

**MEMÒRIA DEL TREBALL DE FI DE GRAU DEL GRAU
EN NEGOCIS I MÀRQUETING INTERNACIONALS (ESCI)**

The Maritime Silk Road; China and The ASEAN

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“China is a sleeping giant. Let her sleep, for when she wakes she will move the world.”-

Napoleon

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1. INTRODUCTION

Ever since Chairman Mao's leadership, several revolutionary ideas have been established in terms of culture, education, industrialization and trade amongst others. It has now been two years since Chairman Xi Jinping and other state leaders took power of the People's Republic of China (PRC) in the China Communist Party. Up to the moment, this party has been highly focused in remodeling China's foreign policies. On this shaping, logistics play a crucial role in order to enhance connectivity and trade in the current globalized economies, together with economic reforms and new partnerships.

China has been qualified as a mega-trader since 1990 and it has become the world's major trader. Having surpassed the United States leading position in 2012 and having become the second largest economy with a two-digit growth rate are clear examples of the country's evolution. Moreover, it can also be reflected by the rapid industrialization characterized for being distributed mostly in clusters or what is the same, industry agglomeration. But this model also plays an undeniable role in other East Asian countries. It is basically performed by small and medium-sized enterprises (SME's) and they are agglomerated basically in highly populated regions, driving to a regional development.

Chairman Xi Jinping together with Prime Minister Li Keqiang's trips to surrounding countries ended up in some new revolutionary strategies to enhance China's connectivity and boost cooperation, especially with the Association of Southeast Asian Nations (ASEAN). The new so-called "21st century Maritime Silk Road" has been proposed and China has already started some cooperation tactics by funding infrastructure processes in member countries.

2. BACKGROUND

2.1 Review

The New Maritime Silk Road is a trendy but wide topic that can be analyzed from many different perspectives. In this way, since it is a rather new initiative first announced in 2013 there are no specific books or records yet based on it. Although there are copious sources such as mass media news and articles, specialized magazines or official organization's sites, the number of academic papers is still somewhat small.

The following table collects some of these academic papers. Nonetheless, these have started investigating the issue from different angles – economic, infrastructures, and international

relations- but being very specific about the focus. For instance those based on the Free Trade Agreements or on the logistics development, and for proving of it this table is provided.

Table 1. Academic papers and topic categorization

AUTHOR	TOPIC
Alice, D. Ba, TJ Cheng, Jacques deLisle and Deborah Brown (2005)	Analyzing uncertainty in regional and international relations, the foundation of the AFTA, China’s proposals and ASEAN’s concerns. Topic: Trade Agreements
Katrina S. Navallo (2014)	Foundation, reasons and challenges of ASEAN-China Regional Code of Conduct in the South China Sea. Topic: Security
Justyna Szczudlik-Tatar, December 2013	Description of the New Silk Road but with a special focus on the land connectivity and implications for Poland Topic: China “Go West”
Scott, A. J. 1987.	“The semiconductor industry in South-East Asia: Organization, location and the international division of labor. <i>Regional Studies</i> ” Topic: Regionalism
Fan, C. Cindy, Scott, A. J., 2003	The relationship of industrial agglomerations and the economic development of China and Southeast Asia. Topic: Industry clusters
Sung-Woo Lee, Director International Logistics Research Department, <i>Korea Maritime Institute</i>	ASEAN logistics market trends, growth and trade in the region and the need of integrated logistics. Topic: Logistics
Jose Tongzon & Inkyo Cheong , (2013)	Challenges of the ASEAN in their efforts to improve the logistics industry and evaluate the competitiveness of the already implemented improvements and new measure. Topic: Logistics
B. Fleisher, Dinghuan Hu, W. McGuire, Xiaobo Zhang, , September 2009	With China’s rapid industrialization numerous firms are agglomerated in highly populated regions, and have specialized in manufacturing specific products. Growth is almost reaching its limit. Topic: Industry clusters

Source: Self creation

Since the sources of information keep increasing, the informative articles have been left out of the table and so have other academic papers analyzing other generalities. They can be found in the Bibliography.

2.2 The Maritime Silk Road

“One belt and one Road” is the name given to the new Chinese government-sponsored platform to push cooperation between countries while opening their economy and possessing more influence on the new world’s agenda. It was proposed by China’s Chairman Xi Jinping in the fall of 2013 as a crucial initiative to additionally promote and enhance overseas infrastructure projects. The main icon of his presidency’s administration is a “Chinese Dream” (Chansok Lak 2014) that he tries to follow in a changing situation of economic perils, where the fast growth pace has turned into a slower but healthier and more sustainable one.

This massive plan is divided into two projects that respond to the name it is given: The Silk Road (One Belt) and the Maritime Silk Road (One Road)¹. Both initiatives are inclusive and seek the same goal of a win-win situation through joint construction, by following the same principles and connecting three continents. However, the first one will be mostly used as an attempt to revive the more than 2,000 years ancient trade route connecting with Mainland China, Western and Middle Asia and Europe whereas the Maritime Silk Road will be used to develop infrastructures and cooperate with South and Southeast Asia and the Northern Indian Ocean, ending up in Europe while emphasizing on maritime trade security.

Figure 1: Silk Road Economic Belt and Maritime Silk Road in the making



Source: Xinhua.com and Barclays Research

In Figure 1 we can clearly differentiate the two routes the new initiative will follow. Dark Blue discontinuous line illustrates the One Belt Road all the way to Europe across Mainland China – Southwestern region (Tibet, Yunnan and Guangxi) is the pivot of the country’s opening to the

¹ Shannon Tiezzi (2014), “China’s „New Silk Road“ Vision Revealed: A new series in Xinhua offers the clearest vision yet of China’s ambitious „New Silk Road“”, The Diplomat,

ASEAN- and inland Asia (Exhibit 6). Light blue is for the Maritime Silk Road leaving from Fuzhou province traveling along the Malacca Straits, Africa and ending up in Europe.

The focus of this paper however will be especially on the second branch, the Maritime Silk Road and the ASEAN, the most affected region of the project. By this they try to strengthen “maritime economy, environment, technical and scientific cooperation”, in a moment where almost 85% of China’s imports are transported by the sea. (Szczudlik-Tatar 2013)

With today’s globalization greater business opportunities arise and it is believed that China’s 21st Century Maritime Silk Road will be one of the most revolutionary and successful plans for connectivity (J.Tongzon, and I. Cheong 2013).

Although China is the country fostering it and making the largest investment, it won’t be the only one benefiting from these cross-regional plan but also all the other countries surrounding it and up to 60 countries all around the world². When the project was first announced not every country welcomed it. Governments in the Asia Pacific bloc like Indonesia, Sri Lanka or Maldives rapidly exposed their interest for the initiative, since China had already been pouring investments of millions of dollars into infrastructure projects for these countries.

The US\$1.4 billion funding³ from a Chinese company for Colombo Port City’s project⁴ depicts the willingness from the giant to invest, and would be used by Xi Jinping as an example of his attempt to build the corridor. But this has also some negative responses from other countries like India who, although the route is designed to go along it, positions itself in the opposite sideway because of both historic and current issues. The Philippines shared the apparent opposition believing nothing could be done while South China Sea disputes are still on play (David Arase 2015)

One of the key outcomes for China is assuring itself countless networks and routes, used as distribution channels, together with the development of infrastructure of its near countries. Developing large and complex transport, communication and infrastructure networks connecting it with other blocs worldwide (not only Southeast Asia) has become one of China’s main priorities in recent years.

² Most countries in Southeast Asia, Northeast Africa and Europe

³ Sri Lanka Ports Authority. Development of Port City. Available at http://www.slpa.lk/port_city.asp?chk=4 . (Accessed February 2015)

⁴ Project initiated in 2002 by the then Prime Minister Ranil Wickremesinghe but stopped because of a lack of funding amongst other reasons. Sri Lankan Port Authority (SLPA) announced the later start of this offshore city in 2014 promoted by state-owned China Communications Construction Co (CCCC).

2.3 China and the ASEAN

“One vision, one Identity, one Community” - Under this motto the Association of Southeast Asian Nations (ASEAN) was established in Bangkok, Thailand, on 8 August 1967⁵. Founding Fathers were the Foreign Ministers of regions’ leaders Indonesia, Malaysia, the Philippines, Singapore and Thailand. It was only after 1984 when other members started to join, deriving into today’s Association. These latter incorporations were Brunei, Viet Nam, Lao PDR, Myanmar and Cambodia.

Historic processes of disputes amongst some of its members brought high levels of mistrust for a long time, although they had subsequent reconciliation practices. It was in the case of Indonesia, Malaysia and the Philippines disputes - reconciliation was held by Thailand- when the countries saw a need for a regional cooperation plan. It is based on a set of aims and purposes that, in general terms, what they seek is to promote regional peace and stability, as well as to boost the economic growth and harmonization. The Declaration of Conduct in the South East Asia (DOC) embodies a set of principles and commitments from both parties to encourage mutual trust, peace and diplomatic settlement of the disputes⁶. Maritime disputes in the South China Sea have been aggravated since 2011 and therefore these measures are aimed. But not every country is eager to have some sort of Code of Conduct for the region such as Philippines and Vietnam⁷. Others like Thailand and Malaysia who receive large investments from China are more willing to having a set of unified standards.

The larger the distance between countries, the lower the likelihood of trading and becoming internationalized. This is why countries had a trend to deal most of the time with their neighbors. When it comes to mega-trader China’s case, although they have become the second largest economy in the world and are trading and establishing bonds with almost every country worldwide, they still have strong ties with its neighbors. And here is where the ASEAN comes into play, with a potential of a Gross Domestic Product of about U.S.\$2.4 billion and representing up to 608 million⁸ people combining the 10 members. It has now become the third largest trading bloc worldwide, only behind the North American Trade Union and the European Union. (KPMG)

Achieving sustainable bilateral ties between China and the ASEAN plus a strong cooperation between them, is of vital importance for an also sustainable development and growth of these

⁵ ASEAN (Association of Southeast Asian Nations). Various years. Overview

⁶ Navallo, K. S. 2014. “ASEAN-China Regional Code of Conduct in the South China Sea: Challenges on the path ahead”

⁷ Idem.

