

CAFTA: China-ASEAN Free Trade Area, Implications on Trade and Development

Mohammad Maruf Hasan

School of Economics, Northeast Normal University, Changchun, Jilin, PR China
 maruf@nenu.edu.cn

Jiang Hai Cheng

School of Economics, Northeast Normal University, Changchun, Jilin, PR China
 jianghc975@nenu.edu.cn

Li Xuan

School of Economics, Northeast Normal University, Changchun, Jilin, PR China
 Corresponding author: lix199@nenu.edu.cn

The research is financed by Asian Development Bank. No. 2006-A171(Sponsoring information)

Abstract

Until 2013, Association of southeast Asian nations (ASEAN) is China's third largest trading partner globally and the largest trading partner among all developing countries as well as Asian countries, while China is ASEAN's first trading partner. Since 1990s China and ASEAN become progressively closer in bilateral trade. With the exception of 2009, due to world economic crisis, bilateral trade amount has been increasing frequently, remarkably, after 2010, when the China-ASEAN Free Trade Area (CAFTA) established. This paper analyzed the effect of current regional scenario and trade relations between China-ASEAN and proposed the countermeasures for improving further development.

Keywords: China, Association of Southeast Asian Nations (ASEAN), China-ASEAN Free Trade Area (CAFTA)

1. Introduction

The Association of Southeast Asian Nations (ASEAN) is basically economic organization of ten countries located in Southeast Asia, formed on 8th August 1967 primarily by Indonesia, Malaysia, Singapore, Thailand and Philippines, membership which expanded to include Brunei Darussalam in 1984, Vietnam in 1985, Laos and Myanmar in 1997 and Cambodia in 1999. The main purpose is, accelerating socio-economic growth, cultural evolution among its members, and also protection of peace throughout the region. ASEAN covers a land area of 4.435 square kilometer, which is almost 3% of the total land area of the planet, and has a population of about 616 million people, which is 9% of the total world population. The sea area of ASEAN is approximately three times larger than its land area. ASEAN became USD 1 trillion economy in 2006, but ASEAN passed the USD 2 trillion benchmark in 2011. By 2015, ASEAN will almost reach USD 3 trillion point and will be closer to USD 4 trillion in 2020.

Country	Total land Area(sq km)	Total population (thousand)	Gross Domestic Product (GDP)			
			At current prices		Per capita	
			(US\$Mn)	(PPP\$Mn)	(US\$)	(PPP\$)
Brunei Darussalam	5,769	14,741	14,411	37,083	978	2,516 +
Cambodia	181,035	14,741	14,411	37,083	978	2,516
Indonesia	1,860,360	244,776	878,223	1,216,868	3,588	4,971
Lao PDR	236,800	6,514	9,083	18,921	1,394	2,904
Malaysia	330,290	29,337	305,154	501,079	10,338	16,975
Myanmar	676,577	60,976	52,525	90,907	861	1,490
Philippines	300,000	97,691	250,543	423,925	2,565	4,339
Singapore	716	5,312	276,610	326,506	52,069	61,461
Thailand	513,120	67,912	366,127	652,598	5,391	9,609
Viet Nam	330,958	88,773	141,669	329,034	1,596	3,706
ASEAN	4,435,624	616,614	2,311,315	3,619,072	3,748	5,869

The historical links between Southeast Asia and China date back to centuries during which individual countries of Southeast Asia and China carried out trade, and cultural relations. Before the 1990s, there was no official

relationship between China and ASEAN, however China had official bilateral relations with individual ASEAN member states. Since 1980s, China strengthens its efforts to establish diplomatic relations with all the remaining ASEAN member states, which leads to official relationship with the ASEAN. During the past decades, the economic relationship between China and ASEAN becoming increasingly close and bilateral trade continues to boost up. In 2010, China-ASEAN Free Trade Area was established marking the development of China-ASEAN bilateral trade had seized a beneficial mark. Since January of 2010, China has reduced tariffs on more than 93 percent of the traded products to almost zero for ASEAN nations and promoted the China-ASEAN trade developed. At the tenth anniversary of the establishment of China-ASEAN strategic partnership in 2013, there still exist some barriers to overcome and deficiencies to point out in trade between China and ASEAN. Trade between China and ASEAN has proved resilient despite the ambivalent world economic recovery and growing protectionism. Trade rose 10.9 percent to 444 billion USD last year, exceeding the 7.6 percent increase in China's total foreign trade.

