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To cite this article: Shihong Bi (2021): Cooperation between China and ASEAN under the building of ASEAN economic community, Journal of Contemporary East Asia Studies, DOI: [10.1080/24761028.2021.1888410](https://doi.org/10.1080/24761028.2021.1888410)

To link to this article: <https://doi.org/10.1080/24761028.2021.1888410>



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Published online: 22 Feb 2021.



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Cooperation between China and ASEAN under the building of ASEAN economic community

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ABSTRACT

Since the establishment of China-ASEAN strategic partnership, and the acceleration of the ASEAN Economic Community (AEC) building, China-ASEAN economic cooperation relationship has entered a new era. In the building of the “Belt and Road Initiative” (BRI), ASEAN has a pivotal position and role, and ASEAN countries are key cooperation partners. In order to achieve the building goals of the BRI and AEC, China not only attaches great importance to the cooperative relationship with ASEAN, establishing and upgrading the China-ASEAN Free Trade Area, advocating the establishment of a China-ASEAN community with a shared future, and agrees that ASEAN maintaining its leadership role in East Asia regional cooperation. At the same time, China and ASEAN are gradually implementing the BRI to dock with the ASEAN Community Blueprint and the Master Plan on ASEAN Connectivity, and speeding up cooperation in trade, investment, and production capacity for win-win cooperation. However, China-ASEAN economic cooperation also faces challenges such as trade and investment competition, trade surplus, competition for dominance in economic cooperation, and the “China Threat” theory. In this regard, China and ASEAN need to coordinate the relationship among various cooperation mechanisms, optimize the structure of bilateral economic cooperation, implement a competitive negative list system, adjust the division of labor to achieve complementary advantages, so as to lay a solid foundation for building a China-ASEAN community with a shared future.

KEYWORDS

ASEAN Economic Community; “Belt and Road” Initiative; China-ASEAN Economic Cooperation; community with a shared future

1 Introduction

As the long-term goal of ASEAN development, the ASEAN Community will build three pillars, the ASEAN Economic Community (AEC), the ASEAN Political-Security Community (APSC), and the ASEAN Social-Cultural Community (ASCC) according to design at the ASEAN summits in 2003 and 2005. In 2015, ASEAN officially announced the establishment of AEC and issued the “ASEAN Economic Community Blueprint 2025”, aiming to build a deeply integrated community to enhance its competitive advantage in the global value chain. However, ASEAN still faces many difficulties and challenges, including huge differences among member states’s economic development and poor interconnection. According to the vision of the ASEAN Community, in order to achieve the goals envisaged

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in the “ASEAN Economic Community Blueprint 2025”, ASEAN countries need to further promote the free flow of commodities, capital and personnel, and carry out higher-level cooperation with external partners in policy coordination and cooperation mechanism innovation, making ASEAN more dynamic and global¹

The in-depth development of AEC building has also had a positive impact on China-ASEAN relations. China holds a supportive stance on AEC building. Since proposing the BRI in 2013, China has always envisaged this development strategy docking with ASEAN to achieve common prosperity. In 2016, Chinese Vice Premier Zhang Gaoli stated, “China was willing to work with ASEAN to examine bilateral relations from a strategic and long-term perspective, expand consensus and cooperation, and jointly build the 21st Century Maritime Silk Road and a closer China-ASEAN community with a shared future.”² For ASEAN, this is indeed good news. But the key question is how can BRI help ASEAN countries achieve the AEC development goals? How can ASEAN believe that BRI can promote a win-win situation? How can BRI provide new impetus to AEC and strengthen ASEAN centrality in East Asia regional economic integration, and not weaken ASEAN countries coherence?

Regarding China-ASEAN economic cooperation, the academic community mainly have the following achievements. Jenn-Jaw Soong believed that the China-ASEAN free trade area (CAFTA) upgraded from a so-called “golden decade” (2003–2013) to a “diamond decade” (2014–2024) of economic relations, would offer a favorable environment for China to take a lead in East Asian peace, prosperity, and integration³ Huang Ling and Fang Min pointed out the construction of ASEAN Economic Community has brought positive trade and investment spillover effects to the upgrade of CAFTA, as well as a positive spillover effect to the progress of RCEP, one of the CAFTA upgrade goals⁴ However, Cao Yunhua and Li Junsuo believe that the construction of the ASEAN Economic Community and the “21st Century Maritime Silk Road” proposed by China not only complement each other but also compete with each other⁵ Henelito A. Sevilla Jr. emphasized ASEAN countries tended to feel that big powers aim to dominate them to advance their economic, political, and security interests⁶ Min-Hua Chiang pointed out that China’s merchandise trade balance with ASEAN had shifted from deficit to surplus since 2012. This reflected China’s improving comparative advantage in manufacturing production vis-a-vis ASEAN as a whole.⁷ But Evelyn S. Devadason and V.G.R. Chandran believed that China-ASEAN trade relationship is multidimensional. The trade situation between China and Vietnam is not similar to that of China and the ASEAN-5, as the former records trade surpluses with Vietnam in agriculture and manufactures.⁸ Nam Foo, Hooi Hooi Lean, Ruhul Salim further emphasized BRI could be a promising mechanism for trade facilitation in these countries in the years to come⁹

¹ASEAN Secretariat, “ASEAN Economic Community Blueprint 2025.”

²Zhang G. L. “Zhongguo-Dongmeng Mingyun Gongtongti.”

³Soong,J.J., “China’s One Belt and One Road Initiative?”

⁴Huang L. and Fang M., “The Impact and Challenges.”

⁵Cao Y. H. and Li J. S., “ASEAN Economic Community and the ‘21st Century Maritime Silk Road,’” 37–44..

⁶Henelito A. Sevilla Jr., “China’s New Silk Route Strategy,” 85–91..

⁷Chiang M. H., “China-ASEAN economic relations,” 1–24.

⁸Evelyn S. D. and Chandran V.G.R., “Unlocking the Trade Potential in China-ASEAN Relations”, 380–399.

⁹Nam F., Hooi H. L., and Ruhul S., “The impact of China’s One Belt One Road,” 1–31..

These viewpoints provide many useful ideas for the study of this article, but they also leave room for further research. In order to answer above questions, this article first reviews China's policy toward ASEAN and analyzes how BRI can dock with AEC development strategy. Second, clarify the increasingly close China-ASEAN trade and investment relations, and point out the challenges facing China-ASEAN economic cooperation. Finally, propose some thoughts on strengthening China-ASEAN economic cooperation.

2 China's policy toward ASEAN

After the Cold War, ASEAN political alliances weakened and its economic cooperation function continued to strengthen. China has realized that a highly integrated and unified ASEAN market is in its interest. Therefore, the goal of China's ASEAN policy is to create a peaceful, harmonious and stable surrounding environment for its peaceful development, improve and enhance China's international image through cooperation with ASEAN, protect and expand China's security and economic interests. Economically, AEC is conducive to reducing trade and investment barriers among member countries, improving their economic systems, and boosting the development of China-ASEAN Free Trade Area. Politically, the establishment of the ASEAN Community is contributed to the multi-polarization in East Asia, enhancing ASEAN influence in regional economic cooperation. This is also consistent with China's proposition¹⁰ In terms of security, ASEAN has effectively maintained regional peace and stability since its establishment in 1967. In order to achieve a peaceful development, a stable surrounding environment is an indispensable condition for China. While the establishment of AEC can enhance ASEAN regional governance capabilities, which is conducive to China's goal. Based on the recognition that AEC is beneficial to its own national interests, China actively supports the building of the ASEAN Community.

2.1 China attaches great importance to cooperation with ASEAN

In 1991, China established a dialogue relationship with ASEAN and became its negotiation partner. In 1996, China became a comprehensive dialogue partner of ASEAN. In 1997, China and ASEAN established good-neighborly partnership of mutual trust toward the twenty-first century. From 1997 to 1998, during the Asian financial crisis, China insisted on not devaluing the Renminbi and provided financial assistance to ASEAN countries, which won the trust of ASEAN. Subsequently, ASEAN's care for China's "comfort" in various multilateral mechanisms promoted the overall development of China-ASEAN relations. The two sides signed a series of cooperation agreements and documents, and bilateral relations continued to expand and deepen. In October 2003, China took the lead in signing the "Joint Declaration on Strategic Partnership for Peace and Prosperity" with ASEAN and joined the "Treaty of Amity and Cooperation in Southeast Asia", which became the political basis for China and ASEAN to strengthen cooperation. China is also the only nuclear country that has reached an agreement on signing the Treaty on the Southeast Asia Nuclear Weapon Free Zone. China also

¹⁰Shao J. P. "Zhongguo de Dongmeng Zhengce".

proposed to sign the “China-ASEAN Treaty of Good-Neighborliness, Friendship and Cooperation” to provide legal guarantee for the sustainable development of bilateral relations. These behaviors highlight China’s recognition of ASEAN, which not only improves ASEAN’s international status but also reduces its worries about China, and effectively promotes the overall development of bilateral relations.

