An Overview of Trade Relations between ASEAN States and China

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Section 1. Summary

This paper explores how ASEAN states relate to China, in terms of trade, discusses how they view their trade relations with China, and infers ASEAN states' trade interests. It comprises three parts. The first part (section 2 and 3) describes ASEAN states' trades with China and Hong Kong during the period of 1980-2010. The second one (section 4) describes China-ASEAN Free Trade Area, its coverage, liberalization schedule and implementation. The third one (section 5) describes various views on the CAFTA and the CAFTA agricultural liberalization that existed in ASEAN5 states—i.e. Indonesia, Malaysia, the Philippines, Singapore and Thailand.

ASEAN states' trades with China+Hong Kong grew at an average annual rate of 46% during the period 2000-2010. Although ASEAN states dispose to import directly from China, Hong Kong continually plays as an export entrêpot for ASEAN states, in general, and Singapore, in particular. In 2010, their trades amounted to US$374 billion and ASEAN states recorded a trade surplus of US$49 billion. China+Hong Kong has become the largest trade partners of ASEAN states. While their share to ASEAN5's trades in 2005 reached 13.5% and surpassed the declining US and Japan's shares, that in 2010 surged to nearly one fifth. In these ASEAN trades with China+Hong Kong, ASEAN5 states contributed 88%; Singapore shared almost one third, whereas Malaysia and Thailand contributed 23% and 16%, respectively.

Manufacture products have dominated ASEAN5's exports to and imports from China+Hong Kong with 72% and 88% shares, respectively, in 2010. Among them, machinery and transport equipment products took the largest share with US$93 billion of exports and US$66 billion of imports. ASEAN5 states maintained their mining exports at a share of around 15%, but their agricultural exports contributed to only 4% of their total exports. The growing manufacture trades indicate the growing intra-industry trades and production networks between most of ASEAN states and China+Hong Kong. Under an economic development regime, ASEAN states want to use foreign trades as a way to develop their industry.

Nevertheless, Indonesia had a different trade composition with China+Hong Kong, compared to other ASEAN5 states. For Malaysia, the Philippines, Singapore and Thailand, manufacture trades contributed more than 80% to their total trades with China+Hong Kong in 2010. This reflects intra-industry trades between the countries. In the same year, although almost 90% of Indonesia's imports were manufacture products, manufacture exports only contributed 21% of its total exports. Shares of mining and agricultural exports increased gradually and reached 47% and 29%, respectively. This trade composition indicates that Indonesia and China have become more complementary, rather than competitive. Although Indonesia also wants to develop its industry, that trade composition implies that Indonesia's industry is less competitive than China's one. Among ASEAN5 states, it is only Indonesia that recorded trade deficit with China+Hong Kong.

The second part describes the China-ASEAN Free Trade Area (CAFTA). Responding to China's proposal, ASEAN states agreed to establish a Free Trade Area (FTA) in 2002. Privileging Thailand, China offered an early liberalization of agricultural products. China wanted to alleviate the 'China's threat' perception and reduce the US and Japan's influences on ASEAN states.

Simulation results, which some scholars conducted, show that the CAFTA would only generate small general welfare. Whereas ASEAN-China Expert Group's study resulted in GDP increases between 0.32-2.15%, the Institute of Asia-Pacific Studies' simulation resulted in GDP increases between 0.58-5.31%. Vietnam would enjoy the highest percentage of GDP increase. Both studies also show export increases between ASEAN states and China, but negative effect on ASEAN intraregional exports. There was not a sectoral study conducted to understand the potential effect of the CAFTA on various economic sectors. It can be said, therefore, that the FTA establishment was more political than economical. The FTA could increase security confidence building between ASEAN states and China.

The FTA consists of three agreements as of 2011: an Agreement on Trade in Goods, an Agreement on Trade in Services and an Agreement on Investment. The Agreement on Trade in Goods has three liberalization tracks. The first track, the Early Harvest Programme (EHP), includes agricultural tariff lines and would be fully liberalized by 2006. The second track, the Normal Track, includes tariff lines that would be fully and mostly liberalized by 2010 for ASEAN6 and China, and by 2015 for Cambodia, Lao PDR, Myanmar and Vietnam. The third one, the Sensitive Track (ST), covers tariff lines that would mostly be liberalized by 2018. The Agreement on Trade in Services partially opens the members' services markets and applies a National Treatment (NT) arrangement, but does not regulate labor temporary movement of businesspersons and labor standards. On investment, ASEAN states and China agreed to apply Most Favored Nations (MFN), NT, free repatriation of capital and profits and investor protection. These progresses, therefore, is still far away from the creation of a single market between ASEAN states and China. Using the AFTA as their benchmark, ASEAN states preferred a gradual and selective trade liberalization approach in the CAFTA.

Several studies also display low utilization of the CAFTA. There were only a limited number of companies that utilized the preferential tariffs the CAFTA provides. Trades that attached a certificate of origin (C/O) were also low. Although, among ASEAN states, Singapore has the largest share of trades with China, there were less than 3% of companies located in Singapore have used the CAFTA until 2008. In case of Thailand's exports, there were only US$1.8 billion or 11.9% of Thai total exports that used the CAFTA in 2007. Lack of information, small margin of preference, administrative costs and delays, confidentiality of information required, the application of NTBs and local or regional contents requirement impede the utilization of the CAFTA. Despite this fact, the utilization of the CAFTA has grown gradually.

The establishment of CAFTA, therefore, does not explain the drastic increase of trades between ASEAN states and China. A gradual and selective trade liberalization and low utilization of the CAFTA cannot be factors that cause such phenomenon. The CAFTA more or less functions as a guarantee that ASEAN states and China will not raise their protectionistic measures above the agreed levels. The CAFTA has not shifted market-led trade integration between ASEAN states and China to trade-arrangement-led one. Growing economic development in the region and the states' trade policies in general are enough to expand trades between ASEAN states and China.

The third part describes various views on the CAFTA and the CAFTA agricultural liberalization in ASEAN5 states. Although trades with China have significant effects on ASEAN states' economy, there are relatively a few newspaper and news agency articles that report or discuss those issues. In Thailand, the China-Thailand BFTA on fruit and vegetables and the CAFTA EHP became a popular issue because they negatively affected

Thailand's agriculture sector. In the Philippines, despite the Filipino government's effort to protect its agricultural sector, there is only a few news-reportation on it. In Indonesia, due to a misunderstanding on the CAFTA's implementation schedule, the CAFTA has only become a hot issue in the end of 2009 or not a long time before the full implementation of the CAFTA.

Most of articles merely report general information about the CAFTA. The articles mention various issues and lack of focus. Only a limited number of articles report studies on the impacts of the CAFTA—and its agricultural liberalization, in particular—and adjustment programs. As the governments were often criticized for their nontransparency, this indicates a communication gap between ASEAN states' governments and other stakeholders in relation to the CAFTA. Criticisms over the governments' inadequate preparation even indicate ASEAN governments' lack of concern over the impacts of trade liberalization.

The CAFTA triggered controversies in ASEAN states, particularly in Thailand and Indonesia. Government bodies, private sectors, and scholars were split over the CAFTA. Agricultural and industrial producers that lost in competitions complained and demanded their government to raise protective measures, support domestic agricultural and industrial sectors and delay the implementation of the CAFTA. ASEAN governments decided to keep its commitment on CAFTA, claimed that the CAFTA provides potential benefits and promised to protect domestic interests. Lack of thorough studies and resources disallows the resolution of the controversies.

As ASEAN states have fully implemented the CAFTA, improving domestic competitiveness and raising non-tariff protective barriers are now the only option that ASEAN states have to deal with the CAFTA.

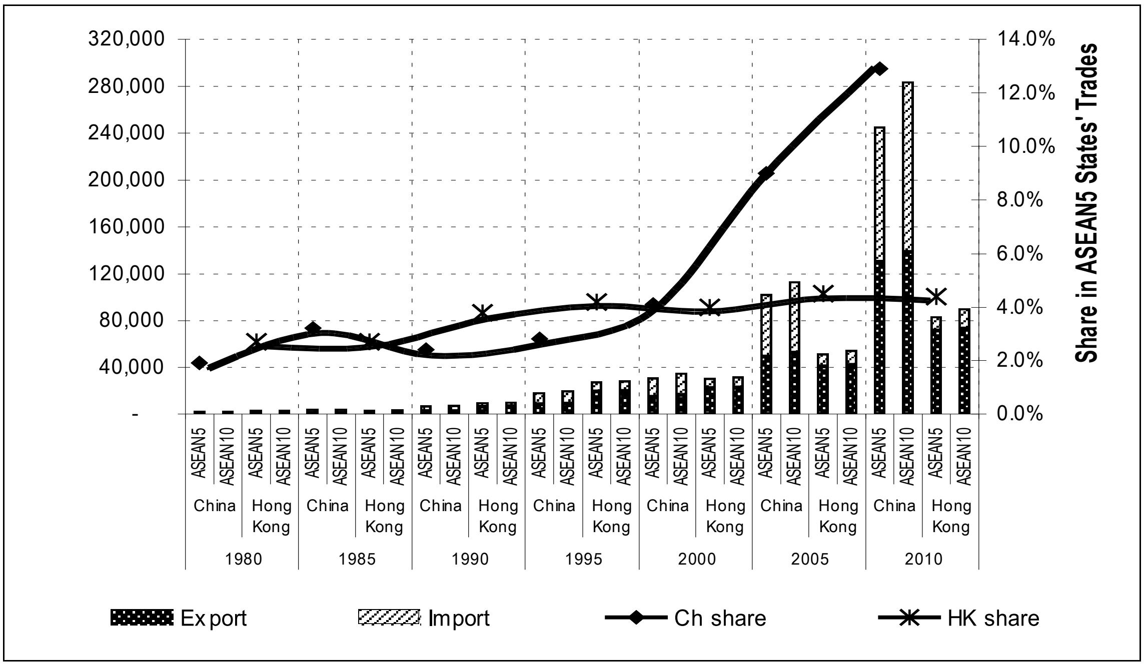
Section 2. ASEAN's trades with China and Hong Kong

2.1. Export and Import Values and Share

In 1980, China was not a significant trade partner of ASEAN states. Only US$0.7 billion of ASEAN5 states'[1] exports were directed to China and only US$1.7 billion imports came from China. China merely shared 2% of ASEAN5's trades. This number is far less than Japan and US shares, which amounted to 23% and 16%, respectively, in the same year. Despite the enactment of China's open door policy in 1979, the protectionistic character of Chinese communism persisted and impeded trades between ASEAN states and China during throughout 1980s. Facing China's protectionism, ASEAN states used Hong Kong as an entrepôt to bridge their trades with China. In 1980, Hong Kong shared less than 3% of ASEAN5's trades, more than China's share. ASEAN5's export to Hong Kong amounted to US$2.4 billion or three times higher than their exports to China (Chart 2.1).

ASEAN states' trades with China started to grow in the mid-1980. Although ASEAN5's export to China was still less than US$1 billion, their import from China grew to US$3.2 billion in 1985. Although ASEAN states still use Hong Kong as an entrepôt for their exports to China, they started to import goods directly from China. ASEAN states' trades with China increased significantly in early 1990s. In 1995, their exports to and imports from China amounted to US$8.2 billion and US$10.0 billion, respectively. Nevertheless, China had not become an important trade partner of ASEAN states. It only shared less than 3% of ASEAN5's trades, which was less than Hong Kong's share of 4% share.

Chart 2.1 ASEAN5 and ASEAN10's Values of Export to & Import from China and Hong Kong, and China and Hong Kong's Shares in ASEAN5's Trades, 1980-2010



Note: ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand; ASEAN10 comprises ASEAN5 plus Brunei Darussalam, Cambodia, Lao P.D.R., Myanmar, Vietnam.

Data source: IMF *Directions of Trade*, various years, author's calculation (IMF *Directions of Trade* database was used because UN Comtrade database has not recorded Vietnam's 2010 trade data).

[1] ASEAN5 states comprise Indonesia, Malaysia, the Philippines, Singapore and Thailand.

ASEAN states' trades with China increased significantly in the latter period of 1990s. Between 1990 and 2000, ASEAN5's trades with China increased more than fourfold and reached US$31.1 billion in 2000. China shared 4.1% of ASEAN5's total trades, surpassing Hong Kong's share of 4.0%. ASEAN states' trades with China even increased drastically after 2000. In 2005, China shared 9% of ASEAN5's trades, far exceeded Hong Kong's 4.5% share. Their exports to and imports from China reached US$48.9 billion and US$53.7 billion, respectively. Whereas many of Singapore's exports —which in 2010 contributed to 44% of ASEAN5's exports—to China still went through Hong Kong, ASEAN5's imports tended to be shipped directly from China. To a certain degree, Hong Kong kept its role as an entrepôt for ASEAN states' export.

Table 2.1 ASEAN5 and ASEAN10's Values of Trades with China and Hong Kong (US$ Million) and Shares of China, Hong Kong and China+Hong Kong in ASEAN5 and ASEAN10's Total Trades (%)

		Export					Import					Trade				
		1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	**ASEAN5**	2.6 (1.9)	8.2 (2.6)	14.6 (3.6)	48.9 (8.1)	130.4 (12.9)	4.6 (2.9)	10.0 (2.9)	16.5 (4.8)	53.7 (10.0)	115.1 (12.8)	7.2 (2.4)	18.2 (2.8)	31.2 (4.1)	102.6 (9.0)	245.5 (12.9)
	ASEAN10	2.6 (1.8)	8.8 (2.7)	16.4 (3.8)	52.3 (8.0)	138.7 (12.7)	4.8 (2.9)	11.2 (3.1)	18.7 (5.1)	61.1 (10.5)	145.3 (15.6)	7.4 (2.4)	19.9 (2.9)	35.0 (4.4)	113.4 (9.2)	284.0 (14.0)
Hong Kong	**ASEAN5**	6.3 (4.6)	19.5 (6.2)	22.2 (5.5)	40.8 (6.7)	71.2 (7.1)	3.7 (2.3)	8.2 (2.3)	8.2 (2.4)	10.8 (2.0)	12.5 (1.4)	10.1 (3.4)	27.6 (4.2)	30.5 (4.0)	51.6 (4.5)	83.7 (4.4)
	ASEAN10	3.3 (4.6)	19.8 (6.1)	22.6 (5.3)	41.7 (6.4)	73.1 (6.7)	3.9 (2.4)	8.8 (2.4)	9.3 (2.5)	12.6 (2.2)	17.3 (1.9)	10.5 (3.4)	28.6 (4.2)	31.8 (4.0)	54.3 (4.4)	90.4 (4.5)
Ch + HK	**ASEAN5**	8.9 (6.4)	27.7 (8.8)	36.9 (9.1)	89.7 (14.8)	201.6 (20.0)	8.3 (5.2)	18.2 (5.2)	24.8 (7.1)	64.5 (12.0)	127.6 (14.2)	17.2 (5.8)	45.9 (6.9)	61.6 (8.2)	154.1 (13.5)	329.2 (17.3)
	ASEAN10	9.2 (6.4)	28.6 (8.8)	38.9 (9.1)	94.0 (14.4)	211.8 (19.3)	8.7 (5.3)	20.0 (5.5)	27.9 (7.6)	73.6 (12.6)	162.6 (17.4)	18.0 (5.8)	48.5 (7.1)	66.9 (8.4)	167.6 (13.6)	374.4 (18.5)

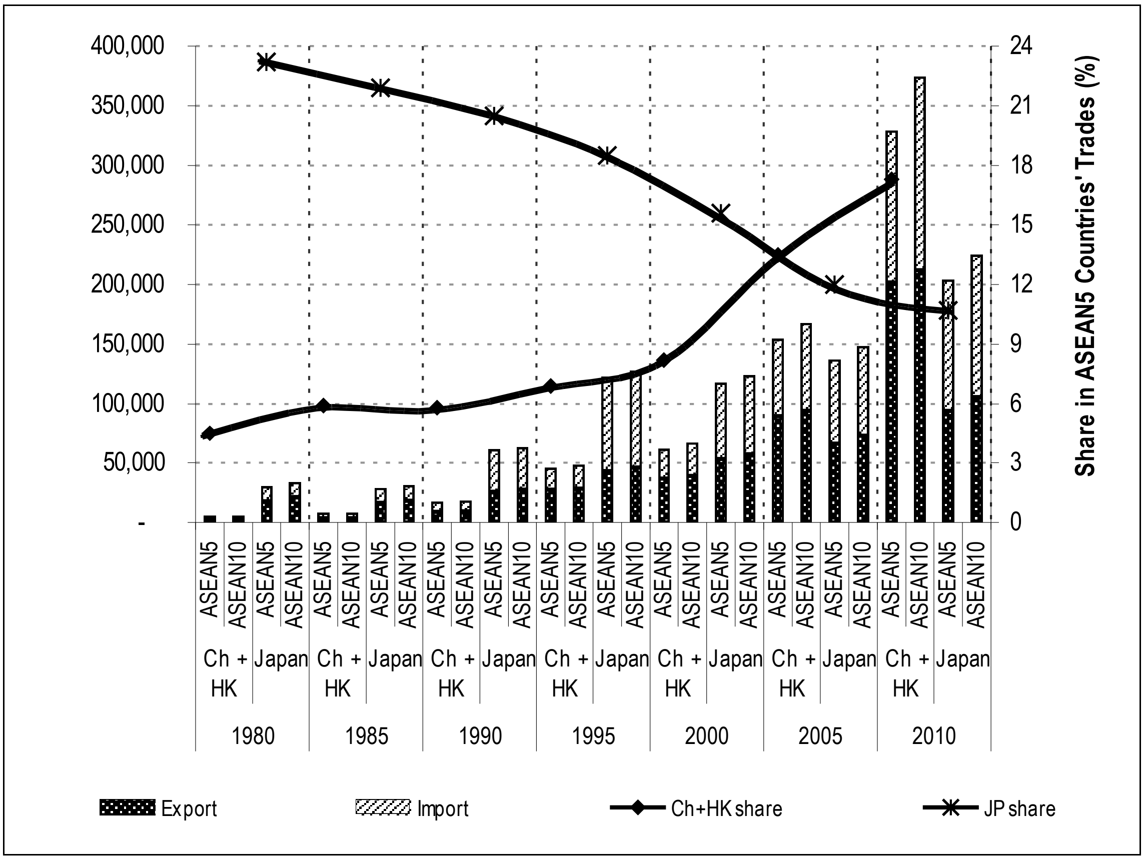
Note: Colomns in grey represent those that need attention.

Data Source: IMF *Directions of Trade*, author's calculation.

The trades kept increasing in the latter period of 2000s. ASEAN5's trades with China reached US$245.5 billion in 2010, representing a more than two-times increase from the 2005 value. This means that trades with China grew 34-times in 20 years. China had become a key ASEAN5's trade partner with a share of 12.9%, surpassing Japan whose a share of 10.7% in 2010. Between 2005-2010, imports of the other five ASEAN states from China grew significantly from US$7.4 billion to US$30.2 billion.

ASEAN states' trades with China+ Hong Kong grew at an average annual rate of 46% during the period 2000-2010. China+Hong Kong's share had grown significantly, especially after 2000. In 2010, as ASEAN5's trades with China+Hong Kong increased sharply to US$201.6 billion, their share rose to 17.3% of ASEAN5's total trades. The dynamic of economic development in Asia region has become the main engine for a growing international trade between ASEAN states and China+Hong Kong.

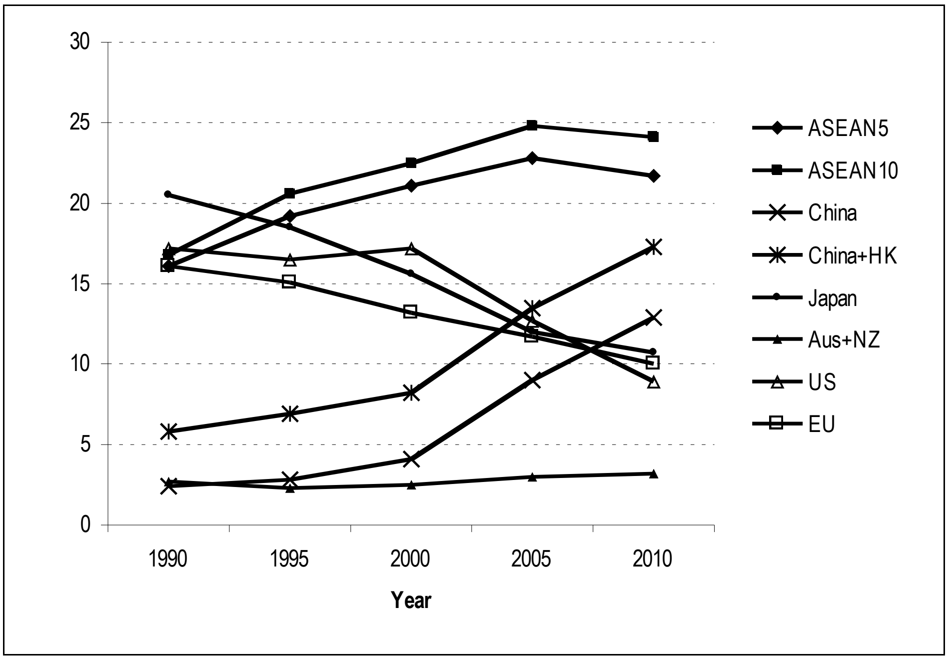
Chart 2.2 ASEAN5 and ASEAN10's Values of Export to & Import from China+Hong Kong and Japan, and China+Hong Kong and Japan's Shares in ASEAN5's Trades, 1980-2010



Note: ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand; ASEAN10 comprises ASEAN5 plus Brunei Darussalam, Cambodia, Lao P.D.R., Myanmar, Vietnam.

Data source: *Idem*, chart 2.1.

Chart 2.3 Share of States/Regions in ASEAN5's Trades



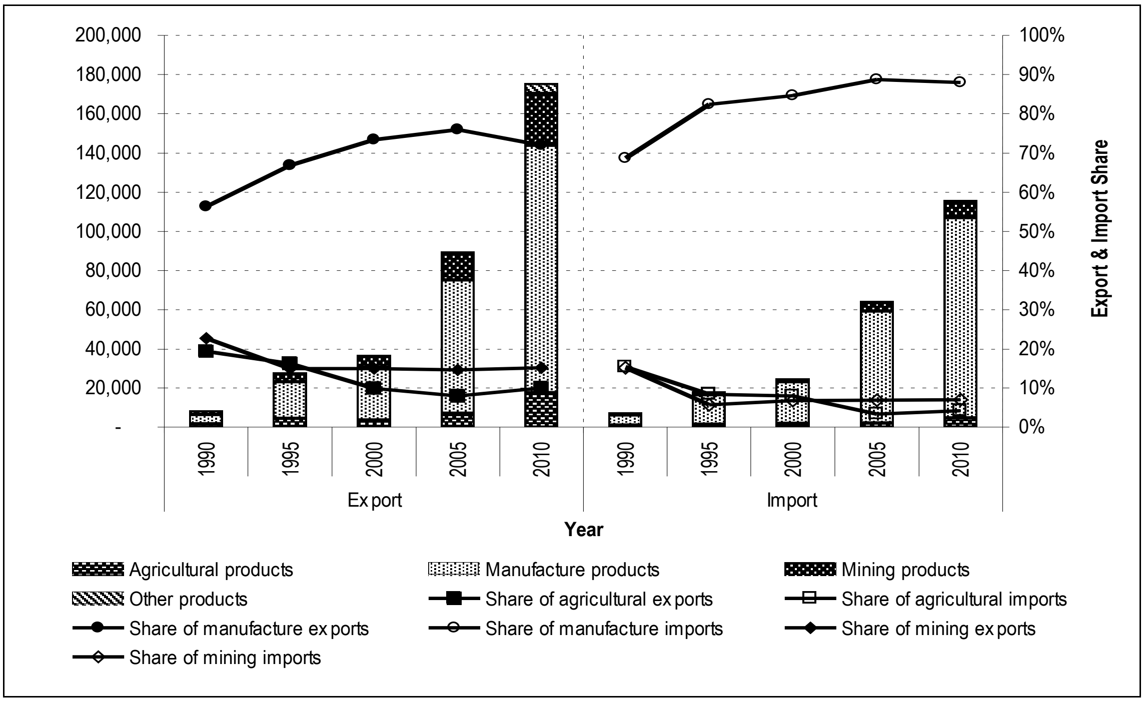
Data Source: IMF *Directions of Trade*, various years, author's calculation.

Together, China and Hong Kong have become the most influential trading partners of ASEAN states. Trades with China+Hong Kong were only behind ASEAN intraregional trades. While shares of the US, Japan and the EU had declined since the mid-1980s, China+Hong Kong's share had grown significantly. In 2005, China+Hong Kong shared 13.5% of ASEAN5's trades. This figure was higher than the US and Japan that contributed to 12.7% and 12.0% shares, respectively. In the latter half of 2000s, China alone even had become the most important state with which ASEAN5 traded.

2.2. Trade composition

Manufacture products have dominated ASEAN5's exports to and imports from China+Hong Kong. Between 1990 and 2005, the share of manufacture exports grew from 56.4% to 76.0%. The percentage declined slightly afterward to 72.0% or amounted to US$126.4 billion in 2010. Manufacture imports, on the other hand, increased from 68.6% to 88.0% in the period 1990-2010; they valued US$102.2 billion in 2010. Manufacture trades, therefore, provide the largest contribution to the increasing trade values. Between 2000-2010, manufacture trades grew at US$180.4 billion or 3.6 times higher than trades in other sectors.

Chart 2.4 ASEAN5's Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Notes:
- ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand.
- Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Sources:
- For trade data, see "United Nations commodity trade statistics database," UN Comtrade, accessed August 26, 2011, http://comtrade.un.org/db/, author's calculation.
- For product groupings, see "Statistics: international trade statistics, technical notes," World Trade Organization, accessed August 28, 2011, http://www.wto.org/english/res_e/statis_e/technotes_e.htm

Table 2.2 ASEAN States' main products exported to and imported from China+Hong Kong, 2000 and 2010 (US$ million and share of total export/import (%))

	Export US$ million (share of total)						Import US$ million (share of total)					
	2000			2010			2000			2010		
ASEAN5	Machinery & transport eq.	18,215	(49.4)	Machinery & transport eq.	93,281	(53.1)	Machinery & transport eq.	13,207	(52.9)	Machinery & transport eq.	65.988	(56.8)
	Fuels	4,951	(13.4)	Fuels	22,361	(12.7)	Other consumer goods	2,444	(9.8)	Other consumer goods	9,507	(8.2)
	Chemicals	3,710	(10.1)	Chemicals	16,038	(9.1)	Food	1,585	(6.4)	Chemicals	9,053	(7.8)

Notes:
- Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.
- "Other consumer goods" include photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks (81), furniture, and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings (82), travel goods, handbags and similar containers (83), footwear (85), professional, scientific and controlling instruments and apparatus, n.e.s. (87), photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks (88), and miscellaneous manufactured articles, n.e.s. (89).