⁸ ASEAN (Association of Southeast Asian Nations). 2013. Macroeconomic Indicators

developing and emerging countries. Nonetheless, this has a remarkable effect at a national level and not only regionally. Low initial investment requirements dropped prices and margins and, at the same time, labor costs and increased due to the greater competition in the market. With the cluster-strategy productions companies were able to seize the economies of scale and face product and market changes.⁹

This measure would also be positive for the relations with an ongoing separatist Taiwan.¹⁰ Back to 1945 with the creation of the United Nations after World War II, China, one of the five permanent members ever since the establishment was represented as the Republic of China (or what is the same, Taiwan). It was not only until 1971 when it started being recognized as the People's Republic of China (中华人民共和国) (PRC). Taiwan however, still wanted to preserve their position and recognition, concluding into a still current ideology confrontation with PRC. Therefore, since Taiwan has been financially investing in the ASEAN lately, the good relations between the association and China is a positive prospect for the reunification cause.

A key outcome of these deals however, is the existence of a China-ASEAN Free Trade Area (ACFTA). In November 2002, China's Sixteenth Party Congress concluded the plan for this milestone agreement to be created by 2010 and 2015 (first steps to be taken by the ASEAN Founding Fathers plus Brunei).¹¹ However, with China's entry into the World Trade Organization (WTO) in December 2001, relations would strengthen. It was another revolutionary decision in its history and it opened borders to global trade. In order to enter some of the conditions involved allowing foreign firms greater access to Chinese markets and lowering import tariffs. Apart from the obvious political-security reasons, many are the concerns and interests that drove China to the proposing. Both China and the members in the ASEAN are nowadays trading and establishing relations with a large number of economies, and many of these are Western. Hence, in current times of such a fast-changing situation, joining powers can place them in a position to better protect themselves against struggles that may arise, share risks and exploit their competitive advantages, amongst others.

⁹ Fleisher, B., et. Al., 2009. "The Evolution of an Industrial Cluster in China," Development Strategy and Government Division. International Food Policy Research Institute (IFPRI) Discussion Paper No. 00896

¹⁰ Alice, D. Ba, "China-ASEAN Relations: The Significance of an ASEAN-China Free Trade Area," in *China Under Hu Jintao: Opportunities, Dangers, and Dilemmas*, eds., TJ Cheng, Jacques deLisle and Deborah Brown (Singapore: World Scientific Publishing 2005): pp. 311-348.

¹¹ ASEAN (Association of Southeast Asian Nations). Various years.

2.4 Free Trade Agreements (FTA's)

On the other hand, despite the teamwork efforts we can't forget that both China and the ASEAN have tons of ventures, transactions and consumers, which can easily turn into a vicious competition. Hence, a continuous proliferation of mechanisms and alliances such as FTAs (together with anti-dumping regulations) are key to avoiding its occurring. But the nuts and bolts of these areas, which is likewise relevant for the One Belt and One Road initiative is to open the country to a wider extent, promote internationalization and consumption and facilitate trade and investment, while setting aside an export-based sustainability model. Shanghai's FTA founded almost two years ago, was the trigger to this new approach. Therefore, this year three geographically strategic zones have already been set up as new FTA: Tianjin, Guangdong and Fujian. Although each of the areas has a different focus because of their location, they still have in common deepening economic collaboration and investment, manufacturing and trade, both across Mainland China and with its neighbors (including Hong Kong and Macao)

Notwithstanding the positive outcomes of this cooperation, several challenges arise puzzling the goal of integration, particularly the fact that the ASEAN bloc is comprised by such a heterogeneous collection of countries. Uneven growth rates and economic development, together with the differences in religions, cultures, languages, races and lifestyles are between the leading reasons. But the ASEAN has recently been emerging to position itself as the largest regional hub, connecting the region to the neighbor greater economies. Launching an updated version of the FTA between China and the ASEAN is therefore another key issue.

3. OBJECTIVES

One of the bright sides of exploring a contemporary and fresh initiative is that almost every day you get in contact with some news related. Being recognized as a megaproject with such a wide scope, numerous are the daily suggestions and opinions on its potential impact. Living in two of the most affected countries, China and Singapore, together with my specialization in the Asian Market awoke even more my interest on the matter. Singapore being the busiest container transshipment hub worldwide¹² and China being the center of the proposition allowed me to attend conferences and read first-hand papers related to it.

This prior but basic knowledge has been reinforced by a long and deep exploration of reports, daily news and statistics from official organisms about both the "New Silk Road" and the ASEAN,

¹² "The World Busiest Port," Maritime and Port Authority of Singapore (MPA) Singapore. Available at <http://www.mpa.gov.sg/sites/pdf/infokit2.pdf>

disputes amongst countries, historic background on the relationships and the current situation. However, as seen in the above table academic papers have remarkably backed it but being very specific about the focus, opening an information gap. Therefore the aim of this paper is to close this existing gap revealed in Table 1 by answering the following research questions:

- **Regional and multilateral agreements:** China is escalating in its international positioning and influence. For instance, by joining the WTO in December 2001 they would strengthen the relationship with other countries. On the other hand, thanks to this project Beijing is signing new agreements but at a regional extent. These organizations should enhance the conflict-situation as well as the sea disputes, by establishing a maritime control of the area.
- **Trade and infrastructures:** Investments and the consequent development of infrastructures are directly linked to trade. This point of view would also be connected to each country's economies, how these will be affected by the project and the position towards China, how do they establish relationships between each other as well as with their regional trade enlargement.

Moreover, this will be related to the current role of China, who is playing the same card the developed countries were playing with her not so long ago. They are outsourcing the production pursuing resources and low labor costs in neighbor emerging countries, and this project could be the barter weapon.¹³ They follow an "I invest in your country and develop infrastructures" strategy but climbing the pyramid of power and asking for some benefits in exchange.

4. SUBJECT'S ANALYSIS

4.1 Multilateralism versus Regionalism

Countries participating in international organizations are more respected as well as influential towards other nations development and collaborations. Becoming member of the United Nations brought China legitimacy and *soft power*, although this was after 1971 when the People's Republic of China (PRC) replaced Republic of China (Taiwan) by defeating the Kuomintang in 1949. Before the change communist China was precluded from participating in international affairs. However, ever since the designation of Beijing's representation and the fact of belonging to the

¹³ Noel Quinn, "Investment drive deepens economic ties between China and ASEAN," *Daily Mirror*, October 22, 2014

five permanent members, China has gained influence on the UN's course of action and embraced a multilateral approach towards cooperation and peacekeeping.¹⁴

Entering into the UN was the kick-start of an international connectivity cycle for the PRC. China has now a permanent seat in the United Nation and is member of up to 70 international organizations; acquiring the world's leadership they have been seeking.

After 1971 China enhanced his contribution to global matters and security by "setting aside" priorities and bilateral agreements and escalating the international approach through memberships in other Intergovernmental Organizations.¹⁵

Multilateralism follows the General Agreement on Tariffs and Trade (GATT)'s "Most favored Nation" clause for international trade but which is somehow extendable to some bilateral agreements. On the other hand, the Dictionary of Trade Policy Terms defines regionalism as actions by governments to liberalize or facilitate trade on a regional basis, sometimes through free-trade areas or customs unions.

After joining the World Trade Organization (WTO) China entered a period of foundation and affiliation to several trade agreements, but a lot of the most recent are at a regional scope. Thus, they proposed the New Silk (and Maritime) Road as a breakthrough for a developing area. Because of this New Maritime Silk Road and its consequent cooperation with the ASEAN members amongst other nations, China has been forced to come up with more agreements such as the Trans Pacific Partnership possible negotiation and other bilateral and trilateral treaties.

The table provided below collects some of the International Organizations and regional agreements China has signed or is member of.

¹⁴ Susan Tieh, "China in the UN: United with other nations?," *Stanford Journal of East Asian Affairs*, Vol. 4, No. 1, (Winter 2004), 19

¹⁵ M. Taylor Fravel, "China's Attitude Toward U.N. Peacekeeping Operations Since 1989," *Asian Survey*, Vol. 36, No. 11 (November 1996), 1102-1121

Table 2: Multilateral versus Regional Agreements China

MULTILATERAL	REGIONAL
<ul style="list-style-type: none"> - United Nations - World Bank - International Monetary Fund - World Trade Organization - General Agreement on Tariffs and Trade - International Atomic Energy Agency - International Olympic Committee - World Intellectual Property Organizations 	<ul style="list-style-type: none"> - Asia-Pacific Economic Cooperation (APEC) <i>forum</i> - ASEAN Plus Three (APT) <i>arrangement</i> - ASEAN Regional Forum (ARF) - Shanghai Cooperation Organization - ACFTA - Several RTA's <ul style="list-style-type: none"> • Pakistan • Singapore • Chile • New Zealand

Source: Self-creation. Data: Various Sources¹⁶

In this regard, the Maritime Silk Road that Beijing proposes is the greatest plan for warning the international organism about a change. The WTO is a clear example of an organization following this clause and China should be following it as a result of its membership since 2001. However, their recent “open regional” approach and especially consisting mostly of these exceptions to the clause is sending an alert to their multilateral partners. What is more, with this strategy the Asian giant goes beyond this continent. It is opening another matter of discussion towards the United States (US), who is great defender and promoter of multilateralism. But this US issue is being reflected in other related matters.