2.2 Establishment and upgrade of China-ASEAN free trade area

On November 6 2001, Chinese Premier Zhu Rongji first put forward the idea of establishing the China-ASEAN Free Trade Area (CAFTA) at the 5th China-ASEAN Summit. In November 2002, China and ASEAN signed the Comprehensive Economic Cooperation Framework Agreement, which designed the basic framework for the establishment of the CAFTA. China became the first country to conduct FTA negotiations with ASEAN. On January 1 2004, the “Early Harvest Programme”, the early outcome of the Free Trade Area, was implemented smoothly. In November 2004, two sides signed the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN, which has been formally implemented since July 2005. At the same time, Agreement on Dispute Settlement Mechanism of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN was signed. In December 2005, China and ASEAN signed the Second Protocol to the Framework Agreement on Comprehensive Economic Cooperation and the Protocol to the Agreement on Trade in Goods. In January 2007, the two sides signed the Agreement on Trade and Services of Framework Agreement Comprehensive Economic Cooperation between China and ASEAN. In August 2009, two sides signed the Agreement on Investment of Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN. Since January 2010, more than 90% of products between China and the six ASEAN countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) had been tariff-free, and the four ASEAN countries (Vietnam, Laos, Cambodia and Myanmar) had planned to achieve a 90% tariff-free target by 2015, marking the completion of the CAFTA. In August 2014, China and ASEAN announced the launch of negotiations on the upgraded version of CAFTA. In November 2015, China and ASEAN signed the Protocol on Amending Framework Agreement on Comprehensive Economic Cooperation and some of the agreements under it between China and ASEAN, which took full effect in October 2019. By June 2020, tariffs on 7,000 products have been abolished within the framework of CAFTA, and over 90% of goods have achieved zero tariffs.

2.3 China proposes to build a community of shared future with ASEAN

On October 3 2013, Chinese President Xi Jinping put forward the concept of building a China-ASEAN community of a shared future in his speech to the Indonesian Parliament, which meant China and ASEAN respected each other’s core concerns, expanded common interests and achieved common development¹¹ In short, under the

¹¹“Xi Jinping zai Yinni Guohui Fabiao Yanjiang: Xieshou Jianshe Zhongguo-Dongmeng Mingyun Gongtongti,” [Xi Jinping Delivers a Speech at the Indonesian Parliament: Working Together to Build a China-ASEAN Community of Shared Future] *Xinhuanet*, October 3 2013. Accessed September 6, 2020, http://www.xinhuanet.com/world/2013-10/03/c_117591652.htm.

framework of the BRI, building a cultural community of mutual understanding and cultural integration between China and ASEAN countries, a development community featuring connectivity and shared benefits and a security community of mutual dependence and cooperation. Through the joint promotion of the cultural community, development community and security community, the foundation of the China-ASEAN community with a shared future will be further consolidated¹² In November 2017, Xi proposed to build a higher level of China-ASEAN Strategic Partnership and toward closer China-ASEAN community of a shared future in APEC's and ASEAN's summit. Accordingly, at the 16th China-ASEAN Summit in October 2013, Chinese Premier Li Keqiang put forward China-ASEAN "2 + 7 Cooperation Framework"¹³ At the 20th China-ASEAN Summit in November 2017, Li Keqiang further proposed to upgrade the "2 + 7 Cooperation Framework" to the "3 + X Cooperation Framework", that is, to build a new cooperation framework with the three pillars of political security, economy, trade and people-to-people exchanges as the main line and multi-field cooperation as the support. In November 2018, China and ASEAN released the China-ASEAN Strategic Partnership Vision 2030. It stated that in the field of economic cooperation, the two sides should strengthen trade, investment, and tourism exchanges and implement the upgraded CAFTA; deepen economic ties and promote connectivity; promote maritime economic cooperation and strive for the comprehensive liberalization of China-ASEAN air services; seize the opportunities of digital economy and technological innovation, and realize innovation-driven development in telecommunications, e-commerce and smart city development; promote production capacity, technological innovation, and the development of small and medium-sized enterprises¹⁴

2.4 China supports ASEAN community building

In July 2006, Chinese Foreign Minister Li Zhaoxing attended the Foreign Ministers' meeting of ASEAN and its dialogue partners and said, "China supported ASEAN integration process and ASEAN community building. China was ready to actively participate in relevant cooperation and work with ASEAN to achieve common prosperity through mutual support and close coordination."¹⁵ In April 2009, Chinese Foreign Minister Yang Jiechi met with ambassadors from 10 ASEAN countries in China and stressed that "China would provide US 15 USD billion of credit to ASEAN countries in 3–5 years to support ASEAN integration and strengthen regional cooperation, including US 1.7 USD billion of concessional loans."¹⁶ At the 16th China-ASEAN Summit in October 2013, Li Keqiang said "China was willing to support the development of the Greater Mekong Sub-region (GMS) and East ASEAN Growth Area

¹²Xu L.P. "21 Shiji Haishang Sichou zhi Lu,"57..

¹³"2" refers to two points of political consensus, namely, deepening strategic mutual trust and expanding good-neighboring friendship; focusing on economic development and expanding mutual benefit and win-win results. "7" refers to seven key areas of cooperation including politics, economy and trade, interconnection, finance, maritime, security, and humanities.

¹⁴Ministry of Foreign Affairs of the People's Republic of China, "Zhongguo-Dongmeng Zhanlue Huoban Guanxi."

¹⁵Li Zhaoxing Chanshu Wo dui Nengyuan Anquan Dongmeng Gongtongti Jianshe Kanfa," [Li Zhaoxing Explains Chinese Views on Energy Security and the Building of the ASEAN Community] *People's Daily*, July 28 2006.

¹⁶Yang Jiechi Tongbao Wo Zhengfu dui Jiaqiang Zhongguo-Dongmeng Quanmian Hezuo Shexiang Jianyi," [Yang Jiechi Announces Suggestions for Chinese Government to Strengthen Comprehensive Cooperation between China and ASEAN] Chinese government website, April 12 2009. Accessed August 20 2020. http://www.gov.cn/gzdt/2009-04/12/content_1283543.htm.

(Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, BIMPEAGA) to narrow the development gap among countries and promote ASEAN community building. A united, prosperous and dynamic ASEAN is in China's strategic interests. To support the building of the ASEAN community, China was ready to provide development assistance to ASEAN and its relevant institutions.¹⁷ When attending every China-ASEAN summit since 2014, Li Keqiang has expressed firm support for the building of the ASEAN community.¹⁸ In his speech at the National University of Singapore in November 2015, Xi Jinping also said that "he firmly supported ASEAN development, growth and the building of the ASEAN community".¹⁹ At present, AEC building is the core concern of ASEAN, and China's active support for ASEAN community building is a manifestation of AEC identity.

2.5 China supports ASEAN in maintaining its leading role in East Asia regional cooperation

It is the core pursuit of ASEAN to maintain the "centrality" in East Asia regional cooperation. China supports ASEAN in playing a leading and bigger role in regional cooperation and building an open and inclusive regional architecture. This is another testimony to China's support for ASEAN integration and AEC building. As for ASEAN's leading role in East Asia cooperation, China has not only cooperated in actions, actively participated in the "ASEAN+" mechanism and RCEP negotiations, but also expressed support on various occasions. In a meeting with ASEAN secretary General Surin Pitsuwan in March 2010, Yang Jiechi said that "China would continue to support ASEAN in playing a leading role in East Asia cooperation."²⁰ In October 2013, Li Keqiang said at the 16th China-ASEAN summit that "China would as always support ASEAN's leading role in East Asia cooperation". The Plan of Action for the Implementation of the Joint Declaration on China-ASEAN Strategic Partnership for Peace and Prosperity (2016–2020), released in March 2016, reaffirmed "China's support for ASEAN centrality in the evolving regional architecture and in all ASEAN-led mechanisms and forums"²¹ In September 2016, China and ASEAN issued the Joint

¹⁷"Li Keqiang zai di Shiliuci Zhongguo-Dongmeng (10 + 1) Lingdaoren Huiyi shang de Jianghua," [Li Keqiang's Speech at the 16th China-ASEAN (10 + 1) Summit] *Xinhuanet*, October 10 2013, Accessed August 22 2020. http://www.xinhuanet.com/politics/2013-10/10/c_125503937.htm.

"Zhongguo-Dongmeng Fabiao Jianli Zhanlue Huoban Guanxi 10 Zhounian Lianhe Shengming," [China-ASEAN Issues Joint Statement on the 10th Anniversary of the Establishment of Strategic Partnership] *Xinhuanet*, October 10 2013. Accessed August 22 2020. http://www.xinhuanet.com/world/2013-10/10/c_125503891.htm.