Data sources:
- For trade data, see "United Nations commodity trade statistics database," UN Comtrade, accessed August 26, 2011, http://comtrade.un.org/db/, author's calculation.
- For product groupings, see "Statistics: international trade statistics, technical notes," World Trade Organization, accessed August 28, 2011, http://www.wto.org/english/res_e/statis_e/technotes_e.htm

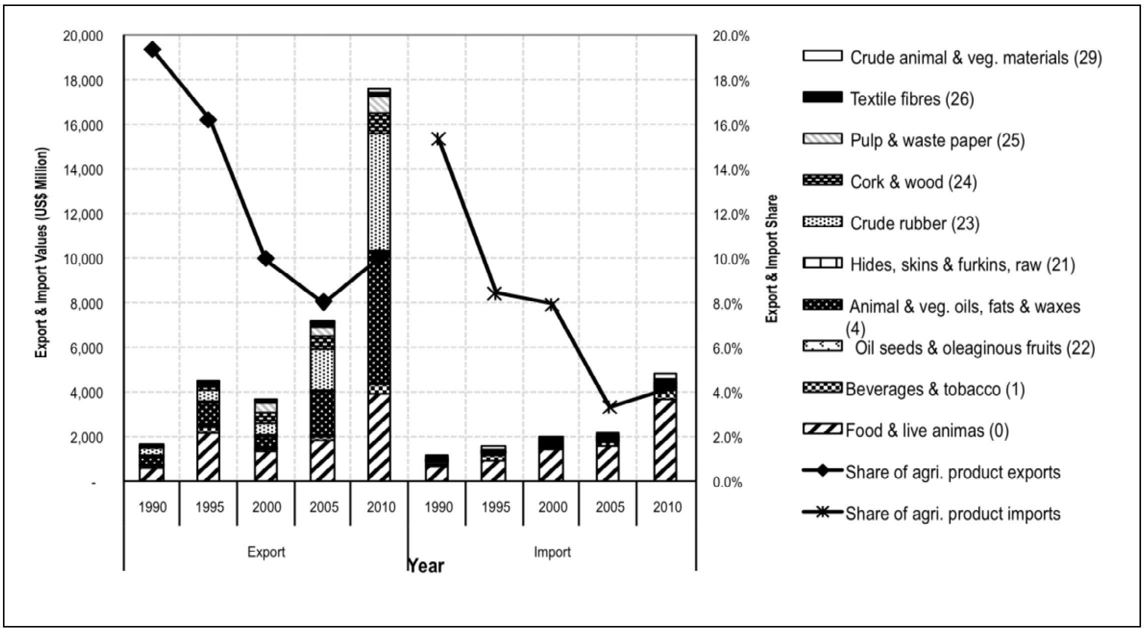
Among manufacture trades, machinery and transport equipment products took the largest share with US$93.3 billion exports and US$66.0 billion imports. Between 1990-2010, their share to manufacture trades grew continuously from 41.6% to 69.7%. This indicates growing intra-industry trades and production networks between ASEAN states and China+Hong Kong.

Mining products contributed about 15% share to total exports, which amounted to US$26.5 billion in 2010. Among the products, fuel exports had a 90% share. China's growing economic development explains this high demand of fuels. On the other hand, mining imports from China+Hong Kong were only US$8.1 billion value or 7% share in 2010 imports.

Similarly, share of agricultural trades has declined since 1990s. Between 1990 and 2010, share of agricultural exports shrank from 19% to 10%; and that of agricultural imports decreased from 15% to 4%. In 2010, agricultural exports amounted US$17.6 billion or about one-seventh of manufacture ones; whereas, agricultural imports did US$4.8 billion or about one-twentieth of manufacture ones. Agricultural trades, consequently, have become less significant in ASEAN5's trades with China and Hong Kong.

Animal and vegetable oils, fats and waxes (SITC3 division 21), crude rubber (23), and food and live animals (0) shared 86% of agricultural exports. The first two divisions grew fast in the last decade. Between 2000 and 2010, crude rubber exports increased almost 11 times from US$0.5 billion to US$5.2 billion; animal and vegetable oils, fats and waxes increased more than 9 times from US$0.6 billion to US$5.9 billion. Whereas, agricultural imports have been dominated by foods and live-animals, which had a share of 76% in 2010.

Chart 2.5 ASEAN5's Agricultural Export & Import Values to & from China+Hong Kong, and Share of Agricultural Export & Import, 1990-2010



Note: ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Data Source: *Idem*, chart 2.4.

2.3. Conclusion

ASEAN states' trades with China+Hong Kong grew at an average annual rate of 46% during the period 2000-2010. China+Hong Kong has become the largest trade partners of ASEAN states. China alone even had competed other states in becoming the largest state with which ASEAN states traded.

Manufacture products have dominated ASEAN5's exports to and imports from China+Hong Kong. Among them, machinery and transport equipment products took the largest share. ASEAN5 states maintained their mining exports at a share of around 15%, but their agricultural exports contributed to only 4% of their total exports. The growing manufacture trades indicate the growing intra-industry trades and production networks between most of ASEAN states and China+Hong Kong. Under an economic development regime, ASEAN states want to use foreign trades as a way to develop their industry. Nevertheless, as will be explore below, Indonesia had a different trade composition with China+Hong Kong, compared to other ASEAN5 states.

Section 3. ASEAN5 States' trades with China and Hong Kong

This section describes trade relations between each ASEAN5 state and China+Hong Kong, in terms of value, trend and composition. It also explores shares of China and Hong Kong to the states' trades in each ASEAN5 state.

For each ASEAN5 states, China+Hong Kong was the second largest trade partner in 2010. They contribute to around one-fifth of Malaysia and the Philippines' trades. China competed Japan to become the largest single country that traded with each ASEAN state. It surpassed Japan as the most important of Malaysia's trade partner.

Table 3.1 Value and Share of States/Regions in ASEAN5's Trades, 2010 (US$ Million and %)

Indo		Mal		Phil		Sing		Thai	
ASEAN10	72.921 (24.8)	ASEAN10	98,426 (22.8)	ASEAN10	31,913 (23.4)	ASEAN10	181,233 (27.3)	ASEAN10	75,039 (19.7)
China+HK	47,109 (16.1)	China+HK	85,566 (19.9)	China+HK	27,775 (20.3)	China+HK	114,426 (17.2)	China+HK	60,983 (16.0)
Japan	42,748 (14.6)	China	71,994 (16.7)	Japan	21,621 (15.8)	EU	73,578 (11.1)	Japan	58,745 (15.5)
China	36,117 (12.3)	EU	42,889 (10.0)	China	21,255 (15.6)	China	70,161 (10.6)	China	46,007 (12.1)
EU	27,019 (9.2)	US	41,176 (9.6)	US	15,252 (11.2)	US	58,638 (8.8)	EU	35,608 (9.4)
US	23,718 (8.1)	Japan	40,050 (9.3)	EU	11,942 (8.7)	Japan	40,866 (6.1)	US	31,126 (8.2)

Data Source: IMF *Directions of Trade*, various years, author's calculation.

Table 3.2 ASEAN States' exports to and imports from China+Hong Kong, 2000 and 2010

	Export US$ million (share of total %)		Import US$ million (share of total %)	
	2000	**2010**	**2000**	**2010**
ASEAN10	38.9 (9.1)	211.8 (19.3)	27.9 (7.6)	162.6 (17.4)
ASEAN5	36.9 (9.1)	201.6 (20.0)	24.8 (7.1)	127.6 (14.2)
Indonesia	4.3 (7.0)	18.2 (11.5)	2.4 (7.1)	22.3 (16.4)
Malaysia	7.5 (6.7)	55.7 (23.1)	5.5 (6.7)	29.9 (15.7)
Philippines	2.6 (5.9)	15.3 (25.9)	2.0 (5.9)	12.5 (16.1)
Singapore	16.2 (7.9)	77.8 (22.0)	10.6 (7.9)	36.6 (11.8)
Thailand	6.3 (6.9)	34.6 (17.7)	4.3 (6.9)	26.4 (14.3)

Note: ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand; ASEAN10 comprises ASEAN5 plus Brunei Darussalam, Cambodia, Lao P.D.R., Myanmar, Vietnam.

Data source: IMF *Directions of Trade*, author's calculation.

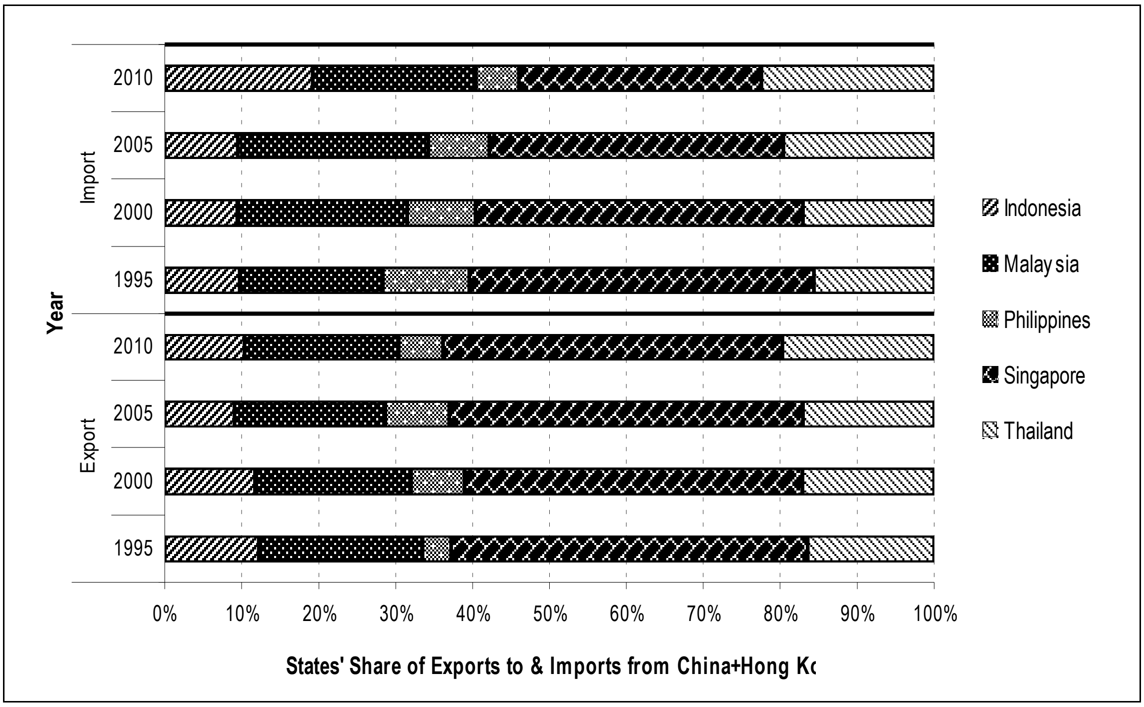
Trades between ASEAN5 states and China+Hong Kong grew fast in 2000s. In just 10 years, China+Hong Kong's shares of most ASEAN5 states' trades increased more than 10%. Their shares of Malaysia's exports, for example, grew from 6.7% in

2000 to 23.1% in 2010. During the same period, Malaysia's exports to China+Hong Kong increased more than 7 folds from US$7.5 million to US$55.7 million. While Malaysia, the Philippines, Singapore, and Thailand's exports to China+Hong Kong grew faster than their imports, Indonesia's imports grew faster than its exports. Except for Indonesia, other ASEAN5 states recorded trade surpluses. They recorded a total surplus of US$78 million. Comparing the amount of imports of ASEAN5 and ASEAN10 gives an indication that other ASEAN states—Vietnam, in particular—have become China's export destinations.

3.1 Countries' shares in ASEAN5 states' export to and import from China+Hong Kong

It has been Singapore that had the largest share in ASEAN5's trades with China+Hong Kong. During the period of 1995-2010, Singapore shared about 45% to ASEAN5's exports. Singapore's processing industry and role as an entrepôt may explain this phenomenon. Even though Singapore does not have fuel mines, more than half of ASEAN5's fuel exports go from Singapore. Its total exports amounted to US$77.6 billion in 2010. In that year, machinery and transport equipments contributed to 62%, followed by fuel products (16%) and chemical ones (9%).

Chart 3.1 Share of States in ASEAN5's Values of Export to & Import from China+Hong Kong, 2010



Note: ASEAN5 includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Data Source: UN Comtrade, author's calculation.

Singapore has had also the largest share in ASEAN5's imports from China+Hong Kong, despite its declining share from 45% to 32% between 1995 and 2010. In 2010, its imports amounted to US$36.6 billion. More than a half of this import was in the form of machinery and transport equipment.

Malaysia followed Singapore with more or less 20% trade share between 1995 and 2010. Whereas, Thailand's export and import shares gradually increased during the period and reached 20% and 22%, respectively, in 2010. Similar with Singapore, machinery and transport equipments have the largest contribution to Malaysia and Thailand's trades with China+Hong Kong.

Table 3.3 ASEAN5 States's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

ALL	Export						Import					
	Indo	Mal	Phil	Sing	Thai	ASEAN5	Indo	Mal	Phil	Sing	Thai	ASEAN5
Agricultural products	**5,335 (30.4)**	**5,209 (29.6)**	**326 (1.9)**	**1,219 (6.9)**	**5,490 (31.2)**	**17,577 (100.0)**	**1,427 (29.7)**	**1,323 (27.6)**	**344 (7.2)**	**805 (16.8)**	**899 (18.7)**	**4,799 (100.0)**
Food	3,009 (29.2)	3,831 (37.2)	283 (2.7)	1,003 (9.7)	2,183 (21.2)	10,309 (100.0)	1,275 (30.2)	1,164 (27.6)	314 (7.4)	724 (17.2)	740 (17.5)	4,217 (100.0)
Raw materials	2,326 (32.0)	1,378 (19.0)	42 (0.6)	216 (3.0)	3,307 (45.5)	7,269 (100.0)	152 (26.1)	159 (27.4)	30 (5.2)	81 (13.9)	160 (27.4)	582 (100.0)
Manufacture products	**3,917 (3.1)**	**27,348 (21.6)**	**8,806 (7.0)**	**60,594 (48.0)**	**25,699 (20.3)**	**126,364 (100.0)**	**19,588 (19.2)**	**22,291 (21.8)**	**5,752 (5.6)**	**30,996 (30.3)**	**23,566 (23.1)**	**102,195 (100.0)**
Iron & steel	27 (5.7%)	147 (30.6)	10 (2.1)	120 (25.0)	176 (36.6)	479 (100.0)	1,117 (24.6)	906 (20.0)	310 (6.8)	957 (21.1)	1,251 (27.5)	4,542 (100.0)
Chemicals	1,357 (8.5)	2,604 (16.2)	248 (1.5)	7,217 (45.0)	4,612 (28.8)	16,038 (100.0)	2,321 (25.6)	1,909 (21.1)	695 (7.7)	1,422 (15.7)	2,705 (29.9)	9,053 (100.0)
Other semi-manufactures	674 (10.9)	1,748 (28.2)	53 (0.9)	972 (15.7)	2,742 (44.3)	6,189 (100.0)	1,378 (18.6)	1,551 (21.0)	456 (6.2)	1,778 (24.0)	2,235 (30.2)	7,398 (100.0)
Machinery & transport eq.	1,285 (1.4)	21,420 (23,0)	8,292 (8.9)	48,011 (51.5)a	14,273 (15.3)	93,281 (100.0)	11,191 (17.0)	15,309 (23.2)	3,446 (5.2)	22,435 (34.0)	13,608 (20.6)	65,988 (100.0)
Textiles	292 (30.6)	167 (17.5)	18 (1.8)	74 (7.8)	404 (42.3)	955 (100.0)	2,005 (48.2)	427 (10.3)	267 (6.4)	307 (7.4)	1,154 (27.7)	4,161 (100.0)
Clothing	61 (23.4)	77 (29.9)	29 (11.1)	16 (6.4)	76 (29.2)	259 (100.0)	210 (13.6)	194 (12.5)	56 (3.6)	803 (52.0)	282 (18.3)	1,545 (100.0)
Other consumer goods	221 (2.4)	1,187 (12.9)	155 (1.7)	4,183 (45.7)	3,416 (37.3)	9,163 (100.0)	1,366 (14.4)	1,994 (21.0)	522 (5.5)	3,294 (34.6)	2,331 (24.5)	9,508 (100.0)
Mining products	**8,506 (32.1)**	**179 (9.2)**	**54 (3.3)**	**2,855 (48.6)**	**1,614 (6.8)**	**26,515 (100.0)**	**1,213 (15.0)**	**220 (9.8)**	**55 (4.5)**	**345 (55.0)**	**321 (15.7)**	**8,104 (100.0)**
Ores & other minerals	1,500 (59.9)	223 (8.9)	357 (14.2)	239 (9.5)	188 (7.5)	2,507 (100.0)	108 (23.6)	100 (21.8)	66 (14.3)	74 (16.0)	112 (24.3)	460 (100.0)
Fuels	6,649 (29.7)	1,838 (8.2)	206 (0.9)	12,126 (54.2)	1,542 (6.9)	22,361 (100.0)	757 (14.1)	166 (3.1)	230 (4.3)	4,022 (74.7)	211 (3.9)	5,384 (100.0)
Non ferrous metal	357 (21.7)	378 (22.9)	312 (18.9)	529 (32.1)	72 (4.4)	1,648 (100.0)	347 (15.4)	528 (23.3)	73 (3.2)	365 (16.1)	947 (41.9)	2,260 (100.0)
Other products	**436 (8.5)**	**179 (3.5)**	**54 (1.1)**	**2,855 (55.6)**	**1,614 (31.4)**	**5,138** (100.0)	**56 (5.6)**	**220 (22.0)**	**55 (5.6)**	**345 (34.5)**	**321 (32.2)**	**997 (100.0)**
ALL	**18,194 (10.4)**	**35,175 (20.0)**	**10,060 (5.7)**	**77,561 (44.2)**	**34,605 (19.7)**	**175,595 (100.0)**	**22,285 (19.2)**	**24,628 (21.2)**	**6,520 (5.6)**	**36,606 (31.5)**	**26,057 (22.4)**	**116,096 (100.0)**

Note: Colomns in grey represent those that need attention.
Data Source: UN Comtrade, author's calculation.

Indonesia's shares in ASEAN5's export to and import from China+Hong Kong have a different tendency. Indonesia shared only 10% to ASEAN5's export in 2010, declining from 12% in 2000. Fuel and agricultural products had more or less one-third contribution in Indonesia's exports each. Its import share, on the otherwise, increased significantly in the latter period of 2000s and reached 19%. Its machinery and transport equipment imports grew drastically during this period and shared about 50% in 2010. Indonesia's economic recovery after the prolonged crisis may explain these growing imports.

The Philippines had the smallest share in ASEAN5's trades with China+Hong Kong. Despite its growing machinery and transport equipment trades, in 2010, it only contributed US$16.6 billion, or 6% of ASEAN5's trades.

Table 3.4 ASEAN States' main products exported to and imported from China+Hong Kong, 2000 and 2010 (US$ million and share of total export/import (%))

	Export US$ million (share of total)						Import US$ million (share of total)					
	2000			2010			2000			2010		
Indonesia	Fuels	1,098	(25.4)	Fuels	6,649	(36.5)	Food	430	(18.2)	Machinery & transport eq.	11,191	(50.2)
	Other semi-manufactures	861	(19.9)	Food	3,009	(16.5)	Machinery & transport eq.	425	(18.0)	Chemicals	2,321	(10.4)
	Chemicals	534	(12.3)	Raw materials	2,326	(12.8)	Fuels	283	(12.0)	Textiles	2,005	(9.0)
Malaysia	Machinery & transport eq.	4,242	(56.8)	Machinery & transport eq.	21,420	(60.9)	Machinery & transport eq.	3,241	(59.0)	Machinery & transport eq.	15,309	(62.2)
	Chemicals	638	(8.5)	Food	3,831	(10.9)	Food	517	(9.4)	Other consumer goods	1,994	(8.1)
	Food	603	(8.1)	Chemicals	2,604	(7.4)	Other consumer goods	456	(8.3)	Chemicals	1,909	(7.8)
Philippines	Machinery & transport eq.	1,929	(75.0)	Machinery & transport eq.	8,292	(82.4)	Machinery & transport eq.	905	(40.7)	Machinery & transport eq.	3,446	(52.8)
	Food	165	(6.4)	Ores & other minerasl	357	(3.5)	Textiles	362	(16.3)	Chemicals	695	(10.7)
	Non-ferrous metal	97	(3.8)	Non-ferrous metal	312	(3.1)	Other consumer goods	282	(12.6)	Textiles	522	(8.0)
Singapore	Machinery & transport eq.	9,461	(58.3)	Machinery & transport eq.	48,011	(61.9)	Machinery & transport eq.	6,557	(61.7)	Machinery & transport eq.	22,435	(61.3)
	Fuels	2,897	(17.9)	Fuels	12,126	(15.6)	Other consumer goods	1,205	(11.3)	Fuels	4,022	(11.0)
	Chemicals	1,462	(9.0)	Chemicals	7,217	(9.3)	Fuels	588	(5.5)	Other consumer goods	3,294	(9.0)
Thailand	Machinery & transport eq.	2,175	(34.6)	Machinery & transport eq.	14,273	(41.2)	Machinery & transport eq.	2,079	(48.9)	Machinery & transport eq.	13,608	(52.2)
	Chemicals	1,023	(16.3)	Chemicals	4,612	(13.3)	Textiles	465	(10.9)	Chemicals	2,705	(10.4)
	Food	689	(10.9)	Other consumer goods	3,416	(9.9)	Other consumer goods	371	(8.7)	Other consumer goods	2,331	(8.9)

Notes:
- Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.
- "Other consumer goods" include photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks (81), furniture, and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings (82), travel goods, handbags and similar containers (83), footwear (85), professional, scientific and controlling instruments and apparatus, n.e.s. (87), photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks (88), and miscellaneous manufactured articles, n.e.s. (89).

Data sources:
- For trade data, see "United Nations commodity trade statistics database," UN Comtrade, accessed August 26, 2011, http://comtrade.un.org/db/, author's calculation.
- For product groupings, see "Statistics: international trade statistics, technical notes," World Trade Organization, accessed August 28, 2011, http://www.wto.org/english/res_e/statis_e/technotes_e.htm

Regarding agricultural trades, ASEAN5's export of agricultural products to China+Hong Kong grew at an annual rate of 38.2%. However, the importance of agricultural products declined. Agricultural products were even relative insignificant in ASEAN5's imports from China+Hong Kong. In 2010, Indonesia, Malaysia and

Thailand exported agricultural products valued to more than US$5,000 each. Only for Indonesia, agricultural products had significant contribution to total exports in 2010.

Table 3.5 Agricultural Products in ASEAN5 States' Export to and Import from China+Hong Kong, 2010 (US$ Million and %)

	Export						Import					
	Ind	Mal	Phil	Sin	Thai	ASEAN5	Ind	Mal	Phil	Sin	Thai	ASEAN5
1990	118 (8.2)	562 (36.2)	n.a.	450 (10.7	520 (39.9)	1,652 (19.4)	223 (24.1)	213 (19.0)	n.a.	458 (11.6)	260 (17.1)	1,154 (15.3)
2000	897 (20.8)	990 (13.3)	179 (7.0)	359 (2.2)	1,221 (19.4)	3,646 (9.9)	582 (24.6)	594 (10.8)	213 (9.6)	366 (3.4)	218 (5.1)	1,972 (7.9)
2010	5,335 (29.3)	5,208 (14.8)	326 (3.2)	1,219 (1.6)	5,489 (15.9)	17,577 (10.0)	1,427 (6.4)	1,323 (5.4)	344 (5.3)	805 (2.2)	899 (3.5)	4,799 (4.1)

Notes:
- ASEAN5 comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand.
- Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Sources:
- For trade data, see "United Nations commodity trade statistics database," UN Comtrade, accessed August 26, 2011, http://comtrade.un.org/db/, author's calculation.
- For product groupings, see "Statistics: international trade statistics, technical notes," World Trade Organization, accessed August 28, 2011, http://www.wto.org/english/res_e/statis_e/technotes_e.htm

3.2. Indonesia's trades with China+Hong Kong

Indonesia's two-way trade with China grew sharply in the latter half of 2000s. Between 2005 and 2010, it increased threefold to US$36.1 billion. China's share in Indonesia's trade also increased significantly from 5.0% in 2000 to 12.3% in 2010. On the otherwise, Hong Kong did not play an important role in Indonesia's trade with China. Even in the years of 2000s, while China was becoming an important trade partner, Indonesia's trades with Hong Kong only grew slightly and recorded a trade value of US$4.4 billion in 2010. In that year, Hong Kong merely shared 1.5% of Indonesia's total trades.

Table 3.6 Indonesia's Values of Trades with China, Hong Kong and China+Hong Kong (US$ Billion) and Shares of China, Hong Kong and China+Hong Kong in Indonesia's Total Trades (%)

	Export					Import					Trade				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	0.8 (3.2)	1.7 (3.8)	2.8 (4.5)	6.7 (7.8)	15.7 (9.9)	0.7 (3.0)	1.5 (3.7)	2.0 (6.0)	5.8 (10.1)	20.4 (15.1)	1.5 (3.1)	3.2 (3.8)	4.8 (5.0)	12.5 (8.7)	36.1 (12.3)
Hong Kong	0.6 (2.4)	1.7 (3.6)	1.6 (2.5)	1.5 (1.7)	2.5 (1.6)	0.3 (1.2)	0.3 (0.7)	0.3 (1.0)	0.3 (0.5)	1.9 (1.4)	0.9 (1.9)	1.9 (2.2)	1.9 (2.0)	1.8 (1.2)	4.4 (1.5)
Ch + HK	1.5 (5.7)	3.4 (7.5)	4.3 (7.0)	8.2 (9.5)	18.2 (11.5)	0.9 (4.2)	1.8 (4.4)	2.4 (7.1)	6.1 (10.6)	22.3 (16.4)	2.4 (5.0)	5.2 (6.0)	6.7 (7.0)	14.3 (10.0)	40.5 (13.8)

Note: Colomns in grey represent those that need attention.

Data Source: IMF *Directions of Trade*, author's calculation.

Indonesia's imports from China+Hong Kong increased drastically in the latter period of 2000s. They grew more than fourfold during the period and reached US$22.3 billion in 2010. Manufacture imports dominated the imports with almost 90% share. Indonesia's economic recovery, as mentioned before, may explain this sharp demand of manufacture products from China and Hong Kong.

