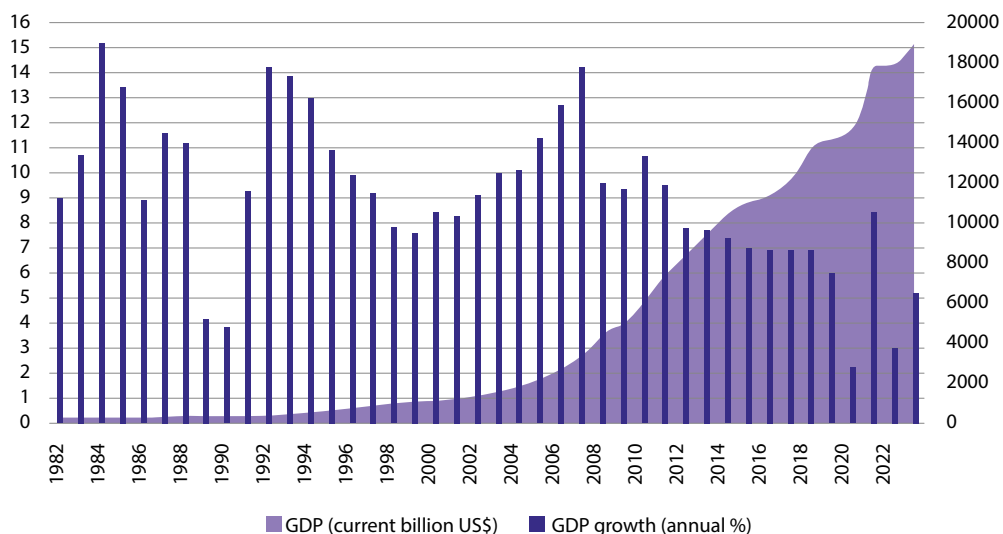
Overall, the New Regionalism's rise presents both challenges and opportunities for global governance. Some experts argue that increasing regional agreements may undermine global institutions and norms. In contrast, others view these agreements as supplements to global governance, tackling issues that cannot be effectively addressed globally. So, the New Regionalism can potentially impact identity and culture within the context of globalization. Regional blocs can facilitate cultural exchange and the development of regional identity, consequently shaping individual's perceptions of national and global identities (Anadi, 2024).

## Results

### China's policies and results under New Regionalism

During the late 1970s, China faced significant issues with poverty and hunger; however, a series of structural public policies were implemented, known as socialism with Chinese characteristics; these policies profoundly impacted the economy, trade, finance, and production systems, making China the world's largest economy in 2014 and the leading exporting country since 2010. Under a single-party system, the government applies socialist principles tailored to China's unique circumstances.

By the 1982 constitution, the Communist Party of China retained both power and legitimacy, and the centralized administrative system overseen by the State Council included various bodies under the control of the National People's Congress. Contrary to the beliefs of proponents of free market theory, China's growth can be attributed to the State's pivotal role in making policy decisions. The country's steady political power and efficient public administration have facilitated gradual, progressive institutional changes. China's policies and opening agenda were enabled by cross-cutting factors, including a nuanced understanding of the country's unique context, recognition of the role of competition and decentralization in enhancing a company's efficiency, and gradual reform processes tailored to specific circumstances and outcomes (Honrada & Bokeriya, 2023).

