



**CHINA'S CHALLENGES AND
OPPORTUNITIES FOR ASEAN ECONOMIC INTEGRATION**

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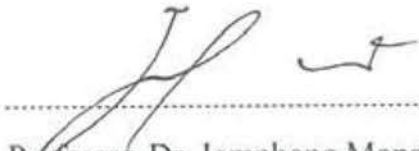
Thematic Certificate

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Abstract

Title: China's opportunities and challenges to ASEAN's economic integration

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ASEAN has a strong economic complementarity with China, with great potential for economic and trade cooperation. There is also some competition in export markets and in attracting FIJI.

The establishment of China ASEAN free trade area will make ASEAN and China to share the benefits of economic integration, realize win-win situation of economic, but also will promote the entire southeast Asia regional cooperation and promote economic development and social progress of Asia and the world.

In the 21st century, the launch of China's ASEAN free trade area has become the focus of global attention. This article with economic globalization and regional background, review the development process of China to ASEAN economic integration, and through the description on the status quo of the ASEAN economic integration in China, analyze the characteristics of China to ASEAN economic integration at this stage, and combining with the status quo of Chinese enterprises to ASEAN economic integration characteristics, using dunning's theory of international production compromise, Wells of the small-scale technology theory, and rao technology localization theory on China's competitive advantage for ASEAN economic integration has, investment subject, location advantages, industry sectors, and manners of investment for detailed analysis.

Key words: China;The association of south-east Asian nations

(ASEAN) Economic integration;strategy

摘 要

题 目： 中国对东盟经济整合的机遇与挑战

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东盟与中国经济互补性较强，经贸合作潜力巨大，在出口市场以及吸引 FDI 方面也存在一定的竞争。中国—东盟自由贸易区的建立，将使东盟和中国分享经济一体化的好处，实现经济上的双赢，同时也将推动整个东南亚的区域合作，促进亚洲乃至世界的经济发展和社会进步。

跨入 21 世纪，中国—东盟自由贸易区的启动成为全球关注的焦点。本文拟以经济全球化和区域化为背景，回顾中国对东盟经济整合的发展历程，并通过中国对东盟经济整合的现状描述，剖析现阶段中国对东盟经济整合的特点，然后结合中国企业对东盟经济整合的现状特点，运用邓宁的国际生产折衷理论、威尔斯的小规模技术理论以及拉奥的技术地方化理论等对中国对东盟经济整合所具有的竞争优势、投资主体、区位优势、行业部门、投资方式等方面进行详尽的分析。

关键词：中国；东盟；经济整合；战略

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Chapter 1 INTRODUCTION

1.1 Purpose

Economic globalization and regional economic integration have become two major trends in the world economy.

In 2007, there were 150 WTO members, and other countries that had not joined the WTO were more or less involved in global economic activity.

In the aspect of regional economic integration, the European Union, South America, North America free trade area community, regional economic integration organizations such as apec, scope is more and more big, the contact is more and more closely, the content of the integration is becoming more and more rich.

Economic globalization and regional economic integration is not only beneficial to eliminate the obstacles hindering the development of the productive forces between ethnic, national, and conducive to save labor and capital, make the production factors flow freely between members, optimize the allocation of resources, so as to improve the scale economic benefit, expand the market, the purpose of promoting the member states and the world economic growth.

The process of economic integration in Asia started late, but has accelerated markedly in recent years.

Since the Asian financial crisis, the association of southeast Asian nations (ASEAN or ASEAN) has not only started to focus on free trade in the region, but also strengthened negotiations with other east Asian countries.

In November 2001, China and ASEAN leaders agreed at the fifth "10 + 1" meeting in brunei to establish a china-ASEAN free trade area in 10 years.

China is by far China's participation in the construction of ASEAN free trade area of the first truly free trade area (hereinafter referred to as the "free trade"), it is Asia's largest free trade zone, is also the largest free trade area between developing

countries.

Over the past five years and more, the bilateral trade between China and ASEAN countries has grown rapidly, and the main indicators for the construction of the free trade area have gone smoothly.

Since 2002, China and ASEAN have begun to cut tariffs on more than 7,000 goods. According to the plan, tariffs on the vast majority of goods between China and six ASEAN's old members will fall to zero in 2010, with the full tax reduction deadline for the four ASEAN members scheduled for 2015.

With the development of economic globalization and regionalization, a new wave of transnational investment is booming.

The rapid development of international economic integration is not only an important manifestation of economic globalization and regionalization, but also an important driving force for world economic growth.

In the face of fierce international competition, countries must actively develop external economic integration, establish an international production system, and carry out transnational operations in order to occupy a favorable position in the future economic landscape.

Facing the opportunity and the challenge of globalization, China should also adapt to the world economic development trend, while actively absorbing foreign economic integration, also want to encourage Chinese enterprises to actively go abroad, through timely moderately developing foreign economic integration of the two, to establish a new mode of integration of international resources, involved in the tide of international competition, promote China's economic development and upgrading of industrial structure, improve the international competitiveness of Chinese firms.

In "China ASEAN free trade area" idea is put forward, the construction of ASEAN free trade area will soon enter a substantial stage: on October 8, 2003, the seventh China ASEAN leaders meeting signed southeast Asia friendly cooperation treaty, the comprehensive economic cooperation framework agreement, the supplementary protocol and a "strategic partnership for peace and prosperity" joint

declaration .In June 2004, the negotiations in nanning, guangxi, decided the plan of comprehensive tax reduction, investment promotion plan and service trade framework agreement.

In the same year on 29 November in vientiane, Laos, the eighth conference of the association of south-east Asian nations (ASEAN) and China's leaders signed the china-ASEAN framework agreement on comprehensive economic cooperation "agreement on trade in goods, the Chinese one agreement on dispute settlement mechanism of the association of south-east Asian nations (ASEAN).

The china-ASEAN comprehensive economic cooperation in 2005, according to the agreement on trade in goods of the framework agreement on comprehensive process of the china-ASEAN free trade area started lower taxes, about 7000 products will gradually achieve zero tariff .

1 YueGong 5, 2007, China and ASEAN countries signed a Chinese in the Philippines cebu ASEAN free trade area agreement on trade in services, the agreement to China for the construction of the china-ASEAN free trade area continue to move forward a big step.

However, the vigorous development of the china-ASEAN free trade area compared to the situation, China in the field of the ASEAN economic integration, whether in theory or in practice level, performance is disappointing.

So, how should Chinese enterprises play a comparative advantage in the integration of ASEAN economy and enhance the international competitiveness of enterprises in the perspective of china-ASEAN free trade zone?

How should China make strategic choices for ASEAN's economic integration.

Chapter 2 IIT ERATURE REVIEW

2.1 traditional international economic integration theory

The traditional theory of international economic integration refers to the international economic integration theory of developed countries.

Because of the western developed countries after world war ii for fast development of foreign economic integration activities, western economy academia in a lot of discussion and research on this field, has formed a number of different theories, including alzheimer's, kindle's monopoly advantage theory, barclays, Carson and the internalization theory of laghman, Vernon's product life cycle theory, dunning's compromise theory of international production and the island of comparative superiority.

(a) 2.1.1 monopoly advantage theory

In 1960, the Massachusetts institute of technology professor Stephen hammer (Stephen h. Hymer) in his doctoral dissertation, the domestic enterprise's international business: research on international economic integration, for the first time put forward a set of monopoly advantage to explain foreign economic integration theory .