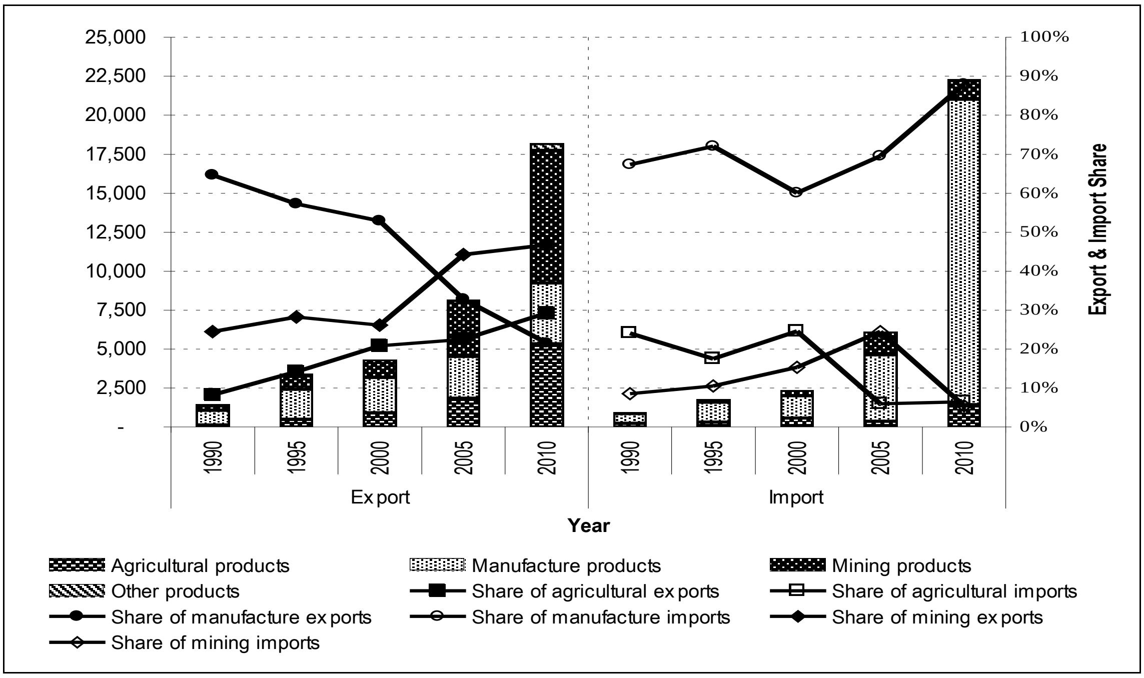
Between 2005-2010, Indonesia's food imports from China+Hong Kong grew almost fourfold to US$1.3 billion. This reflects growing Indonesia's income per capita and consumption sectors. Despite their growing values, share of agricultural imports declined to merely 6% of total imports. During the period 2000-2005, while imports of other commodities increased significantly, Indonesia's agricultural import value decreased.

Share of mining imports also decreased sharply from 24% to 5% between 2005-2010, after gradually growing until 2005. The decline of fuel imports was the main cause of this phenomenon.

On the otherwise, Indonesia's mining exports to China and Hong Kong increased significantly between 2000-2010. While they recorded US$1.1 billion exports in 2000, they became US$8.5 billion in 2010. Share of mining exports, in consequence, also grew from 26% to 47%. The latter period of 2000s had the biggest contribution to this increase. Fuel, ore and other mineral exports dominated Indonesia's mining exports.

Agricultural exports also performed a growing share in total exports, from 14% in 1995 to 29% in 2010. Both food and raw material exports increased and recorded US3.0 billion and US$2.3 billion export values, respectively, in 2010.

Chart 3.2 Indonesia's Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Note: Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Source:
- For trade data, see "United Nations commodity trade statistics database," UN Comtrade, accessed August 26, 2011, http://comtrade.un.org/db/, author's calculation.
- For product groupings, see "Statistics: international trade statistics, technical notes," World Trade Organization, accessed August 28, 2011, http://www.wto.org/english/res_e/statis_e/technotes_e.htm*ldem.*

On the other hand, share of manufacture exports sharply declined from 53% to 21% during the period of 2000-2010. This is particularly because of a slight increase of manufacture exports. During the period, manufacture exports only increased US$1.6 billion, whereas mining and agricultural exports added US$7.4 billion and US$4.4 billion, respectively. Growing exports of machinery and transport equipments and chemicals products were too few to maintain the share of manufacture exports in total exports. Manufacture exports amounted to US$3.9 billion in 2010.

After enjoying positive balance of trades until the mid of 2000s, Indonesia experiencing trade deficit against China and Hong Kong. However, Indonesia's exports and imports have become more complementary, rather than competitive, with China. It exports primary products and imports manufacture products. This indicates that Indonesia and China have been exploiting their comparative advantages to kick their trades up.

Table 3.7 Indonesia's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Agricultural products	**119 (8.2)**	**482 (14.2)**	**897 (20.8)**	**1,838 (22.5)**	**5,335 (29.3)**	**223 (24.1)**	**309 (17.5)**	**582 (24.6)**	**365 (6.0)**	**1,472 (6.4)**
Food	101 (7.0)	331 (9.8)	372 (8.6)	940 (11.5)	3009 (16.5)	177 (19.1)	267 (15.1)	430 (18.2)	322 (5.3)	1,275 (5.7)
Raw materials	18 (1.2)	151 (4.4)	526 (12.2)	899 (11.0)	2326 (12.8)	46 (5.0)	42 (2.4)	152 (6.4)	43 (0.7)	152 (0.7)
Manufacture products	**938 (64.4)**	**1,947 (57.3)**	**2,285 (52.9)**	**2,682 (32.9)**	**3,917 (21.5)**	**632 (67.4)**	**1,275 (72.0)**	**1,421 (60.1)**	**4,263 (69.5)**	**19,588 (87.9)**
Iron & steel	1 (0.1)	9 (0.3)	18 (0.4)	27 (1.1)	36 (0.1)	36 (3.9)	199 (11.3)	141 (6.0)	742 (12.1)	1,117 (5.0)
Chemicals	97 (6.7)	264 (7.8)	534 (12.3)	868 (10.6)	1,357 (7.5)	139 (15.1)	320 (18.1)	355 (15.0)	814 (13.1)	2,321 (10.4)
Other semi-manufactures	631 (43.4)	904 (26.6)	861 (19.9)	601 (7.4)	674 (3.7)	43 (4.6)	143 (8.1)	137 (5.8)	411 (6.7)	1,378 (6.2)
Machinery & transport eq.	66 (4.5)	158 (4.6)	409 (9.5)	731 (9.0)	1,285 (7.1)	250 (27.1)	378 (21.4)	425 (18.0)	1,627 (26.5)	11,191 (50.2)
Textiles	81 (5.6)	429 (12.6)	344 (8.0)	270 (3.3)	292 (1.6)	120 (13.0)	145 (8.2)	216 (9.1)	227 (3.7)	2,005 (9.0)
Clothing	4 (0.3)	10 (0.3)	22 (0.5)	24 (0.3)	61 (0.3)	4 (0.5)	5 (0.3)	14 (0.6)	37 (0.6)	201 (0.9)
Other consumer goods	59 (4.1)	173 (5.1)	96 (2.2)	101 (1.2)	221 (1.2)	30 (3.3)	84 (4.8)	132 (5.6)	404 (6.6)	1,366 (6.1)
Mining products	**356 (24.5)**	**960 (28.3)**	**1,131 (26.2)**	**3,615 (44.3)**	**8,506 (46.8)**	**79 (8.5)**	**186 (10.5)**	**361 (15.3)**	**1,503 (24.5)**	**1,213 (5.4)**
Ores & other minerals	30 (2.1)	24 (0.7)	11 (0.3)	245 (3.0)	1,500 (8.2)	34 (3.6)	42 (2.4)	38 (1.6)	51 (0.8)	108 (0.5)
Fuels	322 (22.2)	889 (26.1)	1,098 (25.4)	3,074 (37.7)	6,649 (36.5)	36 (3.9)	81 (4.6)	283 (12.0)	1,308 (21.3)	757 (3.4)
Non ferrous metal	4 (0.3)	48 (1.4)	22 (0.5)	296 (3.6)	357 (2.0)	9 (0.9)	63 (3.6)	40 (1.7)	143 (2.3)	347 (1.6)
Other products	**39 (2.7)**	**9 (0.3)**	**8 (0.2)**	**19 (0.2)**	**436 (2.4)**	**0 (0.0)**	**0 (0.0)**	**1 (0.0)**	**3 (0.1)**	**56 (0.3)**
ALL	**1,452 (100.0)**	**3,399 (100.0)**	**4,322 (100.0)**	**8,155 (100.0)**	**18,194 (100.0)**	**926 (100.0)**	**1,770 (100.0)**	**2,364 (100.0)**	**6,134 (100.0)**	**22,285 (100.0)**

Note: Colomns in grey represent those that need attention.

Data Source: UN Comtrade, author's calculation.

3.3. Malaysia's trades with China+Hong Kong

Malaysia's trade with China increased sharply in 2000s. Between 2000 and 2010, its trade grew from US$6.3 billion to US$22.5 billion in 2005 and US$72.0 billion in 2010. That subsequently multiplied China's share of Malaysia's global trade to 16.7%. A drastic growth of exports during the latter half of 2000s allowed that to happen. Malaysia's export to China rose six times from US$9.3 billion in 2005 to US$45.8 billion in 2010. This also made China an important export destination with a 19.0% share in 2010. Malaysia's import from China grew at a slower pace from US3.2 billion in 2000 to US$26.2 in 2010.

Similar to the Indonesia's case, Hong Kong was not a Malaysia's important trade partner. Malaysia's trade with Hong Kong grew slightly and recorded a trade value of US$13.6 in 2010. Hong Kong's shares of Malaysia's global trades even decreased in the latter half of 2000s from 4.4% to 3.1%.

Table 3.8 Malaysia's Values of Trades with China, Hong Kong and China+Hong Kong (US$ Billion) and Shares of China, Hong Kong and China+Hong Kong in Malaysia's Total Trades (%)

	Export					Import					Trade				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	0.6 (2.1)	1.9 (2.6)	3.0 (3.1)	9.3 (6.6)	45.8 (19.0)	0.6 (1.9)	1.7 (2.2)	3.2 (3.9)	13.2 (11.6)	26.2 (13.8)	1.2 (2.0)	3.6 (2.4)	6.3 (3.5)	22.5 (8.8)	72.0 (16.7)
Hong Kong	0.9 (3.2)	3.9 (5.3)	4.4 (4.5)	8.2 (5.8)	9.9 (4.1)	0.6 (1.9)	1.7 (2.2)	2.3 (2.8)	2.9 (2.5)	3.7 (1.9)	1.5 (2.5)	5.6 (3.7)	6.7 (3.7)	11.1 (4.4)	13.6 (3.1)
Ch + HK	1.6 (5.3)	5.8 (7.9)	7.5 (7.6)	17.5 (12.4)	55.7 (23.1)	1.1 (3.8)	3.4 (4.4)	5.5 (6.7)	16.0 (14.1)	29.9 (15.7)	2.7 (4.6)	9.2 (6.1)	13.0 (7.2)	33.6 (13.2)	85.6 (19.9)

Note: Colomns in grey represent those that need attention.

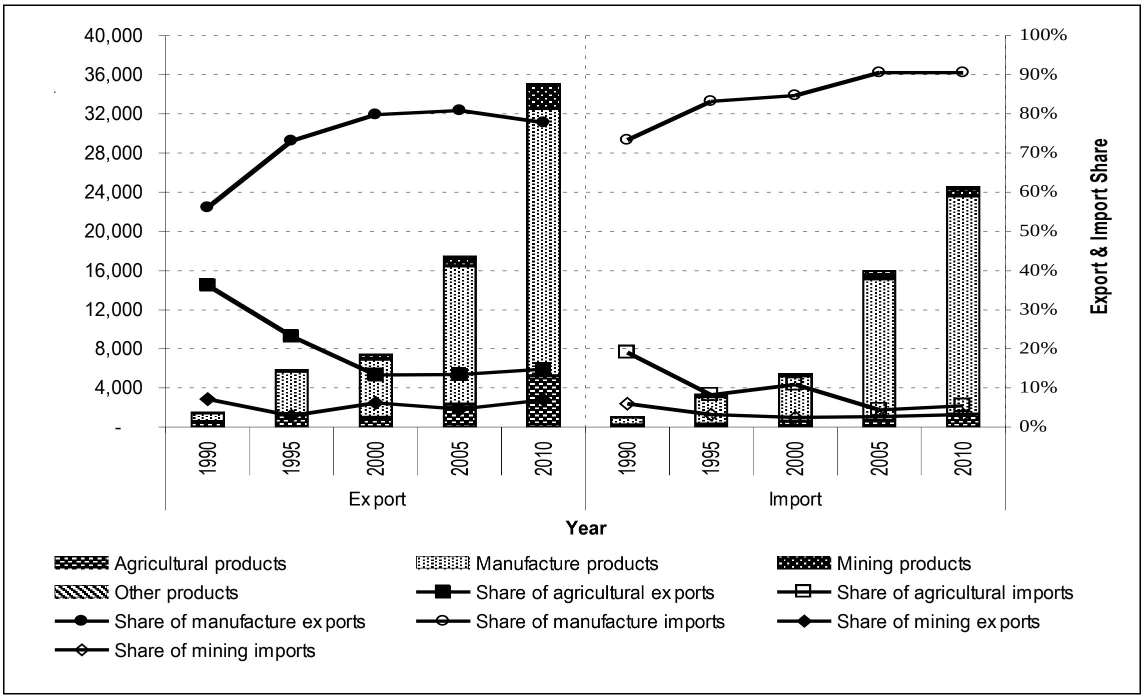
Data Source: IMF *Directions of Trade*, author's calculation.

During the period of 1990-2010, both Malaysia's manufacture exports and imports increased and dominated its trades with China and Hong Kong. Share of manufacture exports grew from 56% to 78%, whereas that of manufacture imports increased from 73% to 91%. In 2010, Malaysia's exports to and imports from China+Hong Kong reached US$27.3 billion and US$US$22.3 billion, respectively. Among manufacture products, machinery and transport equipment trades had the largest contribution to those numbers.

On the otherwise, share of agricultural exports declined sharply between 1990 and 2000, from 36% to 15%. Despite their increasing value, their share to total exports did not change many during 2000s. Malaysia's share of agricultural imports also decreased from 19% in 1990 to 5% in 2010. In 2010, Malaysia's agricultural exports and imports amounted to US$5.2 billion and US$1.3 billion, respectively.

Despite the overlapping manufacture trades, those numbers indicate growing intra-industry trades between Malaysia and China. Their trade pattern may represent vertical production networks between both states.

Chart 3.3 Malaysia's Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Note: Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Source: *Idem*, chart 3.2.

Table 3.9 Malaysia's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Agricultural products	**562 (36.2)**	**1,375 (23.3)**	**990 (13.3)**	**2,340 (13.3)**	**5,209 (14.8)**	**213 (19.0)**	**277 (8.2)**	**594 (10.8)**	**693 (4.3)**	**1,323 (5.4)**
Food	377 (24.3)	1,085 (18.4)	603 (8.1)	1,503 (8.6)	3,831 (10.9)	184 (16.4)	229 (6.8)	517 (9.4)	624 (3.9)	1,164 (4.7)
Raw materials	185 (11.9)	290 (4.9)	387 (5.2)	837 (5.2)	1,378 (3.9)	29 (2.6)	47 (1.4)	76 (1.4)	69 (0.4)	159 (0.6)
Manufacture products	**871 (56.1)**	**4,318 (73.1)**	**5,957 (79.8)**	**14,171 (79.8)**	**27,348 (77.7)**	**821 (73.3)**	**2,820 (83.2)**	**4,653 (84.7)**	**14,494 (90.6)**	**22,291 (90.5)**
Iron & steel	12 (0.8)	25 (0.4)	53 (0.7)	209 (0.7)	147 (0.4)	35 (3.1)	221 (6.5)	88 (1.6)	474 (3.0)	906 (3.7)
Chemicals	52 (3.3)	314 (5.3)	638 (8.5)	1,707 (8.5)	2,604 (7.4)	99 (8.8)	234 (6.9)	298 (5.4)	657 (4.1)	1,909 (7.8)
Other semi-manufactures	126 (8.1)	815 (13.8)	432 (5.8)	441 (5.8)	1,748 (5.0)	86 (7.6)	217 (6.4)	233 (4.2)	614 (3.8)	1,551 (6.3)
Machinery & transport eq.	559 (36.0)	2,497 (42.3)	4,242 (56.8)	10.945 (56.8)	21,420 (60.9)	276 (24.7)	1,378 (40.7)	3,241 (59.0)	11,172 (69.8)	15,309 (62.2)
Textiles	32 (2.0)	305 (5.2)	301 (4.0)	171 (4.0)	167 (0.5)	183 (16.3)	361 (10.7)	271 (4.9)	285 (1.8)	427 (1.7)
Clothing	15	32	21	42	77	18	49	67	172	194

	(1.0)	(0.5)	(0.3)	(0.3)	(0.2)	(1.6)	(1.4)	(1.2)	(1.1)	(0.8)
Other consumer goods	77 (4.9)	330 (5.6)	269 (3.6)	655 (3.6)	1,187 (3.4)	125 (11.2)	361 (10.7)	456 (8.3)	1,120 (7.0)	1,994 (8.1)
Mining products	**110 (7.1)**	**167 (2.8)**	**461 (6.2)**	**799 (6.2)**	**2,439 (6.9)**	**67 (5.9)**	**106 (3.1)**	**132 (2.4)**	**426 (2.7)**	**794 (3.2)**
Ores & other minerals	1 (0.1)	8 (0.1)	16 (0.2)	45 (0.2)	223 (0.6)	37 (3.3)	28 (0.8)	32 (0.6)	52 (0.3)	100 (0.4)
Fuels	100 (6.4)	97 (1.6)	344 (4.6)	566 (4.6)	1,838 (5.2)	21 (1.9)	12 (0.4)	30 (0.5)	241 (1.5)	166 (0.7)
Non ferrous metal	10 (0.6)	62 (1.1)	101 (1.4)	189 (1.4)	378 (1.1)	8 (0.7)	65 (1.9)	70 (1.3)	133 (0.8)	528 (2.1)
Other products	**9 (0.6)**	**44 (0.7)**	**56 (0.8)**	**220 (0.8)**	**179 (0.5)**	**20 (1.8)**	**185 (5.5)**	**116 (2.1)**	**391 (2.4)**	**220 (0.9)**
ALL	**1,553 (100.0)**	**5,904 (100.0)**	**7,464 (100.0)**	**17,530 (100.0)**	**35,175 (100.0)**	**1,120 (100.0)**	**3,388 (100.0)**	**5,494 (100.0)**	**16,005 (100.0)**	**24,628 (100.0)**

Note: Colomns in grey represent those that need attention.

Data Source: UN Comtrade, author's calculation.

3.4. The Philippines' trades with China+Hong Kong

Among ASEAN5 states, the Philippines recorded the lowest trade values. However, its trade with China also grew from US$1.4 billion to US$21.3 billion between 2000 and 2010. China has also become the Philippines' important trade partners with a contribution of 8.0% and 15.6% to the Philippines' global trades in 2005 and 2010.

Despite its low value of trades, Hong Kong has played a relatively important trade partner for the Philippines. The Philippines' exports to Hong Kong in 2010 was merely US$4.4 billion, but contributed to 7.4% of the Philippines' global trades

Table 3.10 The Philippines' Values of Trades with China, Hong Kong and China+Hong Kong (US$ Billion) and Shares of China, Hong Kong and China+Hong Kong in the Philippines' Total Trades (%)

	Export					Import					Trade				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	0.1 (0.8)	0.2 (1.2)	0.7 (1.7)	4.1 (9.9)	10.9 (18.5)	0.2 (1.4)	0.7 (2.3)	0.8 (2.3)	3.0 (6.3)	10.3 (13.3)	0.2 (1.1)	0.9 (1.9)	1.4 (2.0)	7.0 (8.0)	21.3 (15.6)
Hong Kong	0.3 (4.0)	0.8 (4.7)	1.9 (5.0)	3.3 (8.1)	4.4 (7.4)	0.6 (4.4)	1.4 (4.9)	1.2 (3.6)	1.9 (4.1)	2.2 (2.8)	0.9 (4.3)	2.2 (4.8)	3.2 (4.3)	5.3 (5.9)	6.5 (4.8)
Ch + HK	0.4 (4.8)	1.0 (5.9)	2.6 (6.7)	7.4 (18.0)	15.3 (25.9)	0.8 (5.8)	2.0 (7.2)	2.0 (5.9)	4.9 (10.3)	12.5 (16.1)	1.2 (5.4)	3.1 (6.7)	4.6 (6.3)	12.3 (13.9)	27.8 (20.3)

Note: Colomns in grey represent those that need attention.

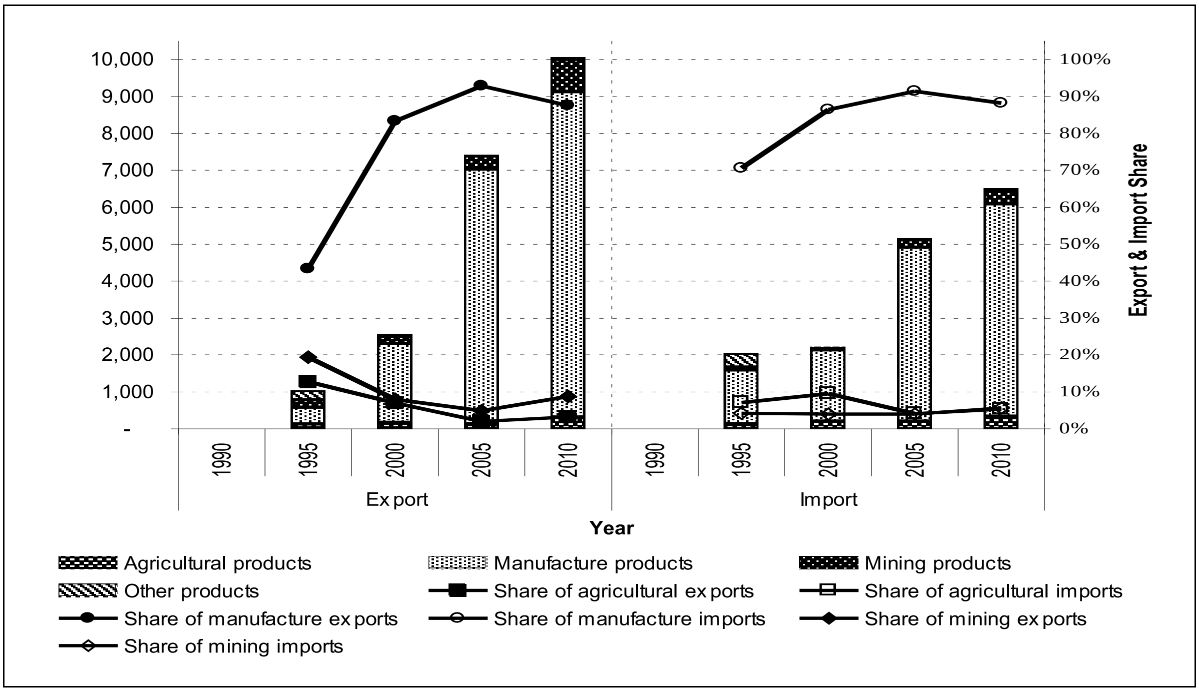
Data Source: IMF *Directions of Trade*, author's calculation.

The Philippines' has relatively similar trade composition as Malaysia. Its shares of manufacture exports and imports had grown until 2005 and decreased slightly during the latter part of 2000s. This decline, nevertheless, does not change the dominant share of manufacture products in the Philippines' trades with China and Hong Kong. In 2010, both manufacture exports and imports had the same share of 88% to the Philippines' total exports and imports. These manufacture exports and imports amounted to US$8.8 billion and US$5.7 billion, respectively. Whereas machinery and transport equipments had become the Philippines' main imports since

1995, they had just taken a dominant share since 2000. Other products had never had a large contribution to the Philippines' trades. Either agricultural or mining exports and imports had never reached US$1 billion.

Those trade patterns may indicate intra-industry trades and production networks between the Philippines and China, similar to Malaysia.

Chart 3.4 The Philippines' Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Notes: Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Source: *Idem*, chart 3.2.

Table 3.11 The Philippines's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Agricultural products	**n.a.**	**133 (12.8)**	**179 (7.0)**	**149 (2.0)**	**326 (3.2)**	**n.a.**	**145 (7.1)**	**213 (9.6)**	**209 (4.1)**	**344 (5.3)**
Food	n.a.	115 (11.1)	165 (6.4)	122 (1.6)	283 (2.8)	n.a.	129 (6.3)	182 (8.2)	177 (3.4)	314 (4.8)
Raw materials	n.a.	18 (1.7)	14 (0.5)	27 (0.4)	42 (0.4)	n.a.	17 (0.8)	31 (1.4)	32 (0.6)	30 (0.5)
Manufacture products	**n.a.**	**450 (43.4)**	**2.141 (83.3)**	**6,884 (92.8)**	**8,806 (87.5)**	**n.a.**	**1,444 (70.6)**	**1,924 (86.4)**	**4,712 (91.4)**	**5,752 (88.2)**
Iron & steel	n.a.	2 (0.2)	1 (0.0)	31 (0.4)	10 (0.1)	n.a.	139 (6.8)	40 (1.8)	246 (4.8)	310 (4.8)
Chemicals	n.a.	47 (4.6)	54 (2.1)	65 (0.9)	248 (2.5)	n.a.	158 (7.7)	166 (7.4)	366 (7.1)	695 (10.7)
Other semi-manufactures	n.a.	25 (2.4)	67 (2.6)	54 (0.7)	53 (0.5)	n.a.	148 (7.2)	134 (6.0)	230 (4.5)	456 (7.0)
Machinery &	n.a.	272	1.929	6,513	8,292	n.a.	540	905	2,995	3,446

Table 3.11 The Philippines's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
transport eq.		(26.2)	(75.0)	(87.8)	(82.4)		(26.4)	(40.7)	(58.1)	(52.8)
Textiles	n.a.	27 (2.6)	28 (1.1)	32 (0.4)	18 (0.2)	n.a.	262 (12.8)	362 (16.3)	438 (8.5)	267 (4.1)
Clothing	n.a.	43 (4.2)	14 (0.5)	29 (0.4)	29 (0.3)	n.a.	25 (1.2)	34 (1.5)	54 (1.0)	56 (0.9))
Other consumer goods	n.a.	33 (3.2)	49 (1.9)	159 (2.1)	151 (1.5)	n.a.	173 (8.4)	282 (12.6)	382 (7.4)	522 (8.0)
Mining products	**n.a.**	**200 (19.3)**	**205 (8.0)**	**359 (4.8)**	**875 (8.7)**	**n.a.**	**85 (4.2)**	**89 (4.0)**	**205 (4.0)**	**368 (5.7)**
Ores & other minerals	n.a.	33 (3.1)	26 (1.0)	52 (0.7)	357 (3.5)	n.a.	34 (1.6)	11 (0.5)	20 (0.4)	66 (1.0)
Fuels	n.a.	125 (12.1)	82 (3.2)	151 (2.0)	206 (2.0)	n.a.	43 (2.1)	53 (2.4)	138 (2.7)	230 (3.5)
Non ferrous metal	n.a.	42 (4.1)	97 (3.8)	157 (2.1)	312 (3.1)	n.a.	8 ((0.4)	25 (1.1)	47 (0.9)	73 (1.1)
Other products	**n.a.**	**255 (24.5)**	**46 (1.8)**	**26 (0.4)**	**54 (0.5)**	**n.a.**	**371 (18.1)**	**1 (0.0)**	**30 (0.6)**	**55 (0.8)**
ALL	**n.a.**	**1.038 (100.0)**	**2,571 (100.0)**	**7,418 (100.0)**	**10,060 (100.0)**	**n.a.**	**2,046 (100.0)**	**2,227 (100.0)**	**5,156 (100.0)**	**6,520 (100.0)**

Note: Colomns in grey represent those that need attention.

