

Current Situation and Potential of Trade Cooperation Between China and 10 ASEAN Countries

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Abstract: Based on the data on the import and export trade from 2011 to 2020, it is evident that the overall development of import and export trade between China and the 10 ASEAN countries shows a rapid growth trend, with Vietnam, Malaysia and other countries accounted for relatively large proportion, with Laos, Cambodia, etc. accounted for comparatively small percent. Electromechanical equipment represents an important proportion in import and export trade. In addition, there exist problems of instability in the political situation within ASEAN countries and differences in the internal business environment, as well as the impacts of Covid-19 from the external environment. The development of trade between China and the 10 ASEAN countries needs to adhere to the "Belt and Road" policy, improve infrastructure construction, deepen bilateral trade cooperation, thus consolidating trade partnership and achieve mutual benefit and win-win results.

1. Introduction

As a friendly neighbour of China, ASEAN countries have long maintained good trade relations with China and occupied an important position among China's main foreign trade partners. The ASEAN countries consist of ten member countries: Vietnam, Indonesia, Malaysia, the Philippines, Thailand, Singapore, Brunei, Cambodia, Laos and Myanmar. Based on the in-depth exploration of the current situation of the import and export trade cooperation between China and the 10 ASEAN countries, this paper explores the current situation of trade cooperation between China and the 10 ASEAN countries, analyses the trade relations. This paper also figures the potential problems and challenges out, and puts forward some corresponding policy recommendations.

2. Current situation of trade cooperation between China and 10 ASEAN countries

2.1 Total import and export trade

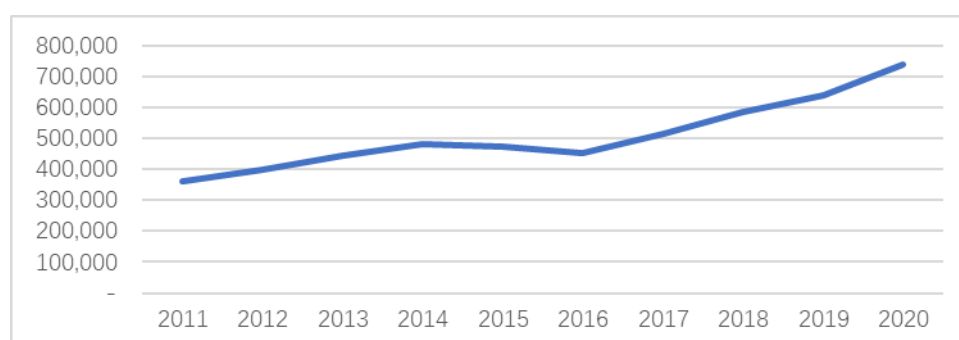
In recent years, China-ASEAN economic and trade relations have achieved many important results. ASEAN overtook the United States as China's second-largest trading partner in 2019 and surpassed the European Union as China's largest trading partner in 2020 [1]. As shown in Table 1, the total import and export trade between China and ASEAN countries has been rising in the past decade, and bilateral economic and trade cooperation has been deepening. Total imports and exports between China and the 10 ASEAN countries increased from \$363,089 million in 2011 to \$741,118 million in 2020 (see Figure 1), with a generally positive upward trend. Between 2011 and 2014, China's total import and export trade with the 10 ASEAN countries grew at an average annual rate of 10%. In the two years 2014-2016, China's total import and export trade with the 10 ASEAN countries showed a slight downward trend, from \$480,286 million in 2014 to \$452,376 million in 2016. Since 2016, total trade between the two sides has continued to grow at an average annual rate of 13%. The reason is that China's "Belt and Road" policy in recent years is conducive to building a good business environment, stimulating the potential of cooperation between countries along the route, and achieving mutual benefit and win-win situation [2]. At the same time, the interconnection of transportation facilities significantly improved the land transport capacity between China and ASEAN countries, reduced land transport time, and significantly saved costs [3]. The implementation of the above good policies, external conditions and other factors contributed to this

growth. Overall, from the specific data of China's total trade with the 10 ASEAN countries in the past decade, it is clear that although the growth of total trade between China and the 10 ASEAN countries in 2014-2016 was affected by small fluctuations, the total trade volume of the two sides in general has been rising, and the rate has increased, which meant that the trade partnership has been strengthened and consolidated. It could be expected that there will be more opportunities for cooperation in the future, economic and trade exchanges will be more frequent, and the import and export trade cooperation between the two sides is very promising.