2. China-ASEAN trade statistics

2.1. Total Trade between China and major trade partners

In 2013, total value of imports and exports between China and ASEAN closed at USD 4160.308 billion which ranked first of China's value of imports and exports with major trade partners. In 2013, China's total value of imports and exports to ASEAN was USD 443.611 billion, which results in close trade relationship between China and ASEAN. Until 2013, ASEAN is China's third largest trading partner globally and the largest trading partner among all developing countries as well as Asian countries, while China is ASEAN's first trading partner. However, in contrast with EU and United States, China's trade relations with ASEAN are not as close as with EU and United States.

Table 2. China's Imports and Exports with Major Trade Partners, 2012-2013. (USD billion)

Country (Region)	2012			Country (Region)	2013		
	Total Value of Imports and Exports	Growth Rate (%)	Share (%)		Total Value of Imports and Exports	Growth Rate (%)	Share (%)
China	38,66.760	6.2	100.0	China	41,60.308	7.6	100
EU	5,46.043	-3.7	14.1	EU	5,59.040	2.1	13.4
United States	4,84.683	8.5	12.5	United States	5,21.020	7.4	12.5
ASEAN	4,00.093	10.3	10.3	ASEAN	4,43.611	10.9	10.7
Japan	3,41.487	20.5	8.8	Hong Kong, China	4,01.007	17.4	9.6
Hong Kong, China	3,29.451	-3.9	8.5	Japan	3,12.553	-5.1	7.5
Korea Rep.	2,56.329	4.4	6.7	Korea Rep.	2,74.248	7.0	6.6

Source: Department of Asian Affairs of Ministry of Commerce of the People's Republic of China

For import and export, from 2000 to 2008 China's trade value to ASEAN increased year by year, upped from USD 22.181 to 116.974 for import and USD 17.341 billion to USD 114.142 billion for export. From 2002, the trade value increased rapidly, up 28.3% than the previous year. In 2009, global financial crisis reduce the total import and exports to -8.8% and -6.9% simultaneously. In 2010, by the establishment of ASEAN-China Free Trade Area (ACFTA) China's trade volume to ASEAN boost to USD 154.569 and 138.207 billion for import and export with an increase of 44.8 and 30.1 percent. This trend increase sharply from 2010 to 2013, total trade increased to USD 199.541 for import and USD 204.272 billion for export, however, in 2013, the growth rate was crept down annually, especially in import it reduces a lot. It seems that ASEAN is increasingly becoming an important exporter of China. Especially in 2003, value of imports attained a record high with USD 47.327 billion. In 2004, the growth rate declined, however from 2005 to 2007, the growth rate accelerated annually. Since January 2010, zero tariffs applied on more than 93 percent of products traded between China and ASEAN. However starting from 2011, the import growth rate reduces gradually, remarkably in 2013, representing growth rate of only 1.9 %.

Table 3. Commodities Trade between China and ASEAN, 2000-2013. (USD billion)

Country	Exports value	Share of China's Exports value (%)	Export growth Rate (%)	Imports value	Share of China's Imports value (%)	Import growth Rate (%)
2000	17.341	7.0	---	22.181	9.9	---
2001	18.385	6.9	6.0	23.229	10.3	4.7
2002	23.569	7.2	28.30	31.198	10.6	34.40
2003	30.925	7.1	31.2	47.327	11.5	51.7
2004	42.902	7.2	38.7	62.978	11.2	33.1
2005	55.371	7.3	29.1	74.999	11.4	19.1
2006	71.314	7.4	28.79	89.526	11.3	19.37
2007	94.139	7.7	32.0	108.369	11.3	21.0
2008	114.142	8.0	20.9	116.974	10.3	7.9
2009	106.297	8.8	-6.9	106.714	10.6	-8.8
2010	138.207	8.8	30.1	154.569	11.1	44.8
2011	170.083	9.0	23.1	192.771	11.1	24.7
2012	204.272	10.0	20.1	195.821	10.8	1.6
2013	244.070	11.0	19.48	199.541	10.2	1.9