Data Source: UN Comtrade, author's calculation.

3.5. Singapore's trades with China+Hong Kong

Singapore's role as an entrepôt allows it to record the largest share of trades with China+Hong Kong. Between 2000 and 2010, Singapore's exports with China+Hong Kong increased significantly from US$16.2 billion to US$77.8 billion. Whereas, its imports grew at a slower rate from US$10.6 billion to US$36.6 billion. China+Hong Kong has become an important trade partner for Singapore and contributed to a trade share of 17.2% in 2010.

Both Singapore's exports and imports to and from China rose sharply during 2000s and recorded US$36.5 billion and US$33.7 billion, respectively, in 2010. China shared to 10.6% of Singapore's total trades in 2010.

Table 3.12 Singapore's Values of Trades with China , Hong Kong and China+Hong Kong (US$ Billion) and Shares of China, Hong Kong and China+Hong Kong in Singapore's Total Trades (%)

	Export					Import					Trade				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	0.8 (1.5)	2.8 (2.3)	5.4 (3.9)	19.8 (8.6)	36.5 (10.3)	2.1 (3.4)	4.0 (3.2)	7.1 (5.3)	20.5 (10.3)	33.7 (10.8)	2.9 (2.5)	6.88 (2.8)	12.5 (4.6)	40.3 (9.4)	70.2 (10.6)
Hong Kong	3.4 (6.5)	10.1 (8.6)	10.8 (7.9)	21.6 (9.4)	41.3 (11.7)	1.9 (3.1)	4.1 (3.3)	3.5 (2.6)	4.2 (2.1)	2.9 (0.9)	5.3 (4.7)	14.2 (5.9)	14.4 (5.3)	25.8 (6.0)	44.3 (6.7)
Ch + HK	4.2 (8.0)	12.9 (10.9)	16.2 (11.7)	41.3 (18.0)	77.8 (22.0)	4.0 (6.5)	8.1 (6.6)	10.6 (7.9)	24.7 (12.4)	36.6 (11.8)	8.2 (7.2)	21.0 (8.7)	26.9 (9.8)	66.1 (15.4)	114.4 (17.2)

Note: Colomns in grey represent those that need attention.

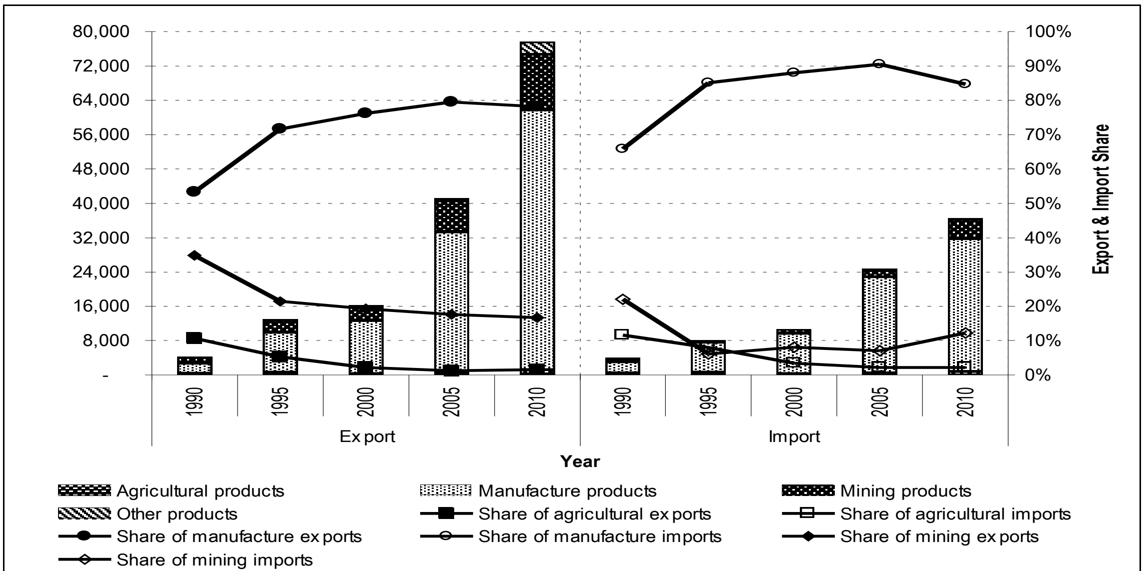
Data Source: IMF *Directions of Trade*, author's calculation.

Hong Kong, in fact, has played a critical entrepôt role in Singapore's exports to China. Singapore's exports to Hong Kong amounted to US$41.3 billion in 2010, which was higher than Singapore's direct export to China. Considering Singapore as an entrepôt of other ASEAN states, this allows Hong Kong to play an important role in trades between ASEAN states with China.

Manufacture products have taken the largest shares in Singapore's exports and imports. Their export share grew rapidly between 1990 and 1995 and gradually after that. In 2010, manufacture exports amounted to US$60.6 billion and shared 78% of Singapore's total exports. Similarly, the import share also grew rapily between 1990 and 1995. In 2010, its manufacture imports amounted to US$31.0 billion and shared 85% of total imports. Among manufacture products, machinery and transport equipments shared more than 60% to either Singapore's exports or imports.

Despite their declining shares, mining products still contributed 16% and 12% to Singapore's exports to and imports from China+Hong Kong, respectively. Although Singapore does not have fuel mines, its fuel industry allows Singapore to process fuels from other ASEAN states and export them to other countries, including China. In 2010, fuel exports amounted to US$12.1 billion or about one-fourth of machinery and transport equipment exports; fuel products became the second most valuable commodities exported to China+Hong Kong after machinery and transport exports.

Chart 3.5 Singapore's Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Notes: Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Source: *Idem*, chart 3.2.

Table 3.13 Singapore's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Agricultural products	**450 (10.7)**	**675 (5.2)**	**359 (2.2)**	**515 (1.2)**	**1,219 (1.6)**	**458 (11.6)**	**649 (8.0)**	**366 (3.4)**	**529 (2.1)**	**805 (2.2)**
Food	312 (7.4)	579 (4.5)	261 (1.6)	361 (0.9)	1,003 (1.3)	405 (10.3)	587 (7.2)	329 (3.1)	479 (1.9)	724 (2.0)
Raw materials	138 (3.3)	96 (0.7)	98 (0.6)	154 (0.4)	216 (0.3)	53 (1.3)	62 (0.8)	37 (0.3)	49 (0.2)	81 (0.2)
Manufacture products	**2,252 (53.3)**	**9,235 (71.6)**	**12,351 (76.2)**	**32,834 (79.5)**	**60,594 (78.1)**	**2,604 (65.9)**	**6,945 (85.1)**	**9,355 (88.0)**	**22,370 (90.5)**	**30,996 (84.7)**
Iron & steel	20 (0.5)	67 (0.5)	47 (0.3)	88 (0.2)	120 (0.2)	59 (1.5)	124 (1.5)	58 (0.5)	497 (2.0)	957 (2.6)
Chemicals	374 (8.9)	977 (7.6)	1,462 (9.0)	4,088 (9.9)	7,217 (9.3)	179 (4.5)	239 (2.9)	296 (2.8)	605 (2.4)	1,422 (3.9)
Other semi-manufactures	157 (3.7)	326 (2.5)	319 (2.0)	513 (1.2)	972 (1.3)	233 (5.9)	501 (6.1)	430 (4.0)	878 (3.5)	1,778 (4.9)
Machinery & transport eq.	1,340 (31.7)	6,886 (53.4)	9,461 (58.3))	25,953 (62.9)	48,011 (61.9)	1,219 (30.8)	4,180 (51.2)	6,557 (61.7)	17.103 (69.2)	22,435 (61.3)
Textiles	35 (0.8)	79 (0.6)	82 (0.5)	103 (0.2)	74 (0.1)	375 (9.5)	482 (5.9)	298 (2.8)	333 (1.3)	307 (0.8)
Clothing	12 (0.3)	20 (0.2)	12 (0.1)	19 (0.0)	16 (0.0)	138 (3.5)	341 (4.2)	512 (4.8)	849 (3.4)	803 (2.2)
Other consumer goods	313 (7.4)	880 (6.8)	968 (6.0)	2,071 (5.0)	4,183 (5.4)	400 (10.1)	1,078 (13.2)	1,205 (11.3)	2,105 (8.5)	3,294 (9.0)
Mining products	**1,472 (34.8)**	**2,765 (21.4)**	**3,118 (19.2)**	**7,267 (17.6)**	**12,893 (16.6)**	**869 (22.0)**	**495 (6.1)**	**861 (8.1)**	**1,735 (7.0)**	**4,460 (12.2)**
Ores & other minerals	9 (0.2)	60 (0.5)	54 (0.3)	147 (0.4)	239 (0.3)	8 (0.2)	16 (0.2)	12 (0.1)	31 (0.1)	74 (0.2)
Fuels	1,438 (34.0)	2,375 (18.4)	2,897 (17.9)	6,861 (16.6)	12,126 (15.6)	834 (21.1)	225 (2.8)	588 (5.5)	1,336 (5.4)	4,022 (11.0)
Non ferrous metal	25 (0.6)	329 (2.6)	167 (1.0)	259 (0.6)	529 (0.7)	27 (0.7)	253 (3.1)	260 (2.4)	368 (1.5)	365 (1.0)
Other products	**51 (1.2)**	**219 (1.7)**	**391 (2.4)**	**663 (1.6)**	**2,855 (3.7)**	**21 (3.7)**	**69 (0.8)**	**46 (0.4)**	**90 (0.4)**	**345 (0.9)**
ALL	**4,226 (100.0)**	**12,893 (100.0)**	**16,218 (100.0)**	**41,279 (100.0)**	**77,561 (100.0)**	**3,952 (0.5)**	**8,157 (100.0)**	**10,627 (100.0)**	**24,724 (100.0)**	**36,606 (100.0)**

Note: Colomns in grey represent those that need attention.

Data Source: UN Comtrade, author's calculation.

3.6. Thailand's trades with China+Hong Kong

Thailand's exports to and imports from China+Hong Kong have increased sharply since 2000. During 2000s, its exports grew more than fivefold from US$6.3 billion to US$34.6 billion; whereas, its imports increased sixfold and reached US$26.1 billion in 2010. China and Hong Kong shared to 12.1% and 3.9% of Thailand's global trades in 2010, respectively. Neverteless, similar to the Singapore's case, Hong Kong had only significant contribution to Thailand's exports with an export value of US$13.1 billion and an export share of 6.7% in 2010.

Table 3.14 Thailand's Values of Trades with China, Hong Kong and China+Hong Kong (US$ Billion) and Shares of China, Hong Kong and China+Hong Kong in Thailand's Total Trades (%)

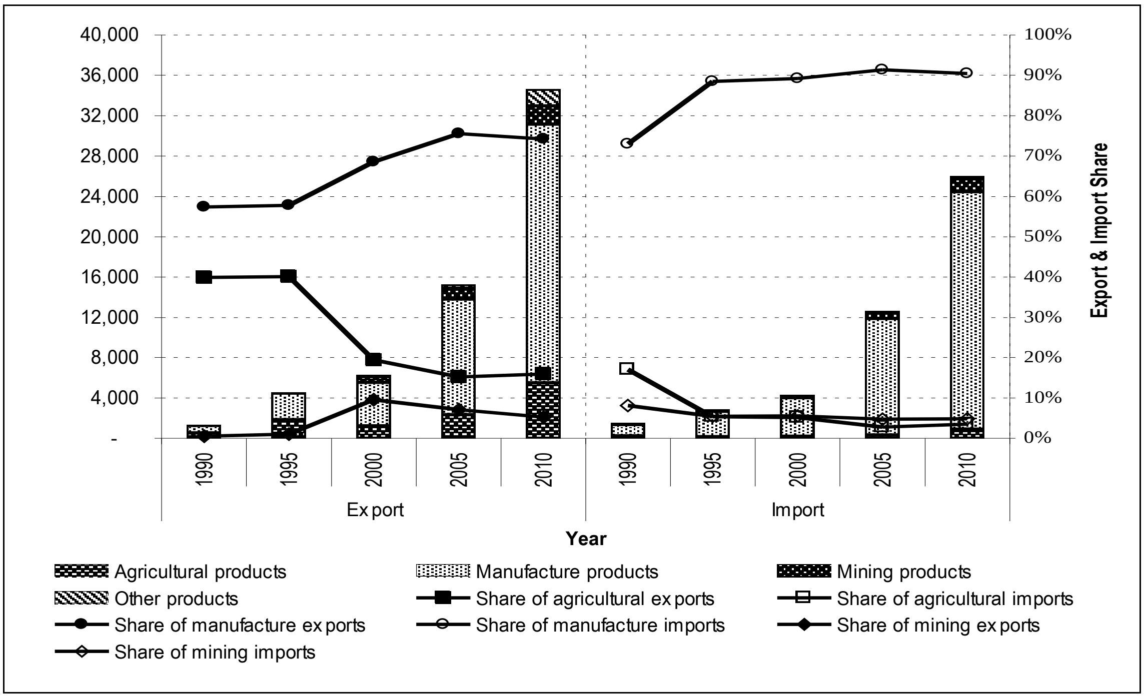
	Export					Import					Trade				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
China	0.3 (1.2)	1.6 (2.8)	2.8 (4.1)	9.1 (8.3)	21.5 (11.0)	1.1 (3.3)	2.1 (2.7)	3.4 (5.5)	11.2 (9.4)	24.5 (13.3)	1.4 (2.4)	3.7 (1.4)	6.2 (4.7)	20.3 (8.9)	46.0 (12.1)
Hong Kong	1.0 (4.5)	2.9 (5.0)	3.5 (5.0)	6.1 (5.6)	13.1 (6.7)	0.4 (2.4)	0.7 (1.0)	0.9 (1.4)	1.5 (1.3)	1.8 (1.0)	1.5 (2.6)	3.7 (2.7)	4.4 (3.3)	7.6 (3.3)	15.0 (3.9)
Ch + HK	1.3 (5.7)	4.6 (7.8)	6.3 (9.1)	15.2 (13.8)	34.6 (17.7)	1.5 (4.6)	2.8 (3.7)	4.3 (6.9)	12.7 (10.7)	26.4 (14.3)	2.8 (5.0)	7.4 (5.5)	10.5 (8.1)	27.9 (12.2)	61.0 (16.0)

Note: Colomns in grey represent those that need attention.

Data Source: IMF *Directions of Trade*, author's calculation.

Manufacture products contributed the most with US$25.7 billion exports and US$23.5 billion imports. Their export share grew between 1995 and 2005 and was relatively stagnant at about 75% after that; their import share even reached about 90% in 1995 and stayed at that level afterward. Machinery and transport equipments made the largest contribution to the trades. Besides, Thailand also exported a significant amount of chemical products. As in some other ASEAN states, this overlapping exports and imports of manufacture products indicate intra-industry trades between Thailand and China.

Chart 3.6 Thailand's Values of Export to & Import from China+Hong Kong by Commodities, and Share of Commodities in Total Exports & Imports, 1990-2010



Notes: Product groups are defined according to Standard International Trade Classification (SITC) Revision 3 and grouped according to the WTO International trade statistics technical notes. For groupings of commodities, see Appendix 1. Product groupings.

Data Source: *Idem*, chart 3.2.

Thailand's agricultural exports gradually grew and recorded US$5.5 billion in 2010. Despite such increase, the share of agricultural exports has dropped to about 15%, far less than the 1995 level of 40%. On the other wise, in terms of share, agricultural imports have become insignificant to Thailand's imports since 1995.

Table 3.15 Thailand's Values and Shares of Export to and Import from China+Hong Kong by Commodities, 2010 (US$ Million and %)

	Export					Import				
	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Agricultural products	**520 (39.9)**	**1,833 (40.2)**	**1,221 (19.4)**	**2,322 (15.2)**	**5,490 (15.9)**	**260 (17.1)**	**151 (5.3)**	**218 (5.1)**	**346 (2.7)**	**899 (3.5)**
Food	355 (27.2)	1,422 (31.3)	689 (10.9)	1,095 (7.2)	2,183 (6.3)	134 (8.8)	64 (2.2)	128 (3.0)	281 (2.2)	740 (2.8)
Raw materials	166 (12.7)	406 (8.9)	532 (8.5)	1,227 (8.0)	3,307 (9.6)	125 (8.2)	87 (3.1)	90 (2.1)	65 (0.5)	160 (0.6)
Manufacture products	**748 (57.4)**	**2,636 (57.8)**	**4,315 (68.6)**	**11,527 (75.5)**	**25,699 (74.3)**	**1,112 (73.0)**	**2,515 (88.5)**	**3,792 (89.2)**	**11,567 (91.4)**	**23,566 (90.4)**
Iron & steel	11 (0.8)	71 (1.5)	160 (2.5)	325 (2.1)	176 (0.5)	296 (19.5)	476 (16.8)	165 (3.9)	1,191 (9.4)	1,251 (4.8)
Chemicals	111 (8.5)	440 (9.6)	1,023 (16.3)	2,414 (15.8)	4,612 (13.3)	121 (7.9)	317 (11.2)	349 (8.2)	992 (7.8)	2,705 (10.4)
Other semi-manufactures	158 (12.1)	596 (13.1)	490 (7.8)	918 (6.0)	2,742 (7.9)	141 (9.3)	284 (10.0)	273 (6.4)	931 (7.4)	2,235 (8.6)
Machinery & transport eq.	189 (14.5)	844 (18.5)	2,175 (34.6)	6,992 (45.8)	14,273 (41.2)	245 (16.1)	819 (28.8)	2,079 (48.9)	6,660 (52.6)	13,608 (52.2)
Textiles	59 (4.5)	255 (5.6)	180 (2.9)	318 (2.1)	404 (1.2)	212 (13.9)	374 (13.2)	465 (10.9)	756 (6.0)	1,154 (4.4)
Clothing	53 (4.1)	48 (1.1)	29 (0.5)	31 (0.2)	76 (0.2)	13 (0.9)	28 (1.0)	90 (2.1)	118 (0.9)	282 (1.1)
Other consumer goods	168 (12.9)	383 (8.4)	257 (4.1)	529 (3.5)	3,416 (9.9)	83 (5.5)	217 (7.6)	371 (8.7)	920 (7.3)	2,331 (8.9)
Mining products	**6 (0.5)**	**46 (1.0)**	**603 (9.6)**	**1,074 (7.0)**	**1,802 (5.2)**	**124 (8.1)**	**155 (5.5)**	**234 (5.5)**	**598 (4.7)**	**1,270 (4.9)**
Ores & other minerals	1 (0.1)	15 (0.3)	20 (0.3)	135 (0.9)	188 (0.5)	49 (3.2)	48 (1.7)	32 (0.8)	85 (0.7)	112 (0.4)
Fuels	0 (0.0)	15 (0.3)	531 (8.4)	880 (5.8)	1,542 (4.5)	67 (4.4)	53 (1.9)	88 (2.1)	65 (0.5)	211 (0.8)
Non ferrous metal	5 (0.4)	16 (0.3)	52 (0.8)	59 (0.4)	72 (0.2)	8 (0.6)	54 (1.9)	114 (2.7)	448 (3.5)	947 (3.6)
Other products	**29 (2.2)**	**46 (1.0)**	**152 (2.4)**	**339 (2.2)**	**1,614 (4.7)**	**27 (1.8)**	**20 (0.7)**	**9 (0.2)**	**149 (1.2)**	**321 (1.2)**
ALL	**1,309 (100.0)**	**4,561 (100.0)**	**6,292 (100.0)**	**15,262 (100.0)**	**34,605 (100.0)**	**1,523 (100.0)**	**2,840 (100.0)**	**4,252 (100.0)**	**12,660 (100.0)**	**26,057 (100.0)**

Note: Colomns in grey represent those that need attention.

Data Source: UN Comtrade, author calculation.

3.7. Conclusion

Thank to the fast growing trades, China+Hong Kong have become the second largest trade partners of ASEAN5 states, only behind the ASEAN10 intraregional trade. China alone has been catching up Japan in becoming a state whose the largest shares of ASEAN5 states' trades. China became the largest trade partner of Malaysia, surpassing the EU, the US and Japan.

The ASEAN5's trade composition is, in fact, much colored by Malaysia, the Philippines, Singapore and Thailand's trade with China+Hong Kong. Manufacture trades contributed more than 80% to their total trades with China+Hong Kong in 2010. Machinery and transport equipments had the largest contribution to their trades with China+Hong Kong. As mentioned in previous section, this indicates the growing intra-industry trades and production networks between the states and China+Hong Kong.

Nevertheless, Indonesia had a different trade composition with China+Hong Kong. In 2010, although almost 90% of Indonesia's imports were manufacture products, manufacture exports only contributed 21% of its total exports. Shares of mining and agricultural exports increased gradually and reached 47% and 29%, respectively. This trade composition indicates that Indonesia and China have become more complementary, rather than competitive, with China. Although Indonesia also wants to develop its industry, that trade composition implies that Indonesia's industry is less competitive than China's one. Among ASEAN5 states, it is only Indonesia that recorded trade deficit with China+Hong Kong.

Section 4. China-ASEAN Free Trade Area (CAFTA)

4.1 China's regional political interests and CAFTA

The First Meeting of the ASEAN-China Joint Cooperation Committee (ACJCC) was held in Beijing on 26-28 February 1997. China and ASEAN states agreed to promote further cooperation. In December 1997, China's President Jiang Zemin and ASEAN leaders agreed to establish a 21st century-oriented partnership of good neighborliness and mutual trust between China and ASEAN states.[2] China stated its willingness to be "a friendly elephant" and consider "neighbors as partners and with cordiality." Realizing the negative effect of its assertive stance and the contagion impact of Asian financial crisis, China changed its attitude for the sake of peaceful environment and economic development. It attempted to change ASEAN states' China-threat perception and cultivate "benign China" one.[3] This approach would also reduce US and Japan's influences, which might limit China's interests. The US view of China as a potential threat or competitor encouraged China to solidify good relations with ASEAN states.[4]

The 1997 Asian financial crisis provided opportunities for China to perform its "good neighbor" policy. More than just becoming a good partner, China demonstrated its potential as a regional responsible leader. At that time, China participated in an international package of US$16 billion to bail out the Thai financial system[5] and decided not to devalue the Reminbi. The latter decision was appreciated by ASEAN states because it might subsequently reduce China's export competitiveness *vis a vis* them; in other words, the decision allowed ASEAN states to avoid competitive devaluation that would worsen their crises. Moreover, China's relative sustained development during the crisis increased its political economic leverage. The crisis laid a turning point for China and ASEAN states relations. It shifted the focus to the economy and trade, over the political-security issues that haunted the first half period of 1990s.

China came at the right moment. While ASEAN states needed help to cope the crisis, China's goodwill lessen their wariness of China threat and their bitterness over the US and Japan. The US did not assist Thailand. Washington also opposed Japan's proposal to establish Asian Monetary Fund (AMF), which ASEAN states supported. The US was also accused of standing behind the International Monetary Fund (IMF) and taking benefits of IMF's insensitiveness to particular economic and political conditions and its inefficacious policy recommendations. Japan, although it was perceived as a regional leader, was not independent against the US. It was reluctant to

[2] "Joint Press Release The First ASEAN-China Joint Cooperation Committee Meeting, Beijing, 26-28 February 1997," Association of Southeast Asian Nations, accessed August 15, 2011, http://www.aseansec.org/5880.htm; and "The Sino-ASEAN Relationship, 2002/05/08," Ministry of Foreign Affairs of the People's Republic of China, accessed August 15, 2011, http://www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2616/t15341.htm.

[3] Eric Teo Chu Cheow, "ASEAN+3: The roles of ASEAN and China," in *ASEAN-China Relations: Realities and Prospects*, edited by Saw S-H, Sheng L. & Chin K.W., 61-63, Singapore: ISEAS, 2005.

[4] Alice D. Ba, "China and ASEAN: renavigating relations for a 21st – century Asia," *Asian Survey* 43, no.4(2003): 622-647.

[5] "China Will Lend Thais $1 Billion," *The New York Times*, August 15, 1997, accessed August 15, 2011, http://query.nytimes.com/gst/fullpage.html?res=9903EEDE153FF936A2575BC0A961958260.

support the establishment of East Asian Economic Group (EAEG), annulled its AMF proposal, and preferred to promote Asia Pacific-wide economic cooperation.[6]

Chinese Premier Zhu Rongji then proposed the establishment of a free trade area between China and ASEAN at ASEAN-China summit in November 2000. There were indications that the proposal was more political than economical. It deepened its confidence building strategy that previously developed by joining in the ASEAN Regional Forum (ARF) and the ASEAN Treaty of Amity. The CAFTA was also proposed soon after Japan started an Economic Partnership Agreement (EPA) negotiation with Singapore, which indicated a rivalrous relation between China and Japan. The FTA would give minor economic gains. China wanted to alleviate the China-threat perception that was disseminated among ASEAN states by opening its economy to ASEAN states earlier than to other WTO members. It offered an early harvest program and differed itself from Japan, which disposed to protect its agricultural sector. China gave special and differential treatment and flexibility to Cambodia, Lao, Myanmar and Vietnam, and extended its most favored nation (MFN) treatment for the states although they did not have WTO memberships.[7] Although these liberalization schemes might reduce China's welfare gains, they would inflate China's reputation as a benign neighbor.[8]

This proposal aroused ambiguity among ASEAN states. Should ASEAN states cooperate or compete with China? ASEAN states lost in competition with China in attracting Foreign Direct Investment (FDI), which they enjoyed in the first half of 1990s. Having a free trade agreement with China would open China's huge domestic market to ASEAN states. However, on the other side, China's competitively-priced manufacture products might also flood ASEAN states' domestic markets. With similar industrial structures, China competed ASEAN economies.[9]

However, the power gap between them left ASEAN countries with no other choice than accepting the proposal. Without good relations with China, ASEAN states might lose China's support in regional and global affairs. ASEAN states could apply their "extension strategy" by using China's influence to promote their economy and political leverage.[10] Engaging China would also preclude China's assertiveness.

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[6] Considering such criticism, the U.S. then pledged a standby credit of US$3 billion in the IMF support packages for Indonesia in November 1997; and Japan announced a New Miyazawa Initiative amounted to US$30 billion in October 1998.

[7] See article 6 of the "Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations and the People's Republic of China, Phnom Penh, 4 November 2002," Association of Southeast Asian Nations, accessed August 15, 2011, http://www.asean.org/13196.htm.

[8] The framework agreement then caused a domino effect and provoked other countries to have similar accord with ASEAN. "Framework for Comprehensive Economic Partnership between Japan and The Association of South East Asian Nations, Bali, Indonesia, 8 October 2003," Association of Southeast Asian Nations, accessed August 15, 2011, http://www.aseansec.org/15274.htm; also The White House, Explanding Opportunity: Enterprise for ASEAN Initiative, accessed August 15, 2011, http://www.sice.oas.org/TPD/USA_ASEAN/EAI_e.pdf.