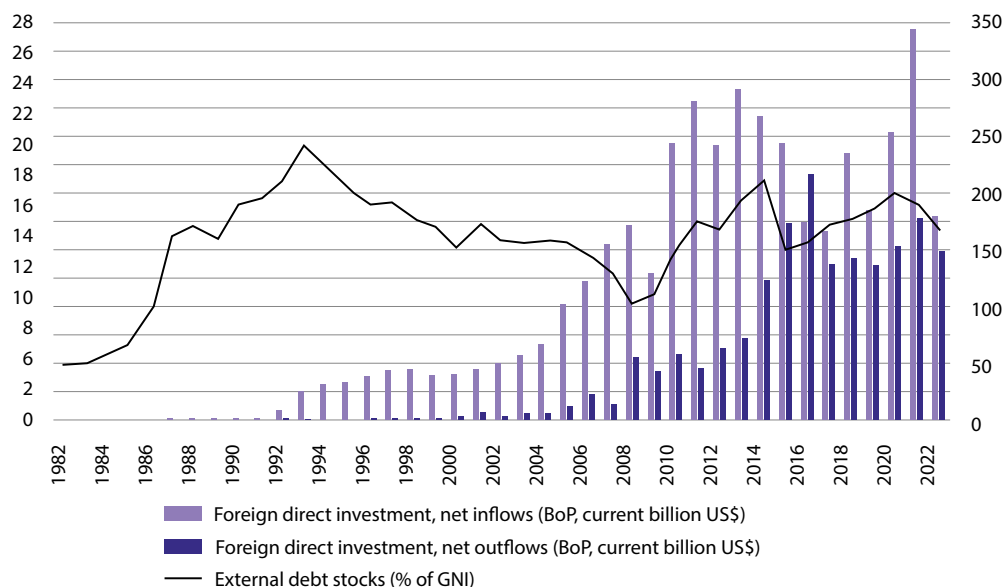


**Figure 1.** GDP and GDP growth. China 1982-2023.  
Source: Own elaboration based on World Bank (2024).

China initiated a series of economic reforms in 1978, further intensified in 2001, leading to significant economic growth, as depicted in Figure 1. Deng Xiaoping, the mastermind behind these reforms, revolutionized the country by opening it up to the world after a prolonged period of self-sufficiency, during which the country failed to generate sufficient wealth for its people. While preserving a socialist political structure with distinct Chinese characteristics, Deng's government transformed the economic system into a state-capitalist one. The financial reform process was divided into three phases: gradual, complementary, and continuous (Woetzel, 2015).

From 1978 to 1994, a thriving agricultural policy was implemented via the decollectivization of land use, enabling farmers to produce a surplus and meet their State quotas, this reform enhanced productivity and increased incomes for a significant rural population. Furthermore, the country allowed the establishment of private companies and free foreign investment, while the years from 1984 to 1993 saw a second wave of reforms focused on fiscal decentralization, granting provinces greater economic and budgetary autonomy (Figure 2). The third and final period of reforms took place between 1993 and 2005, characterized by the promotion of new industries and global integration, all while the economy continued to experience significant growth (Rosales, 2020).

In 1978, China adopted a significant agricultural policy that permitted families to own land and expand their investments, resulting in a remarkable surge in productivity and a substantial rise in food production; the three experienced an impressive six-fold increase in real terms between 1985 and 1998, creating nearly 107 million new jobs; nevertheless, Township Village Enterprises gradually phased out due to greater competition and reduced profit margins, paving the way for a more liberalized and competitive market dominated by private sector firms that are highly productive (Chi, 2010).



**Figure 2.** Foreign Direct Investment net inflows and outflows and External debt stocks. China 1982-2022.

Source: Own elaboration based on World Bank (2024).

In 1993, the agricultural industry underwent significant changes, allowing for excellent connectivity with other sectors; these changes were brought about by the competition of farm markets and pricing freedom, resulting in increased income for rural consumers and a growing demand for specialized agricultural and food products. The effects of this agrarian policy process were widespread, resulting in urbanization, wage increases, industrialization, and surplus generation. As a result of the government reallocating resources from agriculture to industries requiring more significant support, the private sector became increasingly involved in national production (Lardy, 2014).

