



## The China-ASEAN Free Trade Area. Transferring the Halfhearted Evidence

Ioana-Bianca BERNA

National School of Political and Administrative Sciences, Bucharest, Romania, E-mail: [bianca.berna@yahoo.it](mailto:bianca.berna@yahoo.it)

### Abstract

The Association of Southeast Asian Nations, founded in 1967, as the organism representative for Southeast Asia, encompassing all the territorially affixed countries, minus East Timor, has always seen China's loom of the region as mutually dependent on its politics. ASEAN is not simple, nor complicated in structure. Perhaps, this is the main reason why ASEAN and China decided to format an economic agreement, surmounting all inter-regional trade barriers. Thus, a simple structure was assigned the initial value of contemplation. Throughout this article, we will try to bring into light an unwrapping of the good and of the detrimental aspects and innuendoes of the China-ASEAN Free trade Area, by laying open personal streaming of the subject and by bringing down the obviousness of arguments of either side.

### Key words:

China-ASEAN Free Trade Area, Free Trade Area, ASEAN Free Trade Area, South-South Trade, Trade Barriers

### JEL Codes:

F14

### 1. Prolusion to Discussing China-ASEAN Free Trade Area (CAFTA)

By what tape can inter-regional deeds be circled? In our opinion, the condominium between inter-regional deeds and the tape of egress of new partnerships, between different cusps of the world, is the most important repose of evaluation for the implementation of the *China-ASEAN Free Trade Area (CAFTA)*. The dip of strata of this adjoining has the curvilinear posture of a great design. *CAFTA* connects, in the analyses made, both sides of conventionalized opinions: "For not being the typical FTA initiated and led by developed economies, the *ASEAN-China FTA* has interestingly elicited varied predictions, ranging from those of nostalgic neo-liberals dreaming of reincarnating the Asian growth miracle, to those of idealistic activists hoping it to be a model for regionalism or alternative forms of *South-South trade* among developing countries"<sup>1</sup>.

*The case of regional integration in Southeast Asia* – previously subjected to an unending stream of analyses regarding regional integration- has taken again the limelight of area studies with the initializing of *China-ASEAN Free Trade Area (CAFTA)* on the 1st of

January 2010. China's struggle for status<sup>2</sup> was met with ASEAN's strive for global recognition as an actor pushing its way to be considered a big league player in international affairs. With two billions potential consumers and ranking as the third free trade area in the world, *CAFTA* not only fills in the global trend of creating integrated regional economies, but also accommodates the long-term strategic vision of the actors involved. Undoubtedly, through *CAFTA*, China will outshine its other Asian competitors in *ASEAN Plus Three*<sup>3</sup> for regional penetration in Southeast Asia. An arena of interaction between rather different corporate powers will be unveiled, opening a road for interdependence, limited cooperation and fierce competition.

### 2. Structural Synapses

The article was conceived, following the conceptual concentrates of how free trade principles are applied in the implementation of the *China-ASEAN Free Trade Area* and in order to have a plain and distinct overview of verification, before embarking into an analytical quest. The article is tactually structured in three

<sup>1</sup> Natividad Y. Bernardino (2004), *The ASEAN-China Free Trade Area: Issues and Prospects*, Asia Pacific Network on Food Sovereignty, Regional Workshop Papers, [http://www.twinside.org.sg/title2/FTAs/General/ASEAN-China\\_FTA\\_N.Bernardino.pdf](http://www.twinside.org.sg/title2/FTAs/General/ASEAN-China_FTA_N.Bernardino.pdf), date of accession: 24th of August 2013, accession time: 12:34 p.m.;

<sup>2</sup> Meaning *the course of expansion of status* that China has embarked on, beginning with a suburb sub-region of Asia – namely, Southeast Asia, for which, China has always expressed a haunt of interest;

<sup>3</sup> A forum making the connection between Northeast Asia – represented by: China, South Korea, North Korea, and the member states of ASEAN;

analytical pieces, with the motivating initiative arguments, the theoretical background of the article and the concluding section put aside.