[9] Warwick J. McKibbin & Wing Thye Woo, "The Consequences of China's WTO accession for its neighbors," *Asian Economic Papers* 2, no. 2(2003):1-38.

[10] Honigmann Hong, "ASEAN and China sign 'dirty' FTA," *Taipei Times*, December 18, 2004, accessed August 25, 2011, http://www.taipeitimes.com/News/editorials/archives/2004/12/18/2003215649.

After cautiously studying the proposal, at the ASEAN-China summit in November 2001, ASEAN accepted China's proposal to establish a free trade area in 2010 and agreed to launch trade negotiation. Such time frame is earlier than the one that ASEAN-China Expert Group on Economic Cooperation recommended. It is consistent with Chinese government's proposal of a 7-year phase-in period of tariff reduction and other measures, from 2003-2009, which was proposed during a meeting of senior ASEAN and Chinese economic officials in Brunei in mid-August 2001.[11] A Framework Agreement on Comprehensive Economic Cooperation was signed in November 2002. The CAFTA would integrate ASEAN states and China's economies by eliminating import tariffs within 10 years, beginning in 2010.

That agreement, undoubtedly, smoothened confidence building between both parties. China accessed ASEAN states' pivotal Treaty of Amity and Cooperation (TAC) in 2003, which may provide a certain degree of guarantee for China's neighborliness.

4.2 Characteristics of CAFTA

In November 2001, ASEAN states endorsed China's proposal to establish a CAFTA within ten years. A Framework Agreement on the establishment of CAFTA was signed a year later during the ASEAN-China Summit in Phonm Penh.

The Framework Agreement rules that the CAFTA would be fully implemented by 2010 for ASEAN6 states[12] and China and 2015 for Cambodia, Lao PDR, Myanmar, and Myanmar. ASEAN states and China agreed to apply a gradual, flexible and selective liberalization approach. It allows ASEAN states and China to arrange flexibility on sensitive commodities, and special and preferential treatment. The framework directs them to eliminate progressively their tariffs and non-tariff barriers (NTBs), liberalize their trade in services, and establish an open and competitive regime. It also demands the creation trade and investment facilitation measures, rules of origin and other mechanisms, which would smoothen the effective implementation of CAFTA. Five priority sectors of economic cooperation are included in this agreement: agriculture, information and communication technology, human resources development, investment and Mekong River basin development.

Three tracks of trade liberalization were arranged in the framework. The first track, the Early Harvest Programme (EHP), was set to eliminate agricultural tariff barriers by the year 2006. An amendment protocol was signed in October 2003 in order to implement this programme. The protocol rules the liberalization schedule, product lists and rules of origin (ROO) of the EHP.

The second track, or the Normal Track (NT), was arranged to regulate the liberalization of most of the traded products, other than those that being included into the EHP and sensitive tracks. The third track, or the Sensitive Track (ST), includes products that the CAFTA members want to protect either for development reason or other ones. The framework, nevertheless, does not mention detail arrangement about those two tracks.

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[11] Carlyle A. Thayer, "China-Southeast Asia Relations: Developing Multilateral Cooperation," *Comparative Connection* (Pacific Forum CSIS) 3, no. 3 (Third Quarter 2001): 72, http://www.csis.org/media/csis/pubs/ 0103q.pdf (accessed Dec 18, 2006).

[12] ASEAN6 states comprise Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

It is the 2004 Agreement on Trades in Goods that provides the liberalization arrangement of the Normal and Sensitive Tracks. It also rules the liberalization of quantitative restriction and the implementation of national treatment regulation. The Agreement, nevertheless, only demands ASEAN states and China to identify their NTBs, meaning that it does not instruct the liberalization of NTBs. In the Agreement, ASEAN states also formally recognize China's market economic status, which subsequently disallows the states to apply an anti-dumping measure against China.

ASEAN states and China also agreed to have an Agreement on Dispute Settlement Mechanism (DSM) at the same moment of China-ASEAN Summit in November 2004. This clarifies several mechanisms—such as, consultation, conciliation, third parties involvement, and the appointment of arbitral tribunal—the parties can or have to take to resolve any disputes in the implementation of CAFTA.

Following the AFTA, the CAFTA applies a simple Rules of Origin,[13] with only a rule of 40% regional value-added content (VAC) across all tariffs and a specific process (SP) criterion for textile and textile products. It does not include other types of ROO, such as the change in tariff classification (CTC) and the change in tariff heading (CTH). These features make the CAFTA relatively simpler than most East Asian FTAs, which combine three or more types of ROO.[14]

Two amendments of agreement the parties agreed in 2006 and 2010 subsequently improve the implementation procedures of the agreement. Product Specific Rules were ruled to ease compliance with ROO for some products, such as textiles and apparels. Operational Certification Procedures for ROO were arranged to facilitate the implementation of CAFTA.

Table 4.1 Agreements on Trade and Investment Liberalization between ASEAN States and China

Place/Time	Agreement	Contents
Framework Agreement		
Phnom Penh, Cambodia Nov 4, 2002	The Framework Agreement on Comprehensive Economic Co-operation between China-ASEAN	• To achieve an ASEAN-China FTA within 10 years, by 2010 for ASEAN-6 and China and 2015 for CLMV countries, with flexibility on sensitive commodities, and special and preferential tariff treatment. • Progressive elimination of tariffs and NTBs in substantially all trade in goods; provision of the Early Harvest Programme (EHP) for products with HS code 01-08, Normal Track, and Sensitive Track; and provision of Rules of Origin (a cumulation of 40% minimum local content). • Progressive liberalisation of trade in services, and establishment of open and competitive investment regime. • Provision of flexibility to address sensitive areas in the goods,

[13] According to Kawai and Wignaraja, Rules of Origin (ROO) determine "*which goods that will enjoy the preferential bilateral tariffs and prevent trade deflection among FTA members.*" There are three types of ROO for manufactured goods. *Firstly*, a change in tariff classification (CTC) rule defined at a detailed Harmonized System (HS) level. *Secondly*, a regional (or local) value-added content (VAC) rule which means that a product must satisfy a minimum regional (or local value in the exporting country or region of an FTA. *Thirdly*, a rule of specific process (SP) requires a specific production process for an item. On these, see Masahiro Kawai and Ganeshan Wignaraja, *ASEAN+3 or ASEAN+6: Which Way Forward*, a paper presented at the Conference on "Multilateralising Regionalism", Geneva, 10-12 September 2007, 32, http://www.wto.org/english/tratop_e/region_e/con_sep07_e/kawai_wignaraja_e.pdf (accessed September 26, 2007).

[14] *Ibid.*, 37-38.

Table 4.1 Agreements on Trade and Investment Liberalization between ASEAN States and China

Place/Time	Agreement	Contents
		services and investment sectors. • Establisment of effective trade and investment facilitation measures. • Expansion of economic cooperation in areas that will complement the deepening of trade and investment links • Establishment of appropriate mechanisms for effective implementation of the Framework Agreement. • Entering into force on July 1, 2003
Bali, Indonesia Oct 6, 2003	Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation between China-ASEAN.	• Completion schedule for the EHP product lists. • Implementation of tariff reduction and elimination of the EHP products. • Rules of Origin (ROO) of the EHP products. • Amendment of EHP specific product list and EHP exclusion list. • Entering into force on October 6, 2003.
Manila, the Philippines Apr 27, 2005	The MoU on the Early Harvest Programme under the Framework Agreement between the Philippines and China.	
Bali, Indonesia Oct 6, 2006	The MoU on the Arrangement of Specific Products under the Framework Agreement between Indonesia and China	
Cebu, the Philippines Dec 8, 2006	The Second Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation between China-ASEAN	• Amendment of the Philippines' EHP specific product list and EHP exclusion list. • Entering into force on December 8, 2006.
Agreement on Trade in Goods		
Vientiane, Lao PDR Nov 29, 2004	Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between China-ASEAN	• Provision of gradual tariff reduction and elimination commitment on Normal Track products, beginning 1 July 2005 and ending by 2010 for ASEAN-6 and China and 2015 for CLMV countries; provision of those on Sensitive Track products. • Provision of quantitative restriction and national treatment, and identification of NTBs. • Rules of Origin (a minimum cumulation of 40% local content). • Recognition of China's market economy status. • Entering into force on January 1, 2005.
Vientiane, Lao PDR Nov 29, 2004	Agreement on Dispute Settlement Mechanism of the Framework Agreement on Comprehensive Economic Cooperation between China-ASEAN	• Mechanism for resolving any disputes related to the implementation of CAFTA (mechanisms of consultation, conciliation or mediation, third parties, arbitral tribunals; and timeframe for dispute settlement mechanism). • Entering into force on January 1, 2005.
Cebu, the Philippines Dec 8, 2006	Protocol to Amend the Agreement on Trade in Goods of the Framework	• Improvement to the implementation procedures of the agreement. • Amendment to CLMV's product coverage and implementation

Table 4.1 Agreements on Trade and Investment Liberalization between ASEAN States and China

Place/Time	Agreement	Contents
	Agreement on Comprehensive Economic Co-operation between China-ASEAN	timeframe. • Inclusion of Product Specific Rules to ease compliance with the ROO for textiles & apparel, plastic, footwear, iron & steel, preserved fish canned products, palm oil & ice cream, and jewelry product. • Entering into force on December 6, 2006.
Ha Noi, Viet Nam, Oct 29, 2010 & Kuala Lumpur, Malaysia Nov 2, 2010	Second Protocol To Amend the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-Operation between China-ASEAN	• Amendment to Operational Certification Procedures (OCP) for the ROO to facilitate trade. • Entering into force on January 1, 2011.
Agreement on Trade in Services		
Cebu, the Philippines Jan 14, 2007	The Agreement on Trade in Services of the Framework Agreement on the Comprehensive Economic Co-operation between China-ASEAN	• Progressive liberalization of trade in services with substantial sectoral coverage. • Provision of First Package of Services Liberalization. China committed to open its construction, environmental protection, transportation, sport and commerce markets. ASEAN states promised to open their finance, telecommunication, education, tourism, construction and medical treatment services. • Entering into force on 1 July 2007.
Aug 2011	Protocol to Implement the Second Package of Specific Commitment under the Agreement on Trade in Services beween China-ASEAN	• Provision of Second Package of Services Liberalization.
Agreement on Investment		
Bangkok, Thailand Aug 15, 2009	Agreement on Investment of the Framework Agreement on Comprehensive Economic Co-operation between China-ASEAN	• Progressive liberalization of investment regimes, which is necessary for encouraging and promoting investment flows. • Provision of investment rule transparency, fair and equitable investment treatment, and investment protection. • Permission of transfers and repatriation of profits. • The application of the CAFTA Dispute Settlement Mechanism. • Entering into force on February 15, 2010.

Sources: Various FTA agreements on CAFTA

Table 4.2 displays the coverage and liberalization schedule of tariffs for ASEAN6 countries and China, as regulated in the Framework Agreement, Agreement on Trade in Goods, and their amendments. Full liberalization of tariffs is scheduled according to the initial tariffs applied to each product. This means that the lower the initial tariffs, the faster the elimination of tariffs. While products covered in the EHP would be fully liberalized by 2006, those in the Normal Track (NT) would be substantially eliminated by 2010. Only 150 NT tariff lines can be treated with flexibility and should be fully liberalized by 2012.

Table 4.2 Tracks, Schedule and Coverage of Tariff Liberalization for ASEAN6 States and China in the China-ASEAN FTA

<table>
<tr><th colspan="2">Liberalization Track</th><th>Initial tariffs</th><th>Liberalization Schedule</th><th>Coverage</th></tr>
<tr><td colspan="2" rowspan="3">Early Harvest Programme
(Products Included in HS Code 01-08 and some specific manufactured products)</td><td>X > 15%</td><td>10% by 1 Jan 2004
5% by 1 Jan 2005
0% by 1 Jan 2006</td><td rowspan="3"></td></tr>
<tr><td>5% ≤ X ≤ 15%</td><td>5% by 1 Jan 2004
0% by 1 Jan 2005</td></tr>
<tr><td>X < 5%</td><td>0% by 1 Jan 2004</td></tr>
<tr><td rowspan="6">Normal Track
(Other than EHP and Sensitive Track products)</td><td rowspan="5">Normal Track I</td><td>X ≥ 20%</td><td>20% by 1 Jul 2005
12% by 1 Jan 2007
5% by 1 Jan 2009
0% by 1 Jan 2010</td><td rowspan="5">• Reducing tariffs to 0-5% on 40% of Normal Track products by 1 July 2005.
• Reducing tariffs to 0-5% on 60% of Normal Track products by 1 Jan 2007.
• Eliminating all tariffs of the Normal Track tariff lines by 1 Jan 2010, with flexibility for elimination of tariffs for at most 150 tariff lines can be placed in the Normal Track II.</td></tr>
<tr><td>15% ≤ X < 20%</td><td>15% by 1 Jul 2005
8% by 1 Jan 2007
5% by 1 Jan 2009
0% by 1 Jan 2010</td></tr>
<tr><td>10% ≤ X < 15%</td><td>10% by 1 Jul 2005
8% by 1 Jan 2007
5% by 1 Jan 2009
0% by 1 Jan 2010</td></tr>
<tr><td>5% < X < 10%</td><td>5% by 1 Jul 2005
5% by 1 Jan 2007
0% by 1 Jan 2009</td></tr>
<tr><td>X ≤ 5%</td><td>Standstill by 2007
0% by 1 Jan 2009</td></tr>
<tr><td>Normal Track II</td><td></td><td>0% by 1 Jan 2012</td><td>• Eliminating all tariffs in the Normal Track</td></tr>
<tr><td rowspan="2">Sensitive Track
(At most 400 tariff lines at the HS 6-digit level and 10% of the total import value, based on 2001 trade statistics)</td><td>Sensitive list</td><td colspan="2">20% by 1 Jan 2012
0-5% by 1 Jan 2018</td><td></td></tr>
<tr><td>Highly sensitive list</td><td colspan="2">50% by 1 Jan 2015</td><td>• Not more than 40% of the total number of tariff lines in the Sensitive Track or 100 tariff lines at the HS 6-digit level, whichever is lower.</td></tr>
</table>

Sources: Various FTA agreements between China

The Sensitive Track includes at most 400 tariff lines at 6-digit level of the Harmonized System code and 10% of total import value in 2001. The track is divided into Sensitive List (SL) and Highly Sensitive List (HSL). While tariffs of the SL products would be reduced to 20% by 2012 and 0-5% by 2019, those of HSL products would be reduced to 50% by 2015.

Except for Singapore that symbolically included two tariff lines of alcoholic beverages, other states have long SL and HSL. Among ASEAN5 states, Indonesia has the longest list with a total of 399 tariff lines. Whereas Malaysia, the Philippines and Thailand list around 350 tariff lines, China includes 260 products in its SL and HSL. China and Thailand maximize the amount of products allowed to be included in the HSL. Malaysia and the Philippines put 96 and 77 tariff lines, respectively, in their HSL. Indonesia, relying on its SL, includes only 50 tariff posts in its HSL.

Manufacture goods dominates the sensitive lists. Textile & clothing, metals, chemical & photographic supplies and transport equipment are four categories of products mostly listed in Indonesia, Malaysian and the Philippines' lists. Thailand disposes to protect its metals, electric machinery and transport equipment sectors. Whereas, China tend to protect itself from wood, pulp, paper & furniture imports.

Table 4.3
Numbers of Tariff Lines Included in the CAFTA Sensitive List (SL) and Highly Sensitive List (HSL), by States and Commodities (at HS-6 digit level)

	CHINA		IND		MAL		PHIL		SGP		THAI	
	SL	HSL	SL	HSL	SL	HSL	SL	HSL	SL	HSL	SL	HSL
Agriculture exc. Fish	23	26	11	13		22	20	41	1	1	10	52
Fish & fish products			2									
Petroleum oils	13			1								
Wood, pulp, paper & furniture	82	51			10		1				5	
Textile & clothing		4	70		77		85	5			4	2
Leather, rubber, footwear & travel goods	1	4	29	1	20		22				29	
Metals	1		41		35	43	31				83	1
Chemical & photographic supplies	18	3	112	6	54	1	43	15			9	
Transport equipment	14	8	29	23	24	17	42	7				22
Non-electric machinery	3		9		35		11				19	7
Electric machinery	5	1	12		8	1	9				49	
Mineral products, precious stones & metals		3	21	6	9	12	1	9			18	8
Manufactured Articles, n.e.s.			13				2				16	8
Total	**160**	**100**	**349**	**50**	**272**	**96**	**267**	**77**	**1**	**1**	**242**	**100**
	260		**399**		**368**		**344**		**2**		**342**	

Notes:
- In the CAFTA, ASEAN6 and China may include at most 400 tariff lines at the HS 6-digit level and 10% of the total import value, based on 2001 trade statistics.
- Colomns in grey represent those that need attention.
- Product categorization was made on the base of Thailand's Tariff Summary Report of Individual Action Plan for 2009. See Appendix 2.

Data source:
- Data on the CAFTA Sensitive List and Highly Sensitive List are author calculation. Being calculated from "Annex 2: Modality for tariff reduction/elimination for tariff lines placed in the sensitive track", in *Agreement in Goods of the Framework Agreement on Comprehensive Economic Cooperation between The People's Republic of China and the Association of Southeast Asian Nations*, November 29, 2004.
- For product categorization, see "Thailand's Individual Action Plan: Tariff Summary Report for 2009", APEC Electronic Individual Action Plan (e-IAP), http://www.apec-iap.org/document/THA_2009_Tariffs.pdf (accessed October 26, 2011).

Despite the EHP that liberalizes agricultural products in HS 01-08, China, Philippines and Thailand still relatively protect their agricultural sectors. They list many agricultural products in HS 09-24, which are not included in the EHP. China includes 26 goods into its HSL and 23 ones into HSL; the Phillipines lists 41 products into HSL and 20 ones into SL; Thailand classifies 52 products into its HSL and 10 ones into SL.

As arranged in the Framework Agreement, ASEAN states and China then agreed to have an Agreement on Trades in Services in January 2007. This Agreement provides the First Package of Service Liberalization. China committed to opening its construction, environmental protection, transportation, sport and commerce markets. ASEAN states, on the other hand, agreed to open their finance, telecommunication, education, tourism, construction and medical treatment services. The Second Package of Services Liberalization was agreed in August 2011.

The parties signed an Agreement on Investment in August 2009. This agreement regulates progressive liberalization of investment regimes, which is necessary for encouraging and promoting investment flows. It demands ASEAN states and China to apply investment rule transparency, fair and equitable investment treatment, and investment protection. Based on this agreement, investors are also allowed to transfer and repatriate their profits.

ASEAN states and China, therefore, have worked on three market areas in the creation of a single market between them: goods market, services market, and capital market. However, based on Lloyd's indicators,[15] ASEAN states and China are still far away from the creation of a single market. In goods market, they only partially eliminate industrial tariffs, industrial NTBs and agricultural trade distorting measures. They also apply a partial National Treatment arrangement. They have not worked in liberalizing government-procurement, export incentives, and anti-dumping measures. Product standardization issues are not included into agreement.

On services, China and ASEAN states partially open their services markets and apply National Treatment arrangement. The Agreement on Trade in Services does not regulate labor temporary movement of businesspersons and labor standards. On investments, the Agreement on Investments rules to application of Multi Favor Nations (MFN) and National Treatment arrangements, repatriation of capital and profits, and investor protection. It allows ASEAN states and China to maintain protection in several sectors. The agreement does not address other issues, such as performance requirements, double taxation and investor incentives. ASEAN states and China did not make any agreements on the liberalization of labor market and multi market measures, which include the establishment of regional competition and intellectual property laws, a monetary union and a unified financial system.

Table 4.4 Progress Towards an ASEAN-China Single Market as of August 2011 and its Comparison with the EU and ASEAN's 2005 Progress

Trade Measures	EU[a/]	ASEAN[a/]	CAFTA[b/]
TOWARD A SINGLE GOODS MARKET			
Border measures			
Elimination of industrial tariffs	V	#	#
Elimination of industrial NTBs	V	#	#
Elimination of agricultural trade-distorting measures	V	#	#
Elimination of government procurement barriers	V	X	X
Prohibition of export incentives	V	X	X
Prohibition of anti-dumping actions	V	X	X
Beyond-the-border measures			
National Treatment	V	X	#
Prohibition of trade-distorting production subsidies	**#**	**X**	**X**
Across-borders measures			
Harmonization of product standards, convergence of product standards	**V**	**#**	**X**
Harmonization of product standards, mutual recognition of product standards	**V**	**#**	**X**
TOWARD A SINGLE SERVICES MARKET			
Border measures			
Market access	**V**	**#**	**#**
Temporary movements of businesspersons	**V**	**X**	**X**

[15] Lloyd, Peter. J., "What is a single market? An application to the case of ASEAN", In *Brick by Brick: The Building of an ASEAN Economic Community*, edited by D. Hew, Singapore: ISEAS, pp.23-27.

Table 4.4 Progress Towards an ASEAN-China Single Market as of August 2011 and its Comparison with the EU and ASEAN's 2005 Progress

Trade Measures	EU[a/]	ASEAN[a/]	CAFTA[b/]
Beyond-the-border measures			
National Treatment	V	#	#
Across-the-border measures			
Mutual recognition of labor standards	V	X	X
TOWARD A SINGLE CAPITAL MARKET			
Border measures			
MFN treatment	V	V	V
Rights of establishment	V	#	#
Repatriation of capital and profits	V	V	V
Beyond-the-border measures			
National Treatment	V	V	V
Prohibition of performance requirements	V	X	X
Prohibition of incentives to foreign investors	V	X	X
Investor protection	V	V	V
Across-the-border measures			
Harmonization of business laws	V	X	X
Taxes, double tax treaty/bilateral investment treaty	V	V	X
Taxes, harmonization of taxes on business	#	X	X
TOWARD A SINGLE LABOR MARKET			
Border measures			
Temporary movement of natural persons	V	X	X
Permanent movement of natural persons	V	X	X
Beyond-the-border measures			
Across-the-border measures			
Mutual recognition of labor standards	V	X	X
TOWARD A SINGLE MARKET: MULTI-MARKET MEASURES			
Border measures			
Regional competition law, convergence of competition laws	V	X	X
Regional competition law, bilateral cooperation agreement(s)	V	X	X
Intellectual property	V	V	X
Monetary Union	V	X	X
Unified fiscal system	#	X	X
Beyond-the-border measures			
Across-the-border measures			

Note:
- All subject of measures are categorized by Lloyd (2007);
- The symbols represent the depth of liberalization applied in an RTA. The symbol "V" means that an RTA demands for *full* liberalization of the addressed measure; the symbol "#" represents *partial* liberalization in the addressed measure; and the symbol "X" represents *no* liberalization demanded by the RTA on the pointed measure.

Source: a/ The EU and ASEAN's 2005 progresses are from Lloyd (2007: 23-27, table 2.1A – 2.1E)
b/ The ASEAN-China's progress are compiled by author from various agreements on CAFTA.

Such progress is understandable because from the beginning ASEAN states and China did not pursue the creation of a single market. As China's interests are more political than economic, China accepts to use the ASEAN Free Trade Area as a benchmark for the CAFTA. Despite the potential economic benefits of CAFTA, ASEAN states and China are still interested to protect their domestic economies.

4.3. Simulation results on the potential effects of CAFTA

At the third ASEAN-China Joint Committee on Trade and Economic Cooperation in Kuala Lumpur in March 2001, ASEAN-China Expert Group on

Economic Cooperation was established to study the impact of China's accession to the WTO and the prospect of ASEAN-China economic cooperation. In October 2001, the group reported the feasibility of CAFTA and recommended its establishment within 10 years, with special treatment to less developed ASEAN member states. The expert group concluded that the CAFTA would encourage economic integration between ASEAN states and China in particular, and among East Asian nations in general. The CAFTA would become the world's largest FTA, with 1.7 billion consumers, a $1.23 trillion worth trade and a combined gross domestic product (GDP) of US$2 trillion.[16]

To simulate the potential effects of CAFTA, the Expert Group used a Global Trade Analysis Project (GTAP) model, a multiregion and multisectoral model developed by Hertel and associates. They focused on the impacts of CAFTA on trade and on GDP.[17]

According to the feasibility study report, ASEAN states' exports to China would increase by US$13 billion or 48%, whereas China's exports to ASEAN states would grow by US$10.6 billion or 55%. Among ASEAN states, it is Singapore and Malaysia that would gain the biggest export increases, whereas the Philippines and Vietnam would win small export gains. Trade diversion effect would reduce ASEAN states and China's exports to the world and even ASEAN intra-regional exports. Whereas ASEAN states' exports to the world would rise by US$5.6 billion or 1.5%, China's exports would increase by US$6.8 billion or 2.4%. China and ASEAN states' exports of textile and apparel, electrical appliances and machinery, and other manufactured items would increase the most.

Table 4.5 Changes in Exports with China-ASEAN FTA (US$ Million)

	ASEAN5 +Viet	Indo	Mal	Phil	Sing	Thai	Viet	China	USA	Japan	ROW	Total
ASEAN5+Viet	**-3,166.8**	**-135.3**	**-541.6**	**-828.9**	**-488.5**	**-625.3**	**-547.1**	**13,008.2**	**-799.1**	**-1,011.2**	**-2,461.2**	**5,569.8**
Indonesia	-473.9		-69.0	-117.1	-106.4	-141.4	-40.1	2,656.1	-210.0	-313.7	-547.5	1,111.1
Malaysia	-843.8	-45.59		-245.1	-312.7	-219.4	-21.0	3,207,3	-416.6	-246.3	-688.1	1,012.6
Philippines	32.7	-2.8	16.57		-233.8	-430.6	-1,433.6	330,8	413.5	39.2	104.5	920.6
Singapore	-1,433.6	-47.3	-392.6	-329.3		-233.8	-430.6	3,639,2	-321.2	39.2	-745.4	938,9
Thailand	-367.3	-29/1	-65.6	-118.9	-101.2		-53.5	2,907,8	-252.8	-200.1	-525.5	1,490.9
Vietnam	-80.9	-10.5	-31.0	-18.6	-15.1	-5.7		267.0	-12.1	-19.0	-59.2	95.8
China	**10.614.0**	**1.371.6**	**1,456.3**	**3,057.2**	**643.9**	**3,140.2**	**944.8**		**-813.3**	**-511.5**	**-1,557.1**	**6,842.2**
USA	**-2.1**	**8.3**	**11.2**	**-152.9**	**208.0**	**-75.46**	**-1.2**	**-501.0**		**123.4**	**100.0**	**-279.7**
Japan	**-324.8**	**-16.8**	**-1.7**	**-266.2**	**325.3**	**-342.1**	**-23.4**	**-823.8**	**393.4**		**472.2**	**-282.4**
ROW	**-475.5**	**-13.8**	**119.7**	**-543.7**	**417.5**	**-365.9**	**-89.3**	**-2,679.3**	**482.3**	**467.8**	**844.0**	**1,360.8**
Total												**10,489.1**

Source: ASEAN-China Expert Group (2001), as cited in Chia (2004, Table 10).

