

# 中國-東協自由貿易協定與 雲南-東協農產品貿易

周觀琪

雲南大學經濟學院農村發展研究中心講師

克特·安德森

澳洲福臨德斯大學政治與國際研究學院資深講師

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## 中文摘要

按照《中國-東協全面經濟合作框架協議》(China-ASEAN Free Trade Area, CAFTA)的時間框架，中國—東協自由貿易區於 2010 年 1 月 1 日全面啓動。標誌著由中國和東協 10 國組成、接近 6 兆美元國民生產總值、4.5 兆美元貿易額的區域，開始步入零關稅時代。

2003 年中泰雙方簽署的早期收穫協議(Early Harvest plan)中允諾了中國泰國雙方 188 種蔬菜水果的零關稅貿易。由此可見，農產品做雲南和東協合作的一個傳統貿易產品，在當時就受到了相當的重視。自此，雙方就未來農產品貿易方面的迅速發展就給予了厚望，而雲南省這個有著獨特地緣優勢和資源條件的邊境省份也就被人們格外的看好。

但事實並非如人們所期望，2004 年以來的雲南東協農產品貿易不僅沒有出現之前預料的火爆，反而突顯出大量問題。而今，自貿區已經啓動，在這樣一個全面自由合作的框架下，雲南東協農產品貿易又將會以怎樣的方式發展？早期收穫協議中湧現的問題應該如何處理？而早期收穫協定中的問題又是否預示著中國—東協自由貿易區的前景將會困難重重？

# CAFTA and Agricultural Products Trade between Yunnan and ASEAN

**Zhou Guanqi**

Center of Rural Development Studies  
Yunnan University

**Curtis Andressen**

Associate Professor  
School of International Studies  
Flinders University

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## Abstract

The China-ASEAN Free Trade Area (CAFTA), otherwise known as the *Framework Agreement on Comprehensive Economic Cooperation Between the People's Republic of China and the Association of South East Asian Nation*, officially began on 1 January 2010. This region, including China and 10 ASEAN countries, with a USD 6 trillion GDP and a USD 4.5 trillion trade volume, has now entered into an era where there are almost no tariffs on trade. Indeed, 90% of the trade between China and six ASEAN members, namely, Brunei, The Philippines, Indonesia, Thailand and Singapore, has a zero tariff level.

In 2003, China and Thailand signed the 'Early Harvest' plan, within the (then) forthcoming CAFTA

framework, which eliminated tariffs on 188 kinds of vegetables and fruits traded between China and Thailand. After the implementation of the 'Early Harvest' plan, there were high expectations of rapid improvement in the trade of agricultural products trade between the two countries, and Yunnan was the center of the trade focus due to its geographical location and resource advantages.

Expectations were not met, however. There have been more problems than successes in the trade in agricultural products between Yunnan and ASEAN. Given the implementation of CAFTA, however, what can we expect of the trade in agricultural products between Yunnan and ASEAN? How can the two countries deal with the problems demonstrated by the 'Early Harvest' plan? Does the 'Early Harvest' plan indicate that full implementation of CAFTA will be problematic?

## 1. Background

China and ASEAN have been cooperating for a very long time, partly because of geographical proximity and a shared history. This cooperation has become even more intense over the past decade. In 2002 China and the ASEAN countries signed the *Framework Agreement on Comprehensive Economic Cooperation Between the People's Republic of China and the Association of South East Asian Nations*;<sup>1</sup> in November of 2003 China and Thailand signed the 'Early Harvest' plan and promoted the

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<sup>1</sup> Refer to:  
<http://gjs.mofcom.gov.cn/aarticle/Nocategory/200212/20021200056711.html>.

vegetable and fruit trade between the two countries; in November of 2004, China and ASEAN signed the *Agreement on Goods Trade* and *Agreement on Trade Disputes Settlement*; in January of 2007, China and ASEAN signed the *Agreement on Services Trade*. In August of 2009, the two sides signed the *Agreement on Investment*, indicating the major negotiations on CAFTA had been completed. On January 1, 2010, CAFTA officially started and by 2010 the trade volume between China and ASEAN had reached USD 292.8 billion. CAFTA is the first free trade area for China, and the first for ASEAN as a whole.

