

China's Integration with Southeast Asia:

The Case of China-CLMV Relations

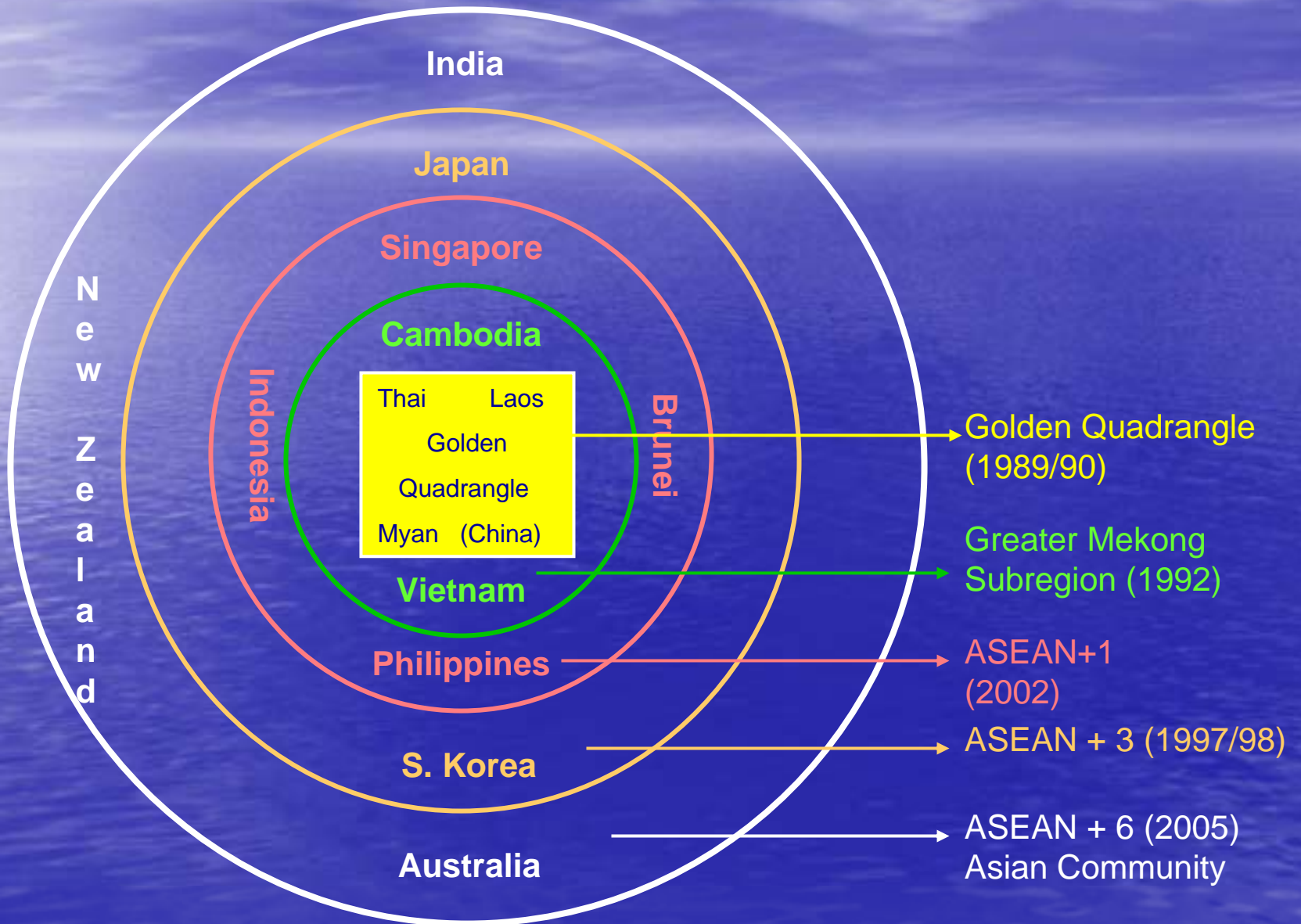
China's Regional Policies

- China's policy towards its closed neighbours in the Mekong Subregion
- "I live in the upstream,
- And you the downstream
- Our friendship flows with
- The river we both drink" (Marshal Chen Yi, the late Defence Minister, during the visit to Burma, 1957)
- Open economy & free trade with liberal countries (Den Xiao Ping, 1979)

China's Regional Policies: Contd.

