

Analysis of Trade Effects in Domestic and Foreign Economic Cooperation Fields——Taking China-ASEAN Free Trade Area as an Example

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Abstract: Since the reform and opening up, the level of China's opening to the outside world has been continuously improved, and remarkable achievements have been made in foreign trade and economic cooperation. With the improvement of China's comprehensive national strength, China, as the world's largest economy, is also increasingly improving its position in the world and has a far-reaching influence on the world economy. By analyzing the trade effect of CAFTA, this paper analyzes the development prospect of Free Trade Area, and puts forward relevant countermeasures. China should balance international trade through internal economic development, implement the economic development strategy of "increasing both inside and outside, giving priority to the inside and supplementing the outside", and make common progress with world trade.

Keywords: Foreign Trade; Economic Cooperation; Free Trade Area

1. Introduction

From the "the belt and road initiative" strategy to the G20 summit, and then to China's acceptance of the WTO Trade Facilitation Agreement, China has made great contributions to the global economic governance system and has become one of the main driving forces of the global economy. China has become an important force in the international arena by promoting the change of global economic structure and technological innovation and the development of multilateral trade forms.

Nowadays, China's foreign trade is in a good situation. According to the year-on-year calculation formula, the year-on-year growth rate of import and export volume and the year-on-year growth rate of total import and export volume show a trend of first rising and then decreasing. In 2017, the total import and export volume of China increased by 14.3% year-on-year. Although the epidemic in 2019 had an impact on the import and export of China, the total import and export volume of China still maintained an increasing trend. Analyzing the trade effect of CAFTA has scientific reference for the future development trend of CAFTA and its future impact on world trade.

2. Cooperation Mechanism of CAFTA

2.1 Cooperation mechanism

China and the ten ASEAN countries complement each other in industrial products. The mineral resources and crops in ASEAN countries are richer than those in China, with a high proportion of agriculture, a low proportion of industry and a low proportion of service industry. It can be seen that there are great differences in industrial structure between ASEAN countries and China, so the economic cooperation between China and the ten ASEAN countries can greatly promote the complementarity of the industrial chain gap.

In many industries, there is a gap in China and the output of ASEAN countries is relatively high. Similarly, there is a gap in some products in ASEAN countries and the output of China is relatively high. At this time, CAFTA has its significance.

2.2 Compared with mature economic integration organizations such as the European Union and North America.

Both EU and NAFTA are mature economies, while CAFTA is the most promising and influential economy in Asia composed of developing countries. From the perspective of cooperation, the economic exchange intensity of EU is greater than that of NAFTA and CAFTA.

For the members of CAFTA, mutual benefit, mutual understanding and accommodation are the most fundamental principles; Co-leadership has become the fundamental state of its operation, and internal members are less bound by external constraints and relatively more free, which is why they lack checks and balances, so economic exchanges will also be restricted.

At present, China and the 10 ASEAN countries have not formed a mature citizen decision-making mechanism, so the role of CAFTA is not as good as that of NAFTA and EU. As a regional economic integration organization with bilateral cooperation, CAFTA (CAFTA) is difficult for China to negotiate with one of its member countries alone, so it is difficult to form closer cooperation. At the same time, the inconsistent policies of various countries will also cause some problems in this cooperative relationship, which is the biggest difference between CAFTA and the EU.

3. The trade effect of CAFTA on China and ASEAN

3.1 CAFTA trade effect

CAFTA has brought trade growth of US\$ 4.286 billion to the members in the region. From 2004 to 2018, the trade growth of China's imports and exports to the 10 ASEAN countries is equal to that of the 10 ASEAN countries' imports and exports from China. It can be seen that there is no inefficient trade diversion effect in CAFTA, and both China and ASEAN are rich in resources, and the resource structure between them is highly complementary. Today, China has been the largest trading partner of the ten ASEAN countries for many years, and ASEAN continues to be the main trading partner of China, and each other has become the sole supplier of some products, so the CAFTA has played a significant role in regional trade growth.

3.2 The Trade Effect of CAFTA on China

As can be seen from the data in Table 2, China's import and export volume from ASEAN is increasing, and the trade creation effect of CAFTA on China is equal to the intra-regional trade growth. In addition, the growth effect of CAFTA on China's total imports is greater than its exports, which shows that CAFTA is more conducive to the import of China products in terms of the trade effect of free trade zone on China's imports and exports.