Table 1 Total imports and exports between China and the 10 ASEAN countries in the past decade

Countries	Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brunei	1,311	1,626	1,794	1,937	1,509	733	989	1,839	1,103	2,063
Myanmar	6,501	6,972	10,196	24,969	15,100	12,286	13,475	15,232	18,699	20,440
Cambodia	2,499	2,923	3,773	3,758	4,430	4,761	5,791	7,384	9,426	10,351
Indonesia	60,555	66,234	68,355	63,545	54,228	53,540	63,332	77,341	79,763	84,911
Laos	1,301	1,721	2,733	3,617	2,773	2,347	3,024	3,472	3,919	3,850
Malaysia	90,023	94,832	106,083	102,006	97,258	86,941	96,138	108,581	124,052	141,964
Philippines	32,247	36,375	38,050	44,458	45,636	47,239	51,305	55,648	60,963	66,193
Singapore	63,710	69,273	75,896	79,740	79,523	70,526	79,269	82,764	90,036	96,546
Thailand	64,734	69,751	71,241	72,621	75,460	75,727	80,138	87,508	91,746	106,930
Vietnam	40,208	50,439	65,478	83,636	95,849	98,276	121,992	147,833	161,986	207,869
Total	363,089	400,146	443,598	480,286	471,766	452,376	515,453	587,604	641,693	741,118

Unit: \$1 million

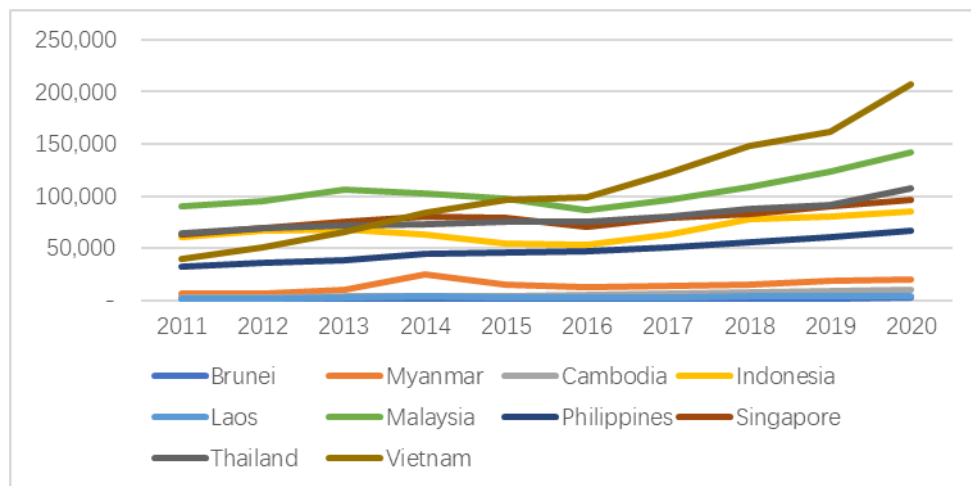


Unit: \$1 million

Figure 1 Total imports and exports between China and 10 ASEAN countries from 2011 to 2020

Source: Total Value of Imports and Exports of China and Asian Countries (Regions) by the National Bureau of Statistics of China

2.2 Structure of import and export trade



Unit: \$1 million

Figure 2 Changes in total trade between China and the 10 ASEAN countries from 2011 to 2020

Source: Total Value of Imports and Exports of China and Asian Countries (Regions) by the National Bureau of Statistics of China

Table 1 shows that total trade between China and Cambodia has increased by 6.2 times in the past decade, ranking first in total trade growth. It is followed by total trade with Vietnam, which increased 5.9 times, and ranked first after surpassing Malaysia in 2015 (in Figure 2). China's import and export trade with Myanmar declined rapidly after a surge in 2014 and continued to grow at a steady and low rate. China's trade with Malaysia, Indonesia, Singapore, Brunei, Myanmar and Laos all declined in 2016, but then it rebounded quickly and continued to grow rapidly.