Later, his mentor, Charles kindle berg (Charles p. Kindleberger) in the monopoly of foreign economic integration theory, etc. The article has carried on the supplement to the theory and perfect, developed into the international economic integration of the earliest and most influential monopoly advantage theory, so the theory is also called "hammer a kindle berg" theory.

(b) 2.1.2 internal phonation theory

Internalization theory also called the theory of market internalization, which

originated from the internalization theory of Coase in the 1930s.

In 1976, the British economist Peter Barclay (Peter Buckley) and Mark Casson (Mark Casson) in their 1978 book "The Theory of International Business," the transaction costs theory of Coase integration into the international economy has formed a more realistic significance to the internalization theory.

After that, Casson and Allan M. Rugman, a Canadian scholar, made more in-depth analysis and discussion on internalization concepts.

Internalization theory holds that the essence of the economic integration does not lie in the transfer of capital, but the expansion of the enterprise management based on the ownership and control, as a result, the enterprise management instead of the market mechanism to coordinate the activities and resources allocation.

There are several kinds of motives and reasons for the internalization of the market: one is to prevent the spread and loss of technological superiority; The second is to reduce the uncertainty of external market transactions; Third, it can reduce the losses caused by incomplete international market; Fourth, can use the transfer price to get high profits.

Because the instability of market mechanism leads to risks and losses, the enterprise conducts external economic integration and establishes the internal market of enterprises to overcome the obstacles in the external market.

(c) 2.1.3 product life cycle theory

In 1966, Harvard University professor Raymond Vernon (R. Vernon) in his journal "Economic Development in the United States: The International Investment and International Trade in the Product Cycle" put forward the theory of product life cycle.

He combines the advantages of monopoly, product life cycle and location

factors to explain the motivation, timing and location selection of international economic integration.

Product life cycle, refers to the products sold on the market, will the new product launch out into the whole process of new product to product the market stage, mature products and standardized products phase three development stages of .

Vernon argues that, in the stage of product innovation, this period can be said to be the technology-intensive products, the production cost is higher, and the enterprise is in a state of complete monopoly, price also is higher, the product is mainly in order to meet domestic demand, at this time also export supply a small number of countries use similar income level.

(d) 2.1.4 international production compromise theory

Theory of international production compromise is also known as the comprehensive theory of international production, is a British economist John Dunning (John h. Dunning) in 1977 in the trade, location of economic activities and the multinational enterprise: compromise theory exploration of the paper, with the ownership advantages, internalization advantages and location advantages triple combination to explain foreign economic integration theory.

According to this theory, foreign economic integration can only be carried out when a multinational company has three advantages.

2.2 general theory of external economic integration of developing countries

(e) 2.2.1 small-scale technology theory

The traditional external economic integration theory will have the monopoly advantage and scale economy as the necessity for enterprises to make foreign investment, while developing countries obviously do not have this advantage.

In the early 1980 s, American famous Harvard University teaching a of

article give lewis Wells (Louis t. Wells) by using the database multinationals in developing countries, deeply analyzes the developing country enterprise competitive advantage in international economic integration problems, found in the developing countries in the aspect of technology advantage has very special properties.

These technical advantages are shown in three aspects: first, there is a small production technology for small market demand services .

Such small-scale production techniques tend to be labor-intensive and have great production flexibility.

Secondly, the advantages of "local procurement and special products" show the uniqueness of national culture, which is an advantage that most large multinational enterprises cannot match. Third, low - price product marketing strategy.

(f) 2.2.2 technical localization theory

Different from small-scale techno-enabled, a British economist rao (Sanjaya Lall) in the study of multinational companies in developing countries, points out that the developing countries in the international economic integration, the existing technology and products for digestion, reform and innovation, to make their products to better meet the needs of local consumer diversity.

(g) 2.2.3 technological innovation industry upgrading theory

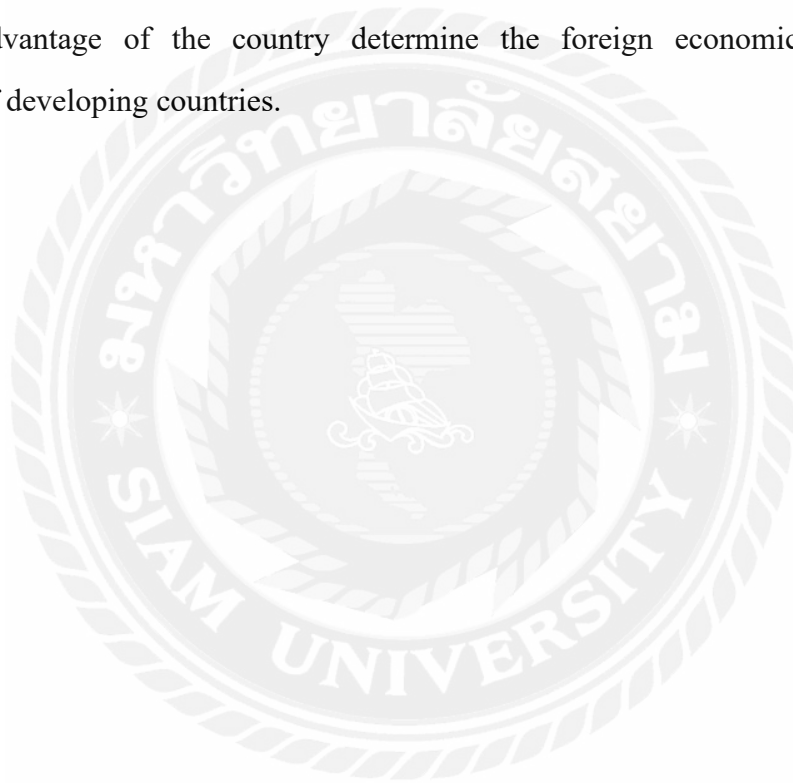
In the mid-1980s, English scholar cantwell.john and his student Tolentino. Paz Estrelia E jointly proposed the third world national technology innovation industry upgrade theory.

Cantwell and Toland if novartis believes that enterprises in developing countries with strong learning and ability of organization, effective and improve the existing technology, the developing countries, the international economic integration of the industrial distribution and distribution have important influence.

(h) 2.2.4 investment development cycle theory

In the early 80 s, dunning system was studied from 1967 to 1978 in 67 countries of the economic development level and external economic integration activities of the internal relations, from a macroeconomic perspective of developing country foreign economic integration of general trajectory theory, further demonstrates the theory of international production compromise .

The theory of investment development cycle holds that the economic development stage and the ownership advantage, internalization advantage and location advantage of the country determine the foreign economic integration tendency of developing countries.



Chapter 3 RESEARCH METHODS

3.1 combination of longitudinal investigation and horizontal comparison

Through to the Chinese enterprises in the ASEAN economic integration trajectory and foreign enterprises in the condition of ASEAN economic integration in longitudinal and transverse comparison, summing up experience and lessons, absorb the strengths of others, for his own shortcomings, puts forward the basic route of China to ASEAN economic integration.

(a) 3.1.2 normative research and empirical research are combined

Using the basic theory of international economic integration, the history and present situation of China's economic integration in ASEAN are explained and reviewed.

Based on the actual situation of China, the author USES the empirical research method to explore the characteristics and development path of China's economic integration in ASEAN.

(b) 3.1.3 qualitative analysis and quantitative analysis

In addition to qualitative analysis, this paper use a large amount of data to describe about the condition of China to ASEAN economic integration, in-depth interpretation of China to ASEAN economic integration of the inner rules of this economic phenomenon.