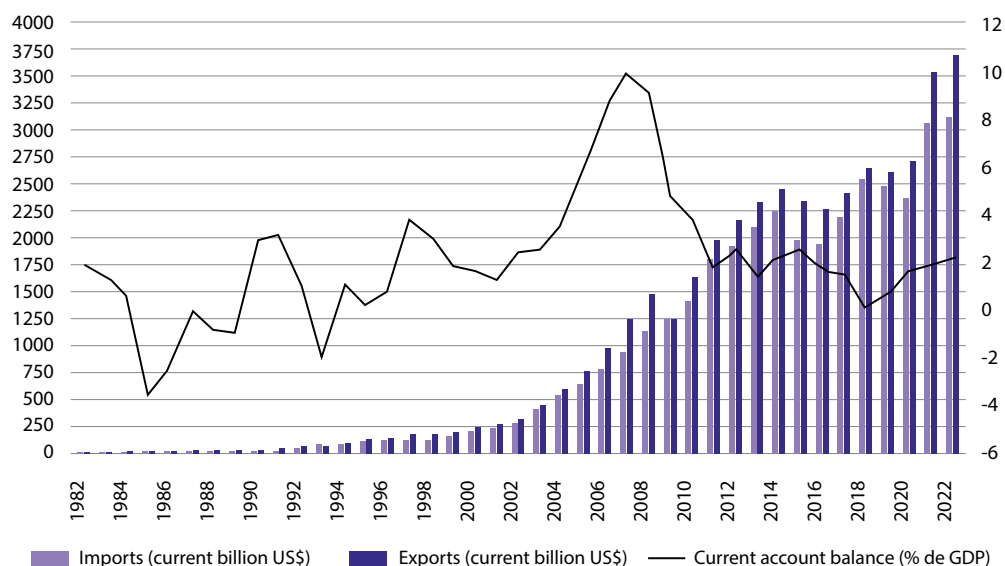
The successful execution of progressive policies can be attributed to efficient and collaborative decision-making at the regional level, where President Deng Xiaoping's well-known quote, "It does not matter if a cat is black or white, as long as it catches mice," highlights the importance of pragmatic problem-solving. This approach focused on New Regionalism ideas and significantly brought positive changes (World Bank, 2013).

China has emphasized the importance of a robust economy and the efficient utilization of government resources and has implemented significant financial and fiscal policies to achieve these goals. During the 1980s and 1990s, local governments were granted greater autonomy through decentralization, resulting in improved public services; however, this also gave rise to regional inequality and a need for more clarity in information. Structural policies in 1994 simplified and standardized the tax system, promoting efficiency and fairness despite certain discrepancies; public revenues have continued to rise since 1995. While China owes much of its rapid economic growth to its financial system, state involvement can lead to conflicts of interest, in which transparency and increased control are imperative to ensure a fair distribution of resources and minimize corruption (Tsai, 2015).

New Regionalism concepts have been notably implemented in China through a third phase of reform that involved decreased state intervention and more market role of some state-owned enterprises, save for the oil industry and financial sector. President Jiang Zemin ushered in critical changes, including economic policies, inflation, and tariff reductions, alongside advancements in cutting-edge manufacturing technology and strategic industries. In 2001, China's inclusion in the World Trade Organization (WTO) further propelled the country to become a net exporter through increased international trade and finance (Lardy, 2019).

When examining the impact of international trade as a structural policy that aligns with the principles of New Regionalism, it is necessary to recognize its significant contribution to China's growth. The country's remarkable export growth over the past 45 years is particularly noteworthy, which accelerated rapidly following its entry into the WTO in 2001. By 2010, China had surpassed all others to become the world's leading exporter, with the United States being the only nation importing more goods (Shambaugh, 2013).

Over the years, we have witnessed a gradual evolution in the export process, starting with simple, low-cost products manufactured using cheap labour in the 1990s and progressing towards more complex items incorporating cutting-edge technology like smartphones, computers, and specialized machinery. To support this transition, tariffs were continuously reduced, particularly since joining the WTO in 2001, as illustrated in Figure 3. In addition, a system was put in place through special economic zones on the country's eastern coast, enabling businesses to manufacture high-value products using imported raw materials while taking advantage of the comparative benefit of cost-effective labour. The aim was to increase exports and generate revenue, which was in line with the principles of New Regionalism (Zhu, 2012).



**Figure 3.** *Exports and Imports of goods and services and Current account balance. China 1982-2022.*  
Source: Own elaboration based on World Bank (2024).



Designated as the world's factories, Special Economic Zones provide duty-free import and export of goods, top-notch logistics infrastructure, and intra-industrial connectivity. As a result, these zones remain highly competitive globally and have garnered significant foreign direct investment, placing China at the forefront of manufacturing. Notably, these zones have generated considerable employment, particularly in impoverished areas, which has helped boost consumption. However, the downside is that these zones rely heavily on imported inputs and raw materials, leading to limited demand for goods and services from local Chinese companies primarily focusing on assembly and export (Lai & Yu, 2015).

Geographical limitations previously constrained businesses, but this began to shift in the 1990s, with roughly 56% of exports occurring beyond those borders. However, this proportion has steadily declined; as of the 2020s, it stands at approximately 30%. In recent years, Chinese enterprises have strengthened and broadened their production capacities, fulfilling the domestic need for inputs and raw materials that exporting-focused assembly firms require.