¹⁸"Li Keqiang zai di Shiqici Zhongguo-Dongmeng (10 + 1) Lingdaoren Huiyi shang de Jianghua," [Li Keqiang's Speech at the 17th China-ASEAN (10 + 1) Summit] *Xinhuanet*, November 14 2014. Accessed August 22 2020. http://www.xinhuanet.com/world/2014-11/14/c_1113240171.htm;

Ministry of Foreign Affairs of the People's Republic of China, "Li Keqiang Chuxi di Ershiyi ci Zhongguo-Dongmeng Lingdaoren Huiyi," [Li Keqiang Attends the 21st China-ASEAN Summit] November 14 2018. Accessed August 22 2020. https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682518/xgxw_682524/t1613065.shtml

¹⁹"Xi Jinping zai Xinjiapo Guoli Daxue Fabiao Zhongyao Yanjiang," [Xi Jinping Delivers an Important Speech at the National University of Singapore] *People's Daily*, November 7 2015.

²⁰"Yang Jiechi yu Dongmeng Mishuzhang Sulin Juxing Huitan," [Yang Jiechi Holds Talks with ASEAN Secretary-General Surin] Chinese government website, March 19 2010. Accessed September 9, 2020. http://www.gov.cn/jrzq/2010-03/19/content_1560174.htm.

²¹"Luoshi Zhongguo-Dongmeng Mianxiang Heping yu Fanrong de Zhanlue Huoban Guanxi Lianhe Xuanyan de Xingdong Jihua (2016-2020)," [Action Plan for the Implementation of the Joint Declaration on the China-ASEAN Strategic Partnership for Peace and Prosperity (2016-2020)] The State Council Information Office of China website, March 3 2016. Accessed September 7 2020, <http://www.scio.gov.cn/xwfbh/xwfbfh/wqfbh/33978/34850/xgzc34856/Document/1484176/1484176.htm>.

Statement on the Summit marking the 25th Anniversary of China-ASEAN Dialogue Relations, in which the two sides reaffirmed their policy priorities toward each other, noting that “China supports ASEAN centrality in the regional architecture”²² At the 22nd China-ASEAN Summit in November 2019, Li reiterated that “China always supports ASEAN centrality in East Asia cooperation.”²³

3 The docking of BRI and AEC development strategy

With the rapid economic growth of China and ASEAN, East Asia is forming a large market with the greatest potential and fastest growth in the world. The population of China and ASEAN countries is about 2 billion, accounting for about 30% of the world’s population, and the economic scale exceeds US\$15 trillion, second only to the EU and the United States. With the advancement of AEC and B&R building, ASEAN’s position and role has increased. The development of China-ASEAN economic relations has shown a series of structural changes and broad development prospects. China has gradually promoted the integration of BRI and ASEAN related development strategies to achieve complementary advantages. BRI’s and AEC’s development strategy docking and cooperation is of great significance, which is not only the result of the past development of China-ASEAN economic cooperation but also the direction of the further development of bilateral economic and trade relations in the future, and the new driving force for the development of AEC. In Chinese official documents, “docking” means that China first puts forward initiatives, and then other countries respond accordingly, evaluate cooperation projects and opportunities, and jointly communicate, coordinate and revise relevant policies or plans, which is a process of active interaction between the two sides²⁴

3.1 The docking of BRI and the ASEAN Community blueprint

In November 2015, ASEAN released the “ASEAN Community Vision 2025” “ASEAN Political-Security Community Blueprint 2025, APSCB 2025”, “ASEAN Economic Community Blueprint 2025, AECB 2025” and “ASEAN Socio-Cultural Community Blueprint 2025, ASCCB 2025”, announcing the formal establishment of the ASEAN Community²⁵ The ASEAN Community takes the political-security community, the economic community, and the socio-cultural community as its three pillars, and gradually promotes and deepens the building of a community of mutual trust in political security, regional economic cooperation, social and cultural integration. The goal of APSC is to establish a community with common values and norms, which is system-based and people-oriented, and to further enhance the level of ASEAN cooperation in the political and security fields. The development goal of AEC is to establish and improve a single market and realize the relatively free flow of goods, services, investment, capital,

²²Chairman’s Statement of the 19th ASEAN-China Summit to Commemorate The 25th Anniversary of ASEAN-China Dialogue Relations.”

²³“Li Keqiang Chuxi di Ershier ci Zhongguo-Dongmeng Lingdaoren Huiyi,” [Li Keqiang Attends the 22nd China-ASEAN Summit] Ministry of Foreign Affairs of the People’s Republic of China website, November 3 2019. Accessed August 22 2020. https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682518/xgxw_682524/t1712851.shtml.

²⁴Zhao H. “Yidai Yilu yu Dongmeng Jingji Gongtongti,” 15–16..

²⁵The ASEAN Secretariat. *ASEAN 2025: Forging Ahead Together*..

and skilled workers. The goal of ASCC is a people-oriented, environment-friendly, and sustainable development community.²⁶

On October 3 2013, Xi Jinping delivered a speech at the Indonesia Parliament and proposed that China was willing to jointly build the “21st Century Maritime Silk Road” with ASEAN, which became an important part of BRI. In March 2015, the Chinese government issued the “Vision and Action to Promote the Joint Building of the Silk Road Economic Belt and the 21st Century Maritime Silk Road”. The five major cooperation priorities of BRI are better connectivity in policy, infrastructure, trade and financial services, and closer ties between the peoples of various countries. Policy communication is to strengthen intergovernmental cooperation, promote political mutual trust, and realize the exchange and docking of development strategies. Facilities connectivity lies in the interconnection of infrastructure. Priority is given to the development of transportation infrastructure, strengthening cooperation in energy infrastructure building, and improving the level of international communication connectivity. The unimpeded trade is to eliminate trade and investment barriers, build a good business environment, jointly negotiate, and build a free trade zone, expand trade areas, promote international production capacity cooperation, and optimize the distribution of labor in the industrial chain. Financial integration lies in deepening financial cooperation and guiding private funds to jointly participate in the building of key projects of BRI. People-to-people connectivity lies in the extensive development of cooperation and exchanges in education, science and technology, culture, tourism, medical care, sports, etc., expansion of non-governmental and public exchanges, and laying a solid foundation of public opinion for deepening bilateral and multilateral cooperation.

The building of BRI requires all countries to work together toward the goal of mutual benefit and common security. It can be seen that the ASEAN Community and BRI both regard political mutual trust, economic integration, and cultural inclusiveness as the three pillars. Their strategic planning, cooperation priorities, policy measures, etc. have many similarities, which provides a realistic basis for the two strategies docking and regional cooperation.²⁷ China regards ASEAN as a key cooperation area for the joint building of BRI. At present, China has signed a bilateral cooperation plan between the governments of Laos and Cambodia to jointly build BRI, and signed governmental memorandums of understanding on the joint building of BRI with Singapore, Myanmar, Malaysia, Thailand, Indonesia, Vietnam, Brunei, and the Philippines.²⁸

²⁶Wang Q. “Dongmeng Jingji Gongtongti,” 90.

²⁷Wang Q. “Dongmeng Jingji Gongtongti,” 19.

²⁸China-Laos “Outline on Jointly Promoting the ‘The Belt and Road’ Construction Cooperation Plan” (May 2017), China-Cambodia “Outline on Jointly Promoting the ‘The Belt and Road’ Construction Cooperation Plan” (May 2017), China-Singapore “Memorandum of Understanding on Jointly Promoting the Construction of ‘The Belt and Road’” (May 2017), China-Malaysia “Memorandum of Understanding on Promoting the Economic Development of Both Sides through China’s ‘Silk Road Economic Belt’ and ‘21st Century Maritime Silk Road’ Initiatives” (May 2017), China-Myanmar “Memorandum of Understanding on Jointly Promoting the Construction of ‘The Belt and Road’” (May 2017), China-Thailand “Memorandum of Understanding on Jointly Promoting the Construction of ‘The Belt and Road’” (September 2017), China-Vietnam “Memorandum of Understanding on Jointly Building ‘The Belt and Road’ and ‘Two Corridors and One Ring’” (November 2017), China-Brunei “Memorandum of Understanding on Jointly Promoting the Construction of the ‘Silk Road Economic Belt’ and the ‘21st Century Maritime Silk Road’” (November 2018), China-Indonesia “Memorandum of Understanding on Promoting the Construction of ‘The Belt and Road’ and ‘Global Maritime Fulcrum’” (November 2018), China-Philippines “Memorandum of Understanding on Jointly Promoting the Construction of ‘The Belt and Road’” (November 2018)