3.2 research process

This paper mainly elaborates the background of topic selection, research purpose and significance, and Outlines the framework and contents of this paper.

The system summarizes various influential and representative international economic integration theories, and explores the theoretical basis of China's development for ASEAN economic integration.

Expatriating and analyzing the economic and trade environment of ASEAN, introducing the basic situation of ASEAN attracting foreign capital;By analyzing the economic integration of Chinese enterprises in ASEAN countries, the economic integration situation, motivation and impact of Chinese enterprises are analyzed.

First, summarize the development history, investment scale, country distribution, industrial distribution and earnings of ASEAN economic integration;

Secondly, the main reasons for China's economic integration with ASEAN include: participating in international division of labor, exploring the ASEAN market, mastering energy and raw materials, acquiring new technologies and other aspects;

Finally, the economic integration of ASEAN has a significant impact on China and ASEAN.

One of the focus of this article is aimed at the influence factors of the China to ASEAN economic integration development objective analysis, found that the factors affecting the development of China to ASEAN economic integration, but overall, the benefits outweigh the disadvantages.

The disadvantage comes from the three aspects of China's macro system deficiencies, the constraints of Chinese enterprises and the competitive pressures brought by the complex world economic and political structure.

And favorable factors are reflected in both sides of the geographical, cultural background, the association of south-east Asian nations (ASEAN) countries adjacent investment environment constantly optimized, free trade area construction process to speed up, rapid economic development, China's domestic enterprises have the obvious competitive advantage, etc.

Then, based on the previous analysis, the path selection of ASEAN economic integration is put forward. That is, how to choose between economic integration, government promotion strategy, entry strategy, industry and country, so as to promote China's economic integration in ASEAN.



Chapter 4 RESEARCH AND ANALYSIS

4.1 SWOT analysis on China and ASEAN economic integration

With the introduction and implementation of China's "going out" strategy Z, the multinational operation of Chinese enterprises and the integration of foreign economic integration has become a hot issue in theoretical research.

Domestic scholars have carried out a comparative systematic study and put forward many valuable viewpoints and ideas. XU ZHEN QING and GENG JIAN (2000) pointed out that China's capital export should follow the "fast half beat" guideline, LIN YI FU and TANG MIN (2002) proposed that China's outbound investment should follow the principle of "early and early". Both of these principles come from the theory of marginal product expansion of small islands. SUN JIAN ZHONG (2000) proposed the comprehensive advantage theory of China's FDI, and its comprehensive advantages are reflected in the multi-polarization of investment motives, diversification of diversity advantages and multi-angle of development space.

4.2 China's advantages in ASEAN economic integration and development (S)

(a) 4.2.1 advantage 1: China is similar to ASEAN

(b) The economic and trade relations between China and ASEAN can be traced back to the 17th century. In the 18th century, the two sides were closely connected, and the overseas Chinese of GUANG DONG, GUANGXI, YUNNAN and GUIZHOU were all over southeast Asia.

The ASEAN region is the most concentrated area of overseas Chinese and overseas Chinese. About 80 percent of the Chinese people live in the six ASEAN countries and have over 50 percent control over the local economy.

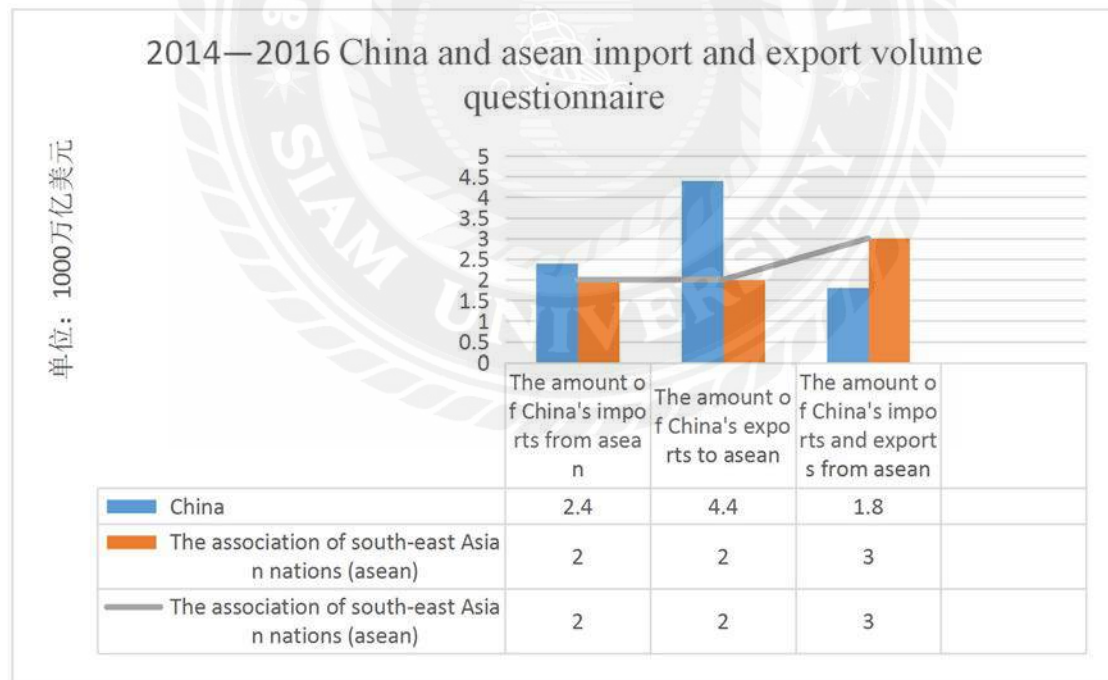
Among them, Chinese in Singapore account for about 76.8%, and mandarin is widely used in society. It is one of the four official languages.

4.2.2 advantage two: China and ASEAN geographical proximity

In the early stage of the integration of foreign economic integration, the location selection should always follow the "close principle" and "regional progressive principle".

Japan, South Korea and other Asian emerging industrialized countries and regions, foreign economic integration usually begin from neighboring countries, because the investment in the neighbouring countries can make the operational risks are slow.

China and ASEAN are close to each other geographically, especially in southwest China and other countries such as Vietnam, Laos, myanmar and other countries. It is an important channel for China to move towards ASEAN.



(c) 4.2.3 advantage 3: the investment environment of ASEAN is constantly optimized

Profile according to the association of south-east Asian nations (ASEAN) analysis shows that the association of south-east Asian nations (ASEAN) the geographical position is superior, rich natural resources, increasingly stable politics, unstable factors, economy continues to grow rapidly and continuously improve people's living standard, growing regional internal cooperation, optimize investment environment. According to the work of MF statistics, in 2005, the association of south-east Asian nations (ASEAN) according to the current size of more than \$860 billion GDP, real GDP growth rate is 5.5%, real GDP growth rate in 2006 for 5.4%, economic growth to continue at a higher level.

(d) 4.2.4 advantage 4: domestic economic development situation in China

China's rapid economic growth and reasonable industrial structure.

Statistics from China's national bureau of statistics show that China's economy has continued to grow rapidly since the reform and opening up.