China's economic growth in recent years resulted from its agreement with the WTO in 2001. This agreement necessitated China's opening of its private sector and international trade, spurring policy efforts in the service sector. China could better compete in the open market by showcasing better results and pressuring companies to become more competitive, innovative, and efficient. As suggested by the concept of New Regionalism, this mutually beneficial arrangement has played a vital role in China's economic success (Lardy, 2014).

The agreement outlined provisions to expand access to agricultural imports, reduce tariffs and non-tariff barriers, and curtail direct subsidies. The industrial sector would also benefit from reduced tariffs, enhanced access to banking, insurance, and other service markets, and a move towards a more deregulated market where State-owned companies would operate within these designated guidelines. Furthermore, foreign companies were granted access to global supply chains through market bases, which fostered competition, efficiency, innovation, and a more accessible and open market (Bregolat, 2011).

Similarly, China has committed to following the negotiation protocols established by the WTO, which encompass the guidelines used to resolve disputes and achieve agreement among the participating countries, as well as the regulations about local content, technology transfer, research, and development activities that are required of businesses operating within China. As a result, these provisions have made China a more attractive location for foreign direct investment. Furthermore,

China has promised to observe the existing anti-dumping procedures and safeguard American companies against substantial imports from China (World Bank, 2013).

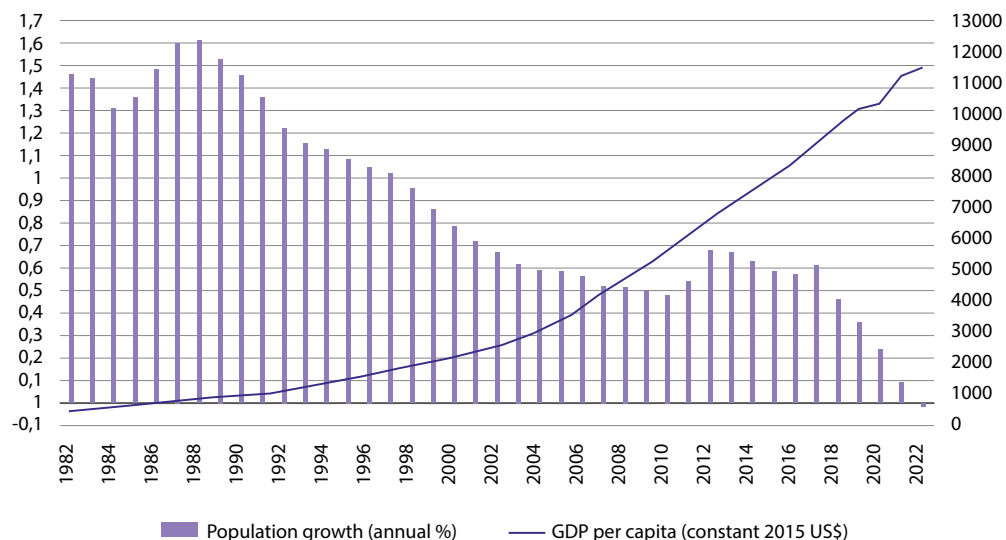
Despite two decades of negotiation and implementation, there are still concerns and doubts regarding China's export barriers, protection of intellectual property rights, compliance with labour regulations, and support for state-owned companies. The United States and the European Union have called for more significant efforts to comply with better labour standards in China and abroad and an end to direct or indirect government support for state-owned companies; this imbalance has led to claims that China has manipulated trade in its favour (Hass, 2019).

Since the rise of President Xi Jinping in 2013, China has focused on expanding its footprint in the global market; this has been achieved through increased participation in global value chains, introducing high-level technologies in innovative industries such as robotics, computing, software, communications, and services, and implementing the Belt and Road initiative. The latter has enabled infrastructure and raw materials investments, solidifying China's position as a world leader, particularly in the Eurasian region; these efforts have been instrumental in achieving China's economic and commercial growth and development over the past four decades (Horn *et al.*, 2023).