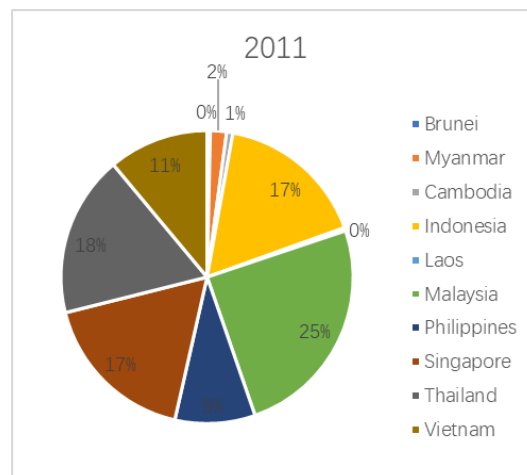


Figure 3 The proportion of import and export trade between 10 ASEAN countries and China in 2011

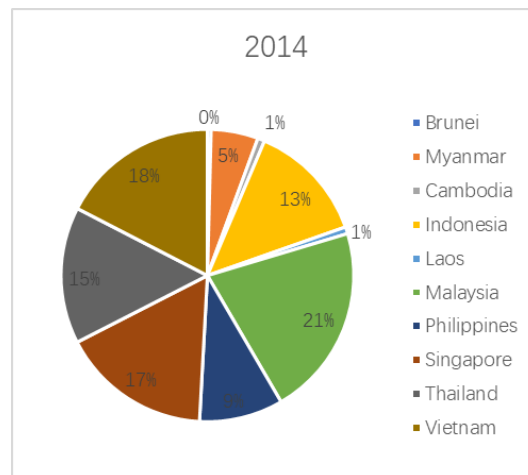


Figure 4 The proportion of import and export trade between 10 ASEAN countries and China in 2014

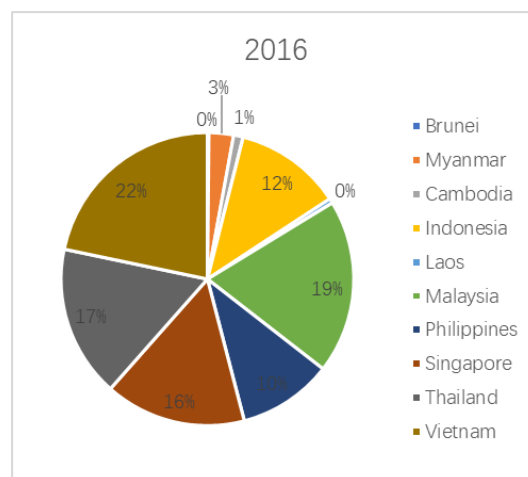


Figure 5 The proportion of import and export trade between 10 ASEAN countries and China in 2016

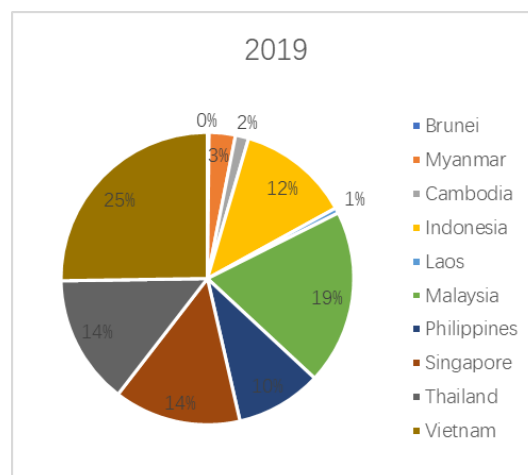


Figure 6 The proportion of import and export trade between 10 ASEAN countries and China in 2019