Table 2 Trade Effects of CAFTA on China and ASEAN (unit: US\$ 100 billion)

Year	China			ASEAN		
	China imports from ASEAN.	China imports from outside CAFTA	Imports from China outside CAFTA	ASEAN imports from China	ASEAN imports from outside CAFTA	Import from ASEAN outside CAFTA
2004	0.54	2.32	3.14	0.39	1.8	1.6
2008	1.12	4.11	4.06	1	2.73	2.06
2012	1.9	6.5	5.3	1.58	3.72	2.59
2016	1.95	6.92	5.29	2.24	3.29	2.83
2018	2.09	7.12	5.52	2.45	3.33	2.94
Sum	21.63	77.82	67.87	21.23	45.57	34.8

3.3 The Effect of CAFTA on Ten ASEAN Countries

After the establishment of CAFTA, the import and export trade of ASEAN from outside the region increased by US\$ 4.56 billion and US\$ 3.48 billion respectively, which shows that there is no trade transfer between CAFTA and ASEAN, and the trade creation effect of CAFTA corresponds to that of China, which shows that CAFTA has a relatively large expansion effect on the total imports of ASEAN products.

3.4 Summary of trade effect of CAFTA

China-EU and China's imports are less than their exports, while CAFTA's import trade growth between China and ASEAN is greater than its exports, so the pulling effect of CAFTA on import trade growth is more obvious. The creation effect of CAFTA on ASEAN's import and export trade has a greater effect on trade growth, but CAFTA has a greater effect on China's import and export trade. It can be seen that CAFTA is more conducive to the import of China and the ten ASEAN countries. The effect of CAFTA on the growth of China's import and export trade is greater than that of ASEAN, the expansion of ASEAN and foreign trade is less than that of China, and the creation effect of China's import trade is greater than that of ASEAN. From the perspective of resource allocation, CAFTA is more beneficial to China. Although CAFTA has produced a great increase in import trade to China, it has played a greater role in promoting ASEAN trade. Therefore, it can be seen that CAFTA has a good positive role in promoting China and the ten ASEAN countries.

4. Analysis on the Prospect of CAFTA Trade Area

After signing the Agreement on Trade in Goods, all countries in the FTZ have developed a more mutually beneficial cooperation model, which shows the great potential of CAFTA integration. Malaysian, Vietnamese, Singaporean and China trade more frequently; The trade ratio of Myanmar, Vietnam and the Philippines has grown the fastest, which has boosted the domestic economic growth at an extremely fast speed through foreign trade.

There are still many challenges for CAFTA in the future: the disputes between China and the United States and Japan may have an impact on CAFTA. ASEAN not only signed an agreement with China, but also signed relevant economic and trade agreements with the United States, Japan and other countries in an attempt to take a leading role in East Asian cooperation. Japan is also trying to gain a more important position in Asia, which makes it difficult for countries to achieve coordinated economic development. It can be seen that China's construction of CAFTA is not completely smooth, and it is bound to face difficulties.

5. Countermeasures and suggestions

From the above analysis, it can be seen that China, as an active and pragmatic participant, has always been adhering to the principle of being a responsible big country and initially contributing its own strength to the world, aiming at adopting bilateral and multilateral mechanisms to achieve a win-win situation in international trade among many countries. China has benefited from regional economic integration and economic globalization, and is constantly striving to benefit more regional and global development in all-round opening up.

5.1 Active head-on trade friction

For China, we should keep a good attitude and actively face trade frictions. Passive acceptance will put China at a disadvantage in trade disputes. Therefore, relevant departments in China should actively prevent trade disputes, choose appropriate ways to take the initiative to attack, keep calm in times of crisis and properly handle them. Build a multilateral trade situation, set different trade plans for different countries and economies, improve the efficiency of diplomatic negotiations, and protect China's own foreign trade development. China should increase communication opportunities with other countries, actively publicize China's diplomatic and trade principles, and promote the formation of multilateral trade among countries, which will also provide China with a more open trade platform.

5.2 Establish decision-making management organization

China and the 10 ASEAN countries should seek more common language and reach consensus on cooperation and development. We should also regularize and institutionalize the consensus on cooperation, so as to provide guarantee for future cooperation and development. We will earnestly implement a unified, independent and authoritative decision-making management organization, establish a sound agreement and legal mechanism and an efficient operation mechanism through institutions, make scientific choices and establish a CAFTA with an open system, work together to build a compound and open institutional system, and release institutional dividends for the region and the world.

5.3 Actively consolidate the internal economy

China should speed up economic reform, balance international trade through internal economic development, and implement the

economic development strategy of "increasing both inside and outside, focusing on the inside and supplementing the outside" to avoid the domestic economic recession caused by the impact of foreign economies on China. Only by improving its economic hard power can we effectively reduce the occurrence of trade disputes and reduce the fallacy of China. China should improve relevant laws and regulations, and earnestly safeguard China's economic interests through laws.

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