



China-ASEAN Economic and Trade Cooperation Under the Global Change

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Abstract. China is facing a relatively harsh international economic and trade environment. Therefore, becoming an important trading partner with ASEAN has become an effective way to improve the international economic environment and promote the sustainable development of the domestic economy. This paper mainly explores the new trends of economic and trade cooperation between China and ASEAN under the world's unprecedented changes in a century, focusing on the "competitive regionalism and ASEAN centrality", "Indo-Pacific strategy, the Belt and Road initiative and regional economy", "industrial cooperation and anti-epidemic cooperation" and "'dual circulation' development pattern" in the Asia-Pacific region.

Keywords: Global Change · China-asean Economic and Trade Cooperation · "Double Circulation" · System Analysis · Geopolitical and Economic Analysis

1 Introduction

"The world today is marked by profound changes unseen in a century", and the world order is "fragmented" with the interests of countries in the Asia-Pacific region exchanging. With the continuous improvement of East Asian integration in recent years, the China-ASEAN Free Trade Area has become a very important growth pole and the most potential market for the world economy, the world's largest area in terms of attracting foreign direct investment (FDI) flows, and plays a significant role in building the "Belt and Road Initiative" with higher quality [1]. At the same time, however, Asian regionalism has a deep historical and cultural heritage, presenting distinct characteristics such as pluralism, multi-layered and loose systems, and its development reflects the needs of geopolitics and geo-economy. As the competition and antagonism between various systems become more and more pronounced, the competitive nature of regionalism has come to the fore.

This paper will explore the new trend of China-ASEAN regional cooperation under the global changes, focusing on "competitive regionalism and ASEAN centrality", "Indo-Pacific strategy, Belt and Road and regional economy", "industrial cooperation and anti-epidemic cooperation" and "'dual circulation' development pattern" in the Asia-Pacific region, which is also the main contribution of this study.

2 Competitive Regionalism and Asean Centrality

Geographically, the ASEAN region is located at the “crossroads” of the two oceans and two continents, and is actually at the center of competition between the “Indo-Pacific Strategy” (represented by the United States) and the “Belt and Road” (represented by China). Although the phenomenon of “spaghetti bowls” with fragmented and overlapping systems in the region is difficult to change, ASEAN still serves as an important platform in leading the process of regional cooperation and development [2]. ASEAN has acted as an “intermediary” in dealing with relations among major powers in the region: first, it has promoted internal unity and enhanced the internal strength of ASEAN countries, and guided the regional cooperation mechanisms, initiating and establishing mechanisms and platforms such as the ASEAN Forum, the East Asia Summit and the “10 + Model”; second, eternally, its “Strategy of Balancing Great Powers” has maintained regional balance of power and stability; third, it has provided a blueprint for regional cooperation in East Asia.

After the Biden administration took office and inherited the political legacy of the Trump administration, global governance has faced a series of dilemmas such as tensions in major power relations and geopolitics, increased uncertainty and instability in the world, and a strong backlash against counter-globalization. Despite the U.S.’ best efforts to draw ASEAN countries into security cooperation to check and stifle China, ASEAN still maintains good economic cooperation with China economically to achieve its own national interests and maintain its relative independence due to the strong economic complementarity between China and ASEAN. In the face of U.S. suppression, China has further expanded its opening up to the outside world, actively developed economic, technological and cultural exchanges with countries around the world, including ASEAN to maintain its own and the world’s economic stability and prosperity. ASEAN is one of the major power centers in the Asia-Pacific region, but it is politically and militarily influenced by the United States, forming a dichotomy of “relying on the United States for security and China for economic”.