[16] ASEAN-China Expert Group on Economic Cooperation, "*Forging Closer ASEAN-China Economic Relations in the Twenty-First Century"*, October 2001, http://www.aseansec.org/newdata/asean_chi.pdf (accessed October 26, 2011).

[17] Universal Access to Competitiveness and Trade of The Philippine Chamber of Commerce and Industry. *ASEAN-China Free Trade Agreement: A Primer*. Accessed September 5, 2011. http://www.philexport.ph/barterfli-philexport-file-portlet/download//policy_marketdev/FTA_regional_free_trade/aseanchinaprimer.pdf, p.16-17.

It is predicted that the FTA would also increase ASEAN states' GDP by US$5.4 billion (0.9%) and China's GDP by US$2.2 billion (0.3%). Trade diversion effects generated from the reduction of trade with other partners reduced the potential gains of CAFTA. Among ASEAN states, Vietnam and Malaysia would gain the highest GDP increases of US$2.3 billion (2.1%) and US$1.2 billion (1.2%), respectively. The Philippines, on the other hand, would experience the smallest GDP increase, either in the form of value or percentage. Although the FTA, in fact, would increase the world's exports, it would bring small negative effects to the world's GDP.

Table 4.6 Impact of China-ASEAN FTA on Real GDP (Millions US$)

	Real GDP (US$ Million)	GDP Increase (US$ Million)	% Increase
ASEAN5+Viet	**627,592.6**	**5,396.1**	**0.86 %**
Indonesia	204,031.4	2,267.8	1.12 %
Malaysia	98,032.3	1,133.5	1.17 %
Philippines	71,167.1	229.1	0.32 %
Singapore	72,734.9	753.3	1.05 %
Thailand	165,516.0	673.3	0.42 %
Vietnam	16,110.9	339.1	2.15 %
China	**815,163.0**	**2,214.9**	**0.27 %**
USA	7,120,465.5	-2,594.5	-0.04 %
Japan	5,078,704.5	-4,452.0	-0.09 %
ROW	28,298,952.1	-6,272.0	-0.04 %

Source: ASEAN-China Expert Group (2001), as cited in Chia (2004, Table 12).

Scholars from the Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences (IAPS, CASS) also conducted another simulation. The simulation used a Computable General Equilibrium (CGE) model and applied a multi-region, multi-sector static model. It assumed complete competition, constant return to scale, CES technology (constant substitution among the primary), Armington product differentiation and Leontief intermediate input demand. Considering the abundant labor forces, labor employment was set as endogenous and real wage was assumed to be constant. For the regional utility function, the simulation used Cobb-Douglas form of CDE-derived government expenditure and private utility. GTAP database version 6 adopted for the simulation.[18]

The IAPS simulation resulted slight export and import increases for all members. Malaysia would experience the highest export increase by 6.1%, whereas Vietnam and Thailand would have the highest import increases by 10.8% and 10.4%, respectively. ASEAN states' terms of trade would increase, but China would lose by 0.1%.

The IAPS simulation even resulted higher welfare benefits of CAFTA than the

[18] Zhang Yunling (ed), *Designing East Asian FTA: Rationale and Feasibility*. Beijing: Social Sciences Academic Press, 2005, p. 26.

Expert Group's simulation. ASEAN states would win a total of US$17.7 billion GDP increase, with Malaysia as the largest-welfare gainer. Whereas, China would benefit US$6.1 billion welfare-gains. Consequently, compared to Expert Group simulation, the CAFTA would also potentially bring higher GDP increases to all members. Malaysia and Vietnam would benefit by 5.9% and 5.3% GDP. China, because of its huge economic size, would only win a minor GDP increase by 0.6% or lower than the Expert Group's simulation-result. The IAPS simulation also predicts small negative welfare effects that the non-member countries would experience. Despite those welfare losses, globally, the CAFTA would still generate a small positive welfare gains.

Table 4.7 Impact of China-ASEAN FTA on Macro-economic indices

	Exports (%)	Imports (%)	Trade balance (US$ Million)	Terms of Trade (%)	Employ ment (%)	Welfare (US$ Milli on)	GDP (%)
China	3.02	4.75	-2,106	-0.15	0.83	6,136	0.58
Indonesia	2.77	5.67	72	0.99	1.44	1,356	0.58
Malaysia	6.13	8.65	1,560	0.15	9.31	5,517	5.89
Philippines	1.88	3.77	-698	0.58	1.72	883	0.87
Singapore	3.96	5.30	-413	1.29	4.65	3,577	2.32
Thailand	3.94	10.41	-2,120	1.57	4.71	3,414	1.96
Vietnam	3.93	10.85	-2,911	0.80	9.66	2,971	5.31
Japan	0.05	-0.77	2,168	-0.27	-0.16	-5,380	-0.10
Korea	-0.35	-0.75	142	-0.23	-.0.27	-972	-0.14
ROW	-0.05	-0.15	4,308	-0.04	-0.05	-9,955	-0.03

Source: Zhang (2005, Table III.1 and III.3)

The limited positive impact of CAFTA, as reflected both studies, implies that ASEAN states and China would gain the most in terms of confidence building, rather than in terms of economic benefits. Despite this, the FTA deepens and widens intra-industry trades and production network chain between ASEAN states and China.

4.4. Implementation of CAFTA

Not many information can be found in internet websites regarding the implementation of CAFTA. Several implementations from some CAFTA members, nevertheless, can be noted here.

China gradually reduced its tariff rates. In 2004, it cut 593 tariff lines of early harvest products. In 2005, the tariffs of 3,408 goods were reduced, which subsequently lowered the average import tariffs from ASEAN from 9.9% to 8.1%. In 2006, China brought 600 EHP products from ASEAN states to 0% tariff and reduced the tariffs on 2,838 goods from the Philippines. As Chinese Minister of Commerce, Bo Xilai, stated that China committed to lowering the average import tariffs from

ASEAN states to 6.6% in 2007 and to 2.4% in 2009, and would grant a 0% tariff rate to about 93% of imported goods by 2010.[19]

Ratananarumitsorn, Piyanirun and Laksanapanyakul's study displays that China included all 734 agricultural tariff lines into its CAFTA tariff reduction scheme in 2006. Of that number, 683 tariff lines or about 93% agricultural products were in EHP and NT. Despite this broad coverage, China still disposed to protect its agricultural sector. It categorize natural rubber, semi-milled/wholly milled rice, raw cane sugar, palm oil, broken rice, tobacco—which were amounted to 71.6% of Thai agricultural trade value—as sensitive products. In 2006, China applied average tariff rates of 27.3% and 53.9% for Sensitive List and Highly Sensitive List, respectively. [20]

Table 4.8 Indonesia's CAFTA Tariff Lines as a Percentage of All Lines and CAFTA Simple Average Applied Tariff Rates

	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
CAFTA Tariff Lines as a Percentage of All Lines (%)														
2008	98.90	95.68	100	100	103.6	100	100	100	97.48	99.79	100	100	100	95.59
2009	98.90	95.62	100	100	100	100	100	100	98.80	99.79	100	100	100	95.59
2010	98.90	95.58	100	100	100	100	100	100	98.80	99.79	100	100	100	95.59
CAFTA Simple Average Applied Tariff Rates (%)														
2008	4.68	9.23	0.61	2.79	2.94	2.28	4.96	4.42	4.6	18.1	1.12	1.99	4.1	2.61
2009	3.83	6.94	2.87	4.89	11.6	2.21	0.25	2.02	2.36	5.13	1.09	0.02	1.36	3.58
2010	3.02	0.93	0.06	1.18	1.15	4.34	4.30	3.24	2.33	18.49	0.78	2.09	1.86	2.18

Note: The percentage point (103.6%) Wood, pulp, paper and furniture tariff lines as percentage of all lines in the year of 2008 is original.

Sources: Compiled by author from Indonesia's APEC Individual Action Plan: Tariff Summary Report Tariff Summary Report, 2008-2010, available at http://www.apec-iap.org/ (accessed September 16, 2011).

Indonesia had included 98.9% of tariff lines into its CAFTA tariff reduction scheme in 2008. It included all products in most commodity divisions. In 2010, its CAFTA simple average applied tariff rate was 3.02%. Although Indonesia included 99.79% tariff lines of transport equipments under CAFTA, it still maintained a relatively high tariff rate (18.5%) on the equipments.[21] On the contrary, even though

[19] "People's Republic of China: tariff chapter in 2004 & 2006" APEC Electronic Individual Action Plan (e-IAP). Accessed September 5, 2011. http://www.apec-iap.org; Susan Ning and Ding Liang, "China's Free Trade Agreement (FTA) Policy and Its Recent Developments," King & Wood China Bulletin, 2006 special issue (October 2006), accessed March 7, 2007, http://www.kingandwood.com/Bulletin/Bulletin%20PDF/en_2006-10-China-susan.pdf, p. 2.

[20] T. Ratananarumitsorn, T. Piyanirun & N. Laksanapanyakul, *Preference Utilization under Thailand's FTAs: Agricultural and Related Export Products*, 2008, pp. 13, 24, available at http://www.ftadigest.com/fta/researchTDRI_TARP_report.html (accessed September 17, 2011).

[21] It should be noted that the simple average applied tariff rate of transport equipments in 2009 was 5.13%. If this number is reliable, this indicates a protectionistic policy that Indonesian government enacted on transport equipments in 2010. Considering Indonesia's bureaucratic problem may suggest

Indonesia excluded 4.4% its agricultural products, the simple average applied tariff rate of the products was merely 0.93%. Therefore, in general, Indonesia has liberalized its tariff protection.

Full implementation of CAFTA in 2010 has raised some concerns in Indonesia. Realizing their uncompetitiveness against Chinese products, 14 industries asked Indonesian government to renegotiate the CAFTA. These include textiles, steel, tires, furniture, cocoa processing, medical equipment, cosmetics, aluminium, electronics, downstream petrochemicals, flat glass, shoes, machine tools and automotive goods.[22] Association of Iron and Steel Industries argued that its industries suffered from uncompetitive transportation costs, long delivery times, high container rents and electricity tariff, which subsequently made the industries uncompetitive.[23] Indonesian Textile Association argued that textile imports from China have increased significantly due to its lower prices. China-made printed batiks, for example, were cost more or less a half of Indonesian ones.[24] Responding these complaints, Indonesian Minister of Industry—which was formerly the chairman of Indonesia Chamber of Commerce and Industry—planned to ask for a postponement of the implementation of the China-Asean Free Trade Agreement.[25] The Ministry of Industry proposed to the Indonesia Ministry of Trade to shift 146 tariff lines in the Normal Track 1 (NT1) into the Normal Track 2 (NT2) and 60 NT1 tariff lines into the Sensitive List (SL). It demanded to increase the tariffs of 22 liberalized tariff lines to 5% and re-categorize them into the SL. It proposed also to provide some compensation to the affected industries.[26] These complaints and proposals, nevertheless, did not go smoothly and might not get approvals from pro-liberalization Indonesia Ministry of Trade.

Malaysia did not include its report on CAFTA in its APEC Individual Action Plan (IAP), although it reported its tariff reduction commitments on many other FTAs. Although the CAFTA was concluded earlier than Malaysia-Japan FTA, Malaysia instead has reported the latter since 2004.[27]

The Philippines excluded almost 13% of tariff lines from its CAFTA tariff reduction scheme. Agricultural, chemical and photographic supplies, and non-electric

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an unreliability of the data, as also shown in the 2008 datum of wood, pulp, paper and furniture product coverage.

[22] Andry Asmoro, “ASEAN-China free trade deal: let’s face the music”, The Jakarta Post, December 23, 2009, available at http://www.thejakartapost.com/news/2009/12/23/aseanchina-free-trade-deal-let’s-face-music.html (accesed September 16, 2011).

[23] “Indonesia steel body opposes ASEAN-China FTA”, CommodityOnline, December 3, 2009, available at http://www.commodityonline.com/news/Indonesia-steel-body-opposes-ASEAN-China-FTA-23506-3-1.html (accessed September 16, 2011).

[24] Indra Harsaputra, “Problems from the pride of Pekalongan”, The Jakarta Post, April 17, 2009, available at http://www.thejakartapost.com/news/2009/04/17/problems-pride-pekalongan.html (accessed September 16, 2011).

[25] “RI to ask for postponement of CAFTA implementation”, AntaraNews.com, November 30, 2009, available at http://jurnalhaji.antara.co.id/en/news/1259600287/ri-to-ask-for-postponement-of-cafta-implementation (accessed September 16, 2011).

[26] Firman Mutakin and Aziza Rahmaniar Salam (2009) “The impact of ASEAN-China free trade agreement on Indonesian trade”, Economic Review 218 (December), available at http://www.bni.co.id/Portals/0/Document/Ulasan%20Ekonomi/Impact%20Of%20ACFTA.pdf (accessed September 16, 2011).

[27] Malaysia’s APEC Individual Action Plan: Tariff Summary Report Tariff Summary Report, 2004-2009, available at http://www.apec-iap.org/ (accessed September 16, 2011).

machinery goods were products it mostly protects. Despite this fact, the Philippines reduced its simple average applied tariff rate for all products under CAFTA to 0.35% in 2010. None of its commodity divisions had simple average applied tariff rates higher than 3%. The average simple applied tariff rates may be low because some "sensitive" agricultural products were not included into the calculation.

Table 4.9 The Philippines' CAFTA Tariff Lines as a Percentage of All Lines and CAFTA Simple Average Applied Tariff Rates

	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
CAFTA Tariff Lines as a Percentage of All Lines (%)														
2008	88.04	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	87.12	-	-	-	-	-	-	-	-	-	-	-	-	-
CAFTA Simple Average Applied Tariff Rates (%)														
2008	3.71	3.92	3.02	2.88	4.38	6.65	4.72	4.20	2.96	3.53	1.90	3.02	3.80	3.60
2010	0.35	0.26	0.05	2.90	0.48	0.99	0.14	0.53	0.28	0.06	0.01	0.34	0.45	0.11

Note: Some "sensitive" agricultural products were not included into calculation of simple average applied tariff rates.

Sources: Compiled by author from the Philippines' Tariff Summary Report of APEC Individual Action Plan 2008-2010.

Thailand only provided very short and redundant reports on the implementation of CAFTA in its APEC Individual Action Plans. The reports merely mention that Thailand had eliminated its EHP products since 1 January 2006. It committed to eliminating tariffs of 4,775 Normal Track tariff lines by 2010 and reducing tariffs of 225 Sensitive tariff lines to 20% by 2012. Thailand does not provide a detail description on the implementation of CAFTA in its reports.[28]

4.5. Utilization of CAFTA

As many other Free Trade Areas in East Asia region, the utilization of CAFTA is relatively low. The utilization of FTA is defined in two ways. *First*, it may reflect the incidence of use of the CAFTA or the number of companies that submit the certificate of origin (C/O). *Second*, it may represent the preference utilization rate, which displays the proportion between the preferential export values and the total export value eligible for the preferential arrangement. This section only describes Singapore, Thailand and China's utilization of CAFTA, due to few studies on the utilization of CAFTA.

[28] Thailand's APEC Individual Action Plan: Tariff Summary Report
Tariff Summary Report, 2004-2009, available at http://www.apec-iap.org/ (accessed September 16, 2011).

A survey conducted by Singapore Cooperation Enterprise (SCE) in 2008 shows that phenomenon. The survey focused on three sectors: electronics, pharmaceuticals and chemicals, and textile and garments. It got responses from 75 companies, consisting of 50 electronics companies, 9 pharmaceuticals and chemicals companies, and 16 textile and garment ones. Of those companies, only 1 electronic Dutch companies and 1 chemicals Japanese company have used the CAFTA since its implementation in July 2005. Other 3 companies planned to use the CAFTA.[29]

Low level of Margin of Preference (MOP) may explain the low utilization of the CAFTA by electronic companies. The implementation of Information Technology Agreement (ITA) lowers the incentive of using FTA. This explanation, nevertheless, does not adequately explain its low utilization of the CAFTA in pharmaceuticals and chemicals, automotive and textile and garment that have fairly high MOP.[30] Administrative costs and delay, Companies' unwillingness to reveal confidential data for the application of certificate of origins (C/O) and lack of information may provide other explanation of low utilization of the CAFTA by companies in Singapore.[31]

Similarly, Thailand companies disposed not to utilize the CAFTA preferences. Using data collected by the Thailand Development Research Institute, a study conducted by Wignaraja, Olfindo, Pupphavesa, Panpiemras and Ongkittikul shows low utilization rates of CAFTA in three industrial sectors in 2006. The utilization rate in textile/garments was 9.9%, whereas those of electronics and automotive were 0%. These figures are consistent with their study on the importance of CAFTA. In 2007/2008, Thailand's companies considered the CAFTA as less important than other FTAs—such as, US-Thailand FTA, Japan-Thailand FTA, and AFTA). Of the 162 companies that responded the survey, only 5 companies (3 electronics and 2 automotive companies) consider the CAFTA as the most important FTA.[32]

This result is more or less consistent with the relatively low utilization rates of CAFTA. According to data provided by Thailand's Department of International Trade, Ministry of Commerce and compiled by Chirathivat, Thailand's exports that used the CAFTA stood at around US$1.8 billion in 2007. This value increased almost three times from the 2005 value of US$0.6 billion. Nevertheless, the utilization-rates of the CAFTA were low, representing merely 3.0% of exports value in 2005 and 11.9% in 2007. Of those exports that utilized the CAFTA in 2007, agricultural and industrial exports shared around 40% and 60%, respectively. This figures reversed the figures of 2005, while agricultural and industrial exports shared around 71% and 29%, respectively. The difficulties and administrative costs to comply the ROO and low MOP were the main reasons for these low figures.[33]

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[29] Chia Siow Yue, "Singapore", in M. Kawai & G. Wignaraja (eds) *Asia's Free Trade Agreements: How is Business Responding?*, Cheltenham & Northampton: Edward Elgar, 2011, p. 184.

[30] *Ibid.*, p. 180-1.

[31] Masahiro Kawai & Ganeshan Wignaraja, *The Asian "Noodle Bowl": Is It Serious for Business?*, ADBI Working Paper Series No. 136 (April 2009), Tokyo: Asian Development Bank Institute, Table 5, available at http://www.esocialsciences.com/data/articles/Document11352009290.3735773.pdf (accessed September 17, 2011).

[32] Wignaraja, G., R. Olfindo, W. Pupphavesa, J. Panpiemras & S. Ongkittikul, *How Do FTAs Affect Exporting Firms in Thailand*, ADBI Working Paper Series No. 190 (January 2010), Table 6 & 8, available at http://www.adbi.org/files/2010.01.29.wp190.fta.affect.exporting.firms.thailand.pdf (accessed September 17, 2011).

[33] Suthiphand Chirathivat, "Thailand's strategy toward FTAs in the new context of East Asian economic integration", *Chulalangkorn Journal of Economics* 19(2, 2008): 195-7, Table 4 & 5,

Ratananarumitsorn, Piyanirun and Laksanapanyakul's study also implies that the utilization rates for Thai agricultural products in 2006 reached 22.5%. Of total US$2.4 billion of agricultural export value, only US$548.4 million of export value used the CAFTA tariff preferences. Thai agricultural sector could not fully reap the benefit of the CAFTA because China categorized many valuable agricultural products of Thailand into SL. Thai exports of natural rubbers, semi-milled/wholly milled rice and raw can sugar amounted to more than US$1.6 billion or about two third of Thai total agricultural export values. However, these products were classified into the HSL, which has an average applied tariff rate of 53.9%.[34]

Thai agricultural businesses were, nevertheless, enthusiastic in utilizing the CAFTA. The preference utilization rate for agricultural products classified in the EHP and NT reached 91.6% or US$548.4 million in 2006. Of this figure, manioc (HS 071410) exports dominated with a share of 70% or a value of US$416 million. Through these agricultural tariff preferences, Thai agricultural exporters saved US$79.5 million or 3.26% of the total Thai agricultural export value to China.[35]

Administrative costs and delays, non-tariff barriers and inadequate regional contents necessitated to comply ROO also contributed to Thailand's low utilization of the CAFTA.[36] The study also argues that there is no consistent relation between high MOP and high preference utilization. Edible vegetables (HS 07) and edible fruit and nuts (HS 08) have a relatively high MOP and very high utilization rates. In contrary, vegetables, fruit or nuts (HS 20) have a relatively high MOP but a very low utilization rate.[37]

A survey of Chinese companies that located in major cities in 2008 results in a modest utilization of the CAFTA. Of 226 responding companies, 67 companies (29.6%) used the CAFTA and 50 companies (22.1%) plan to use the CAFTA. These figures imply the prospect of the CAFTA utilization in the future and the growing importance of ASEAN market for Chinese exporters.[38]

A lack of information has become the main reason for this modest utilization. Around 45% of all 226 responding companies and about 63% of 124 non-user companies admitted to having a lack of knowledge on FTAs.[39] This data are consistent with PriceWaterhouseCoopers' observation in 2007, which reported lack of knowledge as the main factor of low utilization of the CAFTA.[40] Other factors, such as administrative costs and delays, small MOP, confidentiality of information

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available at http://www.econ.chula.ac.th/public/publication/journal/2007/cje190204.pdf (accessed September 17, 2011).

[34] T. Ratananarumitsorn et.al., *Preference Utilization under Thailand's FTAs*, *op.cit.*, Table 1.1 & 3.4.

[35] T. Ratananarumitsorn et.al., Preference Utilization under Thailand's FTAs, ibid., Table 3.1.

[36] T. Ratananarumitsorn et.al., Preference Utilization under Thailand's FTAs, ibid., pp. 18-9; Wignaraja et.al., How Do FTAs Affect Exporting Firms in Thailand, p. 6; M. Kawai & G. Wignaraja, The Asian "Noodle Bowl", Table 5.

[37] T. Ratananarumitsorn et.al., Preference Utilization under Thailand's FTAs, ibid., p. 32.

[38] Zhang Yunling, "People's Republic of China", in M. Kawai & G. Wignaraja (eds) *Asia's Free Trade Agreements: How is Business Responding?*, Cheltenham & Northampton: Edward Elgar, 2011, pp.114-5, Table 4.4.

[39] Zhang Yunling, "People's Republick of China", *ibid.*, Table 4.5.

[40] PriceWaterhouseCoopers, "China's Free Trade Agreements," *China Customs & Trade News* (May 2007): 2.

required and use of EPZ schemes and/or ITA, reduce incentives for Chinese exporters to use CAFTA.[41]

A table below summarize the studies described above.

Table 4.10 Studies on the Utilization of the CAFTA

Researcher (Year)	Study Result
Singapore Cooperation Enterprise (2008)	▪ Of 75 responding companies (50 electronics companies, 9 pharmaceuticals and chemicals companies, and 16 textile and garment ones). ▪ **1 electronic Dutch companies and 1 chemicals Japanese company have used the CAFTA** since its implementation in July 2005. Other 3 companies planned to use the CAFTA. ▪ Reasons of low utilization rate ➔ Low level of margin of preference, administrative costs and delay, companies' unwillingness to reveal confidential data at the application of certificate of origins (C/O) and lack of information.
Wignaraja, Olfindo, Pupphavesa, Panpiemras and Ongkittikul (2006), Based on TDRI data.	▪ On three industrial sectors in Thailand. ▪ **The utilization rate in textile/garments was 9.9%, whereas that in electronics and automotive were 0%**. ▪ Of 162 responding companies, five (3 electronics and 2 automotive) considered the CAFTA as the most important FTA, compared to the US-Thailand FTA, Japan-Thailand FTA, and AFTA
Suthiphand Chirathivat (2008), Based on data provided by Thai Department of International Trade, Ministry of Commerce	▪ In 2005, the utilization-rate of the CAFTA was 3.0% of exports value. Agricultural and industrial exports shared around 71% and 29%, respectively, to exports that utilized the CAFTA. ▪ In 2007, **the utilization-rate of the CAFTA was 11.9% of exports value**. Agricultural and industrial exports shared around 40% and 60%, respectively, to those preferential exports. ▪ Reasons of low utilization rate ➔ The difficulties and administrative costs to comply the ROO and low MOP were the main reasons for these low figures
Ratananarumitsorn, Piyanirun and Laksanapanyakul (2006)	▪ **The utilization rate of Thai agricultural exports in 2006 was 22.5%** (Of US$2.4 billion of agricultural export, US$548.4 million were preferential export). ▪ Reasons of low utilization rate ➔ China categorized many Thai valuable agricultural products (e.g. natural rubbers, semi-milled/wholly milled rice and raw can sugar) into Sensitive List or Highly Sensitive List; administrative costs and delays, NTBs and inadequate regional contents necessitated to comply ROO added the problem. There is no consistent relation between high MOP and high utilization of preferential tariff.
Zhang Yunling (2008)	▪ Of 226 responding Chinese companies located in major cities, **67 companies (29.6%) used the CAFTA** and 50 companies (22.1%) plan to use the CAFTA. ▪ Reasons of low utilization rate ➔ Around 45% of all 226 responding companies and 63% of 124 non-user companies admitted to having a lack of knowledge on FTAs.
PriceWaterhouseCoopers (2007)	▪ Reasons of low utilization rate ➔ lack of knowledge as the main factor of low utilization of the CAFTA. Administrative costs and delays, small MOP, confidentiality of information and the use of EPZ (Export Processing Zones) schemes and/or ITA (Information Technology Agreement) also reduce incentives to use CAFTA

[41] Zhang Yunling, "People's Republick of China", *op.cit.*, Table 4.5

Those relatively low utilizations of the CAFTA, therefore, reduce the potential benefits ASEAN states and China may reap from the CAFTA. As indicated in Chirathivat and Zhang Yunling's studies, this does not necessarily imply that the CAFTA will be a relatively useless trade arrangement. A short period between the beginning of the CAFTA implementation and the time of studies may preclude exporters from acquiring adequate information on the CAFTA. Because the member states committed to augmenting their institutional supports and promoting the utilization of FTAs, the utilization of the CAFTA may increase and the states may gain more benefits from the CAFTA.

4.6 Conclusion

The establishment of the CAFTA is more political than economic. The FTA could increase security confidence building between ASEAN states and China. China used it to alleviate the 'China's threat' perception and reduce the US and Japan's influences on ASEAN states. China even approached Thailand who led the ASEAN side by establishing a China-Thailand BFTA on fruit and vegetables and implementing the CAFTA EHP. Simulation results also show relatively small general welfare benefits.

The CAFTA is still far away from the creation of a single market between ASEAN states and China. Using the AFTA as their benchmark, ASEAN states preferred a gradual and selective trade liberalization approach in the CAFTA.

The low utilization of the CAFTA implies that the CAFTA may not generate benefits as much as expected. Lack of information, small margin of preference, administrative costs and delays, confidentiality of information required, the application of NTBs and local or regional contents requirement impede the utilization of the CAFTA. Despite this fact, the utilization of the CAFTA has grown gradually.

The establishment of CAFTA, therefore, does not explain the drastic increase of trades between ASEAN states and China. The CAFTA more or less functions as a guarantee that ASEAN states and China will not raise their protectionistic measures above the agreed levels. The CAFTA has not shifted market-led trade integration between ASEAN states and China to trade-arrangement-led one. Growing economic development in the region and the states' trade policies in general are enough to expand trades between ASEAN states and China.