- "Go-out" strategy (1990s)
- "Go-South West" & "Go-West" (1990s)
- " Friendly neighbours, stable Nations, and wealthy neighbours" (Chinese PM, Wen Jiabao (2003))

China's Integration Process with Southeast Asia



Building Blocks for China and CLMV

- Political:
 - - End of the Cold War & thawing of political tension
 - - Embargo from US and the West
 - - CLMV are ASEAN members
 - - China is ASEAN's Dialogue Partner
- Social & Physical
 - - Historical ties
 - - Cultural, ethnic ties & linguistic proximities
 - - Geographical proximities

Building Blocks for China & CLMV: Cont.

- Economic
 - - All are transitional economies
 - - Economic complementary as well as competitive
 - - All are part of GMS, ASEAN+1, ASEAN+3, & ASEAN+6
 - - Formation of trade blocs & protectionism
 - - Free flow of trade and investment
 - - Growth in tourism

The Growth Quadrangle

- Informal cooperation among 4 members (Cambodia, Laos, Myanmar & China/Yunnan) (1991/92)
- Concept of the then Thai's PM Chatchai: "Transforming battle fields into market place" (1989/90)
- China's concept: "Go-out" & "Look South West" (1988/9)
- Objective: To formalize and develop existing cross-border trade, tourism and transport links among the member countries
- GQ was absorbed by GMS (1992)

Greater Mekong Subregion Economic Cooperation

- Established by ADB in 1992
- Objectives: Growth, free movement of goods, capital & people, infrastructure development, and bring in FDI.
- Members: Cambodia, China (Yunnan & Guianxi), Laos, Myanmar, Thailand and Vietnam
- Population: 261.2 million (2003)
- GDP: 18,697 (US\$ billion) (2003)
- Achievements: Trust & confidence, peace & stability, eco. growth, cooperation agreements between two or more members, and important infrastructure provisions.

Intra-Mekong Basin Trade 2004 (In US\$ Million)

Country	Cambodia	China	Laos	Myanmar	Thailand	Vietnam	Total Mekong (1995)	Total Mekong (2004)	Av. Ann. Growth. (95-04) (%)
Cambodia	n.a.	508	1.4	0.1	820	499	703	1054	4.6
China	482	n.a.	114	1146	17,344	6,743	5288	19618	15.7
Laos	1.6	120.2	n.a.	---	743.7	146.3	489	1012	8.4
Myanmar	0.1	1117	--	n.a.	1843	147	890	3107	14.9
Thailand	751	15288	560	1900	n.a.	2312	4952	20811	17.3
Vietnam	305	4819	158	16	1700	n.a.	1397	6998	19.6
Mekong / Total	1106	21852	833.4	3062	22451	9847	14035	52600	15.8
China + CLMV	354.9	6564.2	273.4	1162.1	--	7535.3	China + CLMV V 1995 4002	China + CLMV 2004 31789	25.9

Source: IMF, Direction of Trade Statistics Yearbook 2005

Table 3(b): China-CLMV Trade

Exports						
	2000	2001	2002	2003	2004	Gr. rate % (2000-2004)
China	249195	266696	325711	438250	593232	138
Cambodia	164	206	252	295	452	176
Laos	34	54	54	98	101	197
Myanmar	496	498	725	908	939	89
Vietnam	1537	1805	2150	3179	4261	177
Total (CLMV)	2231	2563	3181	4480	5753	158
Imports						
China	225174	243567	295440	412836	561422	149
Cambodia	59	35	25	26	30	-97
Laos	6	7	10	11	13	117
Myanmar	125	134	137	170	207	66
Vietnam	1119	1186	1287	1663	2732	144
Total (CLMV)	1309	1372	1459	1870	2982	128
Total Trade						
China (Total)	474369	510263	621151	851086	1154654	143
Cambodia	223	241	277	321	482	44
Laos	40	61	64	109	114	185
Myanmar	621	632	862	1078	1146	85
Vietnam	2656	3092	3437	4942	6993	163
Total (CLMV)	3540	4026	4640	6450	8735	153

Source: IMF, Direction of Trade Statistics Yearbook 2005

ASEAN+1 (ACFTA)/(FACACEC)

- Establishment: 2002
- Objective: To form a World's largest trading bloc
- Target: Zero tariff in 2010
- Combined GDP: US\$ 1.7 trillion
- Total external trade: US\$ 1.3 trillion
- Market size: 1.7 billion (population)
- Starting point: 2004 (early harvest)