However, ASEAN and China’s willingness for liberalization and leadership by boosting regionalism seems to be restricted. According to Rahul Sen (2006) the strategy towards the global free trade has to be reinforced by consequent unilateral and multilateral liberalizations,¹⁷ and this is why they are now taking a more active part in the international organisms than in the earlier years. The continent

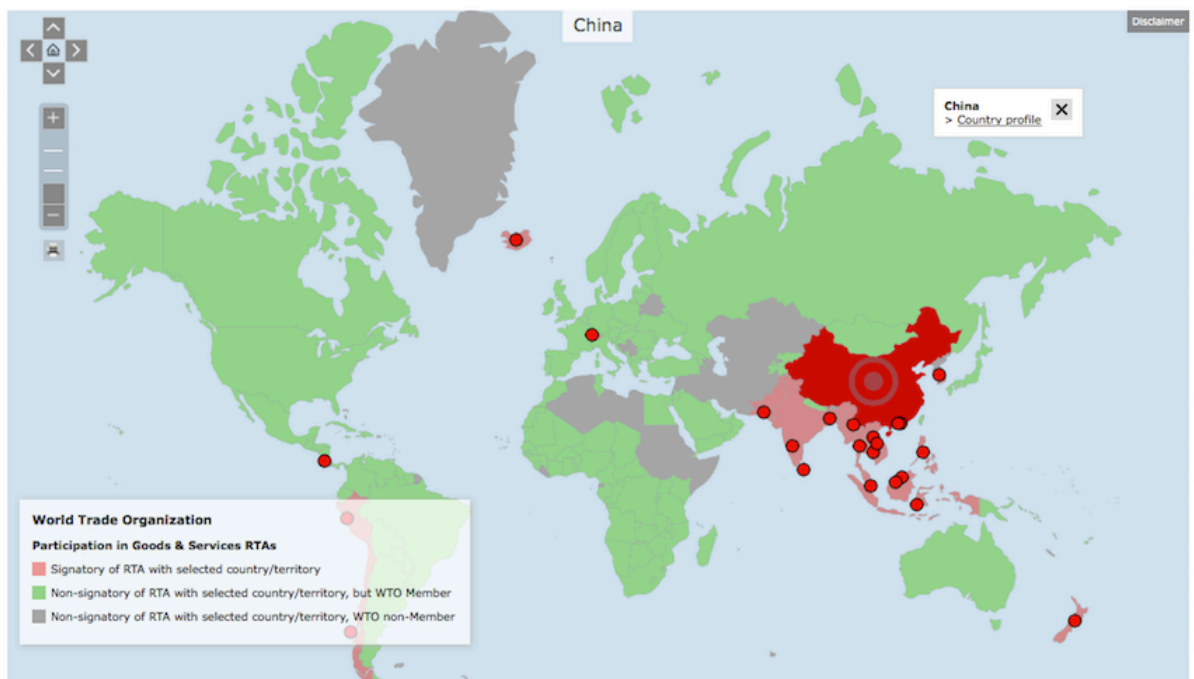
¹⁶ Whalley, J., Li, C., 2014. China’s regional and bilateral trade agreements. Vox-EU. Available at <http://www.voxeu.org/article/china-s-regional-and-bilateral-trade-agreements> (accessed April, 2015)

¹⁷ Rahul Sen, “New Regionalism” in Asia: A Comparative Analysis of Emerging Regional and Bilateral Trading Agreements involving ASEAN, China and India' (2006) 40 *Journal of World Trade*, Issue 4, pp. 553–596

is shaping towards the referred “new economic geography” (Krugman 1991), agglomerating or geographically concentrating economic activities – China and Southeast Asia region in this case-.

The graph below portrayed by the World Trade Organization shows China’s participation in Goods and Services Regional Trade Agreements (RTA). Thus, we can clearly witness the very concentrated number of agreements it has in the Asia Pacific Region with bilateral and regional agreements, plus other agreements beyond the borders of the regions such as the China-New Zealand FTA (2008), China-Peru FTA (2009), China-Iceland FTA (2013) and so on and so forth. According to the Asia Development Bank (ADB) only China has signed up to date 22 FTA’s, Indonesia 17 FTA’s, Malaysia 21 of them and smaller economies like Cambodia only 9.¹⁸

Figure 2: China’s Participation in Goods & Services RTAs



Note: WTO statistics on RTAs are based on notification requirements rather than on physical numbers of RTAs. Thus, for an RTA that includes both goods and services, we count two notifications (one for goods and the other services), even though it is physically one RTA.

Source: World Trade Organization. Last access: May 2015

In the same context it is important to notice the administrative difference between the two sorts of treaties. While in a multilateral scope every step followed bureaucratically, within a set of parameters and in an organized manner and even building headquarters, in Asia everything is muddled and there is a lack of strategic patterns. Instead of signing organizations and treaties most

¹⁸Asia Regional Integration Center. Tracking Asian Integration, Free Trade Agreements. *Asia Development Bank*. Available at <http://aric.adb.org/fta> (Accessed April 2015)

of what they get are agreements, forums, declarations, etc. with astoundingly basic principles and regulations.

Hence, for a project with the dimensions of the Maritime Silk Road, it is imperative to settle some new parameters and regulate the network's creation in order to achieve success. With this "21st Century" Maritime Silk Road, Premier Minister Li Keqiang remarked their willingness to also promote the "2+7" cooperation framework. This plan boosts regional integration through two issues and seven proposals. The two basic concerns would be a strategic trust amongst the countries and economic cooperation based on a win-win situation.¹⁹

4.2 Economy data analysis: China and Asia-Pacific

Despite a context of a global financial crisis, in the last decades the biggest revolution on the international scene has been the emergence of China, whose new role and fast productivity increases worry Western competitors. (Krugman, Obstfeld, Melitz 2012)

China's economy is divided into three sectors that account for its GDP: The primary sector, Secondary Sector and Tertiary. The secondary is the one that accounts for the largest percentage of the GDP including Industry and Construction (a 40 and 9 percent of the GDP respectively) (WTO 2013). The rate of this construction reflects the

Although it is still being considered the world's growth rate leading region, the situation from both inside and outside of it pulled the pace into a moderate slow down in 2014.²⁰ Emerging markets' growth reduced expectations for the pace slowdown. In a post crisis context China surprised with a fast development evolution, leading to a consequent investment and export-orientation, especially towards its neighbor markets.

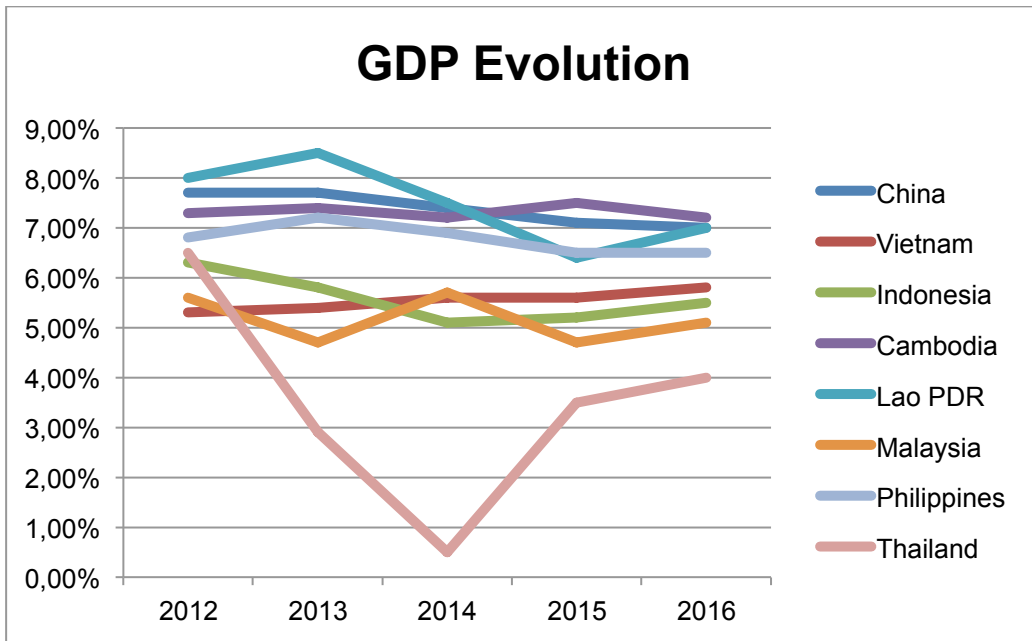
Figure 3 and Exhibit 1 (see in the Appendix) prove the evolution of the region's GDP's and income levels. East Asia and Pacific (EAP) regions progress fell to 6.9% due to political tensions and new but stronger export regulations.²¹

¹⁹ P. Parameswaran, "Beijing Unveils new Strategy for ASEAN-China Relations," China Brief, vol. 13, iss. 21, 25 October 2013, p. 10

²⁰ World Economic Outlook (WEO), April 2015, *International Monetary fund* (IMF) Available at <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>

²¹ World Bank. Country and region specific forecasts and data.

Figure 3: GDP Evolution in China and ASEAN members



Note 1: Brunei, Singapore and Myanmar excluded from the analysis.
 Source: Self-creation. Data from World Bank last update Dec2013

Countries like Cambodia, Vietnam or the Philippines have been experiencing a more balanced growth. Malaysia on the other hand, had a pick in 2014 and according to a recent Italian agency’s study this country progressed as for in 2010 owning 3% of the world’s foreign trade.²² Thanks to some of the region low labor costs and natural resources richness, countries like The Philippines, Vietnam and Indonesia are catching investment attractiveness. Plus, population in these societies is very young and it is forecasted that the Medium-class population in Philippines, Thailand and Indonesia alone reaches 196 billion people, but Indonesia suffered around a 1% loss of economic growth annually according to a World Bank Report in 2014.

4.3 Investment China-ASEAN

In the mid 1970s the economy started to be re-oriented towards a market-driven scheme and global diplomatic and trade relations had been established. These measures initiated by Deng Xiaoping’s tried to bring back the giant that back in the 1800s had the largest economy in the world.