Yunnan, located in southwestern China, enjoys a special geographic position. It links East Asia, Southeast Asia and the South Asian subcontinent. Yunnan also connects Myanmar, Laos, Thailand, Cambodia and Vietnam together along the Mekong River. Since the signing of the *Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China* in 2002, and especially after the 'Early Harvest' Plan, the trade in fruit and vegetables increased quickly. In 2001, trade volume between Yunnan and ASEAN was USD 0.709 billion, but this increased to USD 2.2 billion in 2006, accounting for 34.8% of Yunnan's total foreign trade that year.<sup>2</sup> By 2010 trade had increased dramatically yet again. 'According to the news from Kunming Customs, in the first three quarters, total value of import and export trade

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<sup>2</sup> Yang Yubai and Li Yifeng, 'Yunnan's Opening and Economic Cooperation with ASEAN', *Inquiry into Economic Issues*, no.8, 2007, p.188.

between Yunnan and ASEAN hit a record high of USD 3.167 billion a growth of 44.8% over the same period last year'.<sup>3</sup>

Between November of 2003 and September of 2004, the first year after the start of the 'Early Harvest' plan, China imported 2.82 million tons of fruit and vegetables, with a value of USD 0.42 billion, which was an increase of 58.4% and 120%, respectively, over the previous year. At the same time, China exported 180,000 tons of fruit and vegetables, of a value of USD 698.3 million, which was an increase of 170% and 160%, respectively. By 2010 agricultural exports had increased to 369,000 tons, valued at USD 458 million.<sup>4</sup> As the bridge between China and ASEAN, Yunnan has benefited significantly from the implementation of the 'Early Harvest' plan.<sup>5</sup>

Cooperation in trade in agricultural products between Yunnan and ASEAN, while successful, also encountered some obstacles. In the implementation of the 'Early Harvest' plan a number of problems were exposed, such as weaknesses in communication and transportation, barriers in inspection and quarantine procedures, and differences in categorizing fruits and vegetables.

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<sup>3</sup> China Customs Information Integration System. 'Yunnan-ASEAN Trade Volume Achieved USD 3 Billion with an Increase of 44.8% Year-on-Year', 19 October, 2010.

[<http://www.e-to-china.com/statistics/analysis/2010/1019/87288.html>]

<sup>4</sup> Ibid.

<sup>5</sup> Zhou Guanqi, Max Smith, Curtis Andressen, 'Yunnan's Trade in Agricultural Products with Southeast Asia', *Taiwanese Journal of WTO Studies*, XIII, 2009, p124.

Expectations of sustainable development in agricultural products trade between the two parties has not been fulfilled at this point. As a trial of the cooperation between China and ASEAN, does the 'Early Harvest' plan indicate that the future cooperation between China and ASEAN will encounter even more problems? CAFTA has been officially initiated, and more cooperation plan similar to that of the 'Early Harvest' plan will also take place. Does this mean that more problems will emerge as well?

## **2. Trade between China and ASEAN**

China and ASEAN have been cooperating with each other for quite a long time but at a very low level. Before the series of cooperation plans set out above, the trade between China and ASEAN had been growing very slowly. In July of 2007, the tariff reduction process under CAFTA started, indicating a new stage of cooperation between the two sides. Bilateral trade reached a new historical record at the end of 2007, reaching USD 202.6 billion, which was supposed to be the goal for both parties three years later. Trade between China and ASEAN kept increasing at high speed. Although the world was hit by the global financial crisis in 2008, the trade volume between the two parties reached USD 231.1 billion that year. But, when the impact of the financial crisis eventually made itself felt, in 2009, the volume of trade dropped to 212 billion. However, by 2010 trade had rebounded to an all time high (see Table 1). At present, China is the third largest trading partner of ASEAN, and ASEAN ranks fourth among Chinese trading partners.