### Challenges and perspectives under the framework of New Regionalism

China is undergoing a fresh economic growth and development phase, with significant challenges in the aftermath of the COVID-19 pandemic. These challenges could hinder the country's growth trajectory, which has been steadily progressing for decades. As a result, there is renewed interest in the concepts of New Regionalism.

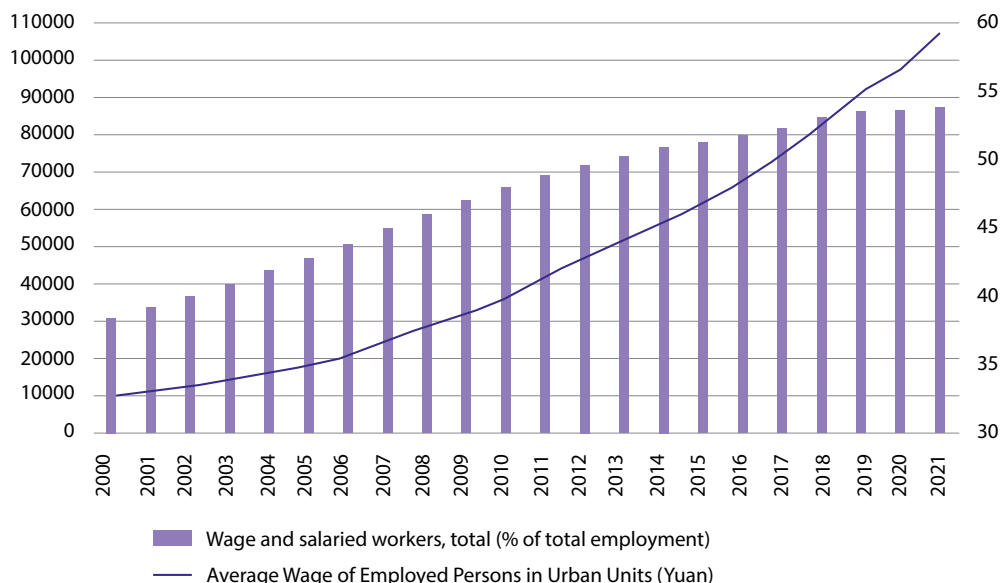
One issue that must be addressed is the decrease in population (Figure 4). This results in a shrinking active workforce and more significant expenditures on healthcare and pensions for an ageing population. To tackle this problem, it may be necessary to consider incentivizing fertility policies for younger generations and pursuing greater integration and cooperation with regional partners and neighbouring nations through a New Regionalism approach. Additionally, allowing for more unrestricted immigration of a young working population, as Japan has begun to propose, may be beneficial. However, this requires a shift in deeply ingrained social and cultural paradigms essential for long-term growth and progress.



**Figure 4.** *Population Growth and GDP per capita. China 1982-2022*  
Source: Own elaboration based on World Bank, 2024.

To transition from a middle-income to a high-income country, China must prioritize international competitiveness by increasing the real wages of its workforce and enhancing productivity rates per worker (Figure 5). This will require a renewed focus on technological advancements in production and trade, with New Regionalism playing a pivotal role in promoting broader international integration in global value chains. Through this process, China can drive endogenous competitiveness and develop new products and services such as electric mobility, air transportation, 5G technologies, and clean renewable energy infrastructure, leading to a thriving global market (Rosales, 2020).

According to the theory of New Regionalism, it is essential to prioritize economic pragmatism instead of getting bogged down in political and ideological debates. China has succeeded in focusing on efficiency, productivity, and competitiveness to integrate into the global market. Rather than engaging in unhelpful discourse, investing in research, innovation, and development over military spending is wise; forming more robust partnerships with commercial allies and encouraging private initiatives through foreign direct investment and technology transfer for better integration into global supply chains is wise.



**Figure 5.** *Wage and salaried workers and Average salary of urban workers. China 2000-2021*

Source: Own elaboration based on the National Bureau of Statistics of China and the World Bank. 2024.

However, the current change process is amidst a trade and technological war between the United States and China. As a result, there is less international integration and openness to trade and foreign investment compared to previous years; critical components of this change include high-tech microchips, new renewable energies, and the development of innovative products like robotics and electric mobility. This shift will undoubtedly impact developing countries like Colombia, potentially leading to lower economic growth rates in the short and medium term; this reduction in global demand, particularly for commodities, will require a specially concerted effort to increase competitiveness and productivity as well as better integration in international trade similar to New Regionalism ideas (World Bank, 2024).