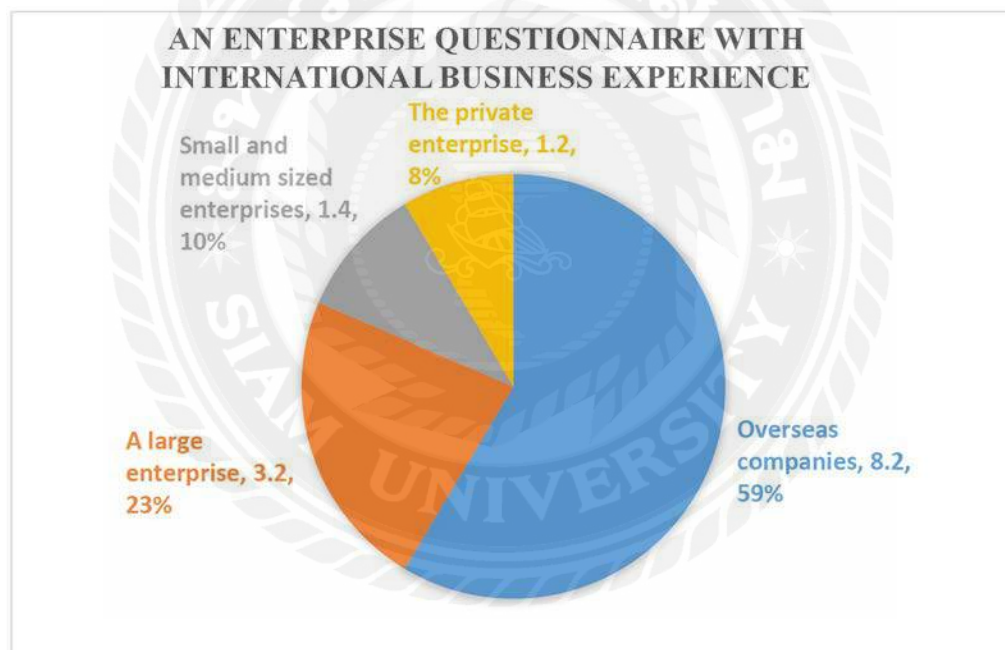
GDP in 1978 to \$147.3 billion, \$1990 in 387.8 billion, 1993 and 2006 the real GDP of average annual growth rate as high as 9.4%, GDP in 2006 to 2006, \$0.5 billion, per capita GDP \$2000 for the first time.

Abundant domestic funds and continued appreciation of the renminbi China is flush with cash and the pressure on the yuan to appreciate has long been there. In 1979, China's domestic savings rate reached 32 percent, and in the 1990s it remained at 40%, and the savings rate rose to 46 in 2005. China's foreign exchange reserves continued rapid expansion, the end of 1985 to 26 \$4.4 billion, at the end of 1990 to 110, \$900 million, \$100 billion for the first time at the end of 1996, crossed the threshold of \$200 billion at the end of 2001, \$818.9 billion at the end of 2005, growth at the end of 2006 to 1066.3. The \$4.4 billion, to become the world's most populous country foreign exchange reserves.

4.3 China's disadvantages to ASEAN economic integration (W)

(e) 4.3.1 disadvantages: constraints on the domestic economic environment

Internationalization of China's enterprises still lack of management experience, the government to encourage the relevant laws and regulations lag to exploit the ASEAN market, especially for enterprises to carry out the provisions of the overseas processing as well as support for small and medium-sized enterprises to obtain loans and foreign credit guarantee policy is not perfect, for the ASEAN market lack of related information, policy, the collection and release, these problems have become an obstacle to the Chinese enterprises to enter the association of southeast Asian nations (ASEAN)



(f) 4.3.2 disadvantages of the ASEAN investment environment

To enter the ASEAN market and make full use of ASEAN 's market and resources, Chinese enterprises cannot ignore the impact of ASEAN 's investment environment.

At present, despite the huge business opportunities in ASEAN, there are still some uncertainties in the macro and micro level that inhibit Chinese enterprises from

entering ASEAN.

The first is political risk. ; In the decision-making stage of overseas investment, it is very important to predict the national political risk to the host country choosing and implementing the investment project plan.

The overall political and economic situation of ASEAN countries are relatively stable, but within countries there are still some unstable factors, in addition to Singapore's sovereign independence, no foreign interference in internal affairs, is a country with a safer, many countries all over the rest of the face many complex multi-level social contradictions, such as terrorism, national separatists, anti-china forces, ethnic tensions, sudden change of local government policy and so on, constitutes the biggest risk of Chinese enterprises to invest.

Followed by the association of south-east Asian nations (ASEAN) a lot of middle and lower reaches of the country's roads, Bridges, electricity and communications, such as weak infrastructure, still more to Asian investment bank, the world bank financing, intergovernmental loans and the contractor, this makes the enterprise of construction, transportation and communication costs, bad for business investment.

In the end, it is not satisfactory to invest in soft environment.

Some ASEAN countries low administrative efficiency, government management system, and the serious problem of corruption and bribe phenomenon is relatively common, intangible costs increase foreign investment, investment project approval process trival, sometimes also deferred investment opportunity.

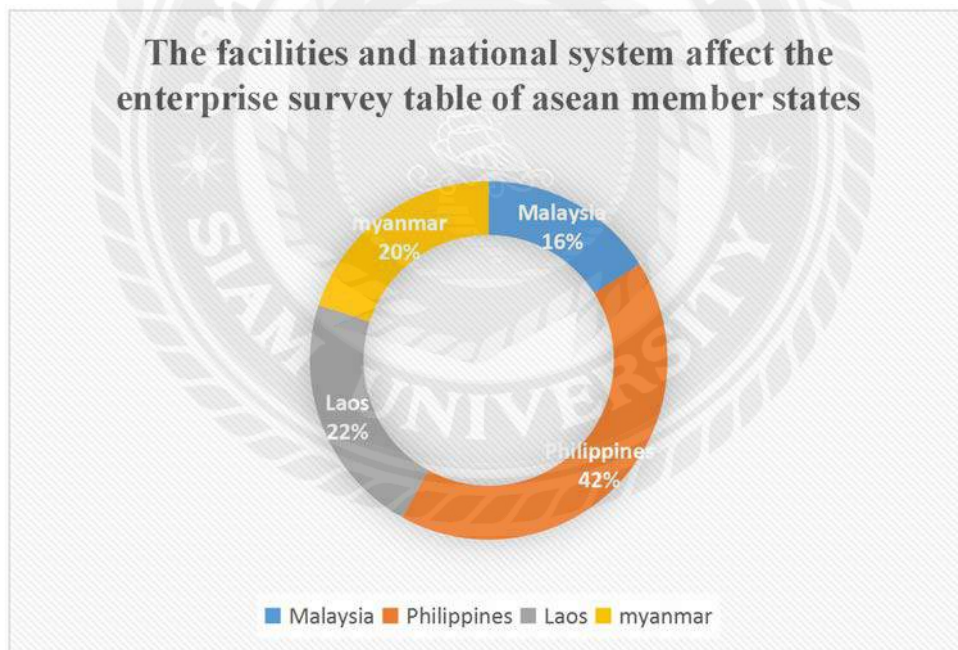
As part of the country under the rule of law is not sound enough, the market mechanism is not perfect, the lag of industrial structure, economic development, financial system and the tax system is not perfect, the government regulation of the market, poor ability of investors and local agency or partner of the dispute is not solved in time, to a certain extent, also hurt the Chinese enterprises' investment confidence and enthusiasm.

(g) 4.3.3 weakness three: complex world economic and political situation

With the open market of ASEAN countries, Chinese enterprises are facing competitive pressure from the complex world economic and political situation in addition to the investment environment in ASEAN.

China policy has been the America and Japan and other developed capitalist countries to ensure that the geopolitical strategy focus of leadership in the asia-pacific region, the rapid rise of the southeast Asia region and the friendly relations between China and ASEAN fast development soon drew the attention of America and Japan and other countries.