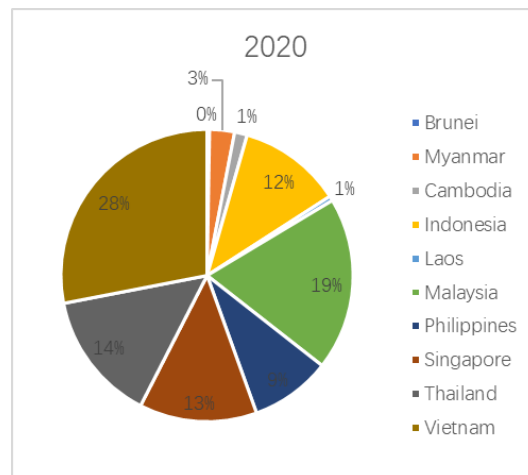
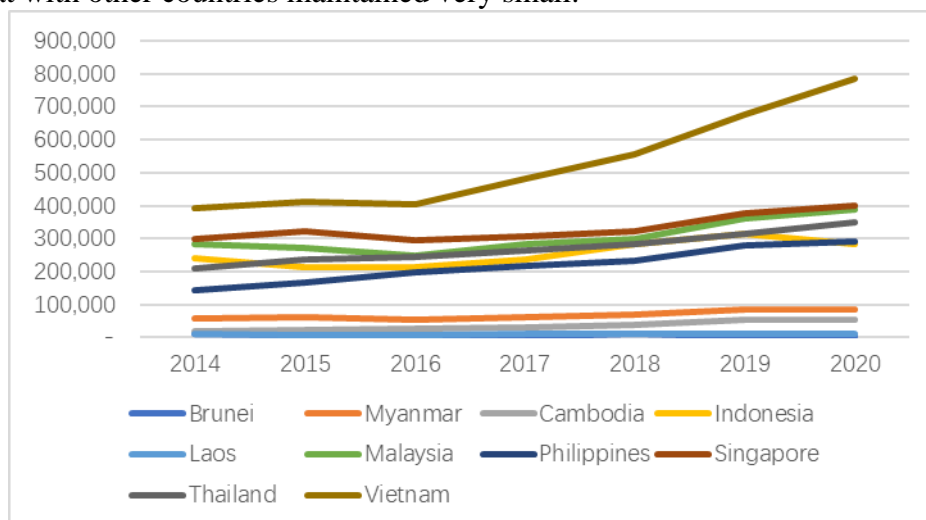


Figure 7 The proportion of import and export trade between 10 ASEAN countries and China in 2020

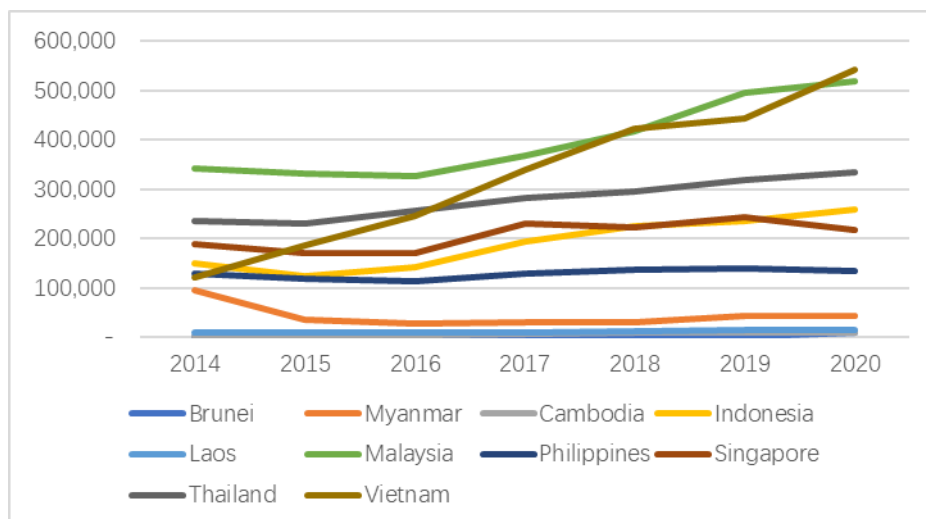
Source: Total Value of Imports and Exports of China and Asian Countries (Regions) by the National Bureau of Statistics of China

According to the total value of imports and exports between China and ASEAN countries in the past decade, China's total trade value with Vietnam, Malaysia, Thailand, Singapore, Indonesia is relatively large, while that with Brunei, Laos, Cambodia and other countries is relatively small. Figure 3 - Figure 7 show the share of the 10 ASEAN countries' import and export trade with China in 2011, 2014, 2016, 2019 and 2020. It is showed that the proportion of China's trade with Vietnam continued to grow. Meanwhile, there was a slight decline in the percentage of trade value with Malaysia, Singapore and Thailand. The share of trade with the Philippines remained almost the same, and that with other countries maintained very small.