China’s priority for foreign investment is the ASEAN, but another goal of this Maritime Silk Road is to proliferate the investment of the ASEAN enterprises to do business with China. Chinese

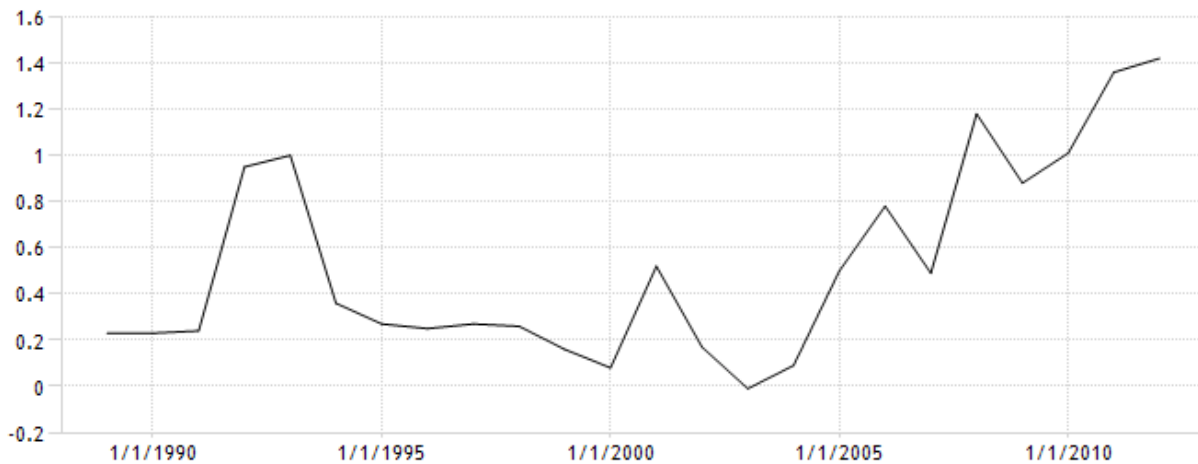
²² Esteban, M., 2015. “La presencia empresarial española en el Sudeste Asiático,” *Real Instituto Elcano*. Madrid.

government has directed a fund of 40.000 million US dollars for the plan and they have signed agreements of loans and construction in central Asia for up to 54.000 million US dollars.

There really is a robust willingness to collaborate between these countries. Thus, in the 16th China-ASEAN leader's meeting they agreed to expand both their two-sided trade to one trillion U.S. dollars by 2020 and the investment to 150 billion in the forthcoming eight years.²³

The chart below displays the evolution of China's foreign direct investment net outflows (% GDP), meaning the value of outward foreign direct investment (OFDI) made by the residents of the country to external economies.²⁴ In the 1980s the government established several measures to facilitate economic liberalization and which brought the country's recovery. In such a way, evolution of China's outbound investment is reflected with GDP's simultaneous growth. According to the World Bank, in 2012 (latest data) they accounted for 1.42 of the GDP of the country. Only in February 2015 China drew \$8.56 billion USD in foreign direct investment (FDI), a 0.9 percent more than the previous year.

Figure 4: China Foreign Direct Investment Net Outflows (% GDP)



Source: www.tradingeconomics.com, National Bureau of Statistics of China, Foreign direct investment - net outflows (% of GDP) in China. China 1989-2015

²³ "China, ASEAN aim to boost trade to 1 tln USD by 2020," CNTV, 10-10-2013. Beijing. Available at <http://english.cntv.cn/20131010/100355.shtml>

²⁴ World Bank, Data, Foreign Direct Investment

Figure 4.2: China GDP Annual Growth Rate



Source: www.tradingeconomics.com , National Bureau of Statistics of China, China GDP Annual Growth Rate 1989-2015

With the global financial crisis in 2008 China increased its Outward Foreign Direct Investment (OFDI), after thirty years engrossing themselves from foreign investments.²⁵ Its annual outflow increased from US\$2.5 billion in 2002 to US\$101 billion in 2013, where it almost overtook the inward investments. Together with the fact that their foreign reserves amount is of about US\$4 trillion, it exposes China’s potential towards the project and Southeast Asia’s progress.

4.4 Trade China-ASEAN

A higher level of economic integration between the two parties is essential for export-dependent ASEAN countries. Their sustainability and economic growth have been relying on international trade for a long time and the core countries of the relation have been United States, Japan, the members of the EU, China and Korea.²⁶ Hence, Trade is another key issue pinpointed by the platform. The “One Belt One Road” aims to increase bilateral trade volume up to 1 trillion US dollars by 2020 (Xi Jinping 2013) Two-way trade had been rising at a speed of 5.4 percent year-on-year (YoY) until July 2014, when it reached US\$261.3 billion.²⁷

China’s move towards integration with other countries in the region and their supply chains tuned into an intensification of bilateral trade imbalances (Rahman and Zhao 2013)

²⁵ “Policy banks to lead Silk Road infrastructure fund”, *China Daily*, 5 November 2014.

²⁶ The World Fact Book, Central Intelligence Agency 2007

²⁷ Noel Quinn, “Investment drive deepens economic ties between China and ASEAN,” *Daily Mirror*, October 22, 2014

Import and Export duty taxes were have been largely removed willing to achieve a highly competitive ASEAN economic Region. To these measures, four countries – Lao PDR, Myanmar, Cambodia and Vietnam- are still reluctant and keep charging duties but by the end of 2015 they will have joined the integration plan (KPMG)

Figure 5: Dependence degree of each ASEAN member with china



Source: Self-creation

As we can see in the previous figure of the dependence degree of each ASEAN member with China, this last country is in the middle of the graph in order to describe the relationship. According to the analysis of each member’s import-export trends in the period 2010-2013 – data obtained in Key Indicators for Asia and Pacific 2014 from the Asia Development Bank- in every country China fluctuates between the first and second position as a trade partner, although the differences are uneven in every country. In the case of Lao PDR exports for instance, China is in the second position behind Thailand, but the gap is quite large, and similar are the cases of Brunei’s imports or Thailand. On the other hand, in other countries like Indonesia China is increasing more and more its import share maintaining the first position. This trend reflects the potential of a growing market like the Chinese giant. (See Exhibit 7)

4.5 Change of China’s role and the impact

East Asia has been one of the top destinations of the offshoring of parts and manufacturing production from highly industrialized economies. A clear example would be the decentralization of the assembly work of U.S. electronic corporations in the mid-1970s to the time’s industrializing economies: Taiwan, Hong Kong, South Korea and Singapore. (Scott 1987).

China has now been one of the top outsourcing destinations globally for quite a long time. Many are the reasons for the attractiveness of the country; especially low labor costs, country dimensions and

proximity to the local market. This is because as the four newly industrializing economies (Taiwan, Hong Kong, South Korea and Singapore) developed, the search for new cheap labor destinations moved to outer regions like China.

This decision in the end turned up to be enriching for the Chinese population, although generating some side effects. This forced them to gain copious skills in rather short time in order to seize the opportunity they were given and being able to survive and make a living out of it. Thus, the experience they once lacked was being diminished making the population increasingly competent, and these competences are amid the reasons for its rapid growth.

But the role is changing. The giant is now seeking to extrapolate what was once done to him to others, being its neighbor countries the members of the ASEAN a key target. China's economy is shifting and they are escalating the value-chain and increasing its shares to high technology exports. But the key issue of the regional change is the rise in production costs. A consumer-oriented trend is conquering the country and new requirements need to be met. Thus, the number of Chinese and international companies who are offshoring and outsourcing their functions and parts to ASEAN lower-cost countries is growing. Peripheral economies such as the Philippines, Indonesia, Thailand or Cambodia have now overtaken the leading position as attractive offshoring destinations. They provide accelerated manufacturing and rhythms of work, cheap labor and workers willing to bear long hours.²⁸

Nonetheless, China not only seeks neighbor countries to outsource. Although their situation has evolved a lot in the last 30 years, in other corners like Africa it has stood still. Relationships with this continent are flourishing and destinations like Ethiopia are being highly considered.

China's average manufacturing wage is 3,869 Yuan (554€) per month, while Ethiopia's entry-level salaries range from 31€ to 35.5€ per month and whose government doesn't even want to intervene in setting a minimum wage. This clearly reflects the willingness of China for finding new spots that can cut labor costs, but at the same time helping to grow to those countries that nowadays are in the same place they were not so long ago.²⁹

²⁸ Noel Quinn, "Investment drive deepens economic ties between China and ASEAN," *Daily Mirror*, October 22, 2014

²⁹ Foltyn, S., 2014. "Ethiopia: Booming Business, underpaid workers." *Al Jazeera*. Available at <http://www.aljazeera.com/indepth/features/2014/12/ethiopia-booming-business-underpaid-workers-20141228732485264.html>

4.6 The Yuan and the AIIB

Despite its recent rise and having become the world's second largest economy (KPMG, 2011; CNN Money, 2011) with a GDP of US\$9.240 trillion, despite holding a key position by being one of the five permanent members of the United Nations since its foundation back in 1945, together with other incorporations in international institutions like the World Trade Organization (WTO), China is still considered an emerging country. Belonging to the BRICS group (Brazil, Russia, India, China and South Africa)³⁰, they have all announced to launch a World Emerging Bank and scale their power and positioning worldwide. Ever since the IMF's creation, the institution has been in hands of the Europeans and the World Bank in America's and the roles seem to be immovable. Hence, Beijing has opted to come up with a homemade alternative to be domestically controlled and that will be the major institution funding the Maritime Silk Road and the regional infrastructure development, along with his adversary the Asia Development Bank (ADB).

Economic reforms came along with Xi Jinping's new presidency of the PRC, with new measures such as the currency's internationalization or the capital account's opening. Although Yuan's first liberalization movement was in 2009 when China allowed using the currency for international transactions, it wasn't until the next year when it was extended worldwide. This measure turned into a fast Yuan market growth with deposits in Hong Kong up to 548.8 billion Yuan by May 2011, around 458.8 billion Yuan more than the previous year.³¹ This, together with the announcement of a 21st Century Maritime Silk Road launching is crucial for boosting connectivity with its Southeast Asian neighbors and being a thousand times closer to the world's opened economies.

The greater Yuan's liberalization has meant an escalation of the currency from the 20th to the 5th position of the most used currencies for international transactions ranking. But this fact together with China having the world's largest foreign-exchange reserves, the Yuan used for up to 60% of European firms' transactions or their double-digit growth in latest years seem not be enough and China is still far behind the Dollar's power. Thus, China's frustration for its relentless efforts to overcome America's dominance has led them to come up with the alternative plan of creating the new Asian Infrastructure Investment Bank (AIIB)³² and seen as the Asia Development Bank and the World Bank's rival through a change in banking power.³³ According to Lawrence H. Summers

³⁰ Robin Niblett, "The Economic Crisis and the Emerging Powers: Towards a New International Order?," *Real Instituto Elcano*, February 20, 2012

³¹ Source: The Wall Street Journal, Time for Next Move on Yuan Liberalization, 28 February 2011

³² Multilateral development bank to be set by the end of 2015 with Beijing selected for hosting the headquarters. 42 countries applied to join Prospective Founding members.