Japan has been seeing east Asia, especially south-east Asia, as its "economic backyard" and "economic base".



Chapter 5 OPPORTUNITY OF CHINA'S INTEGRATION

OF ASEAN ECONOMY

5.1 opportunity 1: to promote the overall growth of China's economy

The CHINA -ASEAN free trade area will accelerate the pace of China's economic development.

China ASEAN free trade area is China in the first free trade area, it is the world's most populous free-trade area, a total of 1.7 billion, nearly 30% of the world's population, with about 40% of the world's foreign exchange reserves, the current gross domestic product of \$2 trillion, the foreign trade volume of \$1.7 trillion, gross domestic product (GDP) and foreign commodity trade, respectively accounted for about 10% of the total amount of the world.

After the establishment of a CHINA -ASEAN free trade area, the trade in the region will be more convenient and the volume of trade will increase greatly. The increase in the size of the consumption population will increase domestic demand.

Due to the huge market, political and social stability and the rapid and steady growth stage of industrial development, foreign direct investment has a strong attraction and the proportion of foreign investment will increase significantly.

This will boost the economic growth of China and ASEAN from the three aspects of consumption, exports and investment. Therefore, the GDP of China and ASEAN countries will be improved to varying degrees.

According to preliminary estimates, after the establishment of a CHINA -ASEAN free trade area, ASEAN 's investment in China will increase by 4,800, which will add 0.9 percentage points to the GDP of ASEAN.

China's exports to ASEAN will increase by 55 per cent, giving China CDP land a total of 0.3 percentage points, or 3.5 billion us dollars.

By then, in the world's three largest economic blocs, China's ASEAN free

trade area is bigger than the European Union and the free trade area of the americas.

In terms of gross domestic product, the CHINA -ASEAN free trade area will be lower than the GDP of the eu and the free trade zone of the americas;

However, from the import and export trade, the foreign trade volume of a CHINA -ASEAN free trade area will be lower than that of the eu, but higher than the free trade area of the americas.

In general, China's ASEAN free trade area will be neck and neck with two other world trade blocs.

That is to say, early in 2012, China launched a ASEAN free trade area, not only make the status of China and the association of south-east Asian nations (ASEAN) in Asia to further improve, and then change the Asian economic landscape, and the establishment of CHINA -ASEAN free trade area, China will also be on the 21st century world economics and politics is extremely far-reaching influence

(a) 5.1.1 opportunity 2: to promote the development of foreign trade

In the economic development of China and ASEAN, a notable feature is that foreign trade plays an important role in promoting the economic growth of these countries.

The establishment of a CHINA-ASEAN free trade area will greatly increase intra-regional trade and bring huge business opportunities to Chinese enterprises.

At present, China and ASEAN have basically formed a diversified trade pattern of general trade, border trade, export credit and barter trade. The growth rate has been swift and the growth space is huge.

According to Chinese customs statistics, in the past decade, China and ASEAN trade the growth of the economy as a whole have larger, bilateral trade volume was only about \$1991 in 8 billion, bilateral trade volume in 2002 reached \$2002, \$700 million, \$2001 more than in 2001, more than \$2003 in 70 billion, is expected to more than \$2005 in 100 billion .

Among China's top 10 trading partners, ASEAN is the second largest in

trade growth.

This reflects the fact that ASEAN's share of China's foreign trade rose from 5.8% in 1990 to 8.800 in 2002.

At the same time, China and ASEAN in trade share has increased from 2.3% in 1991 to more than 5% since 2000, the association of south-east Asian nations (ASEAN) has 10 consecutive years as China's fifth largest trading partner, after the United States, Hong Kong, Japan and the European Union, is also China's largest trading partner in developing countries, and bilateral trade growth rate is much higher than other major trading partners.

In terms of trade volume, China's trade with south-east Asia, for example in 2000, was the highest in Singapore, followed by Malaysia, Indonesia and Thailand, with the least in the Philippines.

In terms of steady growth in bilateral trade, Singapore accounts for most of the trade between China and ASEAN.

In China's exports to ASEAN five countries, China's total exports, the highest is in turn (in 1980 to 2001) years of average) Singapore (3.100), (0.900) of Thailand, Malay (0.800), (0.70) in the Philippines and Indonesia (0.600).

The analysis of the trade patterns of China and ASEAN shows that the trade composition of China's ASEAN has developed a great deal.

It turns out that ASEAN countries other than Singapore are resource base economies, which rely mainly on exporting national resources and primary products to achieve economic growth.

For example, in the early 1990s, the six ASEAN countries exported to China two major products, fossil fuels and timber, which together accounted for more than 5,000 of the ASEAN's exports to China. By 2000, that had changed.

Two-way trade between China and ASEAN has shifted from commodities to manufactured goods.

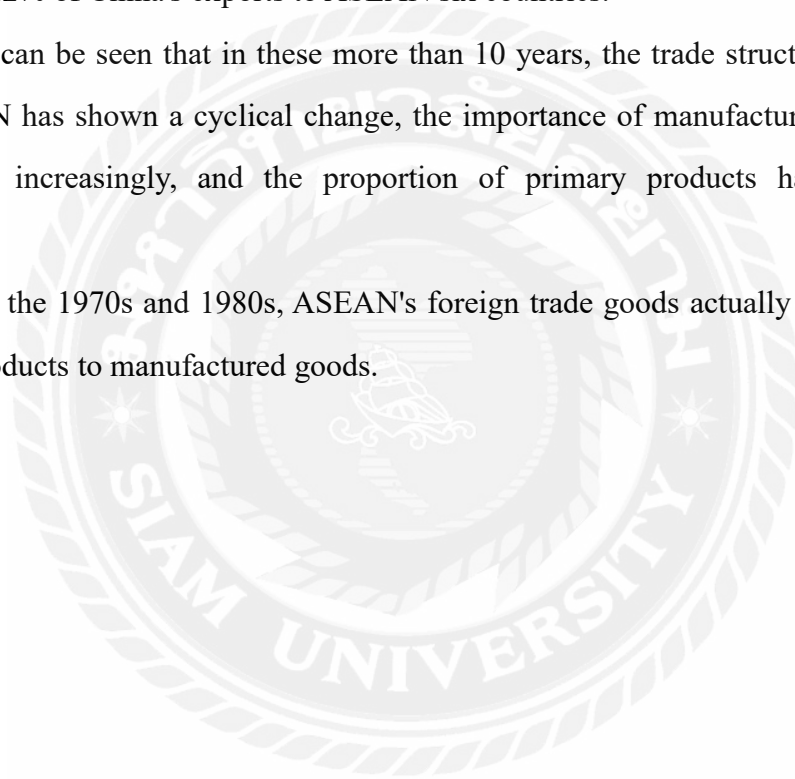
The share of China's imports of machinery and equipment and equipment from ASEAN grew from 12.4 per cent to 48.400.