3.2 BRI cooperation priorities and the master plan on ASEAN Connectivity are mutually compatible

To realize economic integration and build a single market and production base, ASEAN must first achieve the infrastructure connection. However, due to lacking both capital and technology, the current infrastructure connection among ASEAN countries is very backward. According to forecasts by the Asian Development Bank (ADB), ASEAN countries need to invest at least US\$1.2 trillion in infrastructure.²⁹ Since the reform and opening up, after more than 40 years of rapid development, China has formed many advantageous industrial clusters and advanced manufacturing industries. High-speed rail, nuclear power, roads and bridges, ports, communications, energy development, and other industries are advanced technologies in the world. The infrastructure building of most ASEAN countries is relatively lagging and the supporting industry foundation is weak, but they have abundant resources, a broad market and the need for economic development, while China has the advantages of mature technology, abundant funds, and talents. This provides a broad cooperation space for China-ASEAN regional infrastructure connection.³⁰

In October 2010, ASEAN announced the Master Plan on ASEAN Connectivity 2010 (MPAC 2010), which proposed physical connectivity, institutional connectivity and people to people connectivity. In September 2016, ASEAN released Master Plan on ASEAN Connectivity 2025 (MPAC 2025), which aims to build a seamless, fully connected and integrated ASEAN and regard sustainable infrastructure, digital innovation, seamless logistics, supervising excellence, and population mobility as the five priority strategic areas. Among them, sustainable infrastructure is the foundation of ASEAN connectivity, and ASEAN countries need to invest more than 110 billion US dollars in infrastructure building each year³¹ Similarly, infrastructure connection is also a priority area of BRI building. As early as 2011, the China-ASEAN Connectivity Cooperation Committee was established to continue to promote the docking of BRI and Master Plan on ASEAN Connectivity.

In 2013, the APEC summit passed the APEC Framework on Connectivity and the APEC Multi-Year Plan on Infrastructure Development and Investment. In 2014, the APEC summit passed the APEC Connectivity Blueprint (2015–2025).³² In 2014, the Asian Infrastructure Investment Bank (AIIB) was established, which facilitated the financing of infrastructure building in Asian countries. In November 2015, the 15th China-ASEAN Transport Ministers' Meeting passed the China-ASEAN Transportation Cooperation Strategic Plan (Revised Edition) and the China-ASEAN Transportation Science and Technology Cooperation Strategy. In November 2017, the 20th China-ASEAN summit adopted the China-ASEAN Joint Statement on Further Deepening Infrastructure Connection Cooperation, to further deepen comprehensive cooperation in the fields of economy, trade, infrastructure, and personnel.

²⁹Biswa N. B. "Estimating demand for infrastructure in energy, transport, telecommunications, water and sanitation in Asia and the Pacific: 2010–2020," 14.

³⁰Zhao H. "Yidai Yilu Changyi, yu Zhongguo-Dongmeng Guanxi" 36.

³¹The ASEAN Secretariat, *Master Plan on ASEAN Connectivity 2025*.

³²APEC Secretariat. "APEC Connectivity Blueprint for 2015–2025"

3.3 China and ASEAN countries reached consensus on capacity cooperation

In recent years, China and ASEAN countries have successively formulated “Industry 4.0” strategies and policies to promote the adjustment and upgrading of the industrial structure and deal with the opportunities and challenges brought about by the fourth industrial revolution. According to the plan of AECB 2025, promoting connection and industrial cooperation is the third major task of AEC building. The industrial cooperation areas proposed in the blueprint include information and communication technology, transportation, energy, agriculture and forestry, food, e-commerce, tourism, healthcare, mineral resources, science, and technology, etc. Capacity cooperation under the framework of BRI proposes cooperation between traditional industries and emerging industries, involving cooperation in the fields of agriculture, mineral resources, marine industries, information technology, new energy, biology, and new materials. At the same time, it emphasizes the optimization of the industrial chain division of labor, promotes the coordinated development of upstream and downstream industrial chains and related industries, encourages the establishment of R&D, production and marketing systems, and enhances the regional comprehensive competitiveness and industrial supporting capabilities. At present, China is actively promoting international cooperation in production capacity and equipment manufacturing, focusing on iron and steel, railways, communications, building machinery, automobiles, non-ferrous metals, textiles, building materials, power, chemicals, marine engineering, shipbuilding, and aerospace. Therefore, there are many similarities or overlaps between AEC and the regional production capacity cooperation of BRI plan, which has created good conditions for China-ASEAN capacity cooperation.

In recent years, ASEAN countries have also put forward new economic and social development strategies. In addition to docking with the AEC development strategy, the BRI can also dock with the economic development strategies of ASEAN member states. The Brunei government implements the “2035 Vision” economic development strategy mainly to promote the diversified economic structure. It can make use of the joint building BRI to cooperate in food, agriculture and fishery, education, finance, logistics, and communications. In April 2018, the Indonesian government released a roadmap for the fourth industrial revolution in Indonesia, which would prioritize the development of five major industries and make them become the drivers of manufacturing development, including electronics, automobiles, food and beverages, textiles and apparel, and petrochemical industries.³³ Indonesia urgently needs to improve its weak infrastructure. China’s first overseas investment target for high-speed railways chose Indonesia’s Jakarta-Bandung high-speed railway. Indonesia’s Palembang light rail project for the Asian Games was also undertaken by Chinese companies.

In 2016, the Singapore government launched the Industry Transformation Programme, which involves manufacturing and service industries, manufacturing industries including energy and chemical engineering, precision engineering, maritime engineering, and aviation. In 2016, the Thai government put forward the “Thailand 4.0” strategy and identified 10 target industry sectors as new engines for future economic development, including new generation automobile manufacturing, smart electronics,

³³Dimas Muhamad, “Can Indonesia really make it to Industry 4.0.”

high-end tourism and medical tourism, agriculture and biotechnology, food deep processing, industrial robots, aviation and logistics, bioenergy and biochemical industry, digital economy, medical centers, etc. The Thai government calls on China and Japan to jointly participate in the development and building of the Eastern Economic Corridor (EEC) and build it into the maritime transportation center and the most advanced economic development center of ASEAN. In August 2018, the Vietnamese government announced the Overall Plan for the Development of Sustainable Smart Cities 2018–2025 and its development direction in 2030, using smart city building as a breakthrough point to promote the industry 4.0 strategy. China and ASEAN countries are at different stages of industrialization and have their own resource endowments and comparative advantages. They can achieve industrial complementarity and win-win cooperation in promoting the transformation of traditional industries and the development of emerging industries.

4 The increasingly close China-ASEAN economic cooperation relationship

2020 is the fifth year that ASEAN announced the establishment of an economic community. ASEAN has become the world's fifth largest economy with a total GDP of 3 trillion US dollars. In January 2020, the ASEAN Vision 2040 issued by the ASEAN and East Asian Economic Research Institute pointed out that how to broaden the manufacturing production network, achieve high value-added growth, and obtain a favorable position in the global value chain had become a common pursuit of ASEAN countries. In the past 30 years, China-ASEAN economic cooperation has developed rapidly, bilateral trade and investment have grown rapidly.

4.1 The scale of China-ASEAN bilateral trade has expanded rapidly

In 2004, the bilateral trade volume between China and ASEAN exceeded US\$100 billion for the first time, and achieved US\$600 billion in 2019. China and ASEAN have now become each other's largest trading partner. In October 2019, the Upgraded protocol of China-ASEAN Free Trade Area entered into force for all the member states of the agreement. It lowered the threshold in terms of rules of origin, trade clearance regulations, service trade, and investment, and effectively promoted the trade between China and ASEAN countries. Therefore, the volume of trade and total investment between the two sides has increased rapidly.

In general, from 2002 to 2010, China-ASEAN bilateral trade in goods accounted for 9%–10% of China's total foreign trade in goods; from 2010 to 2019, this indicator rose from 10%–14%. In addition, China's position in the ASEAN export market has increased significantly. From 2010 to 2018, China's market share in ASEAN primary product exports rose from 23% to 29%; in ASEAN consumer product exports, China's market share doubled from 5% to 10%³⁴

As shown in Table 1 and Table 2, China's imports value from ASEAN countries in 2019 were 282 billion U.S. dollars, an increase of 5.0% year-on-year, but compared with the year-on-year growth rate of 13.9% in 2018, it fell sharply; exports value were

³⁴Zhang Q. "Zhongguo Dongmeng Jingmao Guanxi,".

Table 1. China's imports from ASEAN countries (unit: 100 million U.S. dollars, %).

Country/Region	2016	2017	2018	2019	Percentage of total imports from China (2019)	Growth rate (2019)	Dependence of countries on exports to China	
							2016	2019
Total ASEAN countries	1962	2357	2686	2820	13.6	5.0	–	–
Malaysia	492	543	632	718	3.5	13.6	16.5	19.7
Vietnam	371	503	640	641	3.1	0.3	18.1	24.5
Thailand	387	416	446	462	2.2	3.4	9.4	8.5
Singapore	259	342	337	352	1.7	4.4	8.1	9.5
Indonesia	214	286	342	341	1.6	–0.3	2.3	3.0
Philippines	174	192	206	202	1.0	–2.0	5.7	5.8
Myanmar	41	45	47	64	0.3	36.4	6.3	8.4
Laos	14	16	20	22	0.1	7.0	8.8	12.1
Cambodia	8	10	14	7	0.1	27.4	4.1	2.5
Brunei	2	4	2	4	0.0	81.7	1.8	3.0

Remarks: -is a negative value. The dependence of ASEAN countries on exports to China is the exports value (Chinese imports) to their GDP.