Source: Department of Asian Affairs of Ministry of Commerce of the People's Republic of China

2.2. Commodities Trade between China-ASEAN

As the export volume for China-ASEAN, in 2013, China's total exports to the six ASEAN members, Singapore, Malaysia, Indonesia, Vietnam, Thailand and Philippines amounted to USD 193.701 billion, accounting for 94.82 % of total export volume. There was a big increase compared with 2011, especially China's exports to Malaysia, upped 31 % over the previous year. In contrast, China's total exports to Myanmar, Cambodia, Brunei and Laos was less, therein China's exports to Brunei and Laos, accounting respectively for less than 1 %.

But compared with 2011, the exports to Brunei and Laos upped 68.2% and 96.8% over the previous year, showing significant growth. Although the volume of exports is low, the economic cooperation is becoming increasingly close between Brunei, Laos and other agriculture-based nations. China's export trade to ASEAN is not only limited to old member states, Vietnam is the country joined ASEAN later, but in 2012, the total exports to Vietnam was USD 34.21 billion, upped 17.6% over the previous year, accounting for 16.75% of the total exports China to ASEAN, exceeding Thailand and Philippines ranked in fourth place. In 2012 the growth rate of China's export to Laos ranked in first among the ten countries, due to Laos holding the ninth Asia Europe Meeting, China CAMC Engineering Corp., LTD., China State Construction Engineering Corp. LTD. and other Chinese companies specifically provided a lot of projects contracts to guarantee the smooth conduct of the summit, these were the main reason for the rapid growth of the trade between China and Laos. For the 2012 China's imports from ASEAN was lower than exports. Import trade with Malaysia, Thailand, Myanmar, Laos and Brunei showed negative growth. Trade between China and Singapore, Malaysia, Indonesia, Vietnam, Thailand and Philippines accounted for 71.65% of China's total imports from ASEAN. By contrast, imports from Myanmar, Laos, Brunei, Cambodia, and Shikoku were lower than other six countries, accounting for 1.35%.

Table 4. Commodities Trade between China and ASEAN by Country, 2013. (USD billion)

Export Ranking	Country	Exports value	Share (%)	Growth Rate (%)	Import Ranking	Country	Imports value	Share (%)	Growth Rate (%)
1	Singapore	40.752	19.94	14.6	1	Malaysia	58.295	29.77	-6.2
2	Malaysia	36.518	17.88	31.0	2	Thailand	38.545	19.68	-1.3
3	Indonesia	34.289	16.79	17.4	3	Indonesia	31.930	16.31	1.9
4	Vietnam	34.210	16.75	17.6	4	Singapore	28.524	14.57	1.4
5	Thailand	31.200	15.27	21.4	5	Philippines	19.638	10.03	9.2
6	Philippines	16.732	8.19	17.4	6	Vietnam	16.229	8.29	46.0
7	Myanmar	5.673	2.78	17.7	7	Myanmar	1.298	0.66	-22.7
8	Cambodia	2.708	1.33	17.0	8	Laos	0.791	0.40	-4.1
9	Brunei	1.252	0.61	68.2	9	Brunei	0.355	0.18	-37.3
10	Laos	0.937	0.46	96.8	10	Cambodia	0.215	0.11	16.8

Source: Department of Asian Affairs of Ministry of Commerce of the People's Republic of China

China's imports and exports to ASEAN mainly concentrate on the six countries of Singapore, Malaysia,

Indonesia, Thailand, Philippines and Vietnam, therefore China should strengthen the economic cooperation with the six countries to ensure the trade development between China and ASEAN.