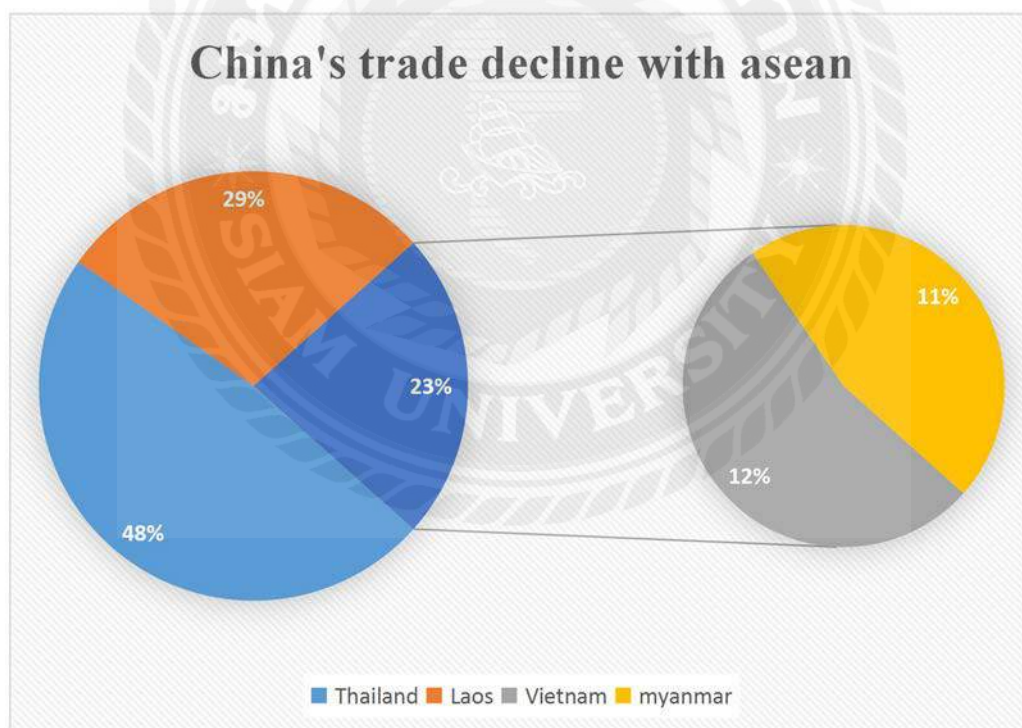
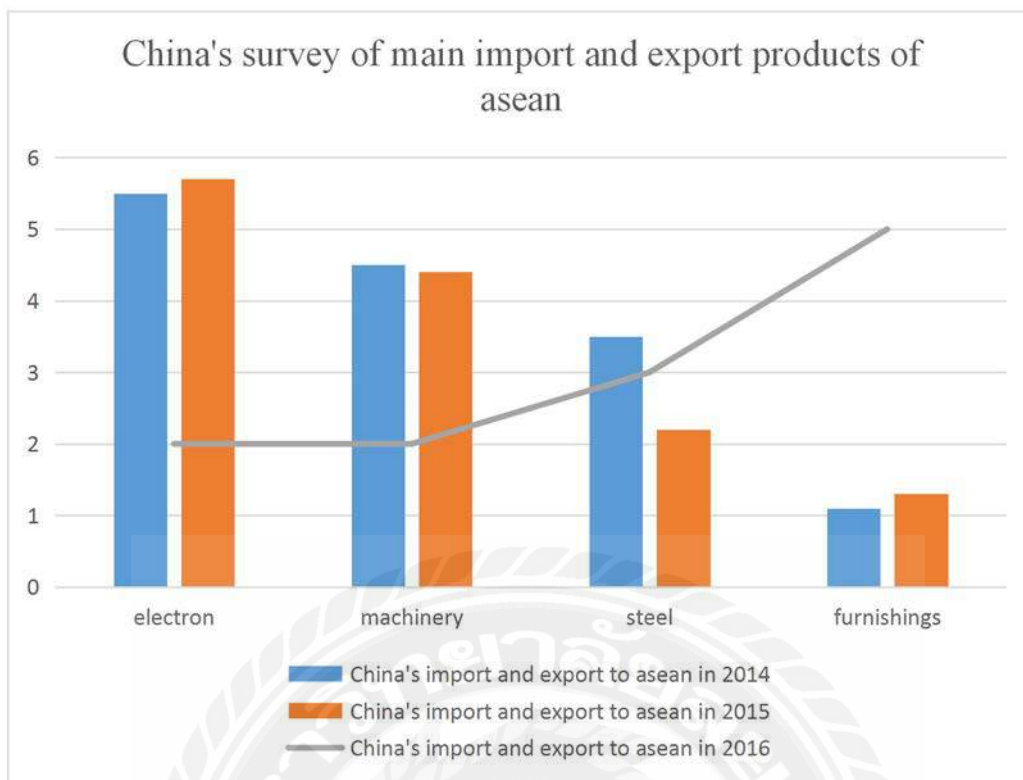
In comparison, China exports to the six ASEAN countries with a wide range of products, including agricultural products, metal products, mineral products and other manufactured goods.

In 1993 China's exports to ASEAN six countries products, machinery, electronics, mineral and vegetable products, metal products, textiles, clothing and footwear become five categories in the bilateral trade, the products of China and ASEAN export products at least 700 a} 2000, mechanical, electrical equipment and continue to be the main textile, clothing and footwear trade products, but its share dropped 62.2% of China's exports to ASEAN six countries.

It can be seen that in these more than 10 years, the trade structure of China and ASEAN has shown a cyclical change, the importance of manufacturing products has grown increasingly, and the proportion of primary products has gradually decreased.

In the 1970s and 1980s, ASEAN's foreign trade goods actually shifted from primary products to manufactured goods.





(b) 5.1.2.opportunity 3: promoting the two-way flow of capital

The China-ASEAN comprehensive economic cooperation framework

agreement to start the cooperation between China and ASEAN to establish free trade area (10 + 1) process, its goal is to form a comprehensive economic cooperation with ASEAN partners, the core content is to establish free trade area of the target, scope, measures and time, legal basis for the establishment of a free trade area.

The establishment of a China-ASEAN free trade area will bring a broad regional market to Chinese companies' overseas investment.

According to the framework agreement, the purpose and role of 10+ 1 is to minimize barriers, deepen economic ties among parties, reduce costs and increase intra-regional trade and investment;

Improve the economic efficiency for parties of business and industry to create a larger market, more business opportunities and larger economic capacity, enhance the parties to attract capital and talent.

(c) 5.1.3 opportunity 4: further opening of service trade

In the field of service trade, China and ASEAN have every advantage in tourism resources.

China has a long history and culture, beautiful natural scenery and unique cultural landscape, while ASEAN countries have mysterious tropical rain forest, charming island scenery and strange customs. At present, all 10 ASEAN countries have become Chinese citizens traveling abroad.

China has also signed a memorandum of understanding on tourism cooperation agreements or tourism cooperation with ASEAN countries such as Thailand, Singapore, the Philippines, Vietnam and Myanmar.

The establishment of a China-ASEAN free trade area will certainly promote the development of tourism.

