

**CHINA-ASEAN ECONOMIC RELATIONS:
AN UPDATE**

Sarah Y. TONG & LIM Wen Xin

EAI Background Brief No. 1081

Data of Publication: 18 November 2015

Executive Summary

1. Bilateral economic relations between China and ASEAN have grown rapidly over the past few years, especially in trade and cross-border investment. In terms of trade, China has become relatively more important to ASEAN as a trading partner than ASEAN is to China.
2. In 2014, China ranked first as the source of imports and as the export market for ASEAN. Meanwhile, ASEAN ranked first as the source of imports and third as the export market for China.
3. Bilateral trade has become increasingly unbalanced, with ASEAN as a whole facing a growing trade deficit with China, amounting to 20% of total bilateral trade according to ASEAN. China's trade with newer ASEAN members grew faster than that with the rest, namely, ASEAN5 of Indonesia, Malaysia, Singapore, Thailand and the Philippines.
4. In 2014, Malaysia remained as China's largest trading partner in ASEAN while Vietnam surpassed Singapore to be China's second largest trading partner among ASEAN countries. Sino-Vietnamese trade has grown most strongly and, in 2014, accounted for over 17.4% of total China-ASEAN trade, up from 8.4% in 2008.
5. Cross-border investment between the two has also expanded considerably, albeit from a relatively low base. Singapore has long been the single most important ASEAN investor in China, while China's investment in the region has been distributed more broadly across ASEAN member states.
6. Closer economic ties will create various opportunities in both geographies. China's strategic plan of 21st Century Maritime Silk Road, Asia Infrastructure Investment Bank and Silk Road Fund can benefit ASEAN member states.
7. ASEAN-China relations are strategically important for regional development and stability. However, economic relation between China and ASEAN also faces

challenges. The asymmetry of size and power between China and ASEAN members can be sources of anxiety and mistrust. The disputes in the South China Sea and mistrust between the two regions could hamper bilateral relations.

8. While the problem is complex and long-standing, a serious mishandling could sabotage years of Chinese government's efforts and derail amicable bilateral economic relations built over the years.