Unit: ¥1 million

Figure 8 Total value of exports of China to 10 ASEAN countries from 2014 to 2020



Unit: ¥1 million

Figure 9 Total value of imports of China from 10 ASEAN countries from 2014 to 2020

Source: Monthly Report on Customs Statistics of the General Administration of Customs of the People's Republic of China

Figure 8 and Figure 9 are respectively the total value of exports and imports between China and the 10 ASEAN countries from 2014 to 2020. As can be seen from the two figures, the total value of goods exported to the 10 ASEAN countries has increased year by year, of which Vietnam has the highest and fastest growth in total exports. The total value of imports from ASEAN 10 countries has fluctuated relatively greatly, with that of Myanmar declining and most countries increasing. Vietnam is now ranked first by rising rapidly and surpassing many other countries. In addition, the total value and growth rate of China's exports to ASEAN countries are much higher than the total value of goods imported from ASEAN countries, the import and export trade as a whole presents a trade surplus with a growing trend.

2.3 Commodity constitution of import and export trade

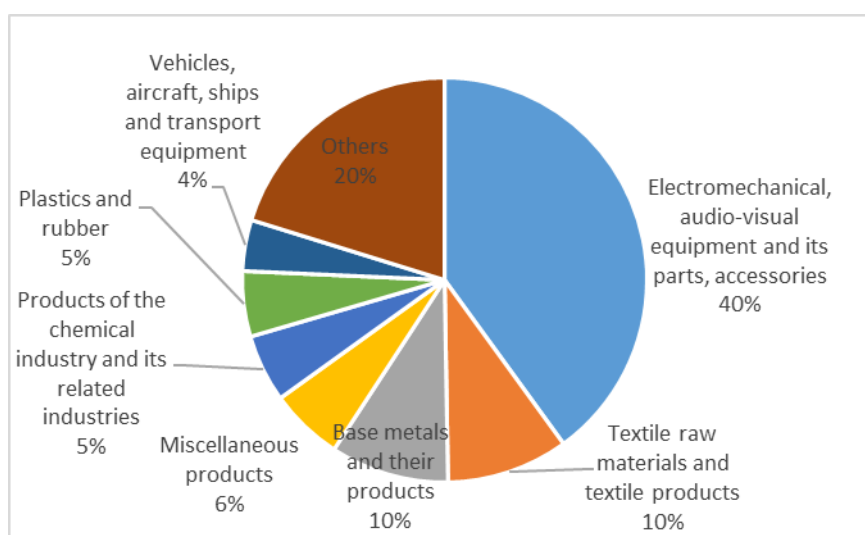


Figure 10 Percentage of China's major exports to some ASEAN countries in 2020

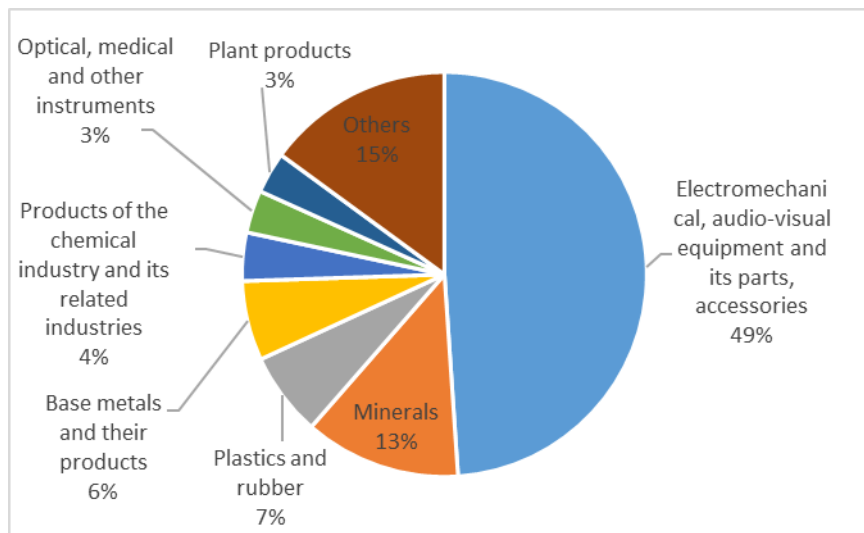


Figure 11 Percentage of China's major imports from some ASEAN countries in 2020

Source: Monthly Report on Customs Statistics of the General Administration of Customs of the People's Republic of China

Figure 10 and Figure 11 show the proportion of major exports and imports of China's trade with Myanmar, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam, respectively. The import and export trade commodities of China and ASEAN countries mainly contain 22 categories, involving electromechanical equipment, minerals, textiles, metals, chemical industry, plastics, transportation and other key industries. The proportion of goods exported and imported varies greatly from industry to industry. Among them, electromechanical, audio-visual equipment and its parts, accessories trade value accounts for the largest proportion in the export imports, which is the most important industries among China's trade with ASEAN countries [4]. Of the types of goods China exports to some ASEAN countries, the second largest value is in textile raw materials and textile products and base metals and their products. While among the types of goods China imports from some ASEAN countries, the second largest value is in minerals. This is mainly due to the low level of economy, cheap and large labour force of ASEAN countries. It also shows that ASEAN countries are rich in mineral resources, providing one of the important channels for China to obtain mineral products. In addition, active trade in goods such as plastics and rubber, products of the chemical industry and its related industries is also an important factor in promoting the growth of China's trade with some ASEAN countries.