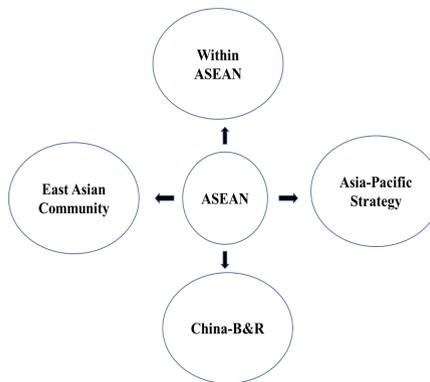


Fig. 1. Asean’s intermediary status

Although the Trump administration has withdrawn from the TPP, the banner of the U.S. “Indo-Pacific Strategy” also has a strong momentum to rebuild new economic rules and a new economic order in the “Indo-Pacific” region. The Biden administration will not repudiate Trump’s policy toward China, and he has chosen to unite with U.S. allies to counter China (the Chinese Art of War on “opposite theories of vertical and horizontal alliance of states with the state of Qin as pivot” is similar to this), favoring a more multilaterally strategy [3]. China, on the one hand, has resisted U.S. pressure by actively integrating into the RCEP promoted by ASEAN, and on the other hand, it has hedged against the negative impact of the U.S. exclusionary system through the “Belt and Road” Initiative [4]. In recent years, the key leaders of various ASEAN countries have repeatedly emphasized and affirmed their position of not getting involved in the Sino-US dispute and never taking sides (which is also the helplessness of small countries). China has also actively expressed its recognition and support for the preservation of “ASEAN centrality” on various international occasions as well as in different online media and in many other forms.

3 Regional Economies

The competition and confrontation between China and the U.S. in Asian regionalism are mainly represented by the U.S. “Indo-Pacific Strategy” and China’s “Belt and Road” initiative, respectively. The “core” of the U.S. “Indo-Pacific Strategy” lies in the security of countries such as the U.S., Japan, India and Australia in the Indo-Pacific region, trying to absorb India into the “Asia-Pacific (rebalancing)” and to contain China through “Returning to the Asia-Pacific” [5].

The USMCA (U.S.-Mexico-Canada Agreement) and RCEP are representative of Asian regionalism around the rules debate. On the one hand, The FTAs such as the TPP and the USMCA led by the United States mainly attempt to adopt American-style standards to create a full-coverage, high-standard FTA, which covers areas outside the scope of traditional FTAs, including cross-border e-commerce, environmental protection, labor protection and other issues and the policy is not conducive to the participation and development of developing countries such as China. On the other hand, The RCEP takes more into account the diversity and comfort of member countries, “starting from the actual national conditions of each country and proceeding step by step”, and advocates a gradual process of regional integration. Therefore, China has actively participated in the RCEP agreement and promoted the signing of it [6].

Until November 15, 2020, when the RCEP agreement is officially implemented, the Asia-Pacific regional economic and trade relations have made further progress, and China will continue to expand the import of high-quality agricultural products from ASEAN [4]. The RCEP and the European Union (EU) are at the same time ranked as the two largest “mega-FTAs” in today’s world. This is a major good news for Asia-Pacific countries to achieve trade multiculturalism and liberalization, and to upgrade the integration of industrial chains, supply chains and value chains in the region. The RCEP can bring substantial trade increment to countries, and it will also promote regional investment, provide institutional guarantee for economic and trade cooperation among members, and facilitate China-ASEAN to maintain a high degree of complementary

Table 1. The three agreements

| Protocol | Time | Agreement content |
|----------|-------------------|--|
| TPP | December 30, 2018 | It froze 20 provisions of the old agreement on things like intellectual property |
| USMCA | March 13, 2020 | Regulates the way certain goods are traded on the north American continent |
| RCEP | November 15, 2020 | Build the world’s largest trade agreement around the Asia-Pacific. Goal: To get member countries to zero tariffs within 10 years |

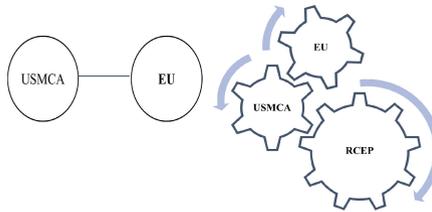


Fig. 2. The transformation of binary economy to ternary economy

development advantages and deep integration of industrial and supply chains. From a global perspective, it brings the countries and regions of the Asia-Pacific region into the same framework for the first time, and supports the three cores of the global value chain together with USMCA (North America) and EU (Europe) so that the world value chain develops from “binary” to “ternary”, and the economic independence of Southeast Asian countries has been strengthened as a result.