2.3. Total Trade by Product

In 2012, Malaysia, Thailand, Singapore and Indonesia are top four trading countries to China among ten ASEAN countries. From Table 5 to Table 8 show the composition of the top ten commodities that the four countries of Malaysia, Thailand, Singapore and Indonesia imported and exported to China in 2012. On the export side, among the commodities that the four countries exported to China, of which the similar are mechanical and electrical products, plastic and rubber, minerals, chemical products, base metals and products, and they were mainly agricultural products and materials products. Especially mechanical and electrical products, accounted for a large proportion of the commodities that four countries exported to China, ranked first among the commodities Malaysia and Singapore exported to China, and the second place of Thailand and the seventh place of Indonesia. China's great demand for minerals indicated that with rapid economic development the demand for resource products is increasing. For import, the four countries have the very similar commodity structure of imports from China, the top ten commodities are mainly mechanical and electrical products, chemical products, transport equipment, plastic and rubber, textiles and raw materials, furniture, toys and miscellaneous manufactured articles. In addition, the mechanical and electrical products, plastic and rubber, chemical products also occupied a very important position. By mechanical and electrical products as representatives of high-tech products, high-tech products accounted for a large proportion of these commodities that the four countries exported to China. However the labor-intensive products also accounted for a certain proportion. Malaysia, Thailand, Singapore imported optical, watches and medical devices from China, indicating there is an increasing demand for these emerging trade products, and the emerging trade products have very potential market prospects. Although Singapore is a developed country, still has the similar import and export commodity structure with other three countries. China and ASEAN should continue to strengthen the development of hi-tech products and constantly improve the export structure to get mutual benefits. Manufactured products trade accounted for a larger share of trade between China and ASEAN countries, mainly in the food and beverages and tobacco industry, textile industry, machinery and transport equipment and chemical industry. Due to the lower level of economy development of the six countries, their imports and exports to China mainly focus on agricultural products. Agricultural products trade between ASEAN and China has developed rapidly. These countries are in great demand for industrial products. Their import products from China are mainly electronics, refined oil, steel, textiles, etc.

Table 5. Merchandise Trade between China and Malaysia by Product, 2013. (USD million)

Rank	Items	Exports Value (2012)	Exports Value (2013)	Growth rate	Share (%)	Items	Imports Value (2012)	Imports Value (2013)	Growth rate	Share (%)
	Total Value	30,711	32,840		100.0	Total Value	29,762	33,740	13.4	100.0
1	Mechanical and Electrical Products	13,744	16,713	-19.8	43.6	Mechanical and Electrical Products	16,994	18,846	10.9	55.9
2	Minerals	3,121	3,853	23.5	12.6	Base Metals and Product	3,134	4,543	45.0	13.5
3	Plastics, Rubber	4,324	3,737	-13.6	12.2	Chemical Products	2,142	2,224	3.8	6.6
4	Animal and vegetable fats	3,561	3,021	-15.2	9.8	Plastics, Rubber	1,016	1,117	9.9	3.3
5	Base metals and products	1,023	2,339	128.6	7.6	Optical, watches, medical equipment	906	1,094	20.8	3.2
6	Chemical Products	2,393	2,056	16.4	7.8	Transportation Equipment	1,314	897	-31.8	2.7
7	Optical, watches, medical equipment	686	498	-27.4	1.6	Textiles and raw materials	821	887	8.0	2.6
8	Food and Beverages and Tobacco	329	414	25.8	1.4	Minerals	294	766	160.6	2.3
9	Wood and products	214	250	17.2	0.8	Plant products	642	733	14.3	2.2
10	Textiles and raw materials	276	224	-18.8	0.7	Furniture, toys, miscellaneous manufactured articles	539	601	11.6	1.8
11	Transportation Equipment	140	137	-2.2	0.5	Food, beverages, tobacco	423	424	0.2	1.3
12	Furniture, toys, miscellaneous manufactured articles	72	105	47.1	0.3	Ceramics; glass	371	407	9.8	1.2
13	Ceramics; glass	86	101	17.6	0.3	Cellulose pulp; paper	317	346	8.9	1.0
14	Cultural products	76	74	-3.1	0.2	Live animals; animal products	343	306	-10.8	0.9
15	Plant products	49	61	23.4	0.2	Cultural products	171	171	0.4	0.5
16	Other	114	106	-7.0	0.3	Other	335	377	12.5	1.1

Table 6. Merchandise Trade between China and Thailand by Product, 2013. (USD million)