ASEAN+3

- Informal Organization
- Regular meeting since 1994
- Involves economic, socio-cultural, & political
- Pace of cooperation accelerated since 1999 after the joint statement on East Asian Cooperation
- Chiang Mai Initiative (2001)
- Currency Swap Arrangement & Surveillance Program(2002)
- Regional integration initiatives are still slow

ASEAN+3+3 (ASEAN+6) or Asian Community

- Rationale: - All countries expressed their political resolve and commitment to forging continent-wide cooperation.
 - The wealth of the resources and diversity in Asia and it will not only promote sustainable development but also global prosperity.
 - Market size: 3 billion (half of the world's population)
 - Foreign reserves: more than half of the total world's reserves but most of the reserves are invested outside the region.
- * Form of Organization: Still informal and holding meetings at different levels; mostly at the Asian Summits. - Integration initiatives still on the drawing plan.
- Members: (ASEAN 10) plus (China, Japan, S.Korea) plus (India, New Zealand, Australia)
- Asian Summit agreed to lay down goals and strategies towards realizing the Asian Community by 2020 in Vientiane (2004).

China-CLMV Political Relations: Reasons for Warm and Cordial Relationships

- CLMV and China are members of GQ, GMS, ASEAN+1, ASEAN+3 and ASEAN+6.
- Three (China, Laos and Vietnam) are socialist countries ruled by the communist parties.
- Myanmar is ruled by the military dictatorship and China gives strong political and financial support since 1990s while US and the West impose economic sanctions.
- Although Cambodia is trying to transform into a democratic country through a free and fare elections, the leaders are members of former communist party.

China-CLMV Political Relations: Contd.

- Although China and Vietnam had cross-border armed clashes in the late 1970s and unsettled disputes on Spratley Islands, the relations between the two is back to normal.
- China is eyeing for oil and gas from CLMV.
- China and ASEAN countries co-operated in dealing with drug trafficking with the Beijing Declaration signed in 2001 between China, Laos, Myanmar and Thailand.
- China signed the ASEAN Treaty of Amity and Cooperation (TAC) in October 2003.

China-CLMV Political Relations: Contd.

- ASEAN-China consultations on Protocol to the S.E.Asia Nuclear Weapons Free Zone (SEANWFZ) are continuing.
- ASEAN-China Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues was signed by both sides in January 2004.
- China is still giving loans and selling military hardwares to Myanmar.
- China-Myanmar signed the commercial navigation agreement with MRC (Thailand, Laos, Cambodia and Vietnam)

China-CLMV Economic Cooperation

- Share of China-CLMV in GMS's total trade = 60%
- Average growth rate of China-CLMV formal trade (1995-2004) = 25.9%
- Average growth rate of formal border trade of China-CLMV (1992-2000) = 185%
- Share of China-CLMV in GMS's FDI = 228% (1992-2003)
- Share of China-CLMV in GMS's tourist arrival = 641% (1992-2003)

China, CLMV and Regional & Subregional Integration

- CLMV: GQ (1989/00), GMS (1992), ASEAN/AFTA (1999), ASEAN+1 (2002), ASEAN+3 (2000/01), ASEAN+6 (2004) ACD (2002), ACM-ECS (2004), MGEC (2001)
- China: GQ (1989/00), GMS (1992), ASEAN +1 (2002), ASEAN+3 (2000/01), ASEAN+6 (2004)

Impact of China-CLMV Relations

- Positive impacts:
 - - Trade expansion
 - - FDI expansion
 - - Economic growth
 - - Welfare improvement
 - - Tourism development
- Negative impacts
 - - More exports in the third countries
 - - Competitive Domestic market
 - - Less attractiveness to FDI compared with China

Stumbling Blocks

- Historical rivalry and mistrust
- Territorial disputes
- Old and new problems for integration (China & CLMV)
- Illegal migration
- Drug production and drug trafficking
- Human trafficking
- Smuggling of goods
- Lack of infrastructure
- Environmental degradation

Prospects of ASEAN-China FTA

- 1. Free flow of trade of both sides due to China's accession to WTO & ASEAN's FTA
- Rapid development of tourism and help economic development of all parties
- China's active participation, support and promotion of SE Asian regional cooperation
- Signing of the tariff-reduction program kick-started ASEAN-China FTA by China's PM and ASEAN leaders on October 6, 2003
- China has signed the ASEAN TAC & economic cooperation
- There is political will among both sides.