## Discussion

Similar to the results obtained by Lardy (2014), this study, the authors such as conclude that China implemented a series of measures to decentralize central planning and facilitate greater market participation in resource allocation. One critical step involved the formation of private companies and the liberalization of several sectors of the economy. Additionally, China aimed to enhance its integration into the global economy by reducing trade barriers and attracting foreign investment.

To achieve this, Special economic zones were created, and a focus was placed on promoting exports to drive economic growth.

Authors such as [Rosales \(2020\)](#) support the previous analyses regarding China's adoption of an open approach like New Regionalism ideas towards trade and foreign direct investments (FDI), which has enabled it to participate significantly in the world economy. China now holds the top spot as the world's largest exporter and second-largest importer, and its role in global value chains has become indispensable. This integration has given China access to technology, capital, and external markets, significantly boosting its economic growth.

However, other authors, such as [Choudhari \(2024\)](#), complement the results of this research in terms of China's willingness to trade and welcome foreign investment, which has transformed it into the "factory of the world," playing a critical role in global supply chains. China has also significantly increased its involvement in international trade and has become a crucial destination and source of foreign direct investment. Nevertheless, China's rapid economic expansion has brought about some challenges, including regional disparities, environmental issues, growing inequality, and trade frictions with other countries, particularly the United States.

Other ideas go further because they explain that China's economy needs structural reforms, prioritizing domestic consumption and innovation instead of relying heavily on investment and exports. The country's rapid industrialization has resulted in significant environmental challenges that require immediate action. To address these issues, China must expedite its transition to a greener and more sustainable economy by reducing its dependence on fossil fuels and promoting clean technologies ([Hass, 2019](#)).

Likewise, the authors complement the results previously since China is encountering mounting geopolitical tensions in trade, technology, and human rights, particularly with the United States. To handle these tensions effectively, it needs to adopt a constructive approach and strive for increased international commitment and cooperation. China must demonstrate visionary political leadership, implement bold structural reforms, and enhance international cooperation to confront these challenges. Likewise, regarding the theory of New Regionalism, ideas propose that escalating geopolitical tensions, particularly with the United States, pose a significant challenge for China. Unresolved trade, technological, and territorial disputes have resulted in a heightened level of friction between the two largest economies in the world. To address this issue, China must proactively manage these tensions

by engaging in constructive communication and collaboration with other nations to resolve conflicts and ensure regional and global stability (Tsai, 2015).

Different investigations also support the abovementioned analysis because it explains why China's economic growth model faces the crucial challenge of re-balancing. Based on investment and exports, the present model has resulted in significant imbalances in the domestic economy and vulnerability in the external market. To attain sustainable and equitable growth, China must prioritize domestic consumption, enhance the service industry, promote innovation, and focus on technological development. These measures will help strengthen the economy and reduce dependence on investment and exports (Horn *et al.*, 2023).

Other authors, such as Wang (2020), specialize in their analysis of the challenges since they explain that China is experiencing several environmental and sustainability challenges due to its fast-paced industrial growth. The country is grappling with various issues, such as air, water, and soil pollution and the depletion of natural resources. To combat these challenges, China needs to speed up the transition to a greener economy, promoting energy efficiency, renewable energy, and environmental conservation. This would involve adopting innovative measures to ensure that the country's natural resources are used sustainably and reducing the overall carbon footprint of the economy.

Finally, in general terms, most authors agree with the results previously explained under the Theory of New Regionalism since China's reform and opening-up policies have significantly influenced its economic development and integration into the global economy. However, the country faces numerous critical challenges, such as economic restructuring, environmental transition, and geopolitical tensions. China's future role on the world stage will depend on how it tackles these challenges, requiring a complex and comprehensive approach. The country is currently at a decisive point in its history, and its success in addressing these challenges will have far-reaching implications for its development in the future.

## Conclusions

The concept of New Regionalism involves the development of a legal framework that governs trade, investments, and collaboration between neighbouring nations or those with shared interests. This framework, also called open regionalism, involves integrating various economic and political elements, resulting in a highly intricate and unique approach tailored to each type of integration.