Source: China Customs Import and Export Statistics.

Table 2. China's exports to ASEAN countries (unit: billion US dollars, %).

Country/Region	2016	2017	2018	2019	Percentage of total exports to China (2019)	Growth rate (2019)	Dependence of countries on imports from China	
							2016	2019
Total ASEAN countries	2560	2791	3192	3594	14.0	12.6	–	–
Malaysia	377	417	454	521	2.0	14.8	12.6	14.3
Vietnam	611	710	839	979	4.0	16.7	29.7	37.4
Thailand	372	387	429	456	1.8	6.3	9.0	8.4
Singapore	445	450	492	547	2.1	11.6	14.0	14.7
Indonesia	321	348	432	456	1.8	5.6	3.4	4.1
Philippines	298	320	351	407	1.6	16.2	9.8	10.8
Myanmar	82	90	106	123	4.9	16.7	12.7	16.2
Laos	10	14	15	18	0.07	21.1	6.3	9.9
Cambodia	39	47	60	80	0.3	32.8	20.1	29.5
Brunei	5	6	16	7	0.02	–59.1	4.4	5.2

Remarks: -is a negative value. The dependence of ASEAN countries on imports from China is the imports value (Chinese exports) to their GDP.

Source: China Customs Import and Export Statistics.

359.4 billion U.S. dollars, an increase of 12.6% year-on-year, which was a slight decrease compared with the year-on-year growth rate of 14.4% in 2018. In terms of countries, the degree of dependence of ASEAN countries' exports to China from high to low is Vietnam, Malaysia, Laos, Singapore, Thailand, Myanmar, the Philippines, Indonesia, Brunei, and Cambodia (Table 1). The dependence of ASEAN countries' import from China from high to low is Vietnam, Cambodia, Myanmar, Singapore, Malaysia, Philippines, Laos, Thailand, Brunei, and Indonesia (Table 2).

From the perspective of China's imports from ASEAN countries (Table 1), with the exception of Indonesia and the Philippines, both increased year-on-year in 2019. Among them, China's imports from Indonesia fell by 0.3%, and imports from the Philippines fell

by 2.0%; imports from Vietnam, Laos, Malaysia, and Cambodia increased by 0.3%, 7.0%, 13.6%, and 27.4%, respectively. Myanmar and Brunei increased by 36.4% and 81.7%, respectively. A comparison of the dependence on exports to China in 2016 and 2019 shows that Vietnam's dependence has risen sharply from 18.1% to 24.5%, and Malaysia, Laos, Singapore, and Myanmar are also highly dependent on the Chinese economy. Overall, from 2016 to 2019, China's imports from the 10 ASEAN countries grew at an average annual rate of 13.03%.

As shown in [Table 2](#), China's exports to ASEAN countries increased year-on-year in 2019 (except Brunei). Among them, the growth rates of China's exports to Thailand and Indonesia are in single digits, and the growth rates of exports to the seven ASEAN countries, including Vietnam, Malaysia, the Philippines, Myanmar, and Laos, are double digits. The largest increase is Cambodia (32.8%). Comparing the dependence on imports from China in 2016 and 2019, Vietnam has the highest degree of dependence, rising from 29.7% to 37.4%. Cambodia, Malaysia, Myanmar have also seen significant growth. From 2016 to 2019, the average annual growth rate of China's exports to the 10 ASEAN countries was 11.99%.

Affected by COVID-19, the growth rate of China-ASEAN trade volume decreased in 2020, but ASEAN became China's largest trading partner in early 2020, replacing the status of the EU. China Customs statistics show that from January to August 2020, the total trade value between China and ASEAN reached US\$416.55 billion, an increase of 3.8% year-on-year, accounting for 14.6% of China's total foreign trade value.³⁵

4.2 The scale of China-ASEAN mutual investment continues to expand

ASEAN is the main target of China's overseas investment. In recent years, China's investment in ASEAN countries has been on a rapid rise, and ASEAN countries have gradually expanded their investment in China. As of the end of 2019, the cumulative mutual investment between China and ASEAN exceeded US\$230 billion.³⁶

As shown in [Table 3](#), in 2018, China's total direct investment in ASEAN countries was US\$13.694 billion, a year-on-year decrease of 3%, accounting for 9.6% of the total foreign investment that year. At the end of 2018, China had established more than 5,200 direct investment enterprises in ASEAN countries. From the perspective of industry composition, the manufacturing industry (US \$4.497 billion) ranked first, with a year-on-year increase of 41.7%, accounting for 32.8%, mainly to Malaysia, Indonesia, Vietnam, Singapore, and Thailand; followed by wholesale and retail, US\$3.473 billion, with a year-on-year increase of 41.8%, accounting for 25.4%, mainly flowed to Singapore.³⁷ According to the forecast by the ASEAN and China-Japan-Korea Macroeconomic Research Office (AMRO), the balance of China's investment in ASEAN countries in 2018 was US\$200 billion and will

³⁵"Chuangzao Lishi! Dongmeng Chengwei Zhongguo Diyida Maoyi Huoban,"[Make history! ASEAN has become China's largest trading partner] *Xinhuanet*, September 27 2020. Accessed October 2 2020. http://www.xinhuanet.com/fortune/2020-09/27/c_1126548246.htm

³⁶"Zhongguo-Dongmeng Zimaoqu: Huangjin Suzao Shijie Jingmao Xin Geju," [China-ASEAN Free Trade Area: "Golden Decade" Shaping a New World Economic and Trade Pattern] *Xinhuanet*, July 11 2020. Accessed October 2 2020. http://www.xinhuanet.com/world/2020-07/11/c_1126225221.htm.

³⁷Ministry of Commerce of the People's Republic of China, National Bureau of Statistics, and State Administration of Foreign Exchange. "Statistical Bulletin in 2018," 34–35.

Table 3. 2010–2019 China’s direct investment flow in ASEAN countries (unit: 100 million US dollars).

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
World	688.1	746.5	878.0	1078.4	1231.1	1456.6	1961.4	1582.9	1430.4	1171.0
Cambodia	4.7	5.7	5.6	5.0	4.4	4.2	6.3	7.4	7.8	27.5
Laos	3.1	4.5	8.1	7.8	10.3	5.2	3.3	12.2	12.4	10.7
Myanmar	8.8	2.2	7.5	4.8	3.4	3.3	2.9	4.3	-2.0	0.6
Thailand	7.0	2.3	4.8	7.6	8.4	4.1	11.2	10.6	7.4	10.9
Vietnam	3.1	1.9	3.5	4.8	3.3	5.6	12.8	7.6	11.5	25.3
Brunei	0.2	0.2	0	0.1	0	0	1.4	0.7	-0.2	0
Philippines	2.4	2.6	0.7	0.5	2.2	-0.3	0.3	1.1	0.6	18.0
Indonesia	2.0	5.9	13.6	15.6	12.7	14.5	14.6	16.8	18.6	47.0
Malaysia	1.6	1.0	2.0	6.2	5.2	4.9	18.3	17.2	16.6	9.8
Singapore	11.2	32.7	15.2	20.3	28.1	104.5	31.7	63.2	64.1	40.1

Remarks: – is a negative value.

Source: Ministry of Commerce of the People’s Republic of China, National Bureau of Statistics, State Administration of Foreign Exchange: “Statistical Bulletin of China’s Outward Direct Investment 2018”, 2019, pp.50–51. 2019 data is compiled according to official statistics of ASEAN countries.

reach US\$500 billion by 2035.³⁸ Although the data sources are different, China’s direct investment in ASEAN countries increased significantly in 2019, reaching 18.99 USD billion, an increase of 38.7% year-on-year.

In 2018, China surpassed Japan to become the largest investor in the Philippines. In 2019, it reached US\$1.8 billion, a 30-fold increase over the same period last year. Table 4 In 2019, Malaysia formulated the “Industry 4.0” plan to improve production efficiency and employees’ technical level through cooperation with China using AI, IT, and other means, to attract companies in China to transfer their supply chains. In 2019, China’s investment in Indonesia exceeded US\$4.7 billion, a year-on-year increase of 152.7%, accounting for 16.8% of Indonesia’s total FDI in the same year, surpassing Japan and second only to Singapore. Investment fields include steel, metallurgy, transportation infrastructure, furniture and

Table 4. 2018 ASEAN countries’ direct investment in China.