³³ Daleen Hassan, "China aumenta su influencia en la economía mundial," *Euronews*, April 21, 2015

(2015) this will provide China with the chance to multiply its influence. A Maritime Silk Road Bank and a Silk Road Fund are yet other funding sources for the plan, announced in the same October's 2013 speech for announcing the initiative and China's agenda.³⁴ Beijing already launched in December 2014 a US\$40 billion Silk Road Fund to enhance infrastructures, transport and trade networks.³⁵ The AIIB is seen as a key multilateral lender to lead and fund the infrastructure developments of the entire project and it targeted donations of more than US\$100 billion with China bestowing up to half of the amount.

4.7 Infrastructure development

“We need to speed up cooperation in boosting mutual connectivity in areas such as transports, infrastructure projects, telecommunications and energy” is what Xu Ningning, Executive president of China-ASEAN Business Council said.

According to Goldman Sachs projections, the demand for investment in energy and transport for Thailand, Malaysia, Indonesia and The Philippines (only four of the ASEAN countries) would rise to around US\$524 billion until 2020. The top investment need is for Power, followed by roads and railways requiring about US\$120 billion each, and finally water and sanitation, ports and airports.³⁶

Logistics play a crucial role on the achievement of this new role. In such a globalized world where supply chains are what differentiate most businesses and the consequent success, when outsourcing functions or departments, is vital that these follow a good strategy. China must be faultlessly linked to its outsourcing plants, what boosts a good infrastructure and logistics progress and particularly international trade especially in their existing effort to achieve a higher integration of the region. ASEAN members on the other hand approved a Roadmap for the logistics development in 2007 concealing measures like enhancing the region's multimodal transport infrastructure and investment, trade and customs reforms, logistics acceleration and facilitation and so on and so forth. All these measures however are not implemented to the same extent in every country. Singapore for instance is the leader for the high execution degree, while others like Cambodia or Malaysia have lower indexes. And this is one of the reasons for the Master Plan³⁷, to reduce this development gap and

³⁴ Yale, W. 2015. “China's Maritime Silk Road Gamble.” *The Foreign Policy Institute*. Available at <http://www.fpi.sais-jhu.edu/#!/China's-Maritime-Silk-Road-Gamble/c1qv5511bfb60cf21e26baa971ab>

³⁵ “The Silk Road Economic Belt and the 21st Century Maritime Silk Road.” Fung Business Intelligence Centre, April 2015

³⁶ Adams, R., 2014. An overview of infrastructure opportunities in ASEAN. *KPMG International Cooperative*. Printed in Singapore

³⁷ ASEAN-China Transport Ministers' special meeting on Connectivity. Joint Statement. September 2nd, 2013. Nanning, China

build networks to broaden the region's impact. But Beijing is planning to invest in the region up to US\$ 150 billion by 2020.

China is now focusing on infrastructure by building especially high-speed rails and roads, highways and distribution and energy transmission networks, along with investing in real estate and agricultural processing. They have expanded from their past priority based only on natural resources. They compromised to update the railways in countries where they usually get supplies from, after what they believe they will strengthen bilateral relationships with these countries, be provided with resources and broaden its influence in the region. The agreement signed by Xi Jinping in his trip to Indonesia is one of the latest examples, about the construction of high-speed train railways, starting by 860 km connecting with the capital. Three of the biggest infrastructure projects however involve the Singapore-Kunming Rail Link, a 5,382km high-speed rail connecting Singapore and Southwest China in 12 hours through its neighbor countries, and the ASEAN Highway Network and the ASEAN Power Grid, joining power systems. While some of the projects are already taking shape and remarkably progressed, others are in standby due to a priority issue and lack of funding. (See Exhibit 3 from the Appendix)

Competing with countries like Japan and India in terms of investment is also on the eye of China, countries with whom they also share other conflicts and discrepancies – like the Diaoyu/Senkaku Islands disputes in the Japan case-. But some of these clashes have been left aside and started looking for collaboration recipes. Thus, Li Keqiang and India's Prime Minister Narendra Modi recently met, where the first mentioned that despite having some discrepancies the common interests they both shared were greater.³⁸

5. CONCLUSIONS

Cooperation and convergence are fundamental factors affecting the pace of globalization. Trade is directly linked to this process, and in a context where more countries keep growing and doing it sharply, there has been an emergence of new trading regions and partners. China – acting as a mega-trader - and the ASEAN have both enjoyed this progress but according to data it is clear that they still have a long path ahead to become the world's leaders, especially since there are still numerous risks and logistics barriers blocking the great potentials. In this sense the “One Belt One Road” initiative is an opportunity to promote this integration and alliances, by pushing growth rates through investments in infrastructures or security matters. China on the other hand despite fostering

³⁸ Ambrós, I., 2015. “Modi pide a China superar las diferencias y cooperar más con la India”. *La Vanguardia*, Internacional, Edición impresa.

a regional development, action in multilateral agreements has increased and it will be the hope answer to revive multilateralism.

This paper reveals the alterations and evolution China and Southeast Asia are suffering in terms of economic integration and agreements amongst the countries. However, due to study limitations, several gaps and study topics are left aside for further analysis. Some of these topics would be to analyze China's private sector and the enterprises investing in global projects (such as the Nicaragua Canal), countertrade as a strategy towards agreements and development and so on and so forth.

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7. APPENDIX

Exhibit 1: Economic data in China and ASEAN members

	GDP (Current US\$)	POPULATION (Millions)	INCOME LEVEL
CHINA	\$9.240 trillions	1.357 billions	Upper Middle
SINGAPORE	\$297.9 billions	5.399	High (non OECD)
MYANMAR	\$56.8 billions	53.26	Low
INDONESIA	\$868.3 billions	249.9	Lower Middle
PHILIPPINES	\$272.1 billions	98.39	Lower middle
VIETNAM	\$171.4 billions	89.71	Lower Middle
LAO PDR	\$11.24 billions	6.770	Lower Middle
BRUNEI	\$16.11 billions	417.800 total	High (non OECD)
THAILAND	\$387 billions	67.01	Upper Middle
MALAYSIA	\$312 billions	30,4	Upper Middle
CAMBODIA	\$15.25 billions	15.14	Low

Note: GDP, Population Data from December 2013

Source: World Bank

Exhibit 1.2: Gross Domestic Product in ASEAN, at current prices (nominal), in US dollars

Country	in US \$ million; at current market prices												
	2009	2010	2011	2012	2013	2012				2013			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brunei Darussalam	10,815.4	12,401.9	16,691.4	16,969.7	16,117.5	4,242.6	3,780.6	4,135.3	4,811.3	4,331.3	3,884.7	3,671.8	4,229.6
Cambodia	10,353.7	11,229.3	12,803.9	14,010.9	15,511.1	-	-	-	-	-	-	-	-
Indonesia	545,854.5	710,068.3	846,522.6	874,485.9	860,849.5	217,867.9	218,698.6	221,764.6	216,154.9	220,633.2	224,148.9	215,525.8	200,541.6
Lao PDR	5,594.9	6,752.0	8,060.6	9,398.3	10,283.2	-	-	-	-	-	-	-	-
Malaysia	202,627.4	243,429.0	289,517.2	305,389.7	312,071.6	74,885.9	74,281.2	76,380.1	79,842.4	76,271.1	76,656.4	76,881.5	82,262.6
Myanmar	31,831.6	42,228.6	51,518.2	53,961.4	54,661.2	-	-	-	-	-	-	-	-
Philippines	168,643.9	199,975.9	224,107.8	250,603.0	269,024.0	56,162.7	61,273.7	61,049.0	72,117.6	64,856.2	66,446.9	63,840.5	73,880.4
Singapore	192,408.4	236,421.8	274,038.0	286,908.7	297,941.3	70,011.0	70,806.4	70,953.4	75,241.7	73,501.8	74,025.8	73,468.5	76,949.6
Thailand	264,040.9	319,276.5	345,825.5	366,126.6	387,573.8	90,294.0	89,852.6	89,337.5	96,642.5	100,652.3	98,867.8	92,894.3	95,159.4
Viet Nam	106,018.3	116,299.9	135,541.1	155,820.0	171,219.3	26,335.0	33,992.7	34,548.7	46,792.7	32,824.5	39,857.7	43,106.0	55,304.3
ASEAN	1,538,188.8	1,898,083.3	2,204,626.3	2,333,674.3	2,395,252.5								
ASEAN 6 ^{1/}	1,384,390.4	1,721,573.5	1,996,702.5	2,100,483.7	2,143,577.7								
CLMV ^{2/}	153,798.5	176,509.8	207,923.8	233,190.6	251,674.8								

Source: ASEAN Finance and Macro-economic Surveillance Unit Database (compiled/computed from data submission, publications and/or websites of ASEAN Member States' national statistics offices and relevant government agencies, and from the International Monetary Fund World Economic Outlook (IMF WEO) Database October 2014.

Symbols used

- not available as of publication time

n.a. not applicable/not available/not compiled

Data in *italics* are the latest updated/ revised figures from previous posting.

Notes

Data is computed by dividing GDP in US dollar term by the projected midyear population for the respective year.

1/ ASEAN 6 consists of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand

2/ CLMV comprises Cambodia, Lao PDR, Myanmar and Viet Nam.

3/ Cambodia 2013 figure taken from IMF-WEO October 2014

Note: Table as of December 2014, in US\$ million; at current market prices.