The past 15 years have been the period of quick development of China's trade, with an extraordinary performance in terms of the trade between China and ASEAN. But in 2006, for example, the trade between China and ASEAN only accounted for 1.8% of China's total foreign trade, from which we can see that there is great potential on trade between China and ASEAN.

The trade between China and ASEAN has been growing steadily, but there is great variety within ASEAN, and the growth of China's trade with each country is quite different. Table 2 shows the comparison between 2001 and 2010 in terms of China's trade with each country within ASEAN and ASEAN as a whole.

From Table 2 we can see that Malaysia is the most important trading partner of China within the ASEAN group, having grown very rapidly over the period 2001-2010. Singapore, which in 2009 was in first place has dropped to second, and Thailand, with its proximity to Yunnan, is China's third largest trading partner. Growth has been most rapid between China and Laos, but trade has also increased significantly with Malaysia, the Philippines and Thailand. But, generally speaking, across ASEAN growth in trade with China was substantial over this period, and especially so in 2010, no doubt linked to CAFTA.



Table 1 Trade between China and ASEAN, 1994-2010, in  
USD billion<sup>6</sup>

Year	Import and export	Export	Import	China's deficit
1994	13.2	6.4	6.8	0.451
1995	20.4	10.5	9.9	-0.879
1996	21.2	10.3	10.9	0.539
1997	25.2	12.7	12.5	-0.244
1998	23.6	11.0	12.6	1.574
1999	27.2	12.3	14.9	2.652
2000	35.9	17.3	18.6	1.240
2001	41.6	18.4	23.2	4.844
2002	54.8	23.6	31.2	7.629
2003	78.3	30.9	47.3	16.39
2004	105.9	42.9	63.0	20.08
2005	130.4	55.4	75.0	19.63
2006	160.8	71.3	89.5	18.22
2007	202.6	94.2	108.4	14.190
2008	231.1	114.1	117.0	2.816
2009	213.0	106.3	106.7	0.42
2010	292.8	138.2	154.6	16.36

Furthermore, China has been the largest trading partner of Vietnam for three years. China is the second trading partner of Myanmar and the third of the Philippines. During the global financial crisis, the increase of the trade between China and ASEAN slowed down but recovery has also taken place as the world economy has begun to return to positive growth.

<sup>6</sup> China Customs' Statistics, unpublished, various years.

Table 2 Trade growth between China and ASEAN (2001 and 2010), in USD billion<sup>7</sup>

Country China and...	2001	2010	Growth
ASEAN	41.61	292.8	7.03 times
Brunei*	0.17	0.42	2.47 times
Cambodia*	0.24	0.94	3.92 times
Laos*	0.06	0.74	12.33 times
Indonesia	6.72	42.8	6.36 times
Malaysia	9.42	74.2	7.88 times
Myanmar*	0.63	2.9	4.62 times
Philippines	3.57	27.8	7.77 times
Singapore	10.93	57.1	5.22 times
Thailand	7.05	52.9	7.51 times
Vietnam	2.82	30.1	10.67 times

Note: Countries marked with an \* have data taken from 2009 (2010 data was unavailable)

Within the past few years Foreign Direct Investment (FDI) from China to ASEAN also increased significantly.<sup>8</sup> The growth of China's FDI into ASEAN increased nearly ten-fold between 2003 and 2008, reflecting an increase in the total of China's FDI from 1.77% to 3.53%.<sup>9</sup> Moreover, these investments are concentrated in the areas of raw materials and energy. Meanwhile, many Chinese

<sup>7</sup> China Customs' Statistics, unpublished, various years.

<sup>8</sup> Shu, Ping and Curtis A. Andressen. "Competition for Influence: A Comparison of Chinese and Japanese FDI in Southeast Asia". *Taiwanese Journal of WTO Studies* IX (2008), p. 172.

<sup>9</sup> Julia Kubny and Hinrich Voss. 'FDI in ASEAN: Trends and impact on host countries', p.4.  
[[http://gdex.dk/ofdi10/Kubny%20Voss\\_Chinas%20FDI%20in%20ASEAN.pdf](http://gdex.dk/ofdi10/Kubny%20Voss_Chinas%20FDI%20in%20ASEAN.pdf)]

enterprises are looking for advantageous areas for future investment in ASEAN countries.