3. Obstacles of trade cooperation between China and 10 ASEAN countries

3.1 Imbalance of country structure of trade and concentration of the market

As can be seen from Figure 3 to Figure 7, China's import and export trade with the 10 ASEAN countries is mainly concentrated on Vietnam, Malaysia, Singapore, Thailand, Indonesia, Vietnam and Malaysia. Vietnam and Malaysia account for a particularly large share of market trade, the economies of them are also more developed. The share of import and export trade of Laos, Cambodia and other countries is relatively small among the 10 ASEAN countries, which have comparatively low levels of economic development. According to the research of Qian and others (2020) [5], Hainan's trade relations with Vietnam, Malaysia, Indonesia, etc. are close, and the trade relations with the Philippines, Singapore, Thailand, Brunei, etc. have changed from estrangement to close, and the trade relations with Myanmar, Cambodia, Laos and other countries have become increasingly distant. It can be inferred that, despite the rising total import and export trade between China and ASEAN countries, the market is increasingly concentrated in Vietnam, Malaysia, Indonesia and other countries with large trade value and has a shrinking trend in countries with small trade value. The trend of market concentration can easily lead to higher risk level. If China's

trade with these countries is disturbed and hindered by the external market, it would cause serious damage to China's import and export trade with the 10 ASEAN countries. In general, China's import and export trade market in the 10 ASEAN countries is relatively narrowed, mainly concentrated in trade with individual countries, the market structure is relatively single, and the ability to resist risks is weak.

3.2 Imbalance of commodity structure of trade and hidden dangers in development

The import and export trade value between China and the 10 ASEAN countries differs greatly in the types of commodities. The uneven distribution of resources and the development of technology level in ASEAN countries will also affect the types of trade commodities and the difference in trade volume. According to Figure 10 and Figure 11, the types of commodities of trade is generally concentrated on electromechanical, audio-visual equipment and its parts, accessories. Figure 12 and Figure 13 represent the share of import and export trade related to these commodities in some ASEAN countries. Vietnam has become an important trading partner for China with its largest share of trade in electromechanical products. Vietnam has a large labour force, relatively high level of technology and low labour, so a large number of electromechanical parts assembly work is carried out in Vietnam [6].

