

# Call for closer regional ties

Relationship between China and ASEAN is a model of cooperation that can help build a better world

By TANG MIN

As a champion of interdependence among countries and regions, as well as common interest and sustainable development, President Xi Jinping has proposed the concept of a community with a shared future for mankind, in order to promote common progress of the international community.

China is already in the process of establishing a community of shared future with the Association of Southeast Asian Nations (ASEAN). In fact, the China and ASEAN relationship has become a model of regional cooperation in the Asia-Pacific.

For both sides, 2018 is a very special year, not only because it is the 15th anniversary of the establishment of the China-ASEAN strategic partnership, but also because China and ASEAN are working on a visionary plan for cooperation up to 2030. The plan is expected to help build and consolidate a China-ASEAN community of shared future and promote common development.

But to do this requires tackling some obstacles.

First, various false theories regarding China, for instance, the "China threat" fallacy that views China's peaceful rise as a threat, pose a big challenge in some scenarios.

Second, the different levels of economic development of China and the ASEAN member states can make cooperation more complex and difficult. And the identical economic structures of the ASEAN states could lead to excessive competition among them.

Third, certain moves by developed countries including the United States could affect China-ASEAN cooperation. For instance, the China-US trade dispute could have a negative impact on China-ASEAN economic exchanges.

Facing such obstacles, how can we build a China-ASEAN community of shared future?

To begin with, we should enhance strategic coordination, among which the Belt and Road Initiative provides plenty of room for cooperation. We should also deepen cooperation along the Lan-

cang and Mekong rivers.

Second, cooperation in the traditional sectors of trade and investment should also be deepened. China and ASEAN have made many achievements on this front. For instance, the China-ASEAN Free Trade Area (FTA) has been constantly improving.

In addition, trade between China and ASEAN has increased by about six times over the past 15 years, with the trade volume reaching \$514.8 billion and two-way investment surpassing \$200 billion in 2017.

China-ASEAN cooperation will be elevated to another level due to three factors. China is set to increase its imports, which will bring many opportunities for ASEAN states. This will help established platforms including the China-ASEAN Expo to play a much bigger role in expanding trade.

And, as China continues to reduce domestic overcapacity, its overseas investment is most likely to increase, which would create favorable conditions for expanding two-way investment. The upgrading of the China-ASEAN FTA, too, would facilitate further cooperation.

Third, infrastructure could be a major area of deeper cooperation, as a number of ASEAN states lack sufficient expertise in the sector. The two sides have already announced a series of new projects to collaborate on.

Fourth, the two sides should enhance capacity cooperation, as the Joint Statement on China-ASEAN Capacity Cooperation offers plenty of ways to deepen cooperation on the industrial chain, talent and financing.

The Asian Infrastructure Investment Bank, the Silk Road Fund and the China-ASEAN Investment Cooperation Fund will try to ensure adequate funds are available in areas that need them most.

Fifth, China and ASEAN should promote people-to-people and cultural exchanges. Actually, cooperation in this area has been fruitful — 50 million people traveled between China and ASEAN states and the exchange of students reached 200,000 last year. The key to deepening exchanges lies in innovation, in which vocational and technical colleges in North China's Tianjin have established Lu Ban Work-

shops in Thailand, Indonesia and India to offer vocational and technical training, enhancing mutual exchanges and understanding.

And sixth, exchanges and cooperation on ecological and environmental protection will be an important part of building a China-ASEAN community of shared future. Thanks to its rapid economic development causing massive environmental pollution, China has gathered much experience in environmental protection. And ASEAN states, many of which are still in the initial stages of economic development, could learn many a lesson from that experience.

China not only advocates the concept of a community with a shared future for mankind but also practices and contributes to it, together with ASEAN. Therefore, given the complex global environment, China and ASEAN should deepen and widen cooperation, and help develop a more prosperous Asia-Pacific and build a better world.