The first analytical piece per se demonstrates how and in what measure is the implementation of *China-ASEAN Free Trade Area* dependent on its primary missions. In this piece we are trying to give balanced answers to the motives that ASEAN or China could have outrightly presented, in order to have a more experienced standpoint in the issue of the implementation of the free trade area. We are not trying to argue which side has rightfully or unjustly disallowed benefits for the other side. We are, instead looking, at the structural coherent logics that persuaded each actor involved to enter the negotiations. Certainly, we cannot leave the issue of the benefit subroutines left unmentioned. While we contrive that the falsehood of the debate leaves a very dark cloud and a biased approach in the analytically details, we have to take into account such reference of values. In this section of the paper rational proofs of the disputation are proposed from the angle of the scheduled expectations of ASEAN and from the demonstrating variables of China's selection process and the inclusion of the Southeast Asian states into it. Certainly, the geographical propinquity that links China and Southeast Asia is not left unnoticed. We also some other argumentative values that have to be taken into account, especially when discussing the future of *CAFTA*. One of the core subject matters of the discourse of *CAFTA* is how the corporate sector will reason more convincing benefits, through the implementation of *CAFTA*. Disceptations regarding how corporate actors will penetrate the other regions have to be underlined and given proper delineating. The parameters of the polemic have to be concentrated more on Chinese firms and on their tilt of benefits in Southeast Asia. The sophistry that Chinese markets can be penetrated by foreign corporate actors has been only an apparent argument. China has a mammoth status in global commerce, unlike the smaller, yet promising economies of Southeast Asia. But China is not the average heavy weight! The business community in China has to survive under imposing conditions. Pressures for price to downsize are exerted all too often upon foreign firms. Scrutinizes are by government authorities in order avert increasing high numbers for foreign companies. In addition to this, high-rank representatives of foreign firms have been complaining seldom about the delaying biocratic procedures for business-making endeavors. Allegations of corruption and of bribe giving for reasons of sprinting the streak of procedures and of the public assignment of public documents for functionality purposes are a common occurrence.

The second structural synapse of the article revolves around the discussive implications of the theoretical background utilized for this article. The theoretical implications we used in the second structural synapse of our article is not aimed at giving away the factors and conditions under which a special relationship of performance can be obtained, through the modeling of *CAFTA*. In this section we try to exemplify connections of the free trade model envisioned and materialized by *CAFTA* and the Ricardian model inferred by David Ricardo in the 18th centuries. Certainly, *CAFTA* can be affiliated to the South-South dialogues that have been the shunting yard of the emerging world. But how much of a Southern actor is China? Aren't there emboldened distinctions between China and the regional states of Southeast Asia, goading in some way the implementation of *CAFTA*? We assign a proper implication for the intentions of our interpretations to the Ricardian model of international trade. According to this model, trade relations exhibit a special sensitivity to imbalanced competitive advantages. The main henceforth divisions among trade partners are visible as far as the production technologies are concerned and the amount of their use. We are basing our arguments on the tracking of absolute disadvantages that, most obviously the Southeast Asian states have, in comparison to China<sup>4</sup>. This part of the article goes to show that we are not commenced atheists<sup>5</sup> as far the discussion of trade and, especially, international trade is concerned.

The final demurrers of this article represent personal conclusions that we have reached, after the outweighing of the data we were able to obtain. Such an extensive subject of analysis involves a very large demand of consistent revelations throughout which one has to mold a specific pattern of final deductions. We have presented these deductions in the final judgment section.

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<sup>4</sup> No doubt, between the two engaging parties, the Southeast Asian states are most likely to be considered the parties deprived of useful instruments for producing needful comparative advantages in relation to China; We think that there is no need for extensive communication in this regard, if we are taking, for instance, into consideration only the record of economic successes that China is able to boast with internationally; More than that, China's relative recent economic endeavors have received a more prosperous termination than anything attempted so far; The same procedures of evaluation can be taken into content reasoning, when talking about China's trade relations;

<sup>5</sup> We are using this phrase in order to clarify the fact that we are totally detached analysts from the theoretical landmarks that plaster together approaches on international trade and free trade areas; We use them as cohering connectives, not only for parading pillars of a specific vision, but also alters of principles and conducts within the gist of international trade;