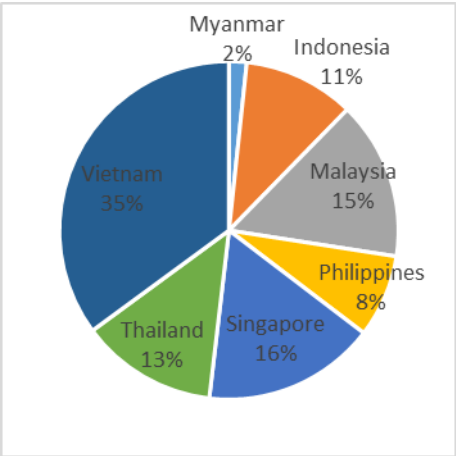


Figure 12 Proportion of electromechanical goods exporting to some ASEAN countries in 2020

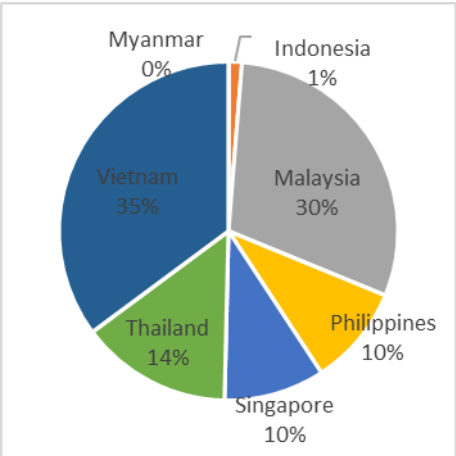


Figure 13 Proportion of electromechanical goods importing from some ASEAN countries in 2020

Among China's main exports to ASEAN countries, textile products and base metals products also account for a large proportion. The exports of such commodities are concentrated in countries with lower labour costs in the downstream industrial chain, such as Vietnam and Indonesia. Moreover, the exports of these goods to ASEAN countries are much larger than its imports. China has long been in a trade surplus situation, which is prone to cause trade frictions and conflicts. Meanwhile, China-U.S. trade frictions have escalated. Considering attraction of preferential

investment tax policies in ASEAN countries [7], ASEAN have become the region with the highest concentration of overseas investment by Chinese textile enterprises. China's textile industry's main exports to ASEAN countries have also changed from textile products to textile raw materials [8].

Mineral products play an important role in the main imports of China from ASEAN countries. Due to the uneven distribution of mineral resources in ASEAN countries and the relatively weak base of heavy industry, ASEAN countries have limited metal smelting capacity, so their economic development is hindered, China's industrial development is relatively mature, so a large number of mineral products imported into the Chinese market for reprocessing and production. Agricultural imports are mainly concentrated in Thailand, Indonesia, China, Myanmar, Cambodia and other countries who are rich in natural resources but with relatively backward agricultural development [9].

In conclusion, China's trade product structure with the 10 ASEAN countries is unbalanced. China is in a superior position, with more export products with lower added value, imports of industrial raw materials and other natural resources. The risk of potential trade friction behind such a situation can easily trigger trade conflicts.

3.3 Great differences in the internal environment of ASEAN countries

The 10 ASEAN countries have different business environment and different bases for their domestic economic development. Singapore and Brunei have comparatively advanced economic development, while Cambodia, Laos and Myanmar have low levels of development. According to Zhang (2017) [10], Singapore's business environment has topped the list for the 10th consecutive year, and its effective government regulation provides favourable support. It was followed by Malaysia and Thailand. However, Myanmar had the lowest overall business environment score. Singapore is an ideal region for private sector trade and investment, with the best business environment. Both the Governments of Malaysia and Thailand have created a great environment for start-ups of enterprises and cross-border trade. Myanmar, as an ideal place for labour-intensive industrial to transfer, needs to improve its business environment significantly.

Furthermore, several ASEAN countries are politically unstable. Social situation in most ASEAN countries is stable with small political changes, but the political situation in the Philippines, Indonesia, etc. is in danger. Thailand has been unstable for a long time. Potential crises in the political situation within these ASEAN countries could have a negative impact on trade development. China and ASEAN countries have great differences in political system, economic development, trade liberalization. Disagreements among countries, coupled with the closure measures, have been obstacles in the import and export trade between China and the 10 ASEAN countries [11]. In addition, the attitude of ASEAN countries towards the South China Sea issue also influences China's trade with ASEAN to some extent.