In his analysis, Jacob Viner explored the effects of market integration on economies of scale, highlighting the positive correlation between competitiveness and investment. The dynamics of globalization are also relevant to this type of regional agreement, as it involves the interconnectivity of financial systems, cross-border economic activities, and the widespread dissemination of technology on an international scale (Krugman *et al.*, 2022).

The New Regionalism has undergone significant evolution, moving away from ideologies like Economic Nationalism and Closed Regionalism. These have been superseded by a more open and market-oriented approach, indicating a trend towards increased economic integration and collaboration at the regional level.

New paradigms have emerged in New Regionalism, such as Open and Market-Oriented Regionalism, Flexible and Plurilateral Regionalism, and Sustainable and Resilient Regionalism. These approaches promote economic integration, collaboration in various areas, and joint responses to global challenges such as climate change and the financial crisis.

China has embraced a New Regionalism policy to promote more accessible and multilateral trade while promoting international governance and upholding global laws for peace and security. This approach contrasts the protectionist tendencies of the old regionalism, which focused more narrowly on specific economic and political goals.

Under the New Regionalism, China has adopted an outward-facing approach with a more market-role economic vision, albeit with some degree of state intervention and preferential treatment among member states. This multidimensional initiative encompasses various economic, political, social, cultural, environmental, and defense-related aspects.

Since 1978, and especially since 1991, China has implemented a series of structural economic policies, resulting in unprecedented economic growth. These reforms have enabled a complete transformation of the country through opening and reform, which was necessary after a long period of autarchy. Despite previous attempts to apply similar ideas proposed by New Regionalism, China had only managed to create sufficient wealth for its entire population once these reforms were implemented.

The increasing influence of the BRICS countries is reshaping the global economic landscape, with China and India projected to lead growth until 2050. This indicates

a notable transfer of global economic power from the United States and European nations to emerging economies.

Today, China is confronted with significant challenges that have the potential to impede its progress and development. Once again, the relevance of the concepts espoused by New Regionalism in addressing these issues must be considered. Firstly, there is the issue of a shrinking population. Secondly, there is the matter of decreased international competitiveness, which is attributed to rising real wages and diminishing productivity rates per worker. In light of the current climate of draining political and ideological discourse, it is clear that a more pragmatic economic approach is necessary.

The COVID-19 crisis has emphasized the significance of regional cooperation in public health, food security, and crisis management. The pandemic has prompted a reassessment of global supply chains and underscored the necessity for increased regional economic cooperation to enhance resilience and decrease vulnerability to future disruptions.

Globalization and New regionalism are manifested in free trade agreements and customs unions, which have intensified regional integration. This has created opportunities and challenges for the global economy, impacting the flow of trade and investment and highlighting competition and collaboration between regional blocs in areas such as infrastructure and security.

Several studies have confirmed that China's adoption of decentralized policies and market-oriented reforms has led to greater market participation and integration into the global economy, as exposed in this research. As a result, China has emerged as a significant player in the global market.

Many research results support the ideas of the New Regionalism in China's economic growth process. For example, the open approach towards trade and foreign direct investment has made it the world's largest exporter and a significant importer. This strategic approach has helped China integrate seamlessly into global value chains, gaining access to critical resources and technologies and fueling its impressive economic growth.

China's growth has contributed significantly to global supply chains and intensified its international trade and investment involvement. However, this expansion has also resulted in regional disparities, environmental degradation, and trade friction



with the United States. Several studies complement these results, challenging the prevailing view that China is only the “factory of the world.”

Other studies go further, [Hass's \(2019\)](#) and [Tsai's \(2015\)](#) research highlight that China needs to implement structural reforms, prioritize domestic consumption and innovation, and address geopolitical tensions. These challenges, including environmental sustainability and geopolitical friction, highlight the complexity of China's future path and the need for visionary leadership and international cooperation.

The study's findings and analysis suggest several potential areas for further exploration. These include investigating the emergence of a new multipolar world driven by economic growth, assessing the impact of New Regionalism on multilateral international relations; and studying the development of structural public policies aimed at promoting significant economic growth in the context of a changing global political and economic landscape. Furthermore, there is a need to comprehend the opportunities and challenges associated with China's increasing role as a key player in the new global order within the evolving paradigms of New Regionalism.

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