	Number of newly established enterprises			Actual investment amount		
	Quantity (Jia)	Year-on-year growth (%)	Percentage of China’s utilization of foreign capital (%)	Amount (One hundred million U.S. dollars)	Year-on-year growth (%)	Percentage of China’s utilization of foreign capital (%)
Brunei	2	-71.4	0.00	0.2	-27.2	0.01
Myanmar	11	-59.3	0.02	0.1	383.5	0.01
Cambodia	13	160.0	0.02	0.0	-86.8	0.00
Indonesia	65	27.5	0.11	0.3	-20.4	0.02
Laos	2	0.0	0.00	0.0	-95.3	0.00
Malaysia	454	38.0	0.75	2.1	95.3	0.16
Philippines	39	11.4	0.06	0.5	897.2	0.04
Singapore	998	41.4	1.65	52.1	9.4	3.86
Thailand	94	16.1	0.16	0.5	-58.5	0.03
Vietnam	31	72.2	0.05	1.4	3832.9	0.10
Total ASEAN countries	1709	35.5	2.82	57.2	12.6	4.24

Source: Foreign Investment Statistics of the Ministry of Commerce of the People’s Republic of China.

³⁸Chaipat, P., Li, W., Foo S, Y., Liu, S, Tng, X.Y, “China’s Reform and Opening-Up: Experiences, Prospects, and Implications for ASEAN” ASEAN+3 Macroeconomic Research Office, May 2019. Accessed October 2 2020. <https://amro-asia.org/wp-content/uploads/2018/10/Chinas-Reform-and-Opening-Up-Experiences-Prospectsand-Implications-for-ASEAN-FINAL.pdf>

clothing manufacturing industries. In addition, Myanmar may also become a new destination for Chinese investment. According to Myanmar statistics, from October 2018 to June 2019, China's investment in Myanmar was second only to Singapore, and it ranked first in the number of projects.

On the one hand, with the advancement of the BRI building, ASEAN countries' investment in China has also grown rapidly. As shown in Table 5, in 2018, ASEAN countries established 1,709 new enterprises in China, an increase of 35.5% year-on-year, accounting for 2.8% of the total number of newly established foreign-invested enterprises; the actual investment amount was US\$5.72 billion, an increase of 12.6% year-on-year, accounting for the actual use of foreign capital 4.2% of the total amount. Among them, Singapore has the largest investment in China. In 2018, Singapore established 998 foreign-invested enterprises in China, a year-on-year increase of 41.4%, accounting for 1.7% of the total number of foreign-invested enterprises in China; the actual investment amount was US\$5.21 billion, an increase of 9.4% year-on-year, accounting for 3.9% of China's total foreign investment. Malaysia ranked second. In 2018, Malaysia newly established 454 enterprises, a year-on-year increase of 38%; the actual investment amount was US\$210 million, a year-on-year increase of 95.3%. Vietnam ranked third. In 2018, Vietnam newly established 31 enterprises in China, a year-on-year increase of 72.2%; the actual investment amount was US\$140 million, a year-on-year increase of 3833%. In 2018, Philippines newly established 39 enterprises in China, a year-on-year increase of 11.4%; the actual investment amount was US\$50 million, a year-on-year increase of 897.2%³⁹

Table 5. Top 10 Commodities of China's Imports and Exports to the Seven ASEAN Countries in 2019 (Unit: USD million).

Rank	product name	Export		Import	
		amount	product name	amount	amount
1	Category 16 electromechanical, audio and video equipment and its parts and accessories	134,071	Category 16 electromechanical, audio and video equipment and its parts and accessories	129,828	
2	Category 15 base metals and their products	41,076	Category 5 mineral products	39,504	
3	Category 11 textile raw materials and textile products	35,564	Category 7 plastics and their products; rubber and its products	19,529	
4	Category 6 products of the chemical industry and related industries	19,760	Category 6 products of the chemical industry and related industries	12,948	
5	Category 5 mineral products	18,822	Category 15 base metals and their products	9792	
6	Category 20 miscellaneous products	17,574	Category 18 Optical and medical instruments; clocks and watches; musical instruments	9601	
7	Category 7 plastics and their products; rubber and its products	16,231	Category 2 plant products	8515	
8	Category 17 vehicles, aircraft, ships and transport equipment	14,503	Category 22 special trading products and unclassified commodities	8299	
9	Category 13 products of mineral materials; ceramics; glass and its products	9995	Category 14 jewelry, precious metals and products; imitation jewelry; coins	5726	
10	Category 2 plant products	9809	Category 3 animal and vegetable oils, fats and waxes; refined edible oils and fats	5578	

Note: The seven ASEAN countries mentioned in the table are Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, and Myanmar.

Source: "December 2019 Stamp Amount table for Export to Some Countries (regions)", General Administration of Customs People's Republic of China, January 23, 2020, <http://www.customs.gov.cn/customs/302249/302274/302277/302276/2851466/index.html>.

³⁹Ministry of Commerce of the People's Republic of China, *Report on Foreign Investment in China August 19 2019, 2020*, p.38..

5 Challenges facing China-ASEAN economic cooperation

Although China-ASEAN economic cooperation is deepening, both ASEAN countries and China are developing economies. Therefore, seeing the complementary advantages of AEC and the BRI, their cooperation also faces the following five aspects' challenges.

5.1 Mutual trade competition and trade surplus still exist

Since China and ASEAN countries are both developing countries, their economic development levels and industrial structures are similar, they are both export-oriented economies, and both rely on the markets of Western countries in terms of trade. Both promote domestic economic development by attracting foreign investment and technology, and both use natural resources and the cost advantage of manpower to participate in international competition, their products also have homogeneity. Therefore, the two sides have a competitive relationship in the international market.

“December 2019 Stamp Amount Table of Import from Some Countries (Regions)”, General Administration of Customs People’s Republic of China, January 23 2020, <http://www.customs.gov.cn/customs/302249/302274/302277/302276/2851472/index.html>.

It can be seen from Table 5 that among the top 10 categories of commodities imported and exported by China from or to the seven ASEAN countries, as many as 6 categories are the same, namely category 16, 15, 6, 5, 7, and category 2. Moreover, the categories of commodities with the largest amount of imports and exports are the same. They are all electromechanical, audio-visual equipment, textiles, and their components and parts. This fully reflects the lack of complementarity in the trade structure between China and ASEAN countries and thus great competition exists. The largest textile export markets of China and ASEAN countries are concentrated in Western countries, and the competition between the two parties in the third-party market is fierce.

The long-term trade surplus between China and ASEAN countries has further increased the trade imbalance. Since the establishment of CAFTA, China and ASEAN countries have gradually phased out tariff and non-tariff measures for most products. The service industry and investment market have been opened successively, and China-ASEAN two parties have reduced or eliminated trade barriers, achieved trade liberalization, and created a trade diversion effect among China and ASEAN countries. Since 2012, China’s trade with ASEAN countries has changed from a deficit to a surplus. This has caused concerns among ASEAN countries. In the long run, trade imbalance is not conducive to the sustainable development of bilateral economic cooperation.

5.2 China and ASEAN countries have competition in attracting foreign investment

So far, China and ASEAN countries have similar policies to attract foreign investment. Developed countries have transferred labor-intensive and low-value-added industries to China or ASEAN countries, resulting in a higher degree of industry similarity between China and ASEAN countries. ASEAN began to formally implement the “ASEAN Comprehensive Investment Agreement (ACIA)” in March 2012, granting greater preferential treatment to foreign-funded enterprises investing and building factories in ASEAN countries. The goal is to establish a more liberalized, convenient, transparent,

and competitive investment area. ASEAN countries attracted US\$154.7 billion in foreign investment in 2019. During the same period, China attracted US\$141.2 billion in foreign investment. The population and economic aggregates of ASEAN countries are not in the same level as China, but they attracted more foreign investment than China. This shows that ASEAN is more attractive to foreign investment.

As shown in Table 6, with the exception of Singapore, the monthly wages in most ASEAN countries' manufacturing industries are lower than those in China. This shows that ASEAN countries have obvious comparative advantages in labor costs. After the building of AEC, ASEAN, as a single market and production base, has great advantages in attracting foreign direct investment. The relatively low labor costs of Myanmar, Cambodia, Indonesia, Vietnam, and Laos have made ASEAN one of the main destinations for attracting global FDI. Not only are large multinational companies more willing and confident to invest in ASEAN countries, many small and medium-sized enterprises are also willing to expand their markets in these countries. Many S&M enterprises from Japan and South Korea, focusing on electronic products, textile, and garment industries, have invested in ASEAN countries to set up factories to provide OEM production for multinational companies⁴⁰ The labor cost advantage of ASEAN countries is both an opportunity and a challenge for deepening and expanding bilateral investment cooperation between China and ASEAN countries. In the context of rising labor costs in China and the appreciation of the renminbi, ASEAN countries are more attractive for investment. This has also affected the two-way investment between China and ASEAN to a certain extent, and has posed no small challenge to achieving the goal of the upgraded version of CAFTA.