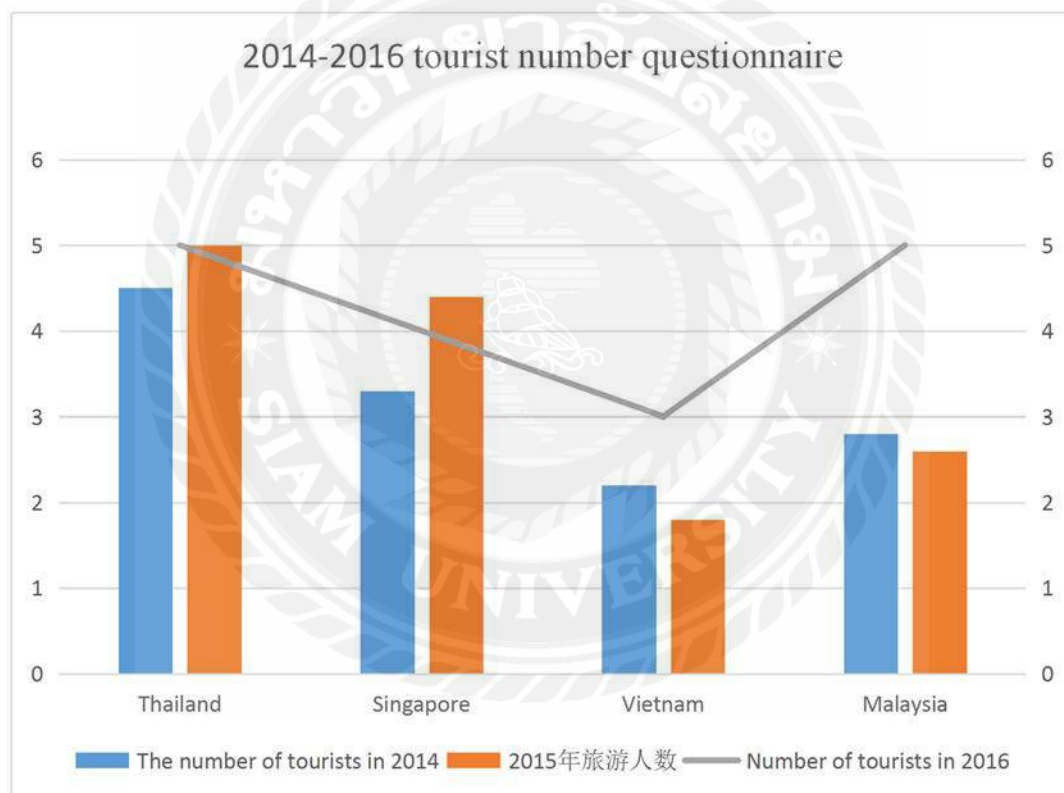
(d) 5.1.4 opportunity 5: promoting domestic consumption growth

Establishing a China-ASEAN free trade area is also conducive to improving the consumption level of the Chinese people and even changing some consumption

concepts of the Chinese people.

Because the products of ASEAN countries enter the Chinese market, the consumer goods are abundant, the Chinese people go to ASEAN countries convenient, the consumption scope is more extensive, the consumption amount will increase greatly.

With the increase of exchanges, the expansion of cooperation in tourism, finance, education, telecom and other services sectors will certainly drive domestic consumption growth and drive economic growth.



5.2 China's threat to the ASEAN economic integration to China

(e) 5.2.1 threat 1: competitive pressure increases

In the mutual trade between China and ASEAN, ASEAN exports more to China, and China exports less to ASEAN. China has been in a deficit and is more

stressed. If this goes on in the long run, it will have a negative impact on the bilateral trade balance and the Chinese economy.

China and ASEAN in 2002 of \$54.77 billion in the total trade, China's exports of \$23.57 billion for the association of south-east Asian nations (ASEAN), growth is 28.300, the association of south-east Asian nations (ASEAN) for China's exports was \$31.2 billion, growth is 34.400, significantly better than growth in China's export growth for the association of south-east Asian nations (ASEAN);

ASEAN has a \$7.63 billion export surplus with China.

(f) 5.2.2 threat ii: export still carries risks

In the international market, neither China nor ASEAN is each other's main export market, which makes the trade structure of each other basic competitive rather than complementarity. Both sides prefer western industrial countries and Japan as their export markets, as well as suppliers of capital and technology.

Because China and the ASEAN economic lack of complementarity, it has been an important problem, namely, the association of south-east Asian nations (ASEAN) will be with China in export of traditional and non-traditional manufactured goods, because of the influence of the export substitution, direct competition on the international market.

China's ASEAN is a direct competitor in the international market and complementarity.

(g) 5.2.3 threat 3: high cost of investment

The poor basic conditions in some ASEAN countries have led to an increase in enterprise construction and transport costs.

If you go from yangon, myanmar to northern myanmar, you will find that the roads are very poor and you need to drive for 3-4 days. There are many checkpoints. Urban transportation is mainly motorcycle, with a small number of buses and tricycles.

In addition, the communication is undeveloped. It takes about five to seven dollars a minute to make a call to Kunming in the hotel.

Mobile phones and pagers are quite small and expensive, and it costs about \$5,000 to buy a mobile phone in Rangoon.

Internet usage is low and limited.

(h) 5.2.4 threat 4: the foreign exchange risk of ASEAN member states

Investment in the primary manufacturing sector is less risky and the financial sector is more risky.

With the gradual strengthening of China's economy, China's direct investment in ASEAN has entered a period of diversification into investment from the single stage of the industry.

At present, China has a broad range of direct investment in ASEAN, relatively concentrated in resource and primary manufacturing sectors, and has less direct investment in the financial sector.

According to data from the Ministry of Commerce, in the first half of 2016, China invested more than 50% of ASEAN directly in the primary manufacturing sector.

Investment in the ASEAN financial sector accounts for 7 per cent of total investment.

Although more than half of China's direct investment to ASEAN is focused on the primary manufacturing, but in the field of foreign exchange risk is low, and the financial industry due to its properties, foreign exchange risk of investment is higher. For example, in the second quarter of 2016, China's Jinwei financial investment in Cambodia financial services, followed by Brexit events, the dollar index rose 3.19%, and the RMB depreciated by 1.31%.

The Chinese and Cambodian sides settled in dollars, resulting in huge losses for China's Jinwei financial. In contrast, China's investment in Cambodia's manufacturing sector is not too much of a shock. By the end of 2016, the plant had

been worth more than \$35 million, up about 2 percent from a year earlier.

China's foreign exchange risks to ASEAN are diverse. At this stage, China's foreign exchange risks of direct investment in ASEAN are diversified, and transaction risks, risk and economic risks are all involved.

For example, in March 2016, Wenzhou, China to invest a enterprise, in Cambodia, Cambodia development block 99 property, given the developers only essentially has the right to use the land and things immovably attached to the ground in 99, rather than a permanent property rights, in the true sense, in accordance with relevant provisions of the financial industry, Banks and other financial institutions can't provide any loans and financing of the real estate items.

In China's enterprise, in the process of developing the plot, the economic risk, which could not be access to bank loans and financing and other financial institutions, leading to capital chain rupture, the transaction cannot be completed.

And in January 2016, a paper company in Jiangsu province invested in Vietnam. By the end of 2016, however, the dong had depreciated by about 1.1 per cent. The devaluation of the dong caused the company to face the risk of depreciation, resulting in significant economic losses. In addition, in April 2016, a company in Shanghai invested in the Thai auto industry. But in November 2016, the devaluation of the Thai baht resulted in losses on the future cash flow of enterprises.

Singapore, Indonesia and Myanmar are frequent occurrences of China's risk of direct investment exchange rate between ASEAN and China.

In recent years, China's direct investment in ASEAN countries has been mainly in Singapore, Indonesia and Myanmar.

According to the ministry of commerce, as of August 2016, China's total direct investment in the three countries accounted for 64 percent of the total investment in ASEAN. Among them, investment in Indonesia and Myanmar accounted for 13% and 10% respectively. Singapore has the largest direct investment, accounting for 41 per cent of total investment.

Affected by direct investment, Singapore, Indonesia and Myanmar are also the regions with the most exchange rate risk of direct investment from ASEAN.

Specifically, at present, China's direct investment to ASEAN is mostly use the dollar settlement, so the yuan against the dollar, great changes have taken place once the relevant investors will be greatly affected.

The dollar index rose 5.00% in the 2016 U.S. election, while the yuan depreciated 2.55 percent, according to ifeng.com.