### 3. The Theoretic Constructional Blueprint of the Paper

The factual data presented in the research elements of this article received a theoretical foundation, by the theories brought forward by David Ricardo. Some would reject the signaling dynamics that three century old theories would actually produce fecund outreach for the contemporary situation of CAFTA. However, the scientific discoveries made some centuries ago actually bring into relevance-bounded learning the issue of how CAFTA maps its operating. Throughout his pieces of work, David Ricardo meaningfully presaged the development of a situation of competitive advantage that can be created in international trade. This is propelled by a cumulus of internal factors. The increase thickest cluster of factors is enveloped in the domestic conditions that an actor operates under. The opportunities, when involving itself into a relation of international trade are created by the resources available and quantifiable for such an enterprise and by the faculties, skills and capabilities of the workforce affiliated. Some arguments from the theories presented by David Ricardo can stand credible on their own, when put into practice. Morsels of his work, like *the theory of the competitive advantage*, can be used in the trade relations between China and the countries of Southeast Asia. In Ricardo's view, if a country possesses enough resources and capabilities to specialize its trade patterns on specific trade niches and export goods, so that it could gain a specific competitive advantage in the relation with other countries, then it should operate in the direction of such a regard. There are, of course, some misgivings to the theories of the comparative advantages, which we will discuss in the second synopsis of this article. The assumptions that David Ricardo made are set on some prevalent stepwises:

- Between two parties involved in a state of trade relation competition is perfect; Ricardo points out that, as time passes by, prices will be evenly identified between the two participating parties; In this way, some regulation patterns are prescribed in the trade relation between the two parties that will surmount customs and trade barriers;
- The pip of domestic productivity is the labor force; In order for trade and custom barriers to be dismantled, there is a pugnacious need to reserve the same efficiency accomplishments by labor forces in of each participating party;
- The rejection of the possibility of the dynamics of the workforce between the two parties; This means that the mobility of the workforce, from one country, to the other is cancelled;
- The circular trajectory between the dynamics of goods –goods are mobile between the two parties, participating in a relation of international trade;

These stepwises are steadying a semi-confirmable core for the analysis of **CAFTA**, as we will be arguing in the second synopsis of this article. As evidence shows, the outstripping of trade and customs barriers between China and Southeast Asia is prone to take a very long time. The operators had rather resorted to a gradual approach in this respect. Prices are tending to be made linear on certain products, but exceptions are contracted in the process of the implementation. The enforcement of a perfect competition is left unchecked, as Tome Nenovski and Makrevska Elena are arguing in the case of EU. We use their argumentative excuse, as EU has reached a status of regional integration far more solidified than the one achieved by the regional countries of Southeast Asia. With some park put aside, one could say that ASEAN is *the Asian epitome of the EU*, even though the level attained in integration and in the diffusion of norms is not even comparable: „When David Ricardo set the theory for comparative advantages, he imagined that one day the world will function as an economy without borders, which will be beneficial for every country. Today, the world is still far from the realization of that idea. However, Ricardo's theory has in some way become a model for the creation of a common European market, in which member states of the Union trade freely. From the early beginnings of its creation, the European Union was envisaged as free trade area in which the countries can use their comparative advantages. The idea is that a country would specialize in production of the goods which have relatively lower costs of production, and trade them for goods that are costly to be produced at home"<sup>6</sup>. Are the fiendish qualities of interactions that China, or perhaps the regional states, have that makes Ricardo's theory only partially confirmable of application? We will try to answer to this question and, at the same time, that the recording system of the empirical data, obtained in the process of analyzing CAFTA can still bear the expense of preservation of some theoretical standpoints of Ricardo's theory, despite these arriere pensees that we have presented in this section.

### 4. Methodological Accommodations

The logical of the argumentative proof presented throughout this article is given a methodological grounding by the interpretative case analysis, through a combined array of quantitative and qualitative methods.

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<sup>6</sup> Nenovski Tome, Makrevska Natasha (2012), Comparative Advantage or Sophisticated Restrain in the International Trade of EU?, Globus Institute of Economic Research, September 2012, [http://mpr.ub.uni-muenchen.de/42258/2/MPRA\\_paper\\_42258.pdf](http://mpr.ub.uni-muenchen.de/42258/2/MPRA_paper_42258.pdf), date of accession: 13th of September 2013, accession time: 18:30 p.m.;

In what regards the qualitative methods employed, a stark use has been made of the habituals of content analysis. The tabulated qualitative methods include: the line of toil of numeric data and statistical analyses that this article was able to excerpt from specialized studies and use for the substantiation operations that sprang from the objectives of demonstrating.