### **3. Present circumstances and problems of trade in agricultural products between Yunnan and ASEAN**

Historically as well as currently Yunnan plays a strategic role connecting South East Asia and the inner areas of China. Since the measures promoting trade between Yunnan and ASEAN were advanced, Yunnan's foreign trade has grown dramatically. For example, Yunnan's agricultural products are now exported to 59 countries and regions. In addition to the Chinese traditional export market of ASEAN, the European Union (EU) has also become a quickly growing export destination. In 2008, the export volume of Yunnan to South East Asia reached USD 2.76 billion, accounting for 9.4% of Yunnan's total export, which is a 60.6% growth compared to the previous year.<sup>10</sup> In 2009, the trade volume between Yunnan and ASEAN broke historical records again, reaching USD 3.151 billion, which is a 14% growth compared to the previous year.<sup>11</sup>

#### **3.1 Current trade in agricultural products**

Among the exports and imports of Yunnan province, agricultural products account for a substantial share, and

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<sup>10</sup> GXQY. 'Present Situation, Obstacles and Countermeasures on China-ASEAN Trade'. [www.gxqy.com](http://www.gxqy.com), 31 May, 2008.

<sup>11</sup> CNR. 'A New Record of Yunnan's Trade to ASEAN in 2009', 30 January, 2010. [http://www.cnr.cn/gundong/201001/t20100130\\_505964991.html](http://www.cnr.cn/gundong/201001/t20100130_505964991.html)

have experienced significant growth. According to Kunming statistics, agricultural products have been the major export since 2007, and Yunnan's export of agricultural product to ASEAN grew dramatically in both quantity and category from January 1, 2005, when tariffs were lowered between China and ASEAN. By the end of 2007, the trade volume on agricultural products between Yunnan and ASEAN reached USD 290 million, which is a 40.1% increase compared to the previous year. Yunnan exported 384,000 tons of agricultural products to ASEAN, or USD 210,000 million in value, increasing by 18.7% and 28.2% respectively compared to the previous year.

At the same time, Yunnan imported 517,000 tons of agricultural products from ASEAN, or USD 768.7 million in value, increasing by 87.3% and 87.6% respectively compared to the previous year.<sup>12</sup> As far as agricultural products categories are concerned, Yunnan mainly imported tropical fruit from ASEAN. In 2007, Yunnan imported 33,000 tons of dried longan from ASEAN, or USD 197 million in value, an increase of 33.2% compared to the previous year; 33,500 tons of sugar cane, or USD 77.7 million in value, an increase of 160%; 10,000 tons of palm oil, or USD 7.95 million in value, an increase of 160%; and 11,000 tons of sesame, or USD 7.13 million in value, an increase of 1300%.<sup>13</sup>

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<sup>12</sup> Kunming Customs: Agricultural Products Trade between Pan—Pearl River Delta Region and ASEAN.  
[<http://kunming.customs.gov.cn/publish/portal1174/tab2503/module12201/info125691.htm>].

<sup>13</sup> Kunming Customs, [<http://kunming.customs.gov.cn>].

Since then Yunnan's agricultural exports to ASEAN have grown even more rapidly. From January to May, 2009, Yunnan imported 893,000 tons of agricultural products from ASEAN (valued at USD 120 million), which was an increase of 31% compared to the previous year. Among all the imported items compared to the previous year, Yunnan imported 87,000 tons of palm oil (USD 53.1 million), an increase of 820%; 478,000 tons of sugar cane, (USD 14.21 million), an increase of 28.5%; 3,494 tons of cashew nuts, (USD 10.32 million), an increase of 18.6%. There has also been a significant growth in exports of tobacco, vegetables, fresh cut flowers and tea.<sup>14</sup>

### 3.2 Problems in agricultural products trade between Yunnan and ASEAN

There are a number of problems that are restricting trade between the two regions, as follows:

Firstly, the transportation infrastructure linking Yunnan and ASEAN countries should be improved. Though the Kun-Man road has been finished, and the timetable for constructing Pan-Asia railway was issued in the 'Eighth Ministry Conference of ASEAN-Mekong River Region Development and Cooperation' in 2006, it is not expected to be finished until 2015. This is important as the transportation of agricultural products between Yunnan and ASEAN is still an obvious problem due to the high requirement on storage of fresh fruit and vegetables. At

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<sup>14</sup> Idoican. 'Improvement of Trade between Yunnan and ASEAN', 24 June, 2009.  
[<http://press.idoican.com.cn/detail/articles/20090624681106/>]

present, Yunnan province has allocated substantial resources to the construction of road and railway networks to connect Yunnan and ASEAN. But, the situation in Myanmar, Laos and Vietnam is not so optimistic due to the weak infrastructure in these countries. It will be some time before the transportation network will be adequate for the movement of fresh produce.

Secondly, financial services in Yunnan are still inefficient. At present most ASEAN countries have not established financial institutions in Yunnan province. Moreover, the Chinese Yuan as a kind of regional transaction currency is only being trialed, and the Yuan cannot be freely exchanged. This has created obstacles for economic cooperation between Yunnan and ASEAN. Thus, the banking system cannot function effectively, and this has also restrained the trade on agricultural products between the two regions.

Thirdly, the trade environment, related policies and management in both ASEAN countries and Yunnan could be improved.<sup>15</sup> Under the influence of international politics, and differences in market management and regimes, there are numerous policy blocks. At the same time, the protection measures on agricultural products are not reciprocal. Under the 'Early Harvest' plan, China offered some ASEAN countries preferential trading conditions due to their underdevelopment. But this does not help China. In fact, the development of agriculture and related production

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<sup>15</sup> Marwaan Macan-Markar. 'China-ASEAN Free Trade Area Sparks Cautious Optimism', Inter Press Service News Agency. 19 January, 2010. [<http://ipsnews.net/news.asp?idnews=50029>]

in Yunnan province may be inferior to those in a number of ASEAN countries.

On the other side, there have been complaints from some ASEAN countries that the 'Early Harvest' plan has been too much to China's advantage. Thailand's negative experience in trade with China under this program spread further in Southeast Asia:

The Thai early harvest experience, in fact, created consternation not just in Thailand but throughout Southeast Asia. It stoked fears of ASEAN becoming a dumping ground for China's extremely competitive industrial and agricultural sectors, which could drive down prices owing to cheap urban labor that was continually replenished by dirt cheap labor streaming from the countryside.<sup>16</sup>

In addition, after the introduction of tariff reductions under CAFTA, competition between similar industries and products from Yunnan and ASEAN countries has grown even fiercer, which may have a significant impact on relatively weak industries in Yunnan in the long term. After the establishment of CAFTA, ASEAN countries can better utilize the strategy of import substitution, which may create numerous uncertainties for the export of agricultural products from Yunnan to ASEAN.

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<sup>16</sup> Walden Bello. 'The China-ASEAN Free Trade Area: propaganda and reality', UNSBIZ. 15 January, 2010.  
[<http://en.unsbiz.com/news.do?method=view&id=00201000151263541060808.html>]

#### **4. Opportunities in the trade in agricultural products between Yunnan and ASEAN under CAFTA**

##### **a. Central policy support**

Cooperation on agricultural products and agriculture has been a key area for both China and ASEAN, and the initiation of CAFTA will strengthen cooperation in this regard. In November, 2001, 'The Fifth Leaders Conference between China and ASEAN' confirmed that agricultural should be the priority of cooperation in the 21<sup>st</sup> century. In November, 2002, the Agriculture Ministry of China and the ASEAN secretary signed the *Memorandum of Understanding on Agriculture Cooperation between China and ASEAN*, establishing the cooperation framework in this area, for China and ASEAN, from 2003 to 2007, and this ushered in a new era of agricultural trade between China and ASEAN. In the establishment of CAFTA, trade in agricultural products was the priority of both parties' cooperation, namely the 'Early Harvest' plan. By 2006, the tariff rate on over 600 agricultural products was reduced to zero. Such an arrangement brought benefits to local consumers, promoted agricultural production and quickened the growth of trade in agricultural products.

