

## China-ASEAN Trade Boost

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China has been actively in the news the past few months in particular finding itself in the mix when ASEAN Ministers failed for the first time to issue the customary joint statement with regards to the South China Sea Disputes. It now, finds itself embroiled in a dispute with Japan over the uninhabited islets Diaoyu islands in China (Japan calls Senkaku) which is said to hold rich natural gas reserves. Yet, with all these escalating disputes, China's trade relationship with ASEAN has not rifted though its effects will linger as there is no resolve in sight.

In 2010, the China-ASEAN free trade zone was formed and since then as a grouping, trade recorded reached USD 363 billion in 2011 and has continued upward making ASEAN China's 3<sup>rd</sup> largest trade partner for now. The said FTA is the world's largest FTA for developing countries and has since reduced tariffs by 50 billion yuan. Yet in a recent speech at the opening of the 9<sup>th</sup> China-ASEAN Business and Investment Summit and 2012 Forum on China-ASEAN Free Trade Area, China's Vice President Xi Jinping said '*We hope that the two sides will continue to implement the various FTA agreements, further improve on trade and investment liberalization and facilitation, and optimize the mix of import and export commodities, so as to meet, as scheduled, the trade volume target of 500 billion U.S. dollars by 2015.*'

To add, China has pumped in foreign direct investment of USD 10 billion to ASEAN countries in 2011 alone doubling the amount since 2008. The zero-tariff arrangement had provided such preferential terms for 90% of trade goods between China and ASEAN for about 7000 items.

The Guangxi Zhuang Autonomous Region is seen as the most convenient gateway to the Pan-Pearl River Delta and the ASEAN region (Diagram 1) which will connect regional markets of South China, Southwest China and ASEAN. Building on this potential, China South City Nanning was built to incorporate the CHINA-ASEAN plaza with a total G.F.A of 4.88 million sqm which provides integrated facilities for logistics, storage, exhibition and trade of industrial materials and products information services, business offices and even housing. This is in the hopes that Nanning will become a modern business and logistics centre and a base for high-end production and service industries. To add, besides the preferential terms, the government provides on-site services including customs, inspection and quarantine, taxation, bonded warehouse and supervised warehouse for all overseas businesses and an annual promotion budget of RMB100 million.

Such promotions such as trade fairs in particular the China-ASEAN Expo (CAEXPO) have definitely aided in exchanges not just in trade but through people to people exchange creating the China-ASEAN Think Tank Strategic Dialogues and the China-ASEAN Cultural Industry Forum. This year's theme at the 9<sup>th</sup> CAEXPO Science and Technology Cooperation has also meant that senior officials from ministries of science and technology both from China and ASEAN are meeting to explore the possibilities in areas of technology transfer.

At this year's CAEXPO, goods varied from building material to jewellery, electronics and food displayed in over 1500 booths. Divided by countries, the floor space for each country boasted the size of multiple football fields. According to China Daily, the bustling fair reflects customs data showing 7.7% increase in China-ASEAN trade in the first eight months of the year. Although it was lower than the annual rate of more than 10% seen in past years, it outpaced China's combined foreign trade growth of 6.2% in the same period and stood in stark contrast with China's contracting trade with the EU and the US.

With ASEAN countries headed towards industrialisation, creating labour intensive industries, China finds itself with a growing domestic consumption moving towards a consumer-based society and having to cope with an aging population. By 2020, 11.92% of the population will be 65 years or older according to China's 6<sup>th</sup> National Census in 2011. Yet, Ho Chi-ping the former home affairs secretary of the HKSAR government, feels that though China's factories face a growing labour shortage, ASEAN still has a relatively young workforce and this can be play a complementary role instead of a contradicting role.

As China's regional economic integration continues to expand with Hong Kong recently applying for participation in the FTA, ASEAN however is hoping to include its 5 bilateral partners Australia, New Zealand, India, Japan and the Republic of Korea into the mix to form the world's largest FTA. As the China South City Nanning video states 'A starting point can influence the whole world' – clearly this is where China sees its role not just as a starting point but influencing the world. China is serious about ASEAN. In a recent posting on the China Briefing titled 'Why ASEAN Matters For your China Business', the Chinese government has even set up a China-ASEAN trade office to assist with Chinese trade.

The question remains however, with such dependency on trade with China, how will this influence negotiations of ongoing disputes with ASEAN? Can ASEAN resolve matters amicably and fairly working towards building a strong community or will trade priorities affect ASEAN's unity and put it in a bind?



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Source:

Agreement Rise between China, Asean Nations [http://www.chinadaily.com.cn/business/2012-09/24/content\\_15778956.htm](http://www.chinadaily.com.cn/business/2012-09/24/content_15778956.htm)

China-ASEAN regionalization: An irreversible healthy trend [http://www.chinadaily.com.cn/hkedition/2012-09/27/content\\_15785869.htm](http://www.chinadaily.com.cn/hkedition/2012-09/27/content_15785869.htm)

China, ASEAN should work to improve on FTA Development <http://www.bernama.com/bernama/v6/newsworld.php?id=696230>

Why ASEAN Matters for your China Business <http://www.china-briefing.com/news/2012/05/22/why-asean-matters-for-your-china-business.html>

China South City Nanning <http://www.china-aseanplaza.com>