### 5. CAFTA-Unveiling Its Offerings

At the Sixth *China-ASEAN Summit* in November 2002, China and ASEAN signed the *Framework Agreement on China-ASEAN Comprehensive Economic Cooperation* that would establish a *China-ASEAN Free Trade Area* by 2010. A cumulus of factors stimulated this penetration and predicted the signing of CAFTA:

– *The liberalization of the Chinese economy and the subsequent ownership advantage that the Chinese firms had propelled a chase for profit in foreign markets;* Chinese firms were given the possibility to experience market competition and make the best of regional productions means and instruments used;

– *Chinese corporations thrive in poorly institutionalized environments;* The stupendous goal of creating an *ASEAN Economic Community* and the bold adherence of the Southeast Asian states to pieces of legislation, that would regulate their behavior on the regional markets were all too recent compared to the evidences that appreciate an almost immediate presence of Chinese corporations after the *Opening of the Doors*<sup>7</sup>; Southeast Asian regional economic frameworks have started to gather a more solid tenure during the 1990's and especially after the *Asian Financial Crisis*; The loose definition of ASEAN's regional economy's structures was a major favorable argument for Chinese corporations to pave their way, at first through bilateral agreements and, then, in a concerted way through ASEAN; We also have to remember the fact that Southeast Asian states have known only recently what domestic institutionalization entails; Their ability to act defensively on the home front, and then at a regional level, was molded by the *Asian Financial Crisis of 1997*;

– *Southeast Asia is an easily penetrable region;* Southeast Asia strives for social stability, but, in the harsh history of its nation-states, has not encountered much of it; Domestic environment was a cumbersome aspect that delayed the international affirmation of the Southeast Asian nation states; Domestic unrest and the intermittent showdown of the institutional structures of the Southeast Asian states meant that Southeast Asia, over time, was not in a position to be selective with its trading partners; China, for a long time, sought to be

present in developed markets and trade with major economic players. The downturn of this vision was that (like with all major economic players!), interaction on the trade front was conditioned by other calculations than the strategic ones: convergence criteria, a play-by-the rules type of behavior on the international markets, conditionalities regarding the record of abiding to the respect for human rights, religious freedom, private initiatives ; On the other hand, Southeast Asian states welcomed the influence of the Chinese corporations on their economies inadvertently; Their major focus was to find trading partners! Specific details of the trading partners that will end their economic isolationism did not matter for a long time! The geographic distribution and proximity to Southeast Asia made the work of the regional penetration of Southeast Asia a doable strategy ;

– *China was able to shape a positive profile in Southeast Asia, despite doubts regarding its reliability as an economic strategic partner;* The catalyst for this kind of appreciations was the *Asian Financial Crisis of 1996-1997*; The refusal of including Thailand into an US bailout plan that would have helped regional economies better counter the effects of the recession and would have put them more rapidly in a working mode; China was also held in high-esteem for the way it was able to handle herself during the current recession; Strategic-wise, China was able to support the private sector through wise credit approvals and to stop the policies of monetary appreciation; Even if China encountered a High Consumer Price Index in 2009, China was able to manage the package of fiscal stimulus that accompanied its public investment policies. Not only ASEAN was sympathetic towards China! China was eager to internationalize investment in Southeast Asia also because many of its investments would have been overlooked by ethnic Chinese living in Southeast Asia. The signing of CAFTA could not have been envisioned without the forestalling brought by Southeast Asian conservativeness and without the effects of the region's heterogeneity. The idea of CAFTA appeared in November 2000, during the *ASEANPlus Three Summit*, as Sheng Lijun accounts: „China's open push for the formation of a free trade area (FTA) embracing China and all the ten ASEAN members came at the *ASEANPlus Three Summit* in November 2000, where Chinese Premier Zhu Rongji proposed: “In the long term, China and the ASEAN countries can also further explore the establishment of a free trade relationship”. He also proposed the creation of an expert group under the framework of the *China-ASEAN Joint Committee of Economic and Trade Co-operation* to study the

<sup>7</sup> Highlighting the beginning of China's process of liberalization;

feasibility of the FTA<sup>8</sup>. In the developmental revealing of its decision-making, ASEAN decided that the only thing it could do in front of a majestic mountain was to climb it. Likewise, the desire to create a free trade area among its members became a reality. Virtually establishing an idea takes far little time than to make the implementation of hushed conversations an outcome that all could envision as beneficial. Scheduled exceptions from the reducing of tariffs had to be introduced and differential stances between the original members of ASEAN and newcomers, once again could not be left astray<sup>9</sup>.