Section 5. Views on the CAFTA in ASEAN5 States

5.1 Number of ASEAN5 states' newspapers and news agencies' articles reporting or discussing the CAFTA

How many articles on the CAFTA did ASEAN newspapers or news agencies publish? This question more or less may represent the problem of how popular the issue of the CAFTA in ASEAN states was. Rather than becoming a thorough study, this sub-section may serve only as a preliminary research to the problem.

This study uses several ASEAN5 newspapers and news agencies that Waseda University's library subscribed online via the *LexisNexis* research service in November 2011. They comprise *The Jakarta Post* (Indonesia), *Antara* (Indonesia), *New Strait Times* (Malaysia), *Malaysian Business* (Malaysia), *Bernama National News Agency* (Malaysia), *Manila Times* (Philippines), *BusinessWorld* (Philippines), *Philippines News Agency* (Phillipines), *The Strait Times* (Singapore), *The Nation* (Thailand), *Bangkok Post* (Thailand). The data were compiled as of November 15th, 2011.

To search the articles via *LexisNexis*, author selected the newspapers or news agencies and entered three keywords into the searching window. Those are "ASEAN," "China," and "FTA." No time-frame was determined in order to include as many as articles related to the issue. Many articles came out but many of them did not specifically address the CAFTA. For this study, only articles, either a whole or a part of the article, which specifically report or discuss the CAFTA were counted. This means that articles that report or discuss about FTAs in general but do not specifically address the CAFTA were not counted.

The articles then were categorized according to the states being mainly discussed. The newspapers and news agencies disposed to report or discuss the CAFTA related to the state where they are published. For examples, Singapore based newspaper disposed to report or discuss articles related to Singapore, and Indonesian newspaper and news agency did on Indonesian issue. As the CAFTA considers ASEAN as the actor that involved in the CAFTA, the newspapers and news agencies, irrespective of their publication base, also reported or discussed the issue from the perspective of ASEAN.

Table 5.1 below shows the result. A total of 440 articles specifically addressed the CAFTA. During the first half of 2000s, the articles disposed to address the CAFTA from the perspective of ASEAN. There were 74 articles that did this. Many of them reported or discussed the CAFTA within the context of China's rise and regional political economic change in East Asia.[42]

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[42] For examples, Kavi Chongkittavorn, "REGIONAL PERSPECTIVE: Which country is calling the shots in East Asia?," *The Nation (Thailand)*, December 6, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=92bdfa587c4333054cc239410e8db35d&docnum=204&_fmtstr=FULL&_startdoc=201&wchp=dGLbVzB-zSkAb&_md5=d9110c4cde80e7ad0b1762c9a4a6d665 (accessed November 12, 2011); Sarah Y. Tong, "*Asean trade pact a win-win situation*," *The Straits Times (Singapore)*, February 9, 2010, https://www.lexis.com/research/retrieve?_m=22280c3688f6b08c358615352ade9c53&docnum=38&_fmtstr=FULL&_startdoc=1&wchp=dGLzVzB-zSkAb&_md5=8849a91cb220cdcec35daf9b61479d5d (accessed November 8, 2011).

Nevertheless, that number of articles is few, considering the publication spaces in newspapers between 2000 and 2005. Three factors may explain this. Firstly, the CAFTA was proposed in 2000 and its framework of agreement had just agreed in 2002. Secondly, although econometric simulations had been studied at that time, it did not deeply explore the effects of the CAFTA on each ASEAN state. The establishment of FTAs had just alos become a new trend in East Asia region. Thirdly, although China's accession to the WTO raised some concerns in ASEAN states, China shared only 4.1% of ASEAN5's global trades in 2000. This means that although China's growing trades and economy might threaten ASEAN5 states domestic economy, the figure did not indicate great effects. These factors may also provide explanation why most newspapers and news agency did not report or discuss the CAFTA from the perspective of each ASEAN5 state.

Table 5.1
Numbers of Articles Published in ASEAN States' Newspapers or News Agency that Reporting or Discussing the China-ASEAN Free Trade Area (as of November 15, 2011)

	Focus of Reportation/Discussion					
	IND	MAL	PHIL	SGP	THAI	ASEAN
2000						4
2001		4		1	1	19
2002	5		1	3	6	13
2003	2	7	5	4	13	19
2004	11	7	1	4	25	15
2005	6	9	2	2	21	4
2006	1	2	3	5	6	6
2007	1	4	2	2	2	10
2008	2		2	4	3	1
2009	19	8	1		12	4
2010	46	15	7	3	14	16
2011	3	4	2		6	10
Total	96	60	26	28	109	121
	440					

Note:
- The newspapers or news agencies comprise of *The Jakarta Post* (Indonesia), *Antara* (Indonesia), *New Strait Times* (Malaysia), *Malaysian Business* (Malaysia), *Bernama National News Agency* (Malaysia), *Manila Times* (Philippines), *BusinessWorld* (Philippines), *Philippines News Agency* (Phillipines), *The Strait Times* (Singapore), *The Nation* (Thailand), *Bangkok Post* (Thailand).
- The newspapers or news agencies are those that Waseda University Library subscribes online in November 2011.

The CAFTA became a controversy in Thailand in the first half of 2000s. Thailand and China, in fact, implemented a Bilateral Free Trade Agreement (BFTA) on fruits and vegetables in October 2003, or several months earlier than the implementation of the CAFTA Early Harvest Programme (EHP). The BFTA and the CAFTA EHP then became a controversy because they affected Thai agricultural sector and were concluded without a prior thorough study on their effect. Between 2001 and 2005, there were 66 articles that reported or discussed China-Thailand

BFTA and the CAFTA. Thailand signed the BFTA in October 2003.[43] It then suspended the extension of its product list in August 2004 due to its overlap with the CAFTA and the damages that Thai farmers suffered from the BFTA.[44]

In the Philippines, there were only 12 articles that reported and discussed the CAFTA between 2002 and 2006. Nevertheless, the CAFTA became a hot issue because the Philippines government rejected to include many agricultural products into the EHP scheme, preferred to delay its implementation, and wanted to include some manufactured products into the EHP scheme.[45]

The issue of CAFTA dimmed between 2006-2009. A total of 100 articles reported or discussed the CAFTA. During that period, there were only 21 and 23 articles reported or discussed the CAFTA from the perspective of ASEAN and Thailand, respectively. However, the issue started to become a concern in the end of 2009 in Indonesia. Indonesia's trade deficit against China and the growing imports of Chinese products made some Indonesian realized about the effect of the CAFTA.

In 2010, when the CAFTA was fully implemented, the CAFTA became a concern, particularly in Indonesia. A total of 101 articles addressed the CAFTA and almost half of it reported or discussed the CAFTA from the perspective of Indonesia. The CAFTA was also addressed from ASEAN and other states' perspectives, but it did not become a big issue. In 2011, the issue of CAFTA dimmed again as there were only 25 articles addressed the CAFTA as of November 15, 2011.

In ASEAN states, the proliferation of FTAs had become an issue. Articles disposed to report or discuss it in general. They did not talk about the effect of FTA specifically. Similarly, newspapers and news agencies did not address the CAFTA specifically. If it was not because of lack of concern, space constraint may provide the reason why the newspapers and news agency only report or discuss the CAFTA generally.

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[43] David Hsieh, "Sino-Thai trade pact set to bear fruit; Consumers look forward to lower prices as Beijing ends tariffs on 188 types of fruits and vegetables," *The Straits Times (Singapore)*, October 29, 2003 https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=41853b4781ec986db804301209736082&docnum=273&_fmtstr=FULL&_startdoc=251&wchp=dGLzVzt-zSkAl&_md5=95413516780362e3afc250a80d52f4a1 (accessed November 9, 2011).

[44] "THE WEEK THAT WAS: Thirayuth takes aim at Thaksin," *The Nation (Thailand)*, August 4, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=1a938940531f37180534d745e220bfd5&docnum=225&_fmtstr=FULL&_startdoc=201&wchp=dGLbVzt-zSkAb&_md5=1d046ccf68238a6cdc4f5d8af9f9b54d (accessed November 12, 2011); Michael Vatikiotis, "China-ASEAN FTA: who wins?" *The Jakarta Post*, December 2, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=cb94c44ce22e820599bbfa5d5a75d1fb&_browseType=TEXTONLY&docnum=6&_fmtstr=FULL&_startdoc=1&wchp=dGLbVzk-zSkAA&_md5=56c1b935114fdcf939d67c16b4ddcff9&expLead=0&shadowcount=0 (accessed October 7, 2011).

[45] See Felipe F. Salvosa II, "RP, China agree on tariff cuts," *BusinessWorld*, September 13, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=fa3f4633ca67fa59e95f0047d123c0ff&docnum=81&_fmtstr=FULL&_startdoc=51&wchp=dGLbVzt-zSkAA&_md5=ab38cf90549cceb8a760fe2ed7224bcd (accessed November 9, 2011).

5.2 Views on the CAFTA in ASEAN5 States

Based on the articles collected, this study explores views on the CAFTA in ASEAN5 states. Considering the articles' space constraint and the reporters' political economic stance, the views reported or discussed in the articles may not represent complete views of the actors being reported. Therefore, rather than becoming a thorough study, this section may serve only as a preliminary study, which describes views on the CAFTA in ASEAN5 states.

Between 2000 and 2011, there were 121 articles that reported or discussed the CAFTA from the perspective of ASEAN. They discussed the CAFTA as a part of growing friendly relations between China and ASEAN. It was mentioned that the CAFTA would leveled up ASEAN states' position in international world. They also disposed to mention the positive welfare effect of the CAFTA on ASEAN states.[46] Only few articles discussed the negative effect of the CAFTA from the perspective of ASEAN states.[47]

Except in Thailand, the establishment of CAFTA had not become a popular issue in ASEAN5 states before 2009. Despite the ASEAN5 governments' involvement in the negotiations, the CAFTA only began to be widely discussed in national newspapers a year before it would be fully implemented. Singaporean, which practically embrace free trade regime, does not show any worry about the CAFTA. In Malaysia, the CAFTA did not become a major issue. It may be because Malaysia has a relatively high dependence on international trades and actively embraced FTAs. The Philippines government's passive attitude towards FTAs and Philippines' growing manufacture sector may provide the reason why there were only few articles that Filipino newspapers or news agency reported. The Philippines government has a concern about the negative effect of CAFTA on Filipino agricultural and industrial sectors, but did not disseminate the issue publicly. In Indonesia, private sectors, NGOs and academics, might misunderstand the implementation schedule of CAFTA and think that it would only be implemented in 2010. Only in Thailand, where the implementation of the Thailand-China BFTA and the EHP-CAFTA affected Thai agricultural sectors, the CAFTA has been widely discussed publicly among government, private sectors, NGOs and academics.

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[46] See for examples Tyler Gniewotta, "China promises ASEAN peace, prosperity and blossoming ties," *The Jakarta Post*, July 7, 2011, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=dc97e1ff273cfa76a79180ef717db110&docnum=14&_fmtstr=FULL&_startdoc=1&wchp=dGLbVzt-zSkAA&_md5=c9637a0f7e775c269ca8c03aa9103dd1 (accessed October 7, 2011); Hardev Kaur, Saiful Azhar Abdullah & Roziana Hamsawi, "Asean, China sign MoU on agricultural co-operation," *New Straits Times (Malaysia),* November 3, 2002, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=579991439ac14d2c53199ca119c91cc0&docnum=224&_fmtstr=FULL&_startdoc=201&wchp=dGLbVzk-zSkAW&_md5=fc0a5eb6045bae35d14e6fa551c4c57f (accessed November 4, 2011).

[47] See for example, Walden Bello, "*Is ASEAN irrelevant? (Commentary)*," *BusinessWorld*, December 14, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=fa3f4633ca67fa59e95f0047d123c0ff&docnum=74&_fmtstr=FULL&_startdoc=51&wchp=dGLbVzt-zSkAA&_md5=ab38cf90549cceb8a760fe2ed7224bcd (accessed November 8, 2011).

Indonesian government was split over the CAFTA. The foreign ministry, which considers the CAFTA as a building block for peaceful relations with China, favored the creation of CAFTA. The trade Ministry, being led by a pro-multilateral liberalization minister, supported the establishment of CAFTA. On the otherwise, the Ministry of Agriculture, considering the negative effect of CAFTA on Indonesian agricultural products, proposed the application of SPS measure and standardization on Chinese agricultural products. For similar reason, the Ministry of Industry even proposed to delay the full implementation of CAFTA in 2010 and apply safeguard and anti-dumping measures and non-tariff barriers. The Ministry of Trade refused to postpone the full implementation of CAFTA and promised to apply necessary trade barriers.

Indonesian private sectors, even that belong to the same sectors, were also split over the CAFTA. Considering business opportunities the CAFTA offered, few commercial and industrial associations were optimistic about the CAFTA and suggested Indonesia government to improve industrial competitiveness. Experiencing the negative impacts of CAFTA, many industrial associations—in furniture, textile, motorcycle sectors, and etc.—demanded the postponement of the CAFTA, the application of safeguard and anti-dumping measures and non-tariff barriers and the improvement of domestic infrastructure. Although gradual tariff reduction and smuggled Chinese products had made them experience production decline before 2010, they only began to raise their voices loudly in 2009. Some worker association, considering the risk of layoff, also demanded the delay of CAFTA.

There was no opposition from academics regarding the CAFTA. Although scholars from universities and research institutes considered the negative effect of CAFTA on Indonesian industries, they did not oppose it and only demanded Indonesian government to improve industrial competitiveness. Scholars who support the CAFTA argued that preferential trade agreement would be beneficial for Indonesian economy, in general. However, they failed to specify and explain which sectors would gain and lose under the implementation of CAFTA. There was no thorough study on the impact of CAFTA has been conducted.

Malaysian government favored the CAFTA. The Prime Minister office and the Ministry of International Trade and Industry argued that the CAFTA would improve peaceful relations between China and Malaysia and widen access to Chinese market. The government states that a total of 37,398 preferential certificates of origins (Form E) were issued in 2010 and worth of US$4.43 billion exports—or around one fifth of Malaysia’s total exports to China.

Similarly, Malaysian academic circles supported the CAFTA. They argued that the CAFTA would improve ASEAN states’ position in international order, maintain peaceful relations between ASEAN states and China, attract investors coming to Malaysia, and widen access to Chinese market. Despite these arguments, scholars did not mention any thorough study regarding the impact of CAFTA on Malaysian economy.

Malaysian private sectors were split over the CAFTA. Whereas some commercial and Industrial association highlighted the potential benefit of CAFTA, some others—such as, metal manufacturers—voiced their production lost. No thorough study supported their positions.

The Philippines government disliked the CAFTA because of the uncompetitiveness of Filipino agricultural and industrial sectors against Chinese ones. It rejected to join the EHP in March 2003 but at last agreed to join in January 2005. It preferred the full implementation of CAFTA by 2012, rather than 2010 and emphasized the importance of flexible regulations.

Some private sectors supported the CAFTA by stating that it would generally widen trade and investment opportunities. Some other private secotrs, and also NGOs and academics raised their voice publicly regarding the CAFTA. A study conducted by Fair Trade Alliance NGO found that Filipino farmers and SMEs suffered from production decline. They demanded Filipino government to halt smuggled Chinese products, apply non-tariff barriers and support domestic producers.

Singapore, both its government and private sectors, favored the establishment of the CAFTA. Singapore is the first ASEAN state that recognizes China as a market economy. As a free market country and an entrepôt, Singapore had no wariness about the CAFTA. It further suggested ASEAN states to liberalize their NTBs. Singapore government even agreed to have a BFTA with China in May 2004 and signed it in October 2008. Most private sectors supported government's decision regarding the CAFTA.

The CAFTA triggered public debates in Thailand even during its early stage of implementation. Thailand, in fact, signed a BFTA on agricultural products with China in October 2003. Being overconfidence in Thai agricultural competitiveness, the Ministry of Commerce expected that the BFTA would increase Thai agricultural exports to China significantly. The Ministry of Agriculture, nevertheless, stated that Thailand suffered from a large deficit of agricultural trades. Thai agricultural products faced various non-tariff barriers, which prevented their penetration to Chinese market. The Ministry of Agriculture stated that Thai cabbage, broccoli, potatoes and garlic lost in competition against Chinese ones.

Thai private sectors were split over the CAFTA. The Federation of Thai Industries stated that Thai agricultural, fishery, timber, rubber, electrical appliance industries would benefit the most in the first phase of the CAFTA. On the otherwise, iron and stell, machinery, automobiles and parts, textiles and garments, plastics and furniture industries would be negatively affected. Thai Food Processors' Association stated that imports of cheaper raw materials had benefitted them.

On the otherwise, many industrial and agricultural associations complained about the lack of thorough study and adequate preparations, which the government should make before establishing the CAFTA. They demanded the government to raise non-tariff barriers—such as, SPS regulation—and provide information about Chinese non-tariff barriers.

Thai scholars addressed similar problems regarding the CAFTA. Some did not oppose the establishment of CAFTA but some tacitly opposed it. A study that Thailand Development Research Institute conducted resulted in small economic welfare gain of US$580.6 million.[48] Somprawin Manpraset, an economist at

[48] Woranuj Maneerungsee, "Few trade gains from 'Early Harvest'," *Bangkok Post*, October 27, 2005, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=1c5b688b00dc76d94bb2506208976c24&docnum=20&_fmtstr=FULL&_startdoc=1&wchp=dGLbVzV-zSkAl&_md5=de529938407d8d09f17aad5f3c9cce5d (accessed October 3, 2011).

Chulalongkorn University, even said that Thailand would experienced trade deficit with China as high as US$2 billion in 2018. Chinese machinery and equipments, garments and textiles, electronics and steel products would flood Thai market.[49] Many scholars also blamed Thai government for rushing for the CAFTA without doing adequate studies and preparations. They highlighted the negative impacts that the CAFTA brought to Thai agricultural and industrial sectors.

A table below summarizes the views on the CAFTA in ASEAN states.

Table 5.2 A Summary of Views on the CAFTA in ASEAN5 States

	Positive Response / Pro-liberalization	**Negative Response / Pro-protection**
ASEAN	• Growing closer relations between China and ASEAN states. • The CAFTA leveled up ASEAN political economic position. • The CAFTA had positive welfare effect.	
INDONESIA	• **Foreign Ministry**: the CAFTA would strengthen peaceful relations with China. • **Ministry of Trade**: being led by pro-liberalization minister, supported the CAFTA and refusing the proposal of the Ministry of Industry to delay the full liberalization of some products. • **Private sector**: a few industrial associations supported the CAFTA and demanded government support to increase competitiveness. • **Scholars**: some scholars deductively supported the CAFTA. No study on the effect was reported.	• There was misunderstanding around the private sectors, NGOs and scholars about the implementation schedule of the CAFTA. They started to criticize the CAFTA at the end of 2009. • **Ministry of Agriculture**: considering the negative effects, proposing the application of SPS and standardization measures. • **Ministry of Industry**: considering the negative effects, proposing to delay the full liberalization of some products, planning to apply safeguard and anti-dumping measures and NTBs. • **Private sector:** (furniture, textile, motorcycle, etc.): many businessmen demanded the delay of the CAFTA, the application of trade barriers, and the improvement of domestic infrastructure. • **NGOs**: being against the CAFTA, proposing to delay its implementation. • **Scholars**: some scholars considered the negative effects, but did not oppose the CAFTA, demanding government to improve competitiveness. No study on the effect was reported.
MALAYSIA	• The CAFTA did not become a big issue (Malaysia was dependent on international trade, very critical to the US, actively embraced the FTA). • **PM, MITI and scholars**: the CAFTA would strengthen peaceful relations between ASEAN and China, widen access to Chinese market and attract foreign investors. No study on the effect was reported. • **Private sector**: some associations highlighted the potential benefits of the CAFTA.	• **Private sector (metal manufacturers, etc.)**: some voiced production lost.

[49] "China likely to profit most from ASEAN free-trade deal," *Bangkok Post*, September 10, 2005, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=1c5b688b00dc76d94bb2506208976c24&docnum=23&_fmtstr=FULL&_startdoc=1&wchp=dGLbVzV-zSkAl&_md5=de529938407d8d09f17aad5f3c9cce5d (accessed October 3, 2011).

PHILIPPINES	• **<u>Private sector</u>**: some said that the CAFTA would widen opportunities.	• **<u>Government</u>**: Filipino government wanted to protect its agriculture sector and include some manufacture products in the EHP. It delayed the implementation of the EHP (Jan 2005) and the full implementation of the CAFTA (Jan 2012). But, the issue was not really disseminated publicly. • **<u>Private sector, NGO & scholars</u>**: The CAFTA would bring negative effects. They demanded government to halt smuggled Chinese products, apply NTBs and support domestic producers.
SINGAP ORE	• Singapore had no worry of the CAFTA. • China-Singapore BFTA was agreed in May 2004 and signed in Oct 2008.	
THAILAND	• Overlapping between the China-Thailand BFTA on fruit and vegetables and the CAFTA EHP. • **<u>Ministry of Commerce</u>**: the China-Thailand BFTA and the CAFTA EHP would benefit Thai agriculture sectors. • **<u>Private sector</u>**: Thai fishery, timber, rubber, electrical appliance would benefit. • **<u>Scholars</u>**: some supported the CAFTA.	• **<u>Ministry of Agriculture</u>**: Thai tapioca benefited, but Thai fruit and vegetables (cabbage, broccoli, potatoes, garlic, etc.) suffered from the China-Thailand BFTA and the CAFTA EHP. Thai agricultural exports faced Chinese VAT and NTBs. • **<u>Private sector</u>**: Thai iron & stell, machinery, automobiles & parts, textiles & garments, plastics & furniture industries would be negatively affected. They complained lack of thorough study and adequate preparations and demanded Thai government to apply NTBs (e.g. SPS) and provide information about Chinese NTBs. • **<u>Scholars</u>**: some criticized the CAFTA, but did not opposed it.

ASEAN government's reactionary attitudes and lack of resources to do thorough studies and adequate preparation could be blamed for the controversies in relation to the CAFTA. Realizing the growing power of China, ASEAN governments were reluctant to displease their Chinese counterpart.[50] The CAFTA, nevertheless, cannot be fully blamed for the production declines that ASEAN producers had experienced. As showed in the previous section, the utilization of CAFTA was relatively low. Low ASEAN states' MFN tariff rates, smuggled Chinese products and uncompetitiveness are other reasons that cause production decline. Despite those controversies, as the CAFTA has gradually and fully implemented, improving domestic competitiveness and raising non-tariff protective barriers are the only option that ASEAN states has to deal with the CAFTA.

5.3 Number of ASEAN5 states' newspapers and news agencies' articles mentioning the CAFTA agricultural liberalization.

How many articles of ASEAN5 states' newspapers/news agencies that mention a term or terms related to the CAFTA agricultural liberalization? This question, more or less, may represent how important is the CAFTA agricultural liberalization for ASEAN5 states.

[50] Walden Bello, "Afterthoughts: The China-Asean Free Trade Area: Propaganda and Reality," Philippine Daily Inquirer, January 14, 2010, http://www.bilaterals.org/spip.php?article16599 (accessed October 13, 2011).

This limited scope, therefore, does not imply the importance of agricultural liberalization issue. ASEAN states may respond to agricultural liberalization not only as a response to the CAFTA in particular, but to all FTA the states have established.[51] In consequence, using newspaper and news agencies' articles related to the CAFTA may not result in findings views, responses, and measures that have implication to the CAFTA agricultural liberalization. To deeply study about this, rather than using articles related to the CAFTA, using articles that specifically address agricultural trade liberalization, either it the CAFTA or other FTAs, will produce a better result. This study, therefore, may serve only as a preliminary research that answers that problem.

Because the articles may not discuss the agricultural issues being concerned, but only mention a certain agricultural product, this study counts any articles that mention a term or terms related to agriculture. Even articles that mention a word "agriculture" or one agricultural product as an example of liberalization coverage were included and counted.

Table 5.3 Number of Articles of ASEAN5 States' Newspaper/News Agency that Mention A Term or Terms Related to Agriculture (number of articles on the CAFTA)

	Focus of Reportation/Discussion					
	IND	**MAL**	**PHIL**	**SGP**	**THAI**	**ASEAN**
2000						
2001						
2002	2		1	1	3	4
2003	1	2	4		8	3
2004	4	1	2		22	3
2005	2	6	2		15	
2006	1		3		3	2
2007		1			1	1
2008	1		1	3		
2009	3				6	2
2010	7	2	2		2	3
2011					4	2
Sub total	**21**	**12**	**15**	**4**	**64**	**20**
Double count	**5**					
Total articles	**131**					

Note: Due to overlapping reportation and discussion, 3 articles in ASEAN colomn are also counted in Thailand colomn, 1 article in ASEAN colomn is also counted in Malaysia colomn, and 1 article in ASEAN colomn is also counted in the Philippines colomn.

Between 2000 and 2011, there were a total of 131 articles—or less than 30% of the total 440 articles on the CAFTA—that mention a term or terms related to agriculture. The number of articles that really reported agricultural issue is, therefore, fewer because many articles merely mention the term agriculture or one agricultural

[51] For example, see Achara Ashayagachat, "At what price, to whose benefit?" *Bangkok Post*, June 22, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=1c5b688b00dc76d94bb2506208976c24&docnum=40&_fmtstr=FULL&_startdoc=1&wchp=dGLbVzV-zSkAl&_md5=de529938407d8d09f17aad5f3c9cce5d (accessed October 3, 2011).

product as an example of liberalization coverage. As the CAFTA was still at the proposal stage, there were no articles related to agriculture that was published in 2000 and 2001. Ninety-five articles or almost three fourth of the total number were published during 2002 and 2006, which were consistent with the implementation of the EHP between 2004 and 2006. After the full implementation of the CAFTA in 2010, there were only 22 articles or less than one fifth of the total number that mention about agriculture.

As mentioned above, the articles that report or discuss the CAFTA from the perspective of ASEAN dispose to discuss the CAFTA within the context of China's rise and regional political economic change in East Asia. In consequence, there were only 20 articles that mentioned about agriculture from the perspective of ASEAN.

Thailand, which implemented a BFTA on fruit and vegetable prior the implementation of the CAFTA EHP, included many articles. From a total of 109 articles on the CAFTA, there were 64 ones that mentioned about agriculture. The Philippines, which rejected to include many of its agricultural products into the EHP scheme and delay the implementation of the EHP, also includes 15 articles or more than half of its total articles on the CAFTA.

Indonesian newspaper and news agency, which seemed to falsely realize the implementation schedule of the CAFTA, included 10 articles from its total 21 ones during the period of 2002-2006. However, they also included 10 articles between 2009-2010. Malaysia, which has more interest in manufacture products, only published 12 articles that mentioned agriculture. Singapore, which had no interest in agriculture, only published 4 articles that mentioned about agriculture.

This finding indicates that the CAFTA agricultural liberalization has only limited importance. It is an important issue in Thailand and the Philippines, but not in other ASEAN states.

5.4. CAFTA related agricultural issues in ASEAN5 states

What agricultural issues do ASEAN5 states' newspaper or news agency articles mention in relation to the CAFTA? This question represents agricultural issues that were considered as important in the articles and, in consequence, findings of this study indicate what agricultural issues that were considered important in ASEAN5 states.