Rank	Items	Exports Value (2012)	Exports Value (2013)	Growth rate	Share (%)	Items	Imports Value (2012)	Imports Value (2013)	Growth rate	Share (%)
	Total Value	26,730	26,826		100.0	Total Value	37,366	37,613		100.0
1	Plastics, Rubber	8,552	9,073	6.1	33.8	Mechanical and Electrical Products	19,620	18,956	-3.4	50.4
2	Mechanical and Electrical Products	7,468	5,717	-23.5	21.3	Base Metals and Products	5,048	4,921	-2.5	13.1
3	Chemical Products	3,142	3,413	8.6	12.7	Chemical Products	2,979	2,932	1.6	7.9
4	Plant Products	1,895	2,559	35.0	9.5	Plant Products	1,259	2,026	60.9	5.4
5	Minerals	1,846	2,380	28.9	8.9	Plastics, Rubber	1,648	1,692	2.7	4.5
6	Wood and Wood Products	948	1,087	14.7	4.1	Textiles and raw materials	1,683	1,657	-1.5	4.4
7	Textiles and raw materials	388	500	29.0	1.9	Optical, Watches and Medical Devices	983	954	-3.0	2.5
8	Optical, watches, medical equipment	414	431	4.3	1.6	Plant Products	711	757	6.5	2.0
9	Base metals and products	493	401	-18.6	1.5	Furniture and Toys and Miscellaneous Products	668	757	13.4	2.0
10	Food, beverages, tobacco	688	390	-43.4	1.5	Ceramics and Glass	596	685	15.0	1.8
11	Transportation Equipment	287	207	-28.0	0.8	Food, beverages, tobacco	410	387	-5.5	1.0
12	Live animals; animal products	135	152	12.3	0.6	Precious metals and products	450	365	-18.8	1.0
13	Cellulose pulp; paper	100	127	27.0	0.5	Cellulose pulp; paper	322	346	7.5	0.9
14	Leather products; bags	111	118	6.1	0.4	Leather products; bags	256	256	0.1	0.7
15	Furniture and Toys and Miscellaneous Products	66	74	12.5	0.3	animals; animal products	206	247	19.6	0.7
16	Other	197	197	-0.1	0.7	Other	575	628	9.1	1.7

Table 7. Commodities Trade between China and Singapore by Product, 2013. (USD million)

Rank	Items	Exports Value (2012)	Exports Value (2013)	Growth rate	Share (%)	Items	Imports Value (2012)	Imports Value (2013)	Growth rate	Share (%)
	Total Value	43,974	48,365	10.0	100.0	Total Value	39,211	43,692	11.4	100.0
1	Mechanical and Electrical Products	23,502	26,682	13.5	55.2	Mechanical and Electrical Products	24,160	26,725	10.6	61.2
2	Minerals	6,754	5,605	-17.0	11.6	Minerals	2,607	4,229	62.2	9.7
3	Plastics, Rubber	4,150	4,732	14.0	9.8	Base metals and products	3,280	3,689	12.5	8.4
4	Chemical Products	4,214	4,674	10.9	9.7	Chemical Products	1,471	1,552	5.4	3.6
5	Optical, watches, medical equipment	1,518	2,190	44.3	4.5	Optical, watches, medical equipment	1,012	1,067	5.4	2.4
6	Base metals and products	1,085	1,019	-6.1	2.1	Textiles and Raw Materials	1,062	1,057	-0.5	2.4
7	Transportation Equipment	810	894	10.3	1.9	Furniture, toys, miscellaneous manufactured articles	921	904	-1.9	2.1
8	Food and Beverages and Tobacco	796	793	-0.3	1.6	Transportation Equipment Products	1,178	763	-35.2	1.8
9	Precious metals and products	68	186	173.7	0.4	Plastics, Rubber	749	748	-0.2	1.7
10	Cellulose pulp; paper	156		-15.0	0.3	Food, beverages, tobacco	484	517	6.7	1.2
11	Textiles and raw materials	62	79	28.8	0.2	Ceramics; glass	368	385	4.5	0.9
12	animals; animal products	22	57	164.2	0.1	Precious metals and products	260	371	42.4	0.9
13	Ceramics; glass	19	46	137.7	0.1	Plant products	323	355	9.7	0.8
14	Furniture, toys, miscellaneous manufactured articles	36	43	19.7	0.1	Leather products; bags	302	301	-0.2	0.7
15	Leather products; bags	6	18	181.5	0.0	Footwear, umbrellas and other light industrial products	264	280	6.0	0.6
16	Other	777	1212	56.0	2.5	Other	768	752	-2.1	1.7