In April, 2007, the Agriculture Ministry of China and the Asian Development Bank jointly held the 'Agriculture Ministry Conference of the Greater Mekong Sub-region (GMS)' in Beijing, and subsequently passed the *Agriculture Cooperation Strategic Framework of the Greater Mekong Sub-region*. On 9 January, 2009, the



'Asian Regional Agriculture Cooperation Symposium' was held by the Agriculture Ministry of China in Beijing, and the result was two documents, namely the *Long-term Plan of China-ASEAN Agriculture Cooperation* and the *Asian Region Food Security-Implementation Regulations on Demonstrative cropland on High Quality and Yield Agricultural Products*. Clearly, these were moves towards formalizing agriculture as a priority in trade between the two regions.

In the past few years, increasing cooperation has been carried out in the area of agriculture between China and ASEAN members, which has gradually turned out to be a critical area for both parties. The Agriculture Ministry, Commerce Ministry and Science and Technology Ministry of China initiated several agriculture cooperative projects with ASEAN countries. The projects deepened China and ASEAN's mutual understanding of each other, pushing agriculture cooperation to the national level. So far, China has signed agreements or memoranda of understanding on agriculture cooperation with Cambodia, Indonesia, Laos, Myanmar, Philippines, Thailand, Vietnam and Malaysia, which strengthened the decision making regimes on bilateral agriculture cooperation and agriculture technology exchanges.<sup>17</sup>

#### 4.2 Demonstration effect of the 'Early Harvest' plan

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<sup>17</sup> Xinhuanet. 'Opportunities from China-ASEAN Free Trade Area for Yunnan Business Development', 1 January, 2010.  
[[http://www.gx.xinhuanet.com/pbg/2010-01/01/content\\_18677005.htm](http://www.gx.xinhuanet.com/pbg/2010-01/01/content_18677005.htm)]

Trade in agricultural products between Yunnan and ASEAN has grown steadily in recent years and especially since the implementation of CAFTA. Trade in agricultural products ranks second in trade between China and ASEAN. There are now various types of tropical fruits exported to ASEAN countries, (with China's later harvest season and sometimes cost advantage), but also high quality rice, palm oil, cocoa, cassava and other products that ASEAN needs. Due to its unique climatic conditions, Yunnan is rich in warm temperature zone and sub-tropical fruit, vegetables and tea, which are imported by ASEAN countries. Yunnan agricultural products therefore have great market potential in ASEAN countries. With the implementation of the zero-tariff plan, trade in agricultural products, especially fruit and vegetables under the 'Early Harvest' plan, benefited significantly from such a cooperative system. It is expected that Yunnan's exports of fruit, vegetables, tea and other categories of agricultural products will enjoy further development in the future.

Under CAFTA, Yunnan has access to a market of 500 million people, many of whom have higher incomes than do Chinese. According to some predictions, CAFTA will increase China's exports to ASEAN by 55%, and a substantial proportion of these products will be agricultural. The reduction of tariff and non-tariff barriers will further improve the competitiveness of Yunnan's exports and expand the volume of trade. Meanwhile, there are industry complementarities in the trade between Yunnan and ASEAN. Tobacco and sub-tropical agricultural products are very competitive items for Yunnan, and ASEAN countries are rich in tropical agricultural products, which

creates potential benefits for both parities. In short, there is significant trade complementarity between the two regions.

#### 4.3 Government policy support from the provincial level in Yunnan.

Yunnan is deepening agricultural cooperation with ASEAN countries at the provincial as well as national level. Yunnan has established a coffee research farm in Champasak in Laos, the Zhong Liao Ecology and Agriculture Science and Technology Farm in Bokeo, and the Yunnan Agriculture Reclamation System is working on rubber plantations in northern Laos. Yunnan has also built an agriculture development farm in Siemreap in Cambodia, an agricultural promotion center in Lao Cai province of Vietnam, and created the China and Laos Rubber Co., Ltd in Vientiane. In the past two years, Yunnan has sponsored Laos to build an animal and plant epidemic control center in Oudomxay, Laos. Under the promotion of zero tariff measures on fruits and vegetables, the trade in agricultural products between Yunnan and Thailand via the Mekong River has been very active, gradually forming agriculture an industry chain with mutual complementarities, covering thousands of enterprises ranging from rubber plantations, poultry raising, agricultural products processing, and logistics.