Protectionist strategies of sensitive sectors had also to accompany the devices of implementation<sup>10</sup>. Even if AFTA is not actually examined like a forgotten old trunk by the regional states, Helen Nasadurai accentuates the complicated underscoring of consensus-reaching for AFTA and of the guidelines to make it a reality: „Specifically, the ASEAN governments bargained over implementation in order to address the growth-distribution conflicts within, and consequently between, member countries. Thus, implementation of AFTA became a political process rather than merely a technical one of complying with the commitments already made. Nevertheless, this process, which led to a downward revision of original AFTA targets and partial institution building, was valuable because it allowed the AFTA project to continue as a result of the compromise worked out between the growth and domestic distributive priorities of the project's different members"<sup>11</sup>.

For China, the regional-level processes matter as long as its portfolio of regional, bilateral relations is not hindered with<sup>12</sup>. Afterwards, in 2001, Chinese Prime-Minister Zhu Rongji proposed the idea of CAFTA during the ASEAN-China Economic Cooperation Meeting and, then, on the 4th of November 2002, at Phnom Penh, CAFTA would become a more palpable reality.

CAFTA was set to produce effects beginning with the 1st of January 2010 for ASEAN-6: Malaysia, Indonesia,

Thailand, Philippines, Singapore and Brunei. The remaining ASEAN-4 states: Myanmar, Laos, Vietnam and Cambodia are very likely to adhere to CAFTA in 2015. What is more, the two-track elimination of tariffs for trade in goods will also be focused around a dispensation for ASEAN-4 group of states until 2015. The general agreeable presage is that China and ASEAN will be able to fortify their regional and global economic standings, by the signing of CAFTA. The discussion of CAFTA is a complex one, as some analyses show some concern regarding the hurdles of integration between several small markets and one big market.

There are worries that the Chinese firms can not only produce beneficial avails for ASEAN. A paternalistic approach given by a prime position in the market due to low-cost production may make the discussion of the benefits brought by CAFTA a little bit more complex. Furthermore, taking into consideration the major role that the Chinese government play in supporting the Chinese firms' internalization, including supporting the banks' credit policies in preferential terms for firms that would like to operate outward foreign direct investments; It is very possible that the Chinese firms will bear loyalty to asset augmenting and market seeking in Southeast Asia. Specific provisions for firm behavior need to be stipulated, especially in the energy domain – where state-run national oil companies – like: SINOPEC, China National Oil Petroleum- will not adopt corporate policies of profit maximization.

These actors, with special, corporate interests in the South China Sea<sup>13</sup> and which are very concerned with the positive endings of the South China Sea conflict for China's sovereignty dilemma<sup>14</sup>, need to be treated under special advisement, as they can make the homologous actors from the Southeast Asian states vulnerable in a ponderous market, where the competition for resources will be ruthless.

Differences may emerge between the oil companies of host countries and the Chinese companies, concerning different aspects of the corporate strategies. Chinese thirst for energy has pushed forward for the commercialization of national oil companies, as China realized that it cannot be able to produce energy at the rate it was producing in the past, even if 85% of the energy utilized by China is home-made.

<sup>8</sup> Lijun Sheng (2003), *China-ASEAN Free Trade Area: Origins, Developments and Strategic Motivations*, ISEAS Working Paper, International Politics and Security Issues Series, No.1, <http://www.iseas.edu.sg/documents/publication/ipsi12003.pdf>, date of accession: 13th of July 2013, accession time: 14:09 p.m.;

<sup>9</sup> Only ASEAN- 6: Malaysia, Indonesia, Thailand, Philippines, Singapore and Brunei committed themselves to the cancelling of 66 percent of the tariffs used, until 1993;

<sup>10</sup> *General Exception Lists* were drawn – each country having, at its disposal, the proclivity towards expanding the products mentioned on the list;

<sup>11</sup> Nasadurai Helen (2003), *Globalization, Domestic Politics and Regionalism: The ASEAN Free Trade Area*, Routledge, London, page 151;

<sup>12</sup> Bilateralism rests the most interceding tampering bar, even in the economic field;