Table 7. Merchandise Trade between China and Indonesia by Product, 2013. (USD million)

Rank	Items	Exports Value (2012)	Exports Value (2013)	Growth rate	Share (%)	Items	Imports Value (2012)	Imports Value (2013)	Growth rate	Share (%)
	Total Value	21,660	22,601	4.4	100.0	Total Value	29,387	29,849	1.6	100.0
1	Minerals	10,562	11,930	13.0	48.8	Mechanical and Electrical Products	13,647	13,966	2.3	46.4
2	Animals and Vegetable Oils and Fats and Waxes-	3,602	2,483	-31.1	16.6	Base metals and products	3,451	3,496	1.3	11.7
3	Plastics, Rubber	2,048	1,915	-6.5	9.5	Chemical Products	3,159	3,136	-0.7	10.5
4	Chemical Products	1,521	1,681	10.5	7.1	Textiles and raw materials	2,398	2,541	6.0	8.5
5	Cellulose pulp; paper	993	1,201	21.0	4.6	Plastics, Rubber	1,072	1,242	15.8	4.2
6	Wood and Wood Products	554	711	28.5	2.6	Transportation Equipment	1,104	1,063	-3.7	3.6
7	Textiles and raw materials	448	573	27.9	2.5	Plant products	833	858	3.0	2.9
8	Mechanical and Electrical Products	539	519	-3.7	2.1	Furniture, toys, miscellaneous manufactured articles	650	692	6.5	2.3
9	Base metals and products	442	463	4.8	2.0	Food, beverages, tobacco	612	609	-0.6	2.0
10	Live Animals and Animal Products	196	283	44.5	0.9	Ceramics; glass	572	463	-19.1	1.6
11	Plant products	183	228	24.5	0.9	Minerals	601	438	-27.2	1.5
12	Food, beverages, tobacco	193	222	15.4	0.9	Optical, watches, medical equipment	432	428	-0.9	1.4
13	Footwear, umbrellas and other light industrial products	128	146	14.7	0.6	Footwear, umbrellas and other light industrial products	236	258	9.7	0.9
14	Optical, watches, medical equipment	60	78	29.7	0.4	Cellulose pulp; paper	213	245	14.9	0.8
15	Transportation Equipment	82	53	-35.7	0.2	Leather products; bags	172	176	2.1	0.6
16	Other	111	116	4.5	0.5	Other	233	237	1.7	0.8

2.4. Foreign Direct Investment

China and ASEAN In 2010 China's utilization of FDI amounted to USD 105.73235 billion of which foreign direct investment from ASEAN countries amounted to USD 6.32368 billion, accounting for about 6.0%. For the total direct investment from ASEAN into China of which Singapore ranked in first with USD 5.4282 billion, accounting for 86%, and Brunei came in second place. In 2011 China's utilization of FDI amounted to USD 116.00985 billion of which FDI from ASEAN amounted to USD 6.64650 billion, accounting for about 5.7%, decreased compared with 2010. Singapore still ranked first with amount of USD 6.09681 billion, FDI from Brunei into China declined and ranked in third place. However, Malaysian's FDI increased. Except for Brunei, FDI of Philippines, Indonesia, Laos and Vietnam's to China all had the decline trend. In contrast, both of FDI from Thailand and Myanmar into China increased. In 2010, China's outward FDI flows into ASEAN countries was USD 4.405 billion, accounting for 9.8% of outward FDI flows into Asia, and outward FDI stock was USD 14.35 billion, accounting for 6.3% of outward FDI stock into Asian region. In 2011, China's investment flows into ASEAN countries amounted to USD 5.905 billion with an increase of 34.1%, accounting for 13% of investment flows in Asia, and outward FDI stock was USD 21.462 billion, accounting for 7.1% of total outward FDI stock in Asia, Until the end of 2011, China has established more than 2,400 FDI enterprises in ASEAN, hired 117500 local employees. Compared with 2010, China's FDI into ASEAN had an upward trend in 2011.