Note 2: ASEAN 6 consists of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand

Source: ASEAN statistics <http://www.asean.org/component/zoo/item/macroeconomic-indicators> December 2014

Table 1.3: Summary of Net Lending and Borrowing (Percent of GDP)

	Averages								Projections		
	1997-2006	2001-08	2009	2010	2011	2012	2013	2014	2015	2016	Average 2017-20
Canada											
Net Lending and Borrowing	1.0	1.4	-3.0	-3.5	-2.7	-3.3	-3.0	-2.2	-2.6	-2.3	-2.1
Current Account Balance	1.0	1.4	-2.9	-3.5	-2.7	-3.3	-3.0	-2.2	-2.6	-2.3	-2.1
Savings	22.3	23.5	18.9	19.8	21.5	21.6	21.5	21.9	21.3	21.4	21.8
Investment	21.3	22.1	21.8	23.3	24.1	24.9	24.5	24.1	23.9	23.7	23.9
Capital Account Balance	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Advanced Economies²											
Net Lending and Borrowing	3.5	3.8	4.0	4.7	3.9	4.0	5.1	4.8	4.9	4.3	3.8
Current Account Balance	3.5	3.9	4.0	4.7	3.8	4.0	5.0	4.8	4.9	4.3	3.8
Savings	28.7	29.1	28.2	29.8	30.0	30.0	30.1	30.2	30.3	30.1	30.0
Investment	25.9	25.9	24.6	25.9	26.6	26.4	25.3	25.3	25.2	25.6	26.1
Capital Account Balance	-0.1	-0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Emerging Market and Developing Economies											
Net Lending and Borrowing	1.7	3.0	1.4	1.7	1.7	1.5	0.8	0.6	0.3	0.5	0.5
Current Account Balance	1.5	2.9	1.3	1.4	1.6	1.4	0.7	0.7	0.1	0.4	0.5
Savings	26.4	29.7	31.7	32.6	33.4	33.1	32.5	32.3	32.3	32.5	32.4
Investment	25.3	27.1	30.6	31.3	31.9	31.9	31.8	31.6	32.2	32.1	32.1
Capital Account Balance	0.2	0.1	0.1	0.3	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Regional Groups											
Commonwealth of Independent States³											
Net Lending and Borrowing	6.1	5.8	1.9	3.9	4.3	2.3	0.6	0.5	2.5	3.7	3.5
Current Account Balance	6.3	6.7	2.6	3.4	4.3	2.5	0.6	2.2	2.5	3.7	3.5
Savings	26.8	29.4	22.0	26.3	29.0	26.6	23.3	23.4	23.1	24.3	24.5
Investment	20.6	22.8	19.2	22.7	24.6	24.1	22.6	21.0	20.3	20.4	21.1
Capital Account Balance	-0.4	-0.9	-0.7	0.4	0.0	-0.2	0.0	-1.6	0.0	0.0	0.0
Emerging and Developing Asia											
Net Lending and Borrowing	2.7	3.9	3.5	2.5	0.9	1.0	1.1	1.3	2.1	2.0	1.7
Current Account Balance	2.6	3.9	3.4	2.4	0.9	1.0	1.0	1.3	2.1	2.0	1.7
Savings	35.1	39.0	44.6	44.5	43.9	43.7	43.5	43.0	42.9	42.5	41.4
Investment	33.0	35.5	41.1	42.0	42.9	42.7	42.4	41.6	40.8	40.5	39.7
Capital Account Balance	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Emerging and Developing Europe											
Net Lending and Borrowing	-3.7	-4.9	-2.7	-4.4	-5.7	-3.6	-2.7	-1.6	-1.4	-2.2	-2.8
Current Account Balance	-3.9	-5.1	-3.4	-5.1	-6.5	-4.6	-3.8	-2.9	-2.4	-3.0	-3.6
Savings	17.9	17.1	16.0	15.9	16.7	16.5	16.6	17.3	17.0	16.9	17.0
Investment	21.6	22.1	19.4	21.0	23.1	21.0	20.4	20.1	19.3	19.8	20.5
Capital Account Balance	0.2	0.3	0.7	0.7	0.8	1.0	1.2	1.2	1.0	0.8	0.8
Latin America and the Caribbean											
Net Lending and Borrowing	-1.1	0.1	-0.7	-1.1	-1.4	-1.8	-2.8	-2.8	-3.2	-3.0	-2.7

Source: World Economic Outlook (WEO), April 2015, International Monetary fund (IMF)
Available at <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf>

Exhibit 2: Implementation indexes in selected ASEAN countries from logistics industry perspectives

ASEAN Countries	Customs and trade facilitation	Logistics facilitation	Expanding capacity	Human resource development	Multimodal transport infrastructure and investment
Cambodia	31.93 (10.10)	49.01 (10.3)	46.77 (3.20)	33.85 (6.20)	43.85 (2.50)
Indonesia	50.00 (12.29)	46.43 (11.79)	49.66 (11.36)	47.08 (10.90)	45.00 (2.13)
Malaysia	49.67 (8.20)	44.76 (5.30)	38.22 (2.50)	50.56 (3.50)	45.56 (1.50)
Singapore	68.24 (5.2)	57.14 (4.00)	63.33 (4.20)	63.33 (4.10)	63.33 (1.80)
Vietnam	41.66 (6.69)	52.74 (6.00)	53.00 (2.00)	39.48 (5.34)	61.30 (0.49)
Averages	48.3	50.02	50.20	46.86	51.81

Notes: These measures can also be weighted in terms of their importance to the enhancement of logistics competitiveness. This is not done here but can be done by individual countries themselves since these countries will have different weights due to their different economic conditions and initial level of competitiveness. Figures in brackets are standard deviations for each group of measures and country.
Source: Calculated based on industry perceptions resulting from the industry interviews.

Source: Jose Tongzon & Inkyo Cheong, *International Journal of Logistics Research and Applications* (2013): *The challenges of developing a competitive logistics industry in ASEAN countries*, *International Journal of Logistics Research and Applications: A Leading Journal of Supply Chain Management*, DOI: 10.1080/13675567.2013.862228

Exhibit 3: Projected Needs for Infrastructure Spending: ASEAN-4



Source: "ASEAN's half a trillion dollar infrastructure opportunity", Goldman Sachs, May 2013

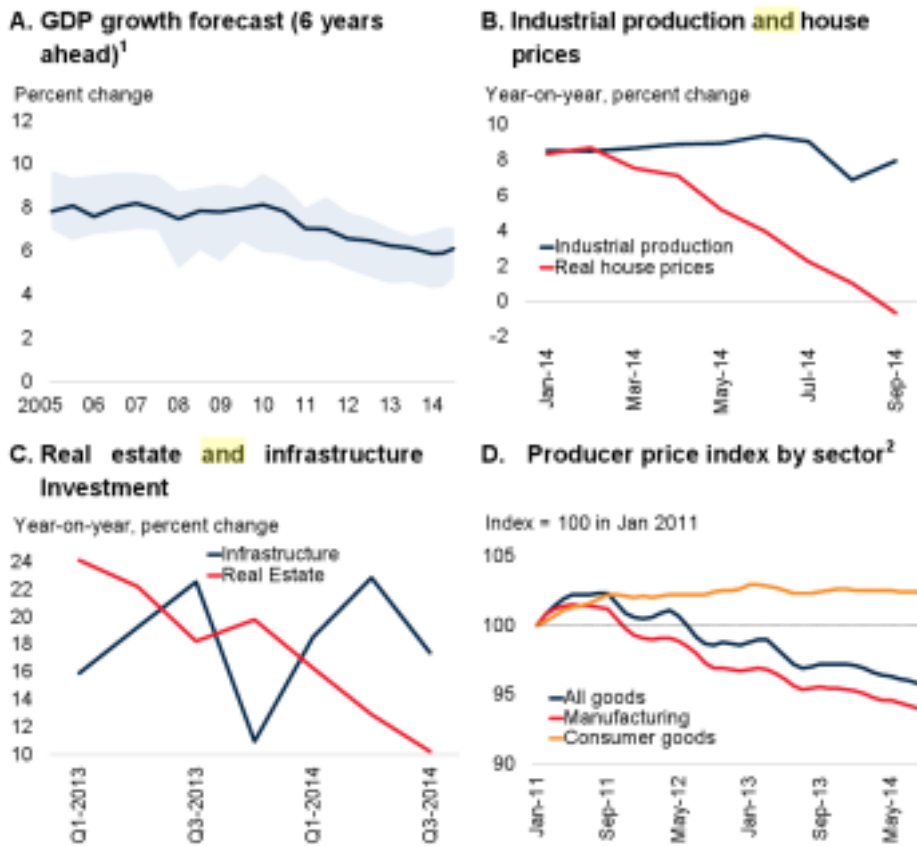
Source: "ASEAN's half a trillion dollar infrastructure opportunity". Goldman Sachs, May 2013

Exhibit 4: ASEAN Countries' Position in the Global Logistics Performance Index

	Quality of overall infrastructure	Quality of roads	Quality of railroad infrastructure	Quality of port infrastructure	Quality of air transport infrastructure	Quality of electricity supply
Singapore	5	6	n/a	2	1	6
Malaysia	20	19	12	19	19	39
Brunei	39	35	n/a	49	55	59
Thailand	76	50	74	54	34	58
Indonesia	72	72	41	77	64	84
Philippines	95	87	80	101	108	87
Vietnam	112	104	52	88	87	88
Lao	66	68	n/a	129	82	64
Cambodia	109	93	98	97	106	110
Myanmar	138	134	94	125	137	117

Source: World Economic Forum, The Global Competitiveness Report 2014-2015.

Exhibit 5: GDP growth forecast (6 years ahead)



Sources: Consensus Economics, Haver Analytics, and World Bank.

1. Six-year-ahead GDP growth forecast, grey band indicates the range of forecasts, from minimum to maximum, compiled by Consensus Economics.