Two-way FDI between Yunnan and Myanmar in agriculture has grown dramatically in recent years. By 2009 there were 117 Myanmar enterprises that had invested in Yunnan, and 270 Yunnan enterprises were doing business in Myanmar. This investment covered

agricultural products processing, the assembly of agricultural machinery, and the promotion of agricultural technology. In addition, Yunnan cooperated with Myanmar and Laos to develop opium poppy substitution programs, substituting the poppies with rice, rubber and sugar cane, eventually covering 19,000 hectares.<sup>18</sup>

#### 4.4 Transportation improvements and the agricultural products trade between Yunnan and ASEAN

Transportation is one of the ten key areas of cooperation between China and ASEAN. With the development of the trade relationship between China and ASEAN, the cooperation on transportation between these two parties grew quickly with obvious achievements. Between the 'China-ASEAN 10+1 Transportation Ministry Conference Mechanism' in 2002 and 2008, seven related conferences were held. In 2004, China and ASEAN signed the *Memorandum of Understanding on China-ASEAN Transportation Cooperation*, confirming long-term transportation cooperation plan for both parties.

Under the framework of the foregoing conference and MOU, China signed a series of bilateral and multilateral transportation agreements and additional MOUs with ASEAN countries, with the aim to complete a number of transportation corridors, including roads, railways, rivers, and airlines. Infrastructure on the Kun-Man Road and the Mekong River has largely improved, and many training programs on controlling transportation

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<sup>18</sup> Ibid.

pollution and preventing damage from natural disasters have been carried out.

During the 7<sup>th</sup> China-ASEAN Transportation Ministry Conference in November of 2008, both parties signed the *China-ASEAN Transportation Cooperation Strategic Plan in the Future 10 to 15 Years*. According to this plan, seven transportation routes and 90 infrastructural projects will connect ten major Chinese cities with industry and agriculture production bases. In addition, China and ASEAN have been cooperating on ocean transportation and air transportation through the *China-ASEAN Ocean Transportation Agreement* and the *China-ASEAN Air Transportation Agreement*.

#### 4.5 Other improvements in the trade in agricultural products between Yunnan and ASEAN

In May of 2000, an agreement on currency exchange between China and Thailand was passed at the '10+3 Finance Ministry Conference' in Chiang Mai, with the core purpose of improving short-term liquidity in the region and building up weak international financial arrangements. Since 2001, China has also signed currency exchange agreements with Malaysia, Indonesia and the Philippines in order to strengthen financial cooperation and increase confidence and mutual trust, especially in the aftermath of the global financial crisis. On 8 February, 2009, China and Malaysia signed a CNY80 billion currency agreement, which was increased to CNY 100 on 23 March, 2009. The duration of this agreement is three years, and can be expanded by agreement from both parties.

Meanwhile, the business of *Renminbi* settlement between China and neighboring countries is also functioning. In December, 2008, China signed an agreement with Vietnam and Myanmar, allowing both parties to choose their settlement currency. At the same time, the National Council of China decided to approve the Renminbi as a settlement currency in the Pearl River Delta, Hong Kong and Macao, Guangxi and Yunnan, as well as ASEAN, in the merchandise exports trade. In July, 2009, China's Renmin Bank announced *Regulations on Cross Border Renminbi Settlement*, which will further strengthen trade coordination in the region and create conditions for regional currency integration.

#### 4.6 Cooperation on inspection and quarantine

A significant number of trade obstacles associated with inspection and quarantine in agricultural products have affected the trade between Yunnan and ASEAN in the past. But, in the context of the China-ASEAN Free Trade Area, inspection and quarantine have been one of the key areas of cooperation. There are differences in the laws and regulations regarding inspection and quarantine in China and ASEAN countries. Therefore, China and ASEAN countries have signed more than 40 bilateral cooperation documents on inspection and quarantine in order to promote bilateral cooperation in this area.