In the higher level agreement, labor costs and the strict cost of environmental regulation have increased, but China, ASEAN and other emerging market countries can take RCEP as a grasp to encourage their own manufacturing industries to go global while driving the expansion of manufacturing scale and improving and upgrading the foreign trade structure[7]; cooperation between China and ASEAN should strive to promote the de-escalation of economic and trade relations between China and the U.S., promote regional opening up, and “pan” (referring to “comprehensive” and “thorough”) regional economic cooperation can not only open a more stable market for industrial construction on both sides, but also push regional construction and institutional reform, and build a world economic system[8].

4 Copyright Form

Under the influence of COVID-19, the game of the big powers and the intensification of trade protectionism, more developed countries are aware of the danger of economic “de-realization”. Global enterprises are facing supply chain disruptions, and 75% of them will choose to divest and set up factories near their home countries; the global epidemic

has exposed the huge vulnerability of global value chains which are being reconstructed at an accelerated pace, and countries may tend to strengthen their own manufacturing development after the epidemic [9].

The significant rise of ASEAN in the global manufacturing division of labor system has become the main beneficiary of China's manufacturing outward migration. The ten ASEAN countries have also gradually become important joints and nodes on the global value chain network. This is because ASEAN countries fundamentally do not have the means to establish their own complete industrial systems through local industrial production in their respective countries, and the industrialization of those countries with first-mover advantages is mainly achieved by participating and integrating into regional production networks and then evolving into the global value chains, while those countries without these first-mover advantages but with later-mover advantages realized by vigorously developing their own supporting industries, proactively taking over labor-intensive industries (demographic dividend, the major Southeast Asian countries are also characterized by a large population base and fast growth rate) and taking over production processes, and also beginning to gradually participate in global value chains [9]. China has transferred mostly garment, mining and trade projects to Southeast Asia, but few other domestic industries have been transferred. However, the common characteristics of these industries are low technology content, reliance on large amount of cheap labor input for enterprise profitability, and low occupational skills requirements for employees. The technology level of the transferred industries also shows obvious "upgrading", such as China's investment in machinery and electronic products of Vietnam and Malaysia, software and electronic products of Singapore, metal and hydrocarbon industries of the Philippines, and steel industries of Malaysia and Indonesia, which are mostly electromechanical industries and heavy chemical industries in which China still has advantages. In fact, before the outbreak of the Sino-US trade dispute. ASEAN countries have been performing well in the production of high value-added commodities such as smart phones and home appliances. For example, the cost advantage shown by Vietnam in taking over China's photovoltaic industry is not only based on cheap labor, but is built on the a combination of factors such as land, energy and taxation, and relies on the level of automation in production[7].

The transfer of part of China's industrial chain to ASEAN countries or the return of manufacturing in ASEAN countries is the result of unexpected events such as the Sino-US trade dispute, but also the result of years of efforts to implement economic reforms and improvements in the investment environment in Southeast Asian countries. China has made world-renowned achievements in fighting the COVID-19, and its industry and economy have been fully restored. In the past two years, the friendly and cooperative relations between China and ASEAN have been sublimated and entered a new historic stage of all-round development. China-ASEAN economic and trade cooperation, as the main powerhouse and driver of East Asian cooperation, has jointly promoted a long-term and sustainable recovery in the Asian and Pacific regional economies, and now ASEAN has overtaken the European Union as China's top trading partner, demonstrating the great potential, strong flexibility and resilience of mutually beneficial and win-win cooperation in economic and trade cooperation between the two China and Southeast Asian countries.