2. Latest data December 14, 2014.

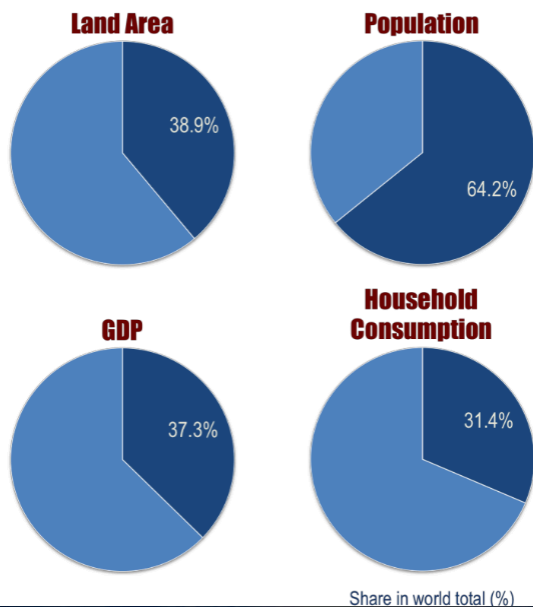
World Bank Group. 2015. *Global Economic Prospects, January 2015. Having Fiscal space and Using it.* Washington DC: World Bank doi 10.1596/978-1-4648-0444-1. License: Creative Commons Attribution CC BY 3.0 IGO

Exhibit 6: Regions & Provinces in China: Positioning in the One Belt One Road Initiative



Source: “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road”, compiled by the Fung Business Intelligence Centre. Available at <https://www.fbicgroup.com/sites/default/files/The%20Silk%20Road%20Economic%20Belt%20and%20the%2021st%20Century%20Maritime%20Silk%20Road%20APR%2015.pdf>

Exhibit 6.2: Economic Significance of One Belt One Road Countries



Source: Source: The World Bank, compiled by the Fung Business intelligence Centre. Available at <https://www.fbicgroup.com/sites/default/files/The%20Silk%20Road%20Economic%20Belt%20and%20the%2021st%20Century%20Maritime%20Silk%20Road%20APR%2015.pdf>

Exhibit 6.3: List of Countries Included in Computing the Percentage Shares Shown in Exhibit 7

	Land area (sq. km, 2014)	Population (million, 2013)	GDP (current US\$ billion, 2013)	Household consumption (current US\$ million, 2013)	
North and East Asia	China	9,388.2	1,357,380.0	9,240.3	3,446.8
	Russia	16,376.9	143.5	2,096.8	1,089.1
	Mongolia	1,553.6	2.8	11.5	6.2
	Kazakhstan	2,899.7	17.0	231.9	117.5
Central Asia	Kyrgyzstan	191.8	5.7	7.2	6.8
	Tajikistan	140.0	8.2	8.5	9.5
	Turkmenistan	469.9	5.2	41.9	5.3
	Uzbekistan	425.4	30.2	56.8	30.4
West Asia	Afghanistan	652.9	30.6	20.3	16.6
	Armenia	28.5	3.0	10.4	9.2
	Azerbaijan	82.7	9.4	73.6	30.8
	Bahrain	0.8	1.3	32.9	11.6
	Cyprus	9.2	1.1	21.9	Not available
	Georgia	69.5	4.5	16.1	11.5
	Iran	1,628.6	77.4	368.9	0.0
	Iraq	434.3	33.4	229.3	0.0
	Israel	21.6	8.1	290.6	164.3
	Jordan	88.8	6.5	33.7	27.3
	Kuwait	17.8	3.4	175.8	42.5
	Lebanon	10.2	4.5	44.4	31.5
	Oman	309.5	3.6	79.7	22.8
	Qatar	11.6	2.2	203.2	24.1
Saudi Arabia	2,149.7	28.8	748.4	222.2	
Southeast Asia	Syria	183.6	22.8	Not available	Not available
	Turkey	769.6	74.9	822.1	582.7
	United Arab Emirates	83.6	9.3	402.3	200.4
	Yemen	528.0	24.4	36.0	Not available
	Brunei	5.3	0.4	16.1	3.6
	Cambodia	176.5	15.1	15.2	12.6
	Indonesia	1,811.6	249.9	868.3	484.8
	Laos	230.8	8.8	11.2	7.3
	Malaysia	326.6	29.7	313.2	160.0
	Myanmar	653.3	53.3	Not available	Not available
South Asia	Philippines	296.2	88.4	272.1	199.4
	Singapore	0.7	5.4	297.9	110.5
	Thailand	510.9	67.0	387.3	210.8
	Vietnam	310.1	89.7	171.4	111.5
	East Timor	14.9	1.2	1.3	0.9
	Bangladesh	130.2	156.6	150.0	109.3
	Bhutan	38.1	0.8	1.8	1.0
	India	2,973.2	1,262.1	1,876.8	1,071.9
	Maldives	0.3	0.3	2.3	Not available
	Nepal	143.4	27.8	19.3	15.1
Eastern Europe	Pakistan	770.9	182.1	232.3	188.6
	Sri Lanka	62.7	20.5	67.2	44.9
	Estonia	42.4	1.3	24.9	12.8
	Latvia	62.2	2.0	31.0	17.5
Southern and Western Europe	Lithuania	62.7	3.0	45.9	27.2
	Ukraine	579.3	45.5	177.4	129.0
	Belarus	202.9	9.5	71.7	36.8
	Moldova	32.9	3.6	8.0	7.4
East Africa	Poland	306.2	38.5	525.9	320.2
	Greece	126.9	11.0	242.2	172.5
	Italy	294.1	59.8	2,149.5	1,300.3
	Germany	348.5	80.6	3,730.3	2,086.6
Total	Netherlands	33.7	16.8	853.5	384.5
	Kenya	569.1	44.4	55.2	44.2
Share of One Belt One Road Countries in world total	Egypt	965.5	82.1	272.0	220.8
	Total	50,443.7	4,574.6	28,195.6	13,601.2
	38.9%	64.2%	37.3%	31.4%	

Source: The World Bank, compiled by the Fung Business intelligence Centre. Available at <https://www.fbicgroup.com/sites/default/files/The%20Silk%20Road%20Economic%20Belt%20and%20the%2021st%20Century%20Maritime%20Silk%20Road%20APR%202015.pdf>

Exhibit 7.6: Import-Export Trends in Philippines

Direction of Trade	million US dollars; calendar year																				
Exports, total	20562	25238	29505	35487	38216	32150	35208	36231	39680	41221	46986	50466	49078	39227	51432	48042	51992	53978			
1. Japan	3668	4194	4232	4660	5609	5057	5293	5768	7983	7203	7741	7304	7707	6392	7827	8866	9881	11423			
2. United States	6966	8656	10145	10493	11406	8994	8691	7275	7209	7429	8608	8601	8216	6924	7568	7107	7406	7832			
3. China, People's Rep. of	328	244	344	575	663	793	1366	2145	2653	4077	4617	5760	5469	2986	5702	6102	6102	6159	6588		
4. Singapore	1224	1621	1832	2467	3124	2308	2472	2431	2631	2706	3449	3139	2607	2616	7331	4278	4861	4014			
5. Hong Kong, China	868	1172	1326	1947	1907	1580	2359	3094	3146	3339	3676	5804	4987	3297	4334	3699	4776	4418			
6. Korea, Rep. of	371	436	509	1032	1173	1044	1339	1314	1113	1391	1408	1784	2523	1862	2228	2196	2862	3126			
7. Netherlands	1115	1663	2319	2865	2982	2976	3055	2922	3583	4032	4753	4150	3708	3712	2429	1745	1551	1692			
8. Germany	847	1060	1035	1229	1329	1323	1386	1219	1436	1346	1775	2149	2440	2379	2657	1729	1957	2167			
9. Thailand	780	856	634	842	1206	1358	1083	1234	1064	1169	1325	1403	1509	1275	1784	1904	2446	1936			
10. Taipei, China	661	1169	1977	2993	2861	2127	2485	2492	1887	2008	1973	1862	1351	1572	2003	1915	1801				
Imports, total	31867	39141	29531	30753	34491	33057	35426	37505	44039	47415	51533	55514	60420	45878	60193	66159	67886	68014			
1. United States	6243	7614	6561	6866	6413	6452	7289	7407	8276	9105	8404	7843	7738	5488	6452	7156	7833	7358			
2. Japan	6916	7955	6030	6136	6511	6633	7233	7640	7674	8071	7004	6842	7122	5765	7422	7161	7091	5739			
3. China, People's Rep. of	653	972	1199	1040	786	975	1252	1797	2659	2973	3672	4001	4561	4060	5702	6665	7329	8837			
4. Singapore	1689	2287	1740	1742	2325	2073	2311	2542	3421	3727	4356	6219	6218	3931	5703	5382	4843	4650			
5. Taipei, China	1582	1923	1415	1614	2255	1970	1784	1861	3214	3549	4145	4062	4038	3184	4044	4045	4586	5316	5367		
6. Korea, Rep. of	1643	2295	2189	2723	2754	2082	2754	2401	2740	2294	3218	3278	3129	3161	4210	4832	4955	5200			
7. Thailand	575	865	794	822	879	925	1052	1361	1572	1583	2089	2277	2998	2596	4253	3808	3791	3719			
8. Saudi Arabia	1630	1110	607	811	1048	887	1000	1198	1274	2182	2981	3526	5154	1558	2648	3546	3776	3111			
9. Indonesia	0	773	592	705	693	760	765	829	939	1003	990	1250	1602	1915	2459	2610	3006	2980			
10. Malaysia	792	1017	924	979	1307	1080	1293	1359	1981	1779	2100	2283	2583	1787	2682	2899	2743	2517			

Note: For the study only considered Imports and Exports and during the period 2010-2013
 Source: Asia Development Bank. Key Indicators for Asia and the Pacific 2014