5.3 ASEAN is concerned that its "centrality" in East Asia regional economic cooperation will be weakened

AEC has been widely recognized by the international community, which is manifested in the improvement of the ASEAN economic cooperation mechanism, the gradual

Table 6. Comparison of monthly wages in manufacturing industries between China and ASEAN countries (unit: USD).

City	General Worker	Technician	Middle Management Cadre
Beijing	768	1245	2115
Shanghai	674	1070	1904
Shenzhen	588	1320	1596
Bangkok	413	728	1559
Hanoi	217	436	957
Jakarta	308	457	1031
Kuala Lumpur	413	840	1576
Manila	234	373	971
Phnom Penh	201	648	1117
Singapore	1946	3064	4490
Vientiane	180	383	875
Yangon	162	349	1016

Note: The survey period is from December 2018 to September 2019.

Source: JETRO, *Survey of Japanese Companies Investing in Asia and Oceania (2018)*, 2019.

⁴⁰"2016 ban Dongmeng Touzi Baogao," [2016 ASEAN Investment Report] Economic and Commercial Office of the Mission of the People's Republic of China to ASEAN, September 27 2016. Accessed October 2 2020. <http://ASEAN.mofcom.gov.cn/article/ztdy/201609/20160901402150.shtml>.

expansion of ASEAN economic decision-making, the increasing influence of ASEAN on the domestic policies of member countries, and the centrality of ASEAN in East Asia regional economic cooperation. In 1997, ASEAN and China, Japan, and South Korea launched an informal summit system. At the end of 1999, the third “10 + 3” Summit issued the “Joint Statement on East Asia Cooperation”, gradually forming a “10 + 3” cooperation mechanism. Since then, ASEAN has successively established a “10 + 1” cooperation mechanism with China, South Korea, Japan, India, Australia, and New Zealand, and established free trade zones, respectively. ASEAN is in a leading position in both the “10 + 1” and “10 + 3” cooperation mechanisms. So far, ASEAN has become the “promoter and leader” of East Asia regional economic cooperation. In order to strengthen its dominant position in regional economic cooperation and maintain its own unity, ASEAN proposed to establish RCEP in 2011, inviting China, Japan, South Korea, Australia, New Zealand, and India to participate in the establishment of a unified market of 16 countries. Although India has walked out of the negotiations, the 15 countries signed the RCEP on November 15 2020. In this way, ASEAN has consolidated its position in East Asia regional economic cooperation. However, the changes and influence of the global and regional political patterns, as well as the strategic competition of major powers, have gradually marginalized ASEAN and made it gradually lost its ability to control regional cooperation, thereby affecting ASEAN’s dominance. And BRI has also impacted ASEAN’s central position in East Asia regional economic cooperation to a certain extent. In addition, as a small group of countries, ASEAN is subject to the imbalance of the economic development level of its member countries, and the large differences in political systems, ideologies, and values among them, which are inherently vulnerable and lack of a strong voice. It is bound to reduce its initiative in regional cooperation.⁴¹

5.4 ASEAN countries still have misgivings about China

China has maintained medium-to-high-speed growth for many years and has always been the locomotive of East Asia economic growth. Especially since China proposed BRI in 2013, ASEAN countries have responded positively for business opportunities. At the same time, China, as the world’s most populous country and second largest economy, has a vast market, and products from ASEAN countries are very popular in China. ASEAN countries are also important tourist destinations for China. However, as China’s regional influence continues to increase, ASEAN countries’ misgivings about China have also increased. In January 2020, the ISEAS-Yusof Ishak Institute in Singapore released *The State of Southeast Asia 2020*, which pointed out that although respondents from ASEAN countries generally believe that China’s influence has expanded significantly, but as many as 85% of people feel worried. Regarding the question of “Impact of China’s re-emergence as a major power”, 38.2% of the respondents believe that “China is a revisionist power and intends to turn Southeast Asia into its sphere of influence.” 34.7% of the respondents believe that “China is gradually taking over the US’ role as a regional leader”. Regarding whether they have confidence in BRI, only 36.4% of the respondents said yes. The main reasons for the negative perceptions of the respondents are two: one is that they believe that “the project will fall into unsustainable financial debt”; the

⁴¹Zhai K. “Dongya Hezuo Zhudao quan” 55.

other is that the project is not transparent⁴² In other words, the political mutual trust between China and ASEAN countries has not been deepened through bilateral economic cooperation. On the contrary, most ASEAN elites do not believe that China will realize the promise of a peaceful rise. “Alien China” has begun to appear in ASEAN countries, and they are worried about their dependence on China, which will cause it to lose its own advantages when interacting with China.⁴³

6 Thoughts on ways to strengthen China-ASEAN economic cooperation

To sum up, AEC and BRI building have complementary advantages and mutual competition. For instance, the AEC is hampered by backward infrastructure, lack of capital and technology, which restrict the process of ASEAN economic integration. BRI calls for win-win cooperation through joint contribution, sharing, and cooperation. It gives priority to infrastructure development and production capacity cooperation, which is in line with the actual needs of ASEAN. The two countries complement and reinforce each other. They also compete with each other for both ASEAN and China are export-oriented economies, and both take advantage of natural resources and labor costs to participate in international competition⁴⁴ Therefore, we need to take an objective view of the mutual promotion and competition between AEC and the BRI. If we only see the competitiveness between the two and ignore the complementarity and mutual promotion, which will fall into the “Chinese version of the Marshall Plan” “debt trap” and other arguments. If we only see mutual complementation and promotion while ignoring competitiveness, which will cause us to ignore risks and suffer losses.

As mentioned earlier, the complementarity between the BRI cooperation priorities and the Master Plan on ASEAN Connectivity provides a practical foundation for BRI docking with AEC. Specifically, they can be carried out at both the national and regional levels. At the national level, China can strengthen policy coordination with individual ASEAN countries on production capacity cooperation and project investment, so as to realize the complementarity between China’s production capacity advantages and ASEAN local human and resource advantages. At the regional level, BRI can be linked to the development plan of “enhancing connectivity and sectoral cooperation” in the ASEAN Economic Community Vision 2025. The docking of BRI and the AEC is not only an issue of investment and infrastructure construction but also should include the communication and coordination of macro-policies (including economic development, financial cooperation, and global governance)⁴⁵ Concretely, China and ASEAN can strengthen cooperation in the following four aspects.

6.1 Coordinate the relationship of various cooperation mechanisms

International mechanism can function as providing public goods, reducing transaction costs, and shaping the expected results, therefore, it is “an important variable that regulates the behavior of international relations and constitutes the shared culture of the international

⁴²The State of Southeast Asia: 2020 Survey Report..

⁴³Wang Y. Z. “Zhongguo Dongmeng Guanxi,” 9.

⁴⁴Cao Y. H. and Li J. S. “Dongmeng Jingji Gongtongti,” 37–41..

⁴⁵Zhao H. “Yidai Yilu yu Dongmeng Jingji Gongtongti,” 16..

system.”⁴⁶ At the regional level, international mechanisms have played an important role in maintaining regional stability and promoting regional development. The steady building of regional cooperation mechanisms has played an active and constructive role in China-ASEAN bilateral relations. At present, there are many cooperation mechanisms between China and ASEAN, such as CAFTA, BRI, RCEP, Lancang-Mekong cooperation mechanism, GMS, etc. The building and development of multi-level and wide-area regional cooperation mechanisms have enabled China and ASEAN to share a wide range of principles, norms and procedures. Relying on the platforms provided by these cooperation mechanisms, China and ASEAN can not only carry out frequent, benign interactions and cooperation in various fields at a lower cost, but also resolve conflicts within a controllable range. It is undeniable that there is a competitive relationship among the various mechanisms due to the differences in the participants and the cooperating subjects. When ASEAN countries participate in these cooperation mechanisms, they will naturally consider the difference between participating as a united ASEAN and as themselves, which has caused decline in cooperation consensus and efficiency. This requires both China and ASEAN to sort out the mutual relations of various cooperation mechanisms between China and ASEAN and between China and ASEAN member countries. Otherwise, when cooperation on specific projects occurs, different countries will have differences due to various positions and participation mechanisms, which will affect cooperation efficiency.