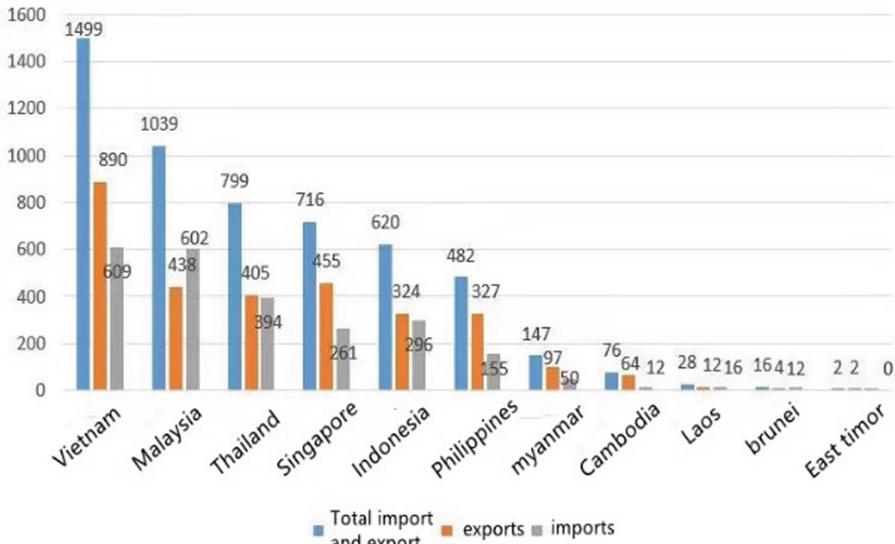


Fig. 3. Southeast Asia bilateral trade bar chart with China

Table 2. Bilateral trade between Southeast Asia and China

| Nation | Total trade | Exports | Imports | Percentage of total trade | Percentage of total exports | Percentage of total imports |
|-------------|-------------|---------|---------|---------------------------|-----------------------------|-----------------------------|
| Vietnam | 1499 | 890 | 609 | 27.65% | 29.50% | 25.32% |
| Malaysia | 1039 | 438 | 602 | 19.16% | 14.51% | 25.00% |
| Thailand | 799 | 405 | 394 | 14.73% | 13.42% | 16.38% |
| Singapore | 716 | 455 | 261 | 13.20% | 15.07% | 10.85% |
| Indonesia | 620 | 324 | 296 | 11.43% | 10.73% | 12.31% |
| Philippines | 482 | 327 | 155 | 8.89% | 10.85% | 6.43% |
| Myanmar | 147 | 97 | 50 | 2.72% | 3.22% | 2.08% |
| Cambodia | 76 | 64 | 12 | 1.39% | 2.12% | 0.48% |
| Laos | 28 | 12 | 16 | 0.51% | 0.40% | 0.66% |
| Brunei | 16 | 4 | 12 | 0.29% | 0.13% | 0.49% |
| East Timor | 2 | 2 | 0 | 0.03% | 0.05% | 0.00% |
| Total | 5423 | 3017 | 2406 | 100% | 100% | 100% |

5 “Dual Circulation”

The “dual circulation” seeks a higher quality of domestic circulation and a higher level of international circulation, which requires further expansion of openness to the outside world. After the outbreak of COVID-19 in 2020, the momentum of world economic growth took a sharp turn for the worse, and China worked closely with ASEAN countries to combat the epidemic with economic recovery at the forefront of the world. The new “dual circulation” development pattern not only conforms to the needs of the international macro situation, but also meets domestic demand, promotes high-quality economic development, and enhances the superposition effect of expanding the field and the level of openness. Under the new “dual circulation” development pattern, China and ASEAN have a broader space for economic and trade development.

China’s economy is huge, and its ability to allocate resources globally and to concentrate resources to do great things is becoming more and more important in the world. In particular, China’s domestic market potential is very large, and domestic demand has become the most important driving force for China’s economic development. Correspondingly, ASEAN countries have achieved rapid economic development through low-cost strategies, export-oriented strategies, and import substitution strategies, but the accompanying pressures and problems such as heavy dependence on foreign trade, increased systemic risks to economic security, limited funding for basic technologies, impeded industrial iterative changes and blocked modernization processes have begun to emerge. Therefore, China’s dual circulation development pattern is not to close the country and “close the gate”, but to take the initiative to develop domestic and foreign markets, expand domestic demand (effective demand), and maintain high-quality openness to the outside world, so as to form an international development model with complementary advantages, mutual benefit and “ $1 + 1 > 2$ ” overlapping effects.

When China deepens cooperation with ASEAN countries at different levels of development, it can complement each other’s advantages in terms of resource endowments as well as industrial and agricultural industrial structures. There is also room for ASEAN countries and regional industrial chains to optimize the division of labor and improve efficiency, from which product quality and differentiated competition can be further improved. At the same time, it will also strengthen internal cooperation within Asia and the Pacific, which can reduce the dependence of the Asian economy on the outside of the region (mainly the United States, the European Union and other countries and regions), promote regional economic development, and reduce the external impact of trade protectionism and global emergencies on the industrial chain of the Asian economy. In addition, with the expansion of the market size of emerging countries, the development of regional common markets will also facilitate the matching of supply and demand in the Asia-Pacific region, and promote regional industrial upgrading, technological progress and economic growth.