The depreciation of RMB has brought a great economic loss and profit impairment to the southeast Asian enterprises.

Nanshan group co., LTD in China, for example, in September 2016 and Indonesia signed a dollar-denominated export contracts, 3 months of delivery to the settlement of the enterprise to organize the production input raw materials and artificial, etc., shall use RMB payment.

However, when the contract was fulfilled and received in late December, the dollar depreciated against the renminbi spot exchange rate, resulting in lower profits due to currency risk.

5.3 China's opportunities and challenges in ASEAN's economic integration

(i) 5.3.1 China's economic integration with ASEAN

China's absolute level of economic integration in ASEAN has gradually improved

With the continuous development of China's ASEAN economy and closer economic ties, China has gradually improved its economic integration level.

According to the ministry of commerce, the annual average growth rate of China's investment in ASEAN has reached more than 60%.

In 1999, the total investment of the Chinese government in ASEAN was \$72 million. By 2000, the newly authorized investment value rose to \$1.08 billion, up by more than 50%.

China's relative level of economic integration with ASEAN is relatively low and its overall size is small. Although China to implement the strategy of "going out", will encourage qualified enterprises to invest overseas to, for the ASEAN economic integration than in previous years are also increased, but the present China's real

strength, conditions of "going out" of the enterprise is not much.

Compared with the European Union, Japan, the us and Asia's "tigers" in the region, China's investment in ASEAN is still low, and its overall size is not high or even negligible.

5.4 theoretical analysis and empirical analysis of China's economic integration motives in ASEAN

(j) 5.4.1 general analysis of the causes of external economic integration

There are huge differences between enterprises in developed countries and developing countries in scale and competitiveness. This difference determines that there are great differences between the two factors.

Generally speaking, the main developed country foreign economic integration motivation is to pursue high profits, the global market, diversification of three, the purpose is to further strengthen enterprise, seek better development, attacking;

And most developing countries foreign economic integration motivation in order to maintain the export market, seeking advanced technology, for low cost and dispersive risk four kinds, in order to keep the most basic survival ability, and get further development.

(k) 5.4.2 reasons for China's economic integration with ASEAN

Most of China's enterprise technology and capital are not very high, the product technology is easy to be imitated, does not have the developed country enterprise technology, capital and advanced management and other monopolistic advantages.

This means that Chinese enterprises in the face of the change of production environment, so that the competitive advantage is threatened, the overseas investment to avoid domestic resource constraints, is a typical defensive outbound investment.

Specifically, due to various enterprises in the industry, scale, content, technology level, management level and the national policy influence, differences exist, the reason of different enterprises in the ASEAN economic integration is a big difference.

(l) 5.4.3 the fields and forms of investment are constantly broadened

China's traditional industries, such as machinery, building materials, mining, electric power, chemical, tobacco and wood processing, have certain technological advantages, which can be easily connected with the economic development level of ASEAN.

Prior to the 1990s, China's investment in ASEAN was mainly small projects of processing, assembling and producing.

Since then, China's enterprises involved in the ASEAN region construction, hotel, electrical, mining and transportation industry, investment fields widely, and have been developed to technology investment, BOT investment form (building a business transfer), and other forms.

The impact of Chinese enterprises on ASEAN economic integration

(m) 5.4.4 the impact of China's FDI on China's economy

For ASEAN economic integration is to further improve the level of opening to the outside China and the demand of the China ASEAN free trade area, is also China's response to the requirements of the economic globalization challenges, and the only way to improve China's international competitiveness.

Implementation of ASEAN economic integration strategy, will make China in a broader space for the economic structural adjustment and optimal allocation of resources, thus increasing the power of the development of China's economy and power, to promote the long-term development of Chinese economy.

(n) 5.4.5 China to ASEAN FDI Impact on ASEAN economies

In China most of the ASEAN economic integration activities are performed within the ASEAN countries, directly participate in local social production process, promote the establishment of a new international production cooperation system is beneficial to resource in China and the association of south-east Asian nations (ASEAN) within the scope of the reasonable configuration, have a major impact on ASEAN economic development.

(o) 5.4.6 challenges for China

The company's overseas investment presents a series of challenges for companies and countries targeted.

Common problems arise from different regulatory regimes, corporate culture conflicts and commercial miscalculations.

Cultural integration is also a challenge.

Chinese companies are still not fully understood overseas, and Chinese state-owned enterprises that are used to driving bulldozers around the country will need to take different approaches in other countries.

Chinese state-owned companies can easily get credit from the Chinese government, but they need to learn more about the local community.

The difficulties of land acquisition, environmental problems and political disputes have often put many projects on hold for years, or even gone.

Chinese enterprises should be devoted to adopt the most stringent environmental, social, and governance standards, ensure its investment project will not cause environmental damage and local instability, or cause China to its high pollution heavy industry excess capacity to transfer abroad more than criticism.

The ASEAN infrastructure is not well done;

The legal system and market in the region are diverse and in different stages of development.

These are both an advantage and a weakness.

There is still a huge gap between the rhetoric and the reality.

Many ASEAN countries are keen to move between China and the United States and other major powers, pursuing a "hedged" strategy and drawing on the balance of power.

China's infrastructure investment in ASEAN faces complex political situations.

The tension in the ASEAN region is not conducive to economic growth in the region, especially the investment and business environment affecting the region.

Rising geopolitical risks and regional tensions could further hamper China's investment in ASEAN.

- (p) 5.4.7 promote the establishment and development of a china-ASEAN free trade area

10 ASEAN countries as China's neighbor, is China's important safety barrier, is China as an influence throughout Asia, stable strategy, its security and stability, orientation, attitude toward China, directly affect our country's national security and stability in border areas.

5.5 establish the inevitability of a free trade zone

First, economic globalization and regional economic integration development needs. In the context of economic globalization and regional economic integration, WTO member states have basically established free trade relations with other countries concerned.

Both China and ASEAN members are developing countries, with limited economic strength and high dependence on external markets for economic growth. Changes in the global economy will have a major impact on their economies.

Second, the reality of ASEAN's economic development needs.

ASEAN countries other than Singapore belong to developing countries, with

low economic development and low income levels, which urgently need external growth space. China has a population of 1.3 billion and is in high demand for a variety of products. With the increase of people's income and the maturity of the open economy, its imports will increase year by year, thus providing an unlimited business opportunity for ASEAN countries.

Third, the opportunities offered by China's economic rise.

Since the reform and opening up, the strong growth of China's national economy has brought opportunities to the development of the world economy.

As one of China's close neighbors and major trading partners, ASEAN countries hope to share the opportunities brought by China's rapid economic development by establishing an institutional economic relationship with China.

5.6 win-win free trade zone

The establishment of a china-ASEAN free trade area is a win-win decision for both ASEAN and China.

After the launch of the china-ASEAN free trade area, about 7,000 products from China and ASEAN will enjoy zero-tariff treatment and trade liberalization of goods. In other words, 90% of the trade products between the two sides will realize zero tariffs. China and ASEAN will be there

Trade in goods, trade in services and mutual investment in these three areas have achieved triple interaction and mutual benefit. Therefore, the China-ASEAN free trade area will be a high-quality trade area. On the trade of goods, the establishment of a China-ASEAN free trade area has benefited the people of both sides.

The many commodities of China's 1.3 billion inhabitants, such as some vegetables and fruits, come from ASEAN, and the prices of these products will fall in the future. At the same time, some of China's dominant products, such as light textiles and electronics, will be exported to ASEAN countries with zero tariffs.

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