Table 8. ASEAN' FDI in China, 2010-2012. (USD 10,000)

Country (Region)	2010		2011		2012	
	Actually used FDI	Share (%)	Actually used FDI	Share (%)	Actually used FDI	Share (%)
Singapore	542,820	85.84	609,681	91.73	630,508	89.14
Brunei	30,956	4.90	25,582	3.85	15,109	2.14
Malaysia	29,433	4.65	35,828	5.39	31,751	4.49
Philippines	13,806	2.18	11,185	1.68	13,221	1.87
Indonesia	7,684	1.22	4,607	0.69	6,378	0.90
Thailand	5,134	0.81	10,120	1.52	7,772	1.10
Cambodia	1,035	0.16	1,737	0.26	1,660	0.23
Laos	945	0.15	588	0.09	200	0.03
Myanmar	352	0.06	1,021	0.15	384	0.05
Vietnam	203	0.03	129	0.02	316	0.04
Total	632,368	100.00	664,650	100.00	707299	100.00

From the perspective of direct investment flows, China's direct investment into Singapore ranked first among other ASEAN countries, and Brunei came in last place. Compared with 2010, China's outward foreign direct investment flows into Myanmar, Thailand, Vietnam and Malaysia declined in 2011. As for FDI stock, at the end of 2011, Singapore was in first place ASEAN countries, followed by Myanmar and Cambodia, and Brunei was at the bottom in the list. It can be seen the bilateral foreign direct investment was evolving constantly; Chinese enterprises invested in these countries mainly concentrate in manufacturing, power development, wholesale and retail trade, mining, construction industry and other industries. China should strengthen investment in high-tech industries, while China also needs to maintain development of investing to developing countries, so that to get complementary advantages, optimize their domestic industrial structure and improve the industrial technology and also promote the progress of the host country.

3. Proposition for Development and Escalating Trade

3.1. Development of Zero Tariff Policy

It is obvious that with the cooperation of China, ASEAN economy can be stabilized. By the establishment of CAFTA, in 2010, China-ASEAN trade increase extensively. Recently China's economy external dependence is growing, strengthening trade with ASEAN and escalating development of China-ASEAN Free Trade Area can help China become accustomed to economic globalization, enhancing the ability to endure economic risks and expand China's economic cooperation with Southeast Asian Nations. Since 2005, China-ASEAN implementing tariff reduction policy for almost 7000 commodities. From January 1st, 2010, more than 93 percent of products that China traded with ASEAN enjoy zero tariffs. These policies has lead to a lot of positive effects in China-ASEAN trade area, eventually, it makes the strengthening of bilateral trade between China and ASEAN. Furthermore, China and ASEAN should reinforce the implementation of zero tariff policy to all countries of ASEAN.

3.2. International Trade of China and Implications

China should adopt a new trade strategy of "winning by quality" by raising the export competitiveness of its products and improving the quality and efficiency of its trade. China should be put special focus on optimizing China's foreign trade structure, to have more high-quality, hi-tech products, high value-added products and home-developed products manufactured and exported to ASEAN. Optimizing the industrial structure will be helpful to China-ASEAN trade. China should develop technology-intensive and capital-intensive industries rather than labor-intensive industries. China should steadily phase out backward industries that compete with ASEAN and should enhance the cooperation with the different countries and regions with consensus to their economic and development structure and manufacturing level. China can make full use of technological expertise in intensifying cooperation of the expansion of the exploration mineral and biological resources, and other major areas to upgrade China's industrial structure. Mechanical and electrical products are the major commodities traded between China and ASEAN, which specify high-tech products account for a large fraction of China-ASEAN trade. Furthermore, both sides should continue to enhance the proportion of high value-added and hi-tech products in trade, it improve the technological content of exporting more high-quality, hi-tech products, high value-added products and home-developed products.