3.4 Impacts of Covid-19 on the import and export trade development

As a result of the impact of Covid-19, with the high dependence of ASEAN countries on the external environment for economic and trade development, many industries in the 10 ASEAN countries have been severely damaged, especially small and medium-sized enterprises due to their weak ability to resist risks. Because of the pandemic, the growth of China's import and export trade with the 10 ASEAN countries has slowed. Therefore, foreign trade investment stagnated briefly. Today, many ASEAN countries' industries are still shut down. At the same time, the development of external trade of ASEAN countries is backward. Lack of perfect laws, regulations and protection system, the informal economy in these countries prevails. Many informal low-cost workers do not have access to social security benefits, and their incomes have been cut down sharply or even been laid off. Many countries adopted different closed isolation policies during this time, which hindered the transportation of goods and further affected the import and export trade between China and ASEAN countries.

4. Policy recommendations

4.1 Adhere to the "Belt and Road" policy and strengthen infrastructure construction

Infrastructure construction is the basic guarantee for the development of import and export trade. Both China and the 10 ASEAN countries should improve the construction of transportation industries such as aviation, railways and ports, and enhance the energy supply capacity of equipment such as generators, in order to build more convenient and efficient channels for foreign trade investment. On the basis of taking the level of economic development and the potential profits of investment in consideration [12], we should improve the multilateral cooperation mechanism, make use of the Foundation Co-construction Fund, and guide the Asian Infrastructure Investment Bank to play an important role in jointly building and consolidating infrastructure connectivity. China is supposed to try to help ASEAN countries develop their economies. Only if ASEAN countries are committed to elevating their economic development can they fundamentally solve the problem of imbalances of trade countries and trade structure.

4.2 Deepen trade cooperation to achieve mutual benefit and win-win situation

In terms of trade difficulties of ASEAN countries due to internal politics and external environment factors, China should strengthen political mutual trust and consolidate friendly relations with ASEAN countries. On the one hand, China is supposed to fully consider the diversification of the trade potential and industrial structure characteristics of ASEAN countries [13], and adopt different ways of cooperation to realize complementary advantages and promote bilateral trade development in a more targeted manner. On the other hand, China needs to encourage the transformation and upgrading of key trade industries and actively improve its economic structure. We should also strengthen cooperation with complementary industries in ASEAN countries to attract high-quality external industrial cooperation with a favourable domestic market environment and policy support. Enterprises should adopt a relatively conservative strategy on outbound investment, taking into account the instability and potential risks in the ASEAN market, and avoid concentrating on a few national industries to reduce risks by diversifying their capital investment as much as possible [14].

4.3 Promote people communication and familiarity with each other

Trade between China and the 10 ASEAN countries is unstable, in part because of poor communication between the people which deepens barriers to familiarity and misperceptions about each other. Efforts should be made to enhance people-to-people exchanges, deepen cross-cultural communication, promote mutual understanding and acceptance of each other's cultures, and deepen cultural integration, tolerance and openness. This is conducive to eliminating unnecessary misunderstandings, helping to reduce trade barriers. It is of significance to understand the true feelings of the two sides and strengthen friendly exchanges between the people, so that the people can work together for bilateral economic and trade exchanges. Only when people understand each other better can we truly achieve mutual benefit, ensuring stable and prosperous development of trade exchanges.

4.4 Increase market openness and jointly meet the post-epidemic era

In the face of the post-epidemic era, the epidemic has become the normal phenomenon of the global development background. Consequently, we should actively promote the rational allocation and optimization of global resources as well as strengthen the freedom and openness of world markets. We should improve the e-commerce market of China and the 10 ASEAN countries, advocate digital transformation, and accelerate the construction of e-commerce market logistics and distribution platform. Under the global pandemic environment, the development of online import and export trade is quite important, thus constantly opening markets from the traditional offline trade to e-commerce cooperation of the digital era. In this way, the smooth supply chain could be ensured. China and ASEAN countries should jointly respond to the new crown epidemic in an active way for the purpose of transforming challenges into new opportunities.

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