6.2 Optimize the structure of bilateral economic cooperation

First, in terms of trade, China and ASEAN countries should strive to open up diversified trade markets, optimize the structure of trade products, and avoid fierce competition among low-level similar products. At present, China's trade share with Myanmar, Cambodia, Laos, Brunei is relatively low, so the trade potential between China and these countries should be developed. While increasing the scale of trade with major ASEAN members, China should also try to achieve trade balance and appropriately expand the scale of imports from Singapore, Vietnam, Indonesia, Philippines, Myanmar, and Cambodia, and the scale of exports to Malaysia and Thailand, forming a virtuous circle on bilateral economic and trade exchanges. China should also improve the structure of its exports to ASEAN, increase the exports proportion of high value-added products, and enhance the competitiveness of export products in the ASEAN market. Second, in terms of investment, China's investment in ASEAN countries still has a lot of room for development, the structure is not balanced, mainly in the secondary industry, with relatively few investments in the primary and tertiary industries. Therefore, Chinese enterprises can expand the scale of investment and actively adjust the investment structure in ASEAN countries, gradually change the traditional model of purely exporting “Made in China” in the past, implement the dual export model of “capital + production capacity”, and actively leverage the leading role of railways, power and other advantageous industries to restructured the East Asia regional value chain.⁴⁷

⁴⁶Robert O. Keohane, “Neoliberal Institutionalism: A Perspective on World Politics,” 4.

⁴⁷Huang Y. M. “Zhongguo Dongmeng Shenhua Diyuan Jingji Hezuo,” 125.

6.3 Implementation of a competitive negative list system

China and ASEAN have a competitive relationship in foreign trade, attracting foreign investment and regional dominance. In terms of foreign trade, it is easy to fight price wars for occupying market share, and there are also no bottom-line government subsidies and preferential policies in attracting foreign investment. This requires both China and ASEAN to carefully analyze and sort out areas that are prone to competition in trade and investment, make a negative list, carry out misaligned development, achieve complementary advantages, and avoid vicious competition. In some highly competitive industries, China and ASEAN are actually in the industrial chain division of Western multinational companies, and these industries generally do not have competition. However, in the fields of clothing, shoes and hats, toys, China and ASEAN countries are all striving for lower labor costs to win the Western market. This requires the establishment of a negative list system between the two parties, effective management, control, and adjustment of industries and fields where vicious competition exists, and dislocation development operations through consultations to achieve practical results.

6.4 Adjust industrial division of labor to achieve complementary advantages

China and ASEAN countries are both at the middle and low end of the global value and industrial chain. ASEAN realizes a single market and production base through the building of AEC, and China is carrying out industrial transformation, upgrading and exporting superior production capacity through the joint building of BRI. Both parties can achieve misaligned development through rational industrial division of labor to create an industrial chain with complementary advantages. At present, ASEAN countries have advantages in natural resources and human costs, and they also have a huge market; China has transformed from high-speed development to high-quality development, and has cost-effective production, building capabilities and capital advantages, while human cost advantages are gradually lost, and environmental resources shrinking, coupled with the prolonged China-US trade friction, has put China under pressure from economic growth. China can directly from transferring raw materials or semi-finished products imported from ASEAN countries to the United States after reprocessing into exporting directly to ASEAN countries for production. China has raised tariffs on agricultural products from the United States and can instead import more agricultural products from ASEAN. China's e-commerce and mobile payment companies can enter ASEAN countries to help farmers with inconvenient transportation sell agricultural products online. By helping ASEAN countries to build infrastructure, improve the convenience of road transportation and telecommunications, promote the development of the logistics industry, and then promote the development of e-commerce and provide more jobs. In addition, new infrastructure building has also added new areas for China-ASEAN economic cooperation. The new infrastructure mainly includes the building of 5 G base stations, extra-high voltage (EHV), intercity high-speed railways, and urban rail transit, new energy vehicle charging piles, big data centers, artificial intelligence, and industrial internet, which involves many industrial chains. China's successful experience can be transplanted to ASEAN countries.⁴⁸

⁴⁸Cai E.Z. "Zhongguo Dongmeng Jingmao Hezuo Luoji," 64.

6.5 Carry out third-party market cooperation

Third-party market cooperation in ASEAN countries is a new model of China-ASEAN capacity cooperation. The successful experience of bilateral cooperation can effectively facilitate the development of multilateral cooperation and provide a platform for ASEAN to truly play a leading role. It is important to promote “mutual benefit and all-win situation”. This kind of cooperation practice helps to shape a benign regional cooperation consciousness. Carrying out third-party market cooperation can effectively combine China’s advantageous mid-to-high-end production lines and equipment manufacturing capabilities with advanced technologies and core equipment of developed countries, and jointly develop the smart manufacturing market, power, internet, and clean energy market in ASEAN countries. Effectively dock with the industrialization development needs and strategies of ASEAN countries, and improve the accuracy and efficiency of third-party market cooperation. At the same time, research on cooperation projects should be strengthened, and business rules should be followed, especially in the fields of digital economy, smart manufacturing, infrastructure, energy conservation and environmental protection, and finance that need to further improve the sustainability and comprehensive benefits of capacity cooperation projects.⁴⁹

7 Conclusion

Regional cooperation is based on gaining consensus among participating countries and is conducive to regional growth and stability. The development of China-ASEAN cooperation has its own internality and corresponding spillovers. In promoting regional cooperation, China and ASEAN have supported and cooperated with each other and gained many successful experiences. The deepening of economic interdependence among countries is conducive to the improvement and development of political relations. The increasingly close economic cooperation between China and ASEAN has promoted the growth of bilateral common interests and laid a solid material foundation for the development of political relations.

From a political point of view, the building of AEC has strongly promoted the development of “multi-polarization” of the international structure in East Asia. This development trend is consistent with China’s diplomatic propositions. By strengthening bilateral cooperation, China has been able to expand its own activities space in East Asia. If ASEAN can achieve the goal of building the “ASEAN Economic Community Blueprint” in 2025, the political and economic structure of East Asia will be more stable, and the regional environment China faces will be more secure. In terms of economy, the building of AEC not only brings certain competitive pressure to China but also provides huge opportunities for cooperation. With the reduction of tariffs and the gradual elimination of various non-tariff barriers, as well as the preferential measures of ASEAN countries in attracting foreign investment and the improvement of their investment environment, trade and investment between China and ASEAN countries will increase substantially.

The bilateral economic cooperation between China and ASEAN countries is also conducive to the building of AEC. ASEAN countries hope that China will provide

⁴⁹Bi S.H., and Qu J. “Zhongri Di Sanfang Shichang Hezuo”, 29.

opportunities and space for common development in order to share the dividends of China's rapid economic growth. In terms of regional governance, ASEAN believes that regional issues cannot be resolved without China's participation, and therefore hopes that China can invest more.

Currently, the value and industrial chains of China and ASEAN are merging with each other, and also learning from each other. ASEAN countries have comparative advantages in labor and raw materials, while Chinese companies have capital and technological advantages. With the deepening of BRI building, the infrastructure building of ASEAN countries has been gradually improved, and the regional industrial chain between China and ASEAN countries will be deeply integrated, which is bound to further increase the volume of bilateral trade and investment. After the COVID-19, economic recovery is certain to become the central task of all countries. Multilateral trade, market opening, industrial chain docking, and interconnection will deepen, and the building of industrial chains, supply chains, capital chains, and service chains between China and ASEAN countries will be accelerated. China and ASEAN have long advocated multilateral trade, opposed protectionism and unilateral actions, and committed to promoting interconnection and establishing RCEP, which will inject positive energy into East Asia regional development.

In the future, China will not only need to continue to open up, expand domestic demand, improve the business environment, and reduce foreign investment restrictions, but also take advantage of some opportunities for industrial chain migration, rationally optimize the industrial chain, create new advantages in the supply chain, and strengthen in the high-tech field cooperation with ASEAN countries and actively participate in the building of the supply chain in East Asia.⁵⁰ The fact that trade and investment between China and ASEAN countries have grown against the trend since 2020 proves that the zero-sum game is harmful and unhelpful, only win-win cooperation is the right way forward. China and ASEAN countries need to uphold open regionalism, jointly expand domestic demand, consumption, investment, import and export, and fully initiate the building of the East Asia industrial and supply chain system. In addition to fully implementing the upgraded version of the China-ASEAN Free Trade Area, strengthening cooperation with Japan and South Korea in the third-party market of ASEAN countries and ratifying and implementing RCEP as soon as possible with other countries, it is also necessary to advance the China-Japan-Korea free trade area negotiations and explore the possibility of joining the CPTPP, so as to provide new impetus for AEC and strengthen ASEAN's "centrality" in East Asia regional economic integration.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by "Research on the Theory and Practice Innovation of the Neighbour Diplomacy of Chinese Characteristics under the Background of 'the Belt and Road' Initiative",

⁵⁰Henry F. Abraham N. "The Folly of Decoupling from China."

which the author led under Major key projects of the Ministry of Education of China (No.17JZD035). The research project on “Border Governance and Geopolitics Discipline (Group) Special Zone High-end Scientific Research Achievements Cultivation Project” of Yunnan University (No. Z2018-04). The research project on “Neighbour Diplomacy Research on Theory Innovation Highland Project” of Yunnan University’s First-Class University Construction Project.

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