In the 'China-ASEAN Inspection and Quarantine Cooperation Forum' held in November, 2006, China and ministers of inspection and quarantine from 10 ASEAN countries reached the *Nanning Consensus*, which

promotes convenient customs procedures and regional economic and trade cooperation.

In October, 2007, the *Nanning Joint Declaration* was passed, the aim of which is to promote cooperation on food security. In November, 2007, the Chinese government and ASEAN members signed the *Memorandum of Understanding on Strengthening Sanitation and PhytoSanitary Cooperation between the People's Republic of China and the Association of South East Asian Nations*, indicating that phytosanitary<sup>19</sup> and food security cooperation between China and ASEAN was going to be normalized and regulated. This will, of course, promote the sustainable development of CAFTA.

#### 4.7 Cooperation in the Greater Mekong Sub-region

Cooperation in GMS will promote the trade in agricultural products between Yunnan and ASEAN. Yunnan, given its location is one of the major areas participating in GMS cooperation. In June, 2008, the first 'GMS Economic Corridor Forum' was held in Kunming, the capital of Yunnan, together with six ASEAN member countries, with the result being the *Kunming Consensus*. This consensus was to clarify each country's responsibility in building the economic cooperation corridor of GMS, and this has placed Yunnan in a vital position.

In June, 2009, the 'GMS Economic Corridor Week and Trade Logistics Forum' was held in Kunming. More

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<sup>19</sup> This term refers to the health of plants, especially being free of pests.

than 500 people attended, coming from the governments of GMS countries, the Asian Development Bank, and logistics and business areas. In the forum representatives planned to improved logistics and infrastructure in the region, enhancing cooperation in general terms as well as contributing to each other's recovery from the global financial crisis. Indeed, it is clear that there is an adjustment taking place in the economies of both China and ASEAN to enhance complementarity.<sup>20</sup>

At the same time, at the 'Fifteenth GMS Ministry Conference', five action plans were agreed upon, namely the South-North Economic Corridor Development Plan, the East-West Economic Corridor Development Plan, Human Resource Development Strategy Framework and Action Plan, the GMS Energy Cooperation Course Map, and the GMS Investment Cooperation Plan. All of these improved the foundation for regional economic cooperation.

## **5. Conclusion**

CAFTA is the bridgehead of China-ASEAN cooperation, but this has been built upon years of cooperation on many fronts, but especially in the field of agriculture. This is not to say, however, that CAFTA necessarily presents a win-win situation 'Some scholars, however, are reflective on China's rise, its meaning and

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<sup>20</sup> Sarah Y. Tong and Catherine Chong Siew Keng. 'China-ASEAN Free Trade Area in 2010: A Regional Perspective' East Asian Institute (National University of Singapore) Background Brief No.519, 12 April, 2010.  
[<http://www.eai.nus.edu.sg/BB519.pdf>]



implications. They argue that China is a strong competitor of ASEAN with far reaching impact on the latter's strategic outlook and economic prosperity'.<sup>21</sup> The same argument has been put forward with respect to FDI, where it is feared in ASEAN countries that FDI will further shift to China under CAFTA. The reality is likely to be that sweeping generalizations are difficult to support, and the impact on China and ASEAN countries is likely to vary from industry to industry, and over time.

Regional economic integration seems to be the way of future economic development, however. With the WTO encountering difficulties balancing the needs of countries in different economic circumstances, bilateral and regional trading systems are taking its place in the short to medium term. Both China and ASEAN are engaged in both, and in many respects CAFTA makes solid economic sense. But, there are cautionary notes, including unbalanced costs and benefits, and the long term political interests of China underpinning regional economic agreements.

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<sup>21</sup> U-ACT (Affiliate think-tank of the Philippine Chamber of Commerce and Industry). 'ASEAN-China Free Trade Agreement: A Primer'. Undated. [<http://www.philexport.ph/policy/aseanchinaprimer.pdf>]

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