3.3. Improving the Investment Environment

With the recent developments in the Southeast Asian region, there is no doubt that Asia has already started to dominate in this century and China has been the catalyst for progress and prosperity in the region. In order to continue the region's growth momentum, China's focus is now on improving connectivity, a measure of strategic importance that will promote intra-regional economic integration and competitiveness. This will be a key factor determining the expansion of bilateral trade volumes for the coming years. Recently, China had enhanced its investment environment to attract foreign investors. Improving investment environment comprises the setup of efficient and transparent administrative system, the improvement of legal system to develop the foreign companies. At the same time, China and ASEAN countries should enhance infrastructure to endow with favorable conditions for foreign investment. Cultural exchanges are beneficial to attractive friendship and mutual understanding between the people of both sides and establishing harmony among relations. Therefore China and ASEAN countries should promote the friendly exchanges majorly in the fields of culture and education. Particularly in education and technology, the cultural exchange programmes between china and ASEAN could facilitate young people to contribute their part in the regional collaboration.

4. Conclusion

This paper analyses the development of trade between ASEAN and China on import and export flows focusing on the trade of major products. We used data for sixteen categories of goods including manufactured products, agricultural products, chemical products, machinery and transport equipment traded between China-ASEAN in 2013 with comparison to past years.

China is the largest trading partner of ASEAN and ASEAN has emerged as China's third largest partner, a major

investment destination and an important tourist destination. China and ASEAN are working on a free trade area, the biggest among developing countries, and plan raise trade volume to one trillion USD by 2020. Previous trade statistics shows that the most important factor in China-ASEAN relations is the peace and stability and the most important experience is to resolving differences through dialogue. The chaos in Vietnam has cost the country a lot, shattering investor confidence and causing unemployment.

From 2000 to 2013, China's trade with ASEAN had sustained gradual increase except in 2009 due to the impact of financial crisis. The total volume of trade amounted to USD 443.611 billion in 2013, of which exports reached to USD 244.070 billion, imports amounted to USD 199.541 billion. There are economic discrepancies within ASEAN, China-ASEAN trade is mainly concentrated in the five old ASEAN member countries and Vietnam. To China the old ASEAN member countries have the similar imports and exports commodity structure, for import, mechanical and electrical products and other hi-tech products occupy the main part. The new four ASEAN countries relatively are economically backward, exports to China are mainly agricultural and animal products, imports are mainly mechanical and electronic products. Recently, chaos in Vietnam has cost the country a lot, shattering investor confidence and causing unemployment with the expected reduction of trade values.

In 2012 ASEAN foreign direct investment into China amounted to USD 630.508 billion. In 2012, China's outward FDI flows into ASEAN countries were 6.211 billion USD, and Singapore stands in first place. In 2013, for the tenth anniversary of China-ASEAN develop strategic partnership, China should take full advantage of this opportunity to further comprehensively strengthen mutually beneficial cooperation with ASEAN, besides China needs to deepen and expand cooperation with neighboring countries. Practice will continue to prove that China's sustainable development and prosperity will bring the important opportunities to the neighboring countries including the ASEAN and even to the courtiers all over the world.

Acknowledgments

This paper is supported by the Humanities and Social Science Youth Fund Project of the Ministry of education of china. (中国教育部人文社会科学青年基金项目)“The Quality Assessment of Chinese OFDI to ASEAN” (《中国对东盟直接投资的质量评价及优化对策研究》) Project Number: 13YJC 790083.

References

- Qiu H., Yang J., Huang J., & Chen R. (2007). Impact of China–ASEAN Free Trade Area on China’s International Agricultural Trade and Its Regional Development. *China & World Economy*, 15, 77-90
- Park D., Innwon P., Esther B. G., & Estrada (2009). Prospects for ASEAN-China Free Trade Area: A Qualitative and Quantitative Analysis. *China & World Economy*, 17, 104-120
- Wong J, & Chan S., (2003). CHINA-ASEAN FREE TRADE AGREEMENTChina-Asean Free Trade Agreement: Shaping Future Economic Relations.*University of California Press.Asian Survey*, 43, 507-526
- Tongzon J. L. (2005). ASEAN-China Free Trade Area: A Bane or Boon for ASEAN Countries?.*Blackwell Publishing Ltd*

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