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## ASEAN-China bilateral trade booms

Belt and Road has become a key focus for economic cooperation between these two Asia-Pacific growth engines

Economic relations between China and the Association of Southeast Asian Nations (ASEAN) have strengthened considerably over the past two decades, resulting in rapidly growing bilateral trade and investment

flows. Bilateral trade between the ASEAN region and China has grown strongly, increasing from \$192 billion in 2008 to \$515 billion by 2018.



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A number of key drivers have helped to propel the strengthening bilateral economic relationship.

One major factor has been the fast pace of economic growth in both ASEAN and China. China's share of world GDP rose from an estimated 4 percent in 2000 to around 15 percent by 2017, and is forecast to rise further, to around 21 percent of world GDP by 2028.

Meanwhile, ASEAN's total GDP has also grown rapidly, at an annu-

al average pace of around 5 percent per year since 2011, which valued \$2.8 trillion in 2017.

A second important contributory factor has been initiatives for bilateral trade liberalization, notably the creation of the China-ASEAN Free Trade Area, which substantially eliminated tariff barriers on trade in goods between China and ASEAN since 2010.

Thirdly, the consumer markets of both China and ASEAN have been growing rapidly over the past decade, helping to drive demand for a wide range of bilateral exports of goods and services.

Rapid GDP growth in China over the past decade has resulted in Chinese per capita GDP rising from \$2,650 in 2007 to \$8,670 by 2017. This has propelled China into the ranks of the world's upper middle income countries, creating a rapidly growing middle class that is driving consumer spending across a wide range of goods and services.

Some of China's largest cities have reached per capita income levels that are considerably higher, with per capita GDP for Beijing estimated at \$20,356 in 2017. As

a result, China has become an increasingly important export market for many ASEAN countries for a wide range of goods and services, including agricultural and mineral commodities, manufactured products, and services exports such as tourism.

The ASEAN region is also a large consumer market, with a total population of 658 million persons and rapidly growing household consumption in a number of populous ASEAN economies, including Indonesia, the Philippines and Vietnam. ASEAN has become a major export market for China, with total Chinese exports to ASEAN reaching \$279 billion in 2017, rising by 9 percent year-on-year and accounting for 12.3 percent of total Chinese exports worldwide.

China has become a significant source of new foreign direct investment flows to ASEAN over the past decade, with strong annual FDI into ASEAN since 2013. Chinese FDI flows to ASEAN averaged around \$7 billion per year over the period 2013 to 2016.

With Chinese manufacturing wages rising rapidly in coastal

Chinese cities, many Chinese firms have invested in establishing manufacturing production facilities in ASEAN countries to maintain export competitiveness in low value-adding manufacturing industries such as garments and footwear.

An important new focus for bilateral economic cooperation between China and ASEAN has been through China's Belt and Road Initiative. The BRI is providing large-scale financing for infrastructure projects in many developing countries worldwide, with ASEAN countries being a key part of the BRI. With bilateral trade flows having grown so rapidly, improving transport infrastructure connectivity between China and ASEAN countries through road, rail and port infrastructure will help to reduce logistics costs and further boost growth in bilateral trade.

China is providing financing for a number of rail infrastructure projects in ASEAN countries, including in Thailand, Laos and Cambodia. The BRI is also financing infrastructure to develop maritime connectivity for ASEAN countries.

IHS Markit forecasts that China will become the world's largest economy by 2028, overtaking the US.

China's per capita GDP is forecast to reach \$10,000 per person by 2019, rising to \$22,000 per person by 2028. This will make China's consumer market an increasingly important growth engine for ASEAN's export sector across a wide range of goods and services. Meanwhile, ASEAN has also become one of the world's largest consumer markets, and is already a major export market for China.

Both ASEAN and China are key driving forces for further trade liberalization in the Asia-Pacific, notably through the Regional Comprehensive Economic Partnership (RCEP) free trade agreement being negotiated among 16 Asia-Pacific nations.

The long-term outlook is for continued rapid growth in bilateral trade and investment flows, with China and ASEAN being key growth engines for the Asia-Pacific region as well as for the global economy.

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