The enormous size and growth potential of China’s economy provides market demand for ASEAN’s growth transformation and economic expansion. It will also help break the pressure of the United States on ASEAN’s foreign markets and help ASEAN countries break away from their dependence on the United States, and accelerate the formation of a mutually beneficial and win-win relationship with developing countries and China, as a community with the shared future for mankind.

6 Conclusions

Throughout the paper, the author draws the following conclusions and makes relevant policy recommendations in the face of several aspects, such as the Asia-Pacific region's competitiveness, the game between China and the United States, regional economic integration and industrial chain reconstruction, the COVID-19 and the cooperation in combating it, and the "dual circulation" development pattern[10].

First, the regional balance of power, the competing game of major power, and the "balanced diplomacy" policy is the main lines of logic that constitute the "ASEAN centrality". In recent years, ASEAN's leading role in the East Asian cooperation mechanism has declined, but there is room to enhance ASEAN's role in regional cooperation due to the delicate balance of power between China, the United States, Japan and other major powers in the region ASEAN countries have played a huge role in jointly promoting the institutionalization of regional cooperation, and working together to maintain healthy and normal major-country competition and cooperation relations and a regional balance of power, and are working hard to reconsider the "ASEAN centrality" to better accommodate the new normal of regional cooperation in the Asia-Pacific region.

Second, the economic and trade cooperation between China and ASEAN cannot be separated from a stable external environment so it is necessary to prevent China and the United States from falling into a comprehensive confrontation, so that the competition between Asian regionalism will not get out of control. Therefore, we should dig deeper into the "intersection of interests" between China and the United States under the "Indo-Pacific Strategy" and the "Belt and Road" framework, seek limited cooperation, and promote the formation of an interactive relationship between the two mechanisms in which "conditional cooperation" and "controlled competition" coexist, so that Sino-US relations will not deteriorate. ASEAN plays a "guiding" role in the process of Asian cooperation, and China should support ASEAN's "Indo-Pacific Outlook", strive to achieve partial docking of the "Convention of Interest" between the two mechanisms through ASEAN as a third party, and promote the "ASEAN model" and "ASEAN platform" for the development of regionalism in Asia and the Pacific to gradually shift the focus of countries' efforts from political security to economic development, and strive to enhance the well-being of the people.

Third, China-ASEAN should work together to build the "21st Century Maritime Silk Road" and the challenges facing the "ASEAN-centricity" under the "Indo-Pacific Strategy". The economic and trade cooperation between China and ASEAN should also make use of existing mechanisms and platforms such as RCEP, "10 + 1", "10 + 3" and other models to jointly maintain the "centrality of ASEAN" in the context of regional order restructuring. China will also reshape the complex competitive regionalism in Asia today by actively integrating into the CPTPP, further opening up, and further "going out" and "bringing in" in order to avoid a situation where China, the United States, and even Australia, Japan, India, and the rest of the world will have to compete with each other [2], and to prevent Sino-US relations and the Asian order from entering into the abyss of a "new Cold War".

Fourth, China should be actively, proactively and responsibly promote regional economic integration and economic globalization, and elevate the unique and single economic concept of economic globalization from a regional economic community to a

new height of the world community with a shared future for mankind. The realization of the “dual circulation” will not only promote China’s open economy to a higher quality development, but also stabilize the Asia-Pacific supply chain and the global industrial chain, and facilitate the circulation of the Asia-Pacific region. As a benchmark for high-level FTAs, the time has come for China to join the CPTPP. China should seize the opportunity to take RCEP at the starting point to further promote the institutionalization of the “Belt and Road” and the “21st Century Maritime Silk Road”. China should improve the specific cooperation methods of the “Belt and Road” construction, so that it can become it a more stable and better organized cooperation institution and form an international circulation that is beneficial to the Asia-Pacific region.

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