<sup>13</sup> There are many tentative insights into the energy resources of the South China Sea, that can be exploited by the littoral states – respectively, ASEAN member states and China; Lacking official recognition data, we cannot provide for quantification an exact amount; The general agreement is that the South China Sea hosts a copious amount of energy resources;

<sup>14</sup> With regard to the territorial disputes between China and other littoral states, concerning specific islands and islets in the South China Sea;

Even if for the foreseeable future, the Chinese government will not undergo further commercialization endeavors, Chinese oil companies may well act as China's extended arm in the region. Countries with domestic-oriented economies and with undisclosed and elusive trade practices can be very sensitive to exploitation from dealing with Chinese oil companies<sup>15</sup>. Other forecasts refer to the fact that even if foreign investments will likely be transferred into only one region, neither one of the ASEAN economies will be able to stand a chance against China's innovation capabilities and workforce strategic advantages. ASEAN economy will lose their exporting abilities.

Trade deficit is another problem: if in 2010 *China-ASEAN trade* grew with over 20%, *ASEAN-China trade* grew with 12.3%. In the next period, the trade deficit is likely to deepen. The looming trade deficit between China and ASEAN can impede ASEAN to become a core economic area of East Asia. Despite these assessments, overall, the coming together of China and ASEAN into a single trade area is important for all the economic sectors where ASEAN can learn from China<sup>16</sup>. Over the last years the analyses have shown an increase in services and cross-bilateral direct investment, bilateral investments between the two parties are to propel further growth, while China reduces its dependency on Western markets, Chinese investments in Southeast Asia have the possibility to grow, even if this will not happen in the long run. This is not another forging of a bilateral engagement, but rather, *CAFTA* has all the outward lineaments of an economic partnership between two emerging parts of the world<sup>17</sup>. As Kikwete Jakaya Mrisho defines by construing: "*These emerging South-South partnerships* are manifestations of a trend that has been developing for decades. As early as 1978, developing countries established a framework for collaboration through the Buenos Aires Plan of Action, which was a clarion call for developing countries to work in concert to promote economic growth in order to address the asymmetric

balance of power between industrialized and developing countries. But it was not until the turn of the twenty-first century that these partnerships began to grow in significance"<sup>18</sup>.

Ever since the liberalization reforms undertaken in 1979, China has always projected corporate power in Southeast Asia. Nonetheless, until now corporate power was did not provide so many trump cards for Chinese foreign policy in Southeast Asia. For Southeast Asia, China represents an actor that cannot be ignored and has been this way for decades. China's economic ascension, the competitiveness of the Chinese products on the Southeast Asian markets, worries about monetary manipulations in disadvantageous terms for the Southeast Asian economies, the parenthetical implications of the Chinese conquest of world's markets, combined with hard security pestering, have made the Southeast Asian states feel uneasy about interacting with China. An imperative in *ASEAN's policy towards China* and the bilateral dealings of the regional states with China stood always apart: China could not be ignored, successfully balanced upon, or rejected from cooperation schemes. The only obvious possibility remaining was that China had to be socialized. The socialization with China has not been made without reservations. The penetration of Southeast Asian economies – with vulnerable sectors could not have been made with fervent optimism and goodwill. We cannot, however, bring forth the idea that China forced its penetration in Southeast Asian regional environment with undiluted assertiveness. We can, although, be mindful of the conditions that facilitated the penetration of Chinese corporations in Southeast Asian economies and that made the forging of this trade agreement a poignant must. Compared to the regional states of Southeast Asia, China is an advanced economy. The targeted zero-tariff regime lacked the time-tabled propensity of being checked by 2010.

China is an important portal for the regional economies – in terms of both stimulation and emulation. However, at the same time, invading the regional lucrative sectors – especially the manufacturer one –with less expensive products and a lower paid workforce would leave the regional economies stripped of important advantages, advantages that they counted on otherwise. *CAFTA* cannot be treated as another inter-regional economic union. It is the premier type of inter-regional union, with an unprecedented size for the emerging world. However, when assessing *CAFTA*, one has to situate himself closest to the bow of optimism. The deliberate attempts of the regional states to portray this

<sup>15</sup> Acting on a special system of principles, any organization or plan for the fanfare of profit-making has to be approved by the onset of these companies; They rank close, in terms of productivity, with organisms from the private sector; Nonetheless, the way they are managed can be guileful, for the enactment of *the forecasted zero-tariff doctrine*;