Because the articles may not discuss the agricultural issues being concerned but only mention the issue, this study counts issues even if they are merely mentioned shortly.

A list of issues was made based on the issues that the articles mention or discuss. In general, the issues includes agreement on agriculture, negotiation on agriculture, export promotion, consumer benefit, consumer protection, agricultural protection, agricultural adjustment or remedy, gain and loss, study and preparation on the CAFTA, domestic protectionistic demand, transportation and logistics, agricultural investment and development, regulation on tariff liberalization, smuggling and GATT consistency.

Those general issues subsequently were broke down into more specific issues based on what the articles mention. For example, the issue of consumer protection includes 4 specific issues, those are (1) product quality, inspection and certification,

(2) food/drink safety, health issue, SPS, (3) halal products, and (4) punishment for violation and compensation for victims.

There are a few agricultural issues that the articles really highlight. The articles mention various issues and lack of focus. Of all issues, the gain and loss issue is most frequently mentioned in the articles. The gain and loss issue includes several specific issues: (1) agricultural opportunity, (2) agricultural threat, (3) agricultural (industry) damage, (4) farmers and fishermen welfare, (5) agricultural trade gain or loss, and (6) competitiveness or comparativeness. The impact of the CAFTA, indeed, became the major concern in ASEAN5 states.

Such concern is conspicuous in Thailand, especially between 2002 and 2006, while the China-Thailand BFTA on fruit and vegetables and the CAFTA EHP were being implemented. Despite the damage and threat that some agricultural farmers or industries experienced, some others saw the CAFTA as an opportunity. As reported by Chayodom Sabhasri, an economist at Chulalongkorn University, during that period, Thai exports of tapioca, longan, durian, mango, mangosteen and other products to China increased significantly, while Chinese garlic, onion, carrot, potato, apple, pear, grape and other products flooded Thai market. [52] Although, Taratorn Ratananarumitsorn, a research at Thailand Development Research Institute, says, those export and import increase may not also reflect the impact of the CAFTA because the exports and imports may not utilize the CAFTA,[53] Thai people associated the damage and threat they experienced with the CAFTA. As a consequence, an issue on agricultural adjustment and remedy is also mentioned several times in Thai newspapers.

The quality of cheap Chinese products, food safety, inspection also became issues mentioned several times in the articles. For the sake of consumer protection, Thai government subsequently wanted to negotiate this issue with China. Nevertheless, the articles only mentioned inspection and sanitary and phytosanitary issues a few times.

In the Philippines, product inclusion and exclusion in the EHP, negotiation and agreement on it became issues that were intensively discussed in Filipino articles. Despite that, issues of agricultural threat and damage were only mentioned a few times in the articles. In Indonesia, agricultural competitiveness and trade gain and loss became issues that were mentioned several times during the early negotiation and the signing of the CAFTA agreement from 2002 to 2004, and the full implementation of the CAFTA in 2010. As tariffs were eliminated, some non-tariff barriers (NTBs) were mentioned as a protection measures. Malaysian and Singaporean articles only mention some issues without highlighting them as important ones.

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[52] Achara Pongvutitham, "China FTAs need careful thought," *The Nation (Thailand)*, November 9, 2004, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=1a938940531f37180534d745e220bfd5&docnum=212&_fmtstr=FULL&_startdoc=201&wchp=dGLbVzt-zSkAb&_md5=1d046ccf68238a6cdc4f5d8af9f9b54d (accessed November 12, 2011).

[53] Petchanet Pratruangkrai, "IMPACT OF FTAS: 'Look beyond trade deficits'," *The Nation (Thailand)*, October 27, 2005, https://fp.wul.waseda.ac.jp/f5-w-68747470733a2f2f7777772e6c657869732e636f6d$$/research/retrieve?_m=0942e3261c416dbc19dade856721fa39&docnum=164&_fmtstr=FULL&_startdoc=151&wchp=dGLbVzB-zSkAb&_md5=014d59b0d1f84a56016b6b3b365723f2 (accessed November 12, 2011).

Since China is the counterpart, the articles also mention many issues related to China. Many of them concern about the NTBs and value-added tariff that China imposed and impeded ASEAN products from reaching Chinese consumers. Different regulations that Chinese provinces impose also become a concern.

Besides those issues, the articles also mention several agricultural products that would gain and lose under the CAFTA. The table 5.3 compiles agricultural products mentioned in the articles. The table shows that China has competitiveness in temperate fruits and vegetable (e.g. pears, apple, cabbage, carrot, broccoli, potato, etc.) and vegetables, whereas ASEAN states are competitive in tropical products (e.g. durian, mango, mangosteen, banana, coconut, palm oil etc.). Nevertheless, that does not mean that China and ASEAN states are fully complementary. Farmers' complaints indicate that China and ASEAN states also compete in some agricultural products (e.g. garlic, onion, cabbage, etc.). This competition subsequently hurts ASEAN states' agricultural farmers and industries.

Table 5.4 Agricultural Products that Would Gain and Lose Under the CAFTA

Indonesia		Malaysia		The Philippines		Singapore		Thailand	
Gain	Lose	Gain	Lose	Gain	Lose	Gain	Lose	Gain	Lose
• Palm oil • Vegetable oils • Coffee • Cacao bean & products • Banana • Longan • Mangosteen • Fish products	• Rice • Sugar • Soybeans • Corn • Shrimp	• Palm oil & olein • Vegetable oils & fats • Cacao bean & products • Margarine • Halal products	• Rice • Wheat • Flour • Sugar • Coffee • Pepper • Tobacco	• Coconut oil • Coconut products • Banana • Mangoes • Pineapple • Butter	• Garlic • Onion • Carrot • Ginger • Cabbage • Potato • Corn • Sardines • Mackarel • Sugar	—	—	• Rice • Durian • Tapioca • Rambutan • Longan • Dried longan • Mangosteen • Watermelon • Coconut • Hawthorn • Fish products	• Garlic • Onion • Cabbage • Broccoli • Asparagus • Potato • Mushroom • Apple • Pears • Lychee • Peach

Source: Various articles

Considering the impacts of the CAFTA agricultural liberalization, ASEAN states' scholars and governments need to conduct thorough studies on the impact of the CAFTA. However, in fact, there are only a few of articles that mention and report about studies on the impacts of the CAFTA agricultural liberalization. Thai articles mention them several times, but Filipino ones only mention about a study one time, whereas other states' articles even do not mention about a study at all. This may indicate that there were only a few studies on the impact of the CAFTA agricultural liberalization that ASEAN states' scholars and governments had conducted, or that there was a non-transparency issue or communication gap between ASEAN states government and other stakeholders.

A limited number of articles that report about adjustment and remedy program indicate a limited adjustment and remedy measures that ASEAN states' governments had made to help the negatively-impacted agricultural farmers and industries. Rather than rushing in establishing FTAs, doing a thorough study and making an adequate preparation first before establishing FTAs are indeed a better policy ASEAN states should take.

5.5 Conclusion

There are relatively a few newspaper and news agency articles that report or discuss those issues. In Thailand, the China-Thailand BFTA on fruit and vegetables and the CAFTA EHP became a popular issue because they negatively affected Thailand's agriculture sector. In Indonesia, due to a misunderstanding on the CAFTA's implementation schedule, the CAFTA had only become a hot issue in the end of 2009 or not a long time before the full implementation of the CAFTA.

Most of articles merely report general information about the CAFTA. The articles mention various issues and lack of focus. Only a limited number of articles report studies on the impacts of the CAFTA—and its agricultural liberalization, in particular—and adjustment programs. As the governments were often criticized for their nontransparency, this indicates a communication gap between ASEAN states' governments and other stakeholders in relation to the CAFTA. Criticisms over the governments' inadequate preparation even indicate ASEAN governments' lack of concern over the impacts of trade liberalization.

The CAFTA triggered controversies in ASEAN states, particularly in Thailand and Indonesia. Government bodies, private sectors, and scholars were split over the CAFTA. Agricultural and industrial producers that lost in competitions complained and demanded their government to raise protective measures, support domestic agricultural and industrial sectors and delay the implementation of the CAFTA. ASEAN governments decided to keep its commitment on CAFTA, claimed that the CAFTA provides potential benefits and promised to protect domestic interests. Lack of thorough studies and resources disallows the resolution of the controversies.

Table 5.4 What Agricultural Issues Do ASEAN5 States' Newspaper/News Agency Articles Mention in Relation to the CAFTA?

States being focus in articles	ASEAN									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture										
Ag. on specific tariff exemption					1					
Ag. on product inclusion/exclusion										
Ag. on NTBs										
Ag. on SPS, inspection, quarantine								1		1
Ag. on technical barriers										1
Ag. on customs clearance										1
Ag. on agricultural training & technology	1					1				
Negotiation on agriculture					1					
Neg. on tariff				1	2					
Neg. on product inclusion/exclusion										
Neg. on NTBs					1					
Neg. on trade facilitation, trade route										
Neg. on agricultural development										
Export promotion	1									
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy										
Brand promotion, participation in expo										
Procedure simplification										
Training										
Clustering firms										
Consumer benefit										
Consumer protection										
Product quality, inspection, certification										
Food/drink safety, health issue, SPS									3	
Halal products									1	
Punishment for violation, compensation for									1	
Agricultural protection	1									
Delaying negotiation/implementation										
NTBs for agricultural protection										
Customs procedures, quarantine, inspection										
Technical barriers, product standard										
SPS										
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection										

States being focus in articles	INDONESIA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture										
Ag. on specific tariff exemption					1					
Ag. on product inclusion/exclusion										
Ag. on NTBs										
Ag. on SPS, inspection, quarantine										
Ag. on technical barriers										
Ag. on customs clearance										
Ag. on agricultural training & technology										
Negotiation on agriculture				1						
Neg. on tariff			1	2						
Neg. on product inclusion/exclusion										
Neg. on NTBs					1					
Neg. on trade facilitation, trade route										
Neg. on agricultural development										
Export promotion	1									
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy										
Brand promotion, participation in expo										
Procedure simplification										
Training										
Clustering firms										
Consumer benefit										
Consumer protection										
Product quality, inspection, certification										
Food/drink safety, health issue, SPS									3	
Halal products									1	
Punishment for violation, compensation for									1	
Agricultural protection	1	1							1	
Delaying negotiation/implementation										
NTBs for agricultural protection								1	1	
Customs procedures, quarantine, inspection									1	
Technical barriers, product standard									1	
SPS										
Halal products									1	
Labelling, advertizing									1	
Specific entry port									1	
Subsidy										
Domestic regional-protection										

States being focus in articles	MALAYSIA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture										
Ag. on specific tariff exemption										
Ag. on product inclusion/exclusion										
Ag. on NTBs										
Ag. on SPS, inspection, quarantine										
Ag. on technical barriers										
Ag. on customs clearance										
Ag. on agricultural training & technology										
Negotiation on agriculture										
Neg. on tariff						1				
Neg. on product inclusion/exclusion										
Neg. on NTBs										
Neg. on trade facilitation, trade route						1				
Neg. on agricultural development										
Export promotion										
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy				1						
Brand promotion, participation in expo		1		1					1	
Procedure simplification		1								
Training		1								
Clustering firms										
Consumer benefit										
Consumer protection										
Product quality, inspection, certification										
Food/drink safety, health issue, SPS										
Halal products										
Punishment for violation, compensation for										
Agricultural protection										
Delaying negotiation/implementation										
NTBs for agricultural protection										
Customs procedures, quarantine, inspection										
Technical barriers, product standard										
SPS										
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection										

States being focus in articles	PHILIPPINES									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture										
Ag. on specific tariff exemption										
Ag. on product inclusion/exclusion			1		2					
Ag. on NTBs										
Ag. on SPS, inspection, quarantine										
Ag. on technical barriers										
Ag. on customs clearance										
Ag. on agricultural training & technology										
Negotiation on agriculture										
Neg. on tariff										
Neg. on product inclusion/exclusion		4	1	1	2					
Neg. on NTBs										
Neg. on trade facilitation, trade route										
Neg. on agricultural development		1								
Export promotion									1	
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy										
Brand promotion, participation in expo							1			
Procedure simplification										
Training									1	
Clustering firms							1			
Consumer benefit										
Consumer protection										
Product quality, inspection, certification										
Food/drink safety, health issue, SPS					1					
Halal products										
Punishment for violation, compensation for										
Agricultural protection			1		1					
Delaying negotiation/implementation										
NTBs for agricultural protection										
Customs procedures, quarantine, inspection										
Technical barriers, product standard										
SPS										
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection										

States being focus in articles	SINGAPORE									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture							1			
Ag. on specific tariff exemption										
Ag. on product inclusion/exclusion										
Ag. on NTBs										
Ag. on SPS, inspection, quarantine										
Ag. on technical barriers										
Ag. on customs clearance										
Ag. on agricultural training & technology										
Negotiation on agriculture										
Neg. on tariff										
Neg. on product inclusion/exclusion	1									
Neg. on NTBs										
Neg. on trade facilitation, trade route										
Neg. on agricultural development										
Export promotion										
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy										
Brand promotion, participation in expo										
Procedure simplification										
Training										
Clustering firms										
Consumer benefit							1			
Consumer protection										
Product quality, inspection, certification										
Food/drink safety, health issue, SPS										
Halal products										
Punishment for violation, compensation for										
Agricultural protection										
Delaying negotiation/implementation										
NTBs for agricultural protection										
Customs procedures, quarantine, inspection										
Technical barriers, product standard										
SPS										
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection										

States being focus in articles	THAILAND									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture	1	4	4	2	1					
Ag. on specific tariff exemption										
Ag. on product inclusion/exclusion										
Ag. on NTBs								1		
Ag. on SPS, inspection, quarantine			1					1		3
Ag. on technical barriers										1
Ag. on customs clearance										2
Ag. on agricultural training & technology										
Negotiation on agriculture	1	3	5	1						
Neg. on tariff										
Neg. on product inclusion/exclusion										
Neg. on NTBs			2	1		1				
Neg. on trade facilitation, trade route								1		
Neg. on agricultural development										
Export promotion										
Product standard, SPS compliance								1		1
Packaging, labeling, certification			1					1		1
Development subsidy										
Brand promotion, participation in expo								1		
Procedure simplification										
Training										
Clustering firms										
Consumer benefit		1							1	
Consumer protection								1		
Product quality, inspection, certification				1				1		
Food/drink safety, health issue, SPS	1	1	1					1		1
Halal products										
Punishment for violation, compensation for								1		
Agricultural protection								1		
Delaying negotiation/implementation			2							
NTBs for agricultural protection			2							
Customs procedures, quarantine, inspection			1							
Technical barriers, product standard										
SPS			2							
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection										

States being focus in articles	CHINA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agreement on agriculture	2	8		4	2					
Ag. on specific tariff exemption										
Ag. on product inclusion/exclusion										
Ag. on NTBs										
Ag. on SPS, inspection, quarantine			1					1		
Ag. on technical barriers										
Ag. on customs clearance										
Ag. on agricultural training & technology										
Negotiation on agriculture	1	2	5	1						
Neg. on tariff										
Neg. on product inclusion/exclusion										
Neg. on NTBs										
Neg. on trade facilitation, trade route								1		
Neg. on agricultural development										
Export promotion										
Product standard, SPS compliance										
Packaging, labeling, certification										
Development subsidy										
Brand promotion, participation in expo										
Procedure simplification										
Training										
Clustering firms										
Consumer benefit		2							1	
Consumer protection			1							
Product quality, inspection, certification					1					
Food/drink safety, health issue, SPS					1					
Halal products										
Punishment for violation, compensation for										
Agricultural protection	1									
Delaying negotiation/implementation										
NTBs for agricultural protection			3	1	1	1				1
Customs procedures, quarantine, inspection			1					1		1
Technical barriers, product standard										
SPS			4					1		
Halal products										
Labelling, advertizing										
Specific entry port										
Subsidy										
Domestic regional-protection			3	1		1				

Table 5.4 What Agricultural Issues Do ASEAN5 States' Newspaper/News Agency Articles Mention in Relation to the CAFTA?

States being focus in articles	ASEAN									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list										
Antidumping duties & safeguar										
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing										
Training										
Gain and loss										
Agricultural opportunity										
Agricultural threat										
Agricultural (industry) damage	1									
Farmers/fishermen welfare										
Agricultural trade gain/loss	1							1	2	
Competitiveness/comparativeness	1	1	1						1	1
Study/preparation on the CAFTA										
Domestic protectionistic demand									2	
Transportation, logistics, infrastructure										
Agricultural investment/development										
Regulation on tariff liberalization										
Smuggling										
GATT consistency										

States being focus in articles	INDONESIA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list	1		2							
Antidumping duties & safeguar								1	1	
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing										
Training										
Gain and loss										
Agricultural opportunity	1									
Agricultural threat								1	1	
Agricultural (industry) damage	1								2	
Farmers/fishermen welfare									1	
Agricultural trade gain/loss	1						1	1	2	
Competitiveness/comparativeness	2	1	1						1	
Study/preparation on the CAFTA										
Domestic protectionistic demand										
Transportation, logistics, infrastructure									2	
Agricultural investment/development				1						
Regulation on tariff liberalization			1							
Smuggling										
GATT consistency										

States being focus in articles	MALAYSIA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list				1						
Antidumping duties & safeguar										
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing										
Training										
Gain and loss										
Agricultural opportunity			1	2					1	
Agricultural threat										
Agricultural (industry) damage										
Farmers/fishermen welfare										
Agricultural trade gain/loss										
Competitiveness/comparativeness										
Study/preparation on the CAFTA										
Domestic protectionistic demand										
Transportation, logistics, infrastructure										
Agricultural investment/development										
Regulation on tariff liberalization										
Smuggling										
GATT consistency										

States being focus in articles	PHILIPPINES									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list		3	3	1	3					
Antidumping duties & safeguar										
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing					1					
Training									1	
Gain and loss										
Agricultural opportunity		1			1				1	
Agricultural threat		1		1	2					
Agricultural (industry) damage										
Farmers/fishermen welfare										
Agricultural trade gain/loss										
Competitiveness/comparativeness		1			1					
Study/preparation on the CAFTA		1								
Domestic protectionistic demand		1	1		3					
Transportation, logistics, infrastructure										
Agricultural investment/development										
Regulation on tariff liberalization					3					
Smuggling										
GATT consistency										

States being focus in articles	SINGAPORE									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list										
Antidumping duties & safeguar										
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing										
Training										
Gain and loss										
Agricultural opportunity							1			
Agricultural threat										
Agricultural (industry) damage										
Farmers/fishermen welfare										
Agricultural trade gain/loss										
Competitiveness/comparativeness										
Study/preparation on the CAFTA										
Domestic protectionistic demand										
Transportation, logistics, infrastructure										
Agricultural investment/development										
Regulation on tariff liberalization										
Smuggling										
GATT consistency										

States being focus in articles	THAILAND									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals										
Tariff										
Import tariff, tariff surcharge, VAT										
Sensitive/exclusion list				2						
Antidumping duties & safeguar										
Agricultural adjustment/remedy			4	2	2					
Adjustment fund					2			1		
Public hearing										
Training										
Gain and loss										
Agricultural opportunity	1	3	2	3				2	1	1
Agricultural threat		2	2	2						1
Agricultural (industry) damage			6		2			3	1	
Farmers/fishermen welfare					1					
Agricultural trade gain/loss		1	9	4	2			2		
Competitiveness/comparativeness			6	2	1			1	1	
Study/preparation on the CAFTA			2	1	1			1		
Domestic protectionistic demand			2	1						
Transportation, logistics, infrastructure			2					1		1
Agricultural investment/development	1		4	1				1		
Regulation on tariff liberalization			1							
Smuggling			2	1						
GATT consistency		1								

States being focus in articles	CHINA									
Issues / Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Protection of endangered animals	1									
Tariff										
Import tariff, tariff surcharge, VAT		1	1	3		1				1
Sensitive/exclusion list			1							
Antidumping duties & safeguar										
Agricultural adjustment/remedy										
Adjustment fund										
Public hearing										
Training										
Gain and loss										
Agricultural opportunity		1	1	2						
Agricultural threat										
Agricultural (industry) damage										
Farmers/fishermen welfare										
Agricultural trade gain/loss										
Competitiveness/comparativeness	2	1	2						1	1
Study/preparation on the CAFTA										
Domestic protectionistic demand										
Transportation, logistics, infrastructure				2		1		1	2	1
Agricultural investment/development			4	3						
Regulation on tariff liberalization										
Smuggling			1							
GATT consistency										

Section 6. General Conclusion

Political interest has more or less reduced ASEAN states and China's enthusiasm in widening and deepening their trade liberalization in CAFTA. They agreed few amendments to widen and deepen their commitment. ASEAN states and China are still far away from the establishment of a single market. Although tariff protection has been progressively liberalized, they still maintain other protectionistic measures—such as, sensitive track and non-tariff barriers—that impede the free flow of goods between ASEAN states and China. Similarly, trade in services and investment market are colored by protectionistic measures that impede the free flow of capital and services. Development strategy may explain this ASEAN states and China's behavior in CAFTA.

The potential benefits of CAFTA, in fact, do not automatically encourage exporters to utilize the CAFTA. Several factors, from small MOP to lack of information, caused a low utilization rate of CAFTA. Even though the utilization trend of CAFTA is gradually increasing and states promote the utilization of CAFTA, without a fundamental change of thinking in trade liberalization, the utilization rate may only reach a modest level in the near future.

The establishment of CAFTA, therefore, does not explain the drastic increase of trades between ASEAN states and China. Limited level of trade liberalization and low utilization of CAFTA cannot be factors that cause such phenomenon. This consequently means that the CAFTA more or less functions as a guarantee that ASEAN states and China will not raise their protectionistic measures above the agreed levels. The CAFTA has not shifted market-led trade integration between ASEAN states and China to trade arrangement-led one. Growing economic development in the region and the states' trade policies in general are enough to energize private sectors to expand their trades.

Considering the potential space and time span, there are relatively a few newspaper and news agency articles that report or discuss the CAFTA. Although trades with China have significant effects on ASEAN states' economy, there seems only a limited thorough study on the economic impact of the CAFTA. In Indonesia, due to a misunderstanding on the CAFTA's implementation schedule, the CAFTA has just become a hot issue in the end of 2009 or not a long time before the full implementation of the CAFTA. In Thailand, the China-Thailand BFTA on fruit and vegetables and the CAFTA EHP became a popular issue because it affected Thailand's agriculture sector.

There are also only a limited number of articles that really discuss about the CAFTA agricultural liberalization. The articles mention various issues and lack of focus. Even the impact of CAFTA on agriculture sector only becomes a hot issue in Thailand. A limited number of articles that report studies on the impacts of the CAFTA agricultural liberalization and about adjustment and remedy program indicate a limited adjustment and remedy measures may reflect a limited concern of ASEAN states' government on agricultural development.

The CAFTA has triggered controversies in ASEAN states, particularly in Thailand and Indonesia. Government bodies, private sectors and scholars were split over the CAFTA. Agricultural and industrial producers that lost in competitions complained and demanded their government to raise protective measures, support domestic agricultural and industrial sectors and delay the full implementation of the CAFTA. ASEAN governments decided to keep its commitment on CAFTA, claimed that the CAFTA provides potential benefits and promised to protect domestic interests. Lacks of thorough studies and resources disallow the resolution of the controversies.

As ASEAN states have fully implemented the CAFTA, improving domestic competitiveness and raising non-tariff protective barriers are the only option that ASEAN states have to deal with the CAFTA.

APPENDIX 1
Product Groupings (SITC Rev. 3 Section/Division)

Product Grouping	SITC Section/Division
Primary products	
Agricultural products	
Food	Food & live animals (0), beverages & tobacco (1), oil seeds & oleaginous fruits (22), animal & vegetable oils, fats & waxes (4).
Raw materials	Hides, skins & furkins, raw (21), crude rubber (23), cork & wood (24), pulp & waste paper (25), textile fibres (26), crude animal & vegetable materials (29).
Mining products	
Ores & other minerals	Crude fertilizers, other than those of division 56, and crude minerals excluding coal, petroleum and precious stones (27), Metalliferous ores and metal scrap (28).
Fuels	Mineral fuels, lubricants and related materials (3)
Non-ferrous metals	Non-ferrous metals (68)
Manufactures	
Iron & steel	Iron & steel (67)
Chemicals	Organic chemicals (51), inorganic chemicals (52), medicinal & pharmaceutical products (54), plastics (57, 58), other chemicals (53, 55, 56, 59).
Other semi-manufactures	Leather, leather manufactures, n.e.s., & dressed furskins (61), rubber manufactures, n.e.s. (62), cork & wood manufactures excluding furniture (63), paper, paperboard & articules of paper pulp, of paper or of papperboard (64), non-metallic mineral manufactures n.e.s (66), manufactures of metals, n.e.s (69).
Machinery & transport equipment	Machinery & transport equipment (7).
Textiles	Textile yarn, fabrics, made-up articles, n.e.s., and related products (65).
Clothing	Articles of apparel and clothing accessories (84).
Other consumer goods	Articles of apparel and clothing accessories (81), articles of apparel and clothing accessories (82), articles of apparel and clothing accessories (83), articles of apparel and clothing accessories (85), articles of apparel and clothing accessories (87), photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks (88), miscellaneous manufactured articles, n.e.s. (89 excluding 891).
Other products	Arms and ammunition (891), commodities and transactions not classified elsewhere in the SITC (9)

Source: "Statistics: international trade statistics, technical notes." World Trade Organization. Accessed August 28, 2011. http://www.wto.org/english/res_e/statis_e/technotes_e.htm

APPENDIX 2
Product Groupings (Harmonized System)

Product Groupings	HS Chapter
Agriculture excluding Fish	1-2, 4-5 (except 0511.91), 6-14, 15 (except 1504), 16-23 (except 1604-1605, 2301), 24, 2905.43, 2905.44, 3301-3302, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, 5301-5302
Fish and Fish Products	3, 0511.91, 1504, 1604-1605, 2301
Petroleum Oils	2709-2710
Wood, Pulp, Paper and Furniture	44-45, 47-49, 94
Textiles and Clothing:	50-63 (except 5001-5003, 5101-5103, 5201-5203, 5301-5302)
Leather, Rubber, Footwear and Travel Goods	40-43 (except 4101-4103, 4301), 64
Metals	26, 72-83
Chemical and Photographic Supplies	28-30 (except 2905.43, 2905.44), 32-39 (except 3301, 3302.10.11, 3302.10.12, 3302.10.90, 3501-3505, 3809.10, 3823, 3824.60)
Transport Equipment	86-89
Non-Electric Machinery	84
Electric Machinery	85
Mineral Products, Precious Stones and Metals	25, 27 (except 2709, 2710), 31, 69-71
Manufactured Articles, n.e.s.	46, 65-68, 90-93, 95-97

Source: "Thailand's Individual Action Plan: Tariff Summary Report for 2009", APEC Electronic Individual Action Plan (e-IAP), http://www.apec-iap.org/document/THA_2009_Tariffs.pdf (accessed October 26, 2011).