Exhibit 7.7: Import-Export Trends in Myanmar

Direction of Trade	million US dollars; calendar year																			
Exports, total	1183.0	1132.1	1138.6	1393.3	1980.3	2759.6	2755.9	2766.4	3157.3	3715.4	4543.3	4838.5	6276.9	5912.5	6454.8	8317.4	8271.2	10443.3		
1. Thailand	-	-	-	102.6	233.0	735.4	831.2	827.0	1230.3	1623.0	2135.7	2104.9	3059.6	2549.0	2590.3	3172.6	3362.6	3655.4		
2. Japan	125.0	66.7	56.0	92.3	113.5	122.0	124.5	154.1	188.0	249.5	229.7	336.9	585.9	586.9	873.6	1524.9	1181.2	2554.2		
3. India	134.9	168.6	169.4	156.5	162.9	314.0	314.2	355.2	363.7	450.9	653.1	729.8	829.6	1086.6	1019.1	1143.4	1227.2	1246.7		
4. Japan	93.9	90.0	81.3	92.2	108.4	92.8	100.3	126.9	163.5	184.8	225.6	269.2	288.6	309.5	353.4	538.7	612.3	688.0		
5. Korea, Rep. of	164.6	15.3	12.0	14.2	20.6	26.1	51.1	26.6	27.4	51.1	87.7	73.4	105.7	71.2	145.4	42.1	319.2	443.4		
6. Malaysia	36.3	51.0	52.1	52.2	63.2	71.1	69.8	72.6	97.1	121.5	113.5	126.6	162.5	128.7	207.3	212.8	167.6	180.6		
7. Singapore	190.7	157.2	109.1	90.3	99.8	102.1	97.3	76.2	64.5	98.5	63.2	55.6	80.0	106.6	74.8	78.0	71.7	162.6		
8. Bangladesh	3.2	2.4	1.1	1.1	2.5	20.0	17.9	21.6	30.2	24.8	29.3	24.5	27.0	75.7	62.3	90.6	141.5	67.8	78.2	
9. Viet Nam	0.5	1.3	1.3	1.1	3.3	3.6	5.4	16.6	17.5	41.6	58.7	68.5	68.7	59.1	93.5	77.1	99.5	104.8		
10. Taipei, China	28.2	27.3	25.0	28.2	32.5	26.3	31.1	30.4	33.7	47.0	44.5	55.3	62.5	49.8	57.7	66.9	69.4	92.5		
Imports, total	2677.8	2861.5	2358.5	2527.7	3039.9	2666.1	2970.3	3228.5	3459.5	3563.7	3912.4	5595.4	6976.4	7075.1	9945.2	13692.0	17001.0	20302.8		
1. China, People's Rep. of	573.2	626.7	586.2	447.2	546.0	547.3	797.3	998.7	1032.4	1028.4	1327.9	1861.1	2177.1	2507.0	3828.8	5307.5	6242.5	8084.0		
2. Thailand	-	-	-	435.3	554.7	305.9	355.9	483.3	665.4	777.3	837.9	1054.0	1449.1	1693.6	2280.2	3095.6	3419.2	4103.7		
3. Singapore	794.1	777.3	501.3	460.2	479.7	465.6	576.6	716.0	717.1	656.1	619.6	855.8	1415.0	978.8	1271.9	1333.6	1474.6	2472.6		
4. Korea, Rep. of	143.9	150.5	163.7	205.9	253.3	157.8	202.4	178.2	132.0	133.4	321.2	268.2	446.8	526.7	733.6	1464.0	775.6			
5. Japan	279.4	232.2	205.5	203.5	215.6	205.3	126.9	137.0	115.8	101.0	114.1	194.0	207.2	222.1	290.5	557.7	1384.4	1161.5		
6. Malaysia	242.8	407.5	322.6	257.7	254.1	216.7	263.1	154.3	164.3	270.3	181.5	231.6	346.3	226.0	402.1	615.6	774.1	784.7		
7. India	50.5	50.2	38.4	36.4	52.9	61.1	78.7	94.6	115.2	122.5	146.0	191.4	259.6	230.8	300.6	513.1	586.7	737.0		
8. Indonesia	85.8	164.7	184.1	81.8	71.2	75.9	59.8	50.2	66.3	85.8	151.5	288.6	275.8	192.2	312.6	395.4	441.7	612.0		
9. Taipei, China	41.5	61.3	79.0	116.6	119.5	187.7	161.6	124.7	74.8	87.5	74.6	77.2	103.1	90.0	118.0	146.0	160.1	197.8		
10. Germany	50.8	57.9	55.8	61.5	44.7	18.4	20.1	15.9	27.9	35.8	44.1	58.3	59.6	58.3	33.4	64.8	147.3	179.1		

Note: For the study only considered Imports and Exports and during the period 2010-2013
 Source: Asia Development Bank. Key Indicators for Asia and the Pacific 2014

Exhibit 7.8: Import-Export Trends in Malaysia

Direction of Trade	million US dollars; calendar year																			
Exports, total	78214	78909	73471	84551	98154	88201	93388	104969	126511	140980	160659	176211	199515	157334	198748	222899	227766	228392		
1. Singapore	16018	15869	12444	13974	18050	14913	15958	16523	18994	22010	24744	25772	29416	21934	26544	28841	30967	31912		
2. China, People's Rep. of	1882	1852	1994	2318	3028	3821	5253	6810	8460	9303	11646	15452	19049	19203	24912	29953	28782	30711		
3. Japan	10498	9983	7716	9839	12780	11770	10530	11222	12777	13181	14241	16091	21466	15189	20782	26591	27032	25328		
4. United States	14251	14553	15885	18533	20162	17816	18826	20540	23749	27763	30191	27531	24936	17329	18987	18988	19739	18474		
5. Thailand	3207	2869	2317	2758	3550	3360	3972	4615	6040	7585	8502	8730	9571	8491	10587	11711	12208	12674		
6. Hong Kong, China	4607	4355	3410	3775	4440	4063	5307	6784	7549	8241	7947	8145	8530	8290	10088	10229	9740	9898		
7. Australia	1217	1347	1693	2029	2426	2052	2108	2614	4153	4766	4553	5939	7345	5750	7472	8398	9436	9238		
8. Korea, Rep. of	2386	2521	1672	2487	3226	2963	3340	3039	4431	4737	5306	6703	7880	5989	7555	8589	8226	8292		
9. India	1209	1186	1890	2038	1925	1577	761	2534	3903	3955	5884	7413	4918	6117	9214	9507	10175			
10. Indonesia	1219	1225	1009	1231	1707	1563	1801	2129	3073	3322	4074	5171	6243	4907	5616	6812	8951	10500		
Imports, total	78458	79059	58338	65502	82205	73361	79515	82743	104307	113609	130477	146982	156896	123826	164735	187640	196592	206118		
1. China, People's Rep. of	1876	2232	1849	2139	3237	3804	6157	7300	10339	13177	15887	18908	20084	17391	20882	24747	29762	33740		
2. Singapore	10475	10434	7902	9145	11763	9293	9541	9811	11704	13425	15329	16870	17293	14074	18761	24120	26080	25504		
3. Japan	12141	17368	11470	13633	17331	14211	14168	14282	16773	16634	17338	19085	19592	15473	20726	21382	20213	17899		
4. United States	19233	13246	11444	11414	13668	11839	13099	12851	14789	16424	15928	16969	13909	17526	18145	15904	16186			

Exhibit 7.10: Import-Export Trends in Lao PDR

Direction of Trade million US dollars; calendar year																		
Exports, total	320.7	192.1	370.8	462.5	391.3	375.7	386.1	437.5	535.3	726.5	1226.7	1323.9	1600.7	1521.0	2195.9	3120.0	3323.9	3697.9
1. Thailand	96.7	34.3	28.8	51.6	68.9	81.0	85.0	94.3	104.3	204.4	475.5	431.5	560.8	423.7	689.7	1029.1	1131.1	1231.0
2. China, People's Rep. of	0.8	0.3	7.2	8.7	5.8	6.8	8.8	10.2	11.5	23.2	45.1	77.3	135.9	306.0	510.9	729.0	713.7	927.9
3. Viet Nam	157.6	0.2	119.5	179.4	96.1	61.8	56.9	55.2	67.5	88.6	151.5	192.1	253.4	225.9	265.2	418.2	404.3	425.7
4. United Kingdom	6.6	14.9	7.7	12.5	7.2	9.3	13.4	14.1	26.8	38.5	50.1	42.3	54.5	62.3	69.9	95.1	95.5	71.6
5. Japan	1.7	6.7	17.8	12.3	10.9	6.3	6.1	6.7	7.3	7.3	11.3	10.9	16.4	24.4	34.2	88.3	112.4	97.8
6. Germany	4.8	16.2	21.4	27.0	20.8	25.5	22.0	23.6	28.7	31.6	34.6	43.0	42.0	48.0	53.1	72.9	68.1	83.4
7. India	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.3	0.2	0.5	0.2	18.2	61.0	128.0	101.6
8. United States	2.7	7.0	20.0	12.6	8.8	3.6	2.6	4.0	3.4	4.1	8.5	19.1	40.4	41.7	56.3	54.8	23.4	28.3
9. Netherlands	-	0.1	5.4	8.9	10.0	9.6	10.6	10.4	10.9	13.4	14.0	10.6	9.3	13.6	13.7	29.3	39.3	45.4
10. Australia	-	-	0.2	0.4	0.5	0.9	0.3	0.4	6.7	26.6	4.8	0.7	1.6	1.9	6.2	45.8	50.9	
Imports, total	689.6	408.5	644.6	808.9	689.8	717.8	722.2	899.0	1057.6	1270.3	1652.6	2107.0	2836.8	2892.5	3574.4	4635.1	6339.1	7264.6
1. Thailand	310.0	336.7	411.3	452.0	419.0	451.7	444.0	501.5	639.5	846.2	1125.4	1442.1	1932.7	1800.5	2348.4	3011.4	3923.3	4068.8
2. China, People's Rep. of	23.2	4.9	19.6	24.4	37.9	59.9	59.7	108.1	110.6	115.9	185.6	195.2	295.0	413.9	524.1	519.3	1027.7	1892.6
3. Viet Nam	25.8	25.1	80.7	181.8	77.7	70.7	71.2	57.0	75.2	76.1	104.5	120.7	176.3	186.2	218.3	301.5	463.5	488.1
4. Korea, Rep. of	2.5	3.3	5.3	11.9	4.9	4.9	8.7	9.9	15.3	25.7	61.2	58.5	61.3	123.5	169.9	181.5	205.8	
5. Japan	52.5	10.4	21.0	24.9	23.6	13.0	19.6	15.4	21.3	22.6	41.7	69.1	83.5	68.3	85.9	151.1	133.6	
6. Germany	-	0.9	15.4	9.5	3.6	7.4	4.1	7.5	28.0	11.3	12.0	34.8	25.1	18.1	21.4	38.8	158.8	46.2
7. France	6.7	1.7	6.2	7.6	27.5	8.5	8.9	11.8	10.5	13.5	11.2	12.6	20.1	62.7	15.7	146.7	19.4	14.6
8. Singapore	16.9	0.6	22.1	37.0	32.9	28.9	29.1	22.4	42.3	44.1	45.2	43.0	28.1	40.4	25.3	38.2	33.1	29.1
9. Belgium	-	-	1.6	0.3	1.5	3.0	2.8	3.3	11.2	12.4	7.1	10.2	14.7	30.5	20.4	34.2	37.5	32.0
10. Australia	0.5	0.3	2.3	2.5	4.2	8.3	12.6	7.9	18.3	19.9	20.6	24.1	15.5	9.6	24.8	26.8	40.7	42.1

Note: For the study only considered Imports and Exports and during the period 2010-2013

Source: Asia Development Bank. Key Indicators for Asia and the Pacific 2014