<sup>16</sup> We are contenders of the idea that China has a lot more to offer than its labour-intensive segments of economy, with a cheap labour force; Both China and ASEAN are looking for missing parts of the puzzle and impact incomes that cannot be produced otherwise; China is thought to be the best offer of competitiveness and economic dynamism that Southeast Asia can find, especially because China's growth trajectory has been fulfilled in Southeast Asia's back door; Southeast Asian relevancy has, also, never been a case of discussion for China;

<sup>17</sup> The status of their emergence is unequal, nonetheless;

<sup>18</sup> Kikwete Jakaya Mrisho (2012), *Back to ABCs: Emerging Partnerships Among Africa, Brazil and China*, Harvard International Review, Vol.34, No.1, Summer 2012;

arrangement as a shiftily step towards a global honors degree should have been less jumpy to conclusions: „The propaganda mills, especially in Beijing, have been trumpeting the FTA as bringing “mutual benefits” to China and ASEAN. A positive spin on CAFTA has also come from President Gloria Macapagal-Arroyo, who hailed the emergence of a “formidable regional grouping” that would rival the United States and the European Union”<sup>19</sup>. China is the most potent actor in this combination and seems currently to hold the status of the Lord of the Treasury for the benefits contrived from CAFTA.

## 6. A Fielding Position of the Theoretical Implications:

In the previous section of this article, we have pointed out some check-over's of Ricardo's theories that do not verify the initial meanings of his theoretical embedment. The circumstances for competition, with the implementation of CAFTA are not perfect. The deficit of trading with China is a sore issue that the regional states do not have the potent tenure to solve. Another major occupant of concerns is, also, the Chinese labor-force and its influence on the range of productivity of the industries involved in the trade relations. Clearly, the Chinese workforce is the highest competitor, disarming with validations the workforce sector of the regional countries. However, could all this perturbing be solved, in order for the dreamboat conditions that Ricardo portrayed to occur? A maintaining of the stress-mark on manufacturers will make it easy for the regional countries to harvest more benefits, by the implementation of CAFTA. The phosphoric ester of China's rise is represented by its low-cost manufacturing. In the recent period, China's low-cost manufacturing base has not maintained its low-cost productivity. After all, a 13% fall in China's foreign direct investment indicates some awful stirrings, in this respect, from the part of the Chinese authorities. This is a strong avenue for discussion, in order for China's huge advantage to dismount and for the regional states to catch up. The choice of action for the regional states, for the moment being, is to invest in the domestic manufacturing base and take all the likewise precautions, within the accomplishing of this objective. There is one place where Ricardo's theories point to a just condition of perfect competition: the pip of labour force. This should be the main chafing of measures for the regional states!

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<sup>19</sup> Bello Walden (2010), *The China-ASEAN Free Trade Area: Propaganda and Reality*, 18th of January 2010, <http://www.tni.org/article/china-ASEAN-free-trade-area-propaganda-and-reality>, date of accession: 14th of August 2013, accession time: 10:23 a.m.;

## Multiple Conclusions?

Will Southeast Asia have to battle a ravaging rain of tears from China? The answer to this question depends on the manner in which the regional states decide to approach CAFTA from now on. Statistically, China has helped Southeast Asia develop and gather supplements of growth from its unceasing demand of goods. But, what will happen to the demands of the regional economies? How will these be satisfied? What kind of products will China decide to export to Southeast Asia, and, most importantly, at what costs? Details of the business that China will slowly implement in Southeast Asia also remind the regional states that China can quickly become a competitor for them. After *the Asian Financial Crisis of 1996-1997*, Southeast Asia began to be a lagger in the trade relations with China. The features of the trade imbalances show that getting a bad deal, within the new economic framework with China, is no longer an option for ASEAN and its members! The limited scope of the bilateral agreements, within the aegis of CAFTA, the temporary refusal to bring down tariffs<sup>20</sup>, the invisible *temperate protectionism* that China mediates, without hesitance, in its trade relations, point to the fact that multiple conclusions can be drawn from the detonation of trade barriers, conclusions that are not all sanguine!

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<sup>20</sup> In connection to the announcements made by officials from the provinces of Southern China.

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