

ASEAN–CHINA FREE TRADE AREA: HISTORY AND PERSPECTIVES**A'zamov Sobirxo'ja Sobitxon o'g'li**

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Abstract: This scientific article provides a comprehensive analysis of ASEAN- China relations, focusing on the history of commercial intercourse, key actors and perspectives. The study employs a multidisciplinary approach, incorporating political science, international relations, and regional studies to offer insights into the complex interactions shaping the political landscape of this strategically significant area.

Key words: China-ASEAN Free Trade Area (CAFTA), ACFTA, Normal Track, Sensitive Track, tariffs, Agreement on Trade in Goods, ASEAN-6, Agreement on Trade and Services, Investment Agreement, The Belt and Road Initiative (BRI), e-commerce, logistical networks.

INTRODUCTION: It is true that trade liberalization has been progressive in China and ASEAN. In ASEAN, different countries took initiatives to liberalize among themselves; they also participated in regional trading agreements such as AFTA to integrate into regional trading environment. China, on the other hand, has committed a comprehensive package of market liberalization with different countries, which was implemented after its accession to WTO. Liberalization has resulted in a large increase of both exports and imports of ASEAN and China with the rest of the world. At the same time, ASEAN-China economic relations have grown dramatically; there is strong potential for further increase in trade and better investment relationship between ASEAN and China due to their geographical proximity and a strong economic growth.

MATERIALS AND METHODS**History of China-ASEAN Free Trade Area**

The China-ASEAN Free Trade Area (CAFTA) is a free trade area among the ten member states of the Association of Southeast Asian Nations (ASEAN) and China. It represents one of the world's largest trading blocs, covering a significant portion of the global population and economy.

The Framework Agreement was signed in November 2002, which provided the legal basis for ASEAN and China to negotiate further agreements leading to the creation of the ASEAN-China Free Trade Area (ACFTA) by 1 January 2010. The framework agreement was signed by eleven heads of government Hassanal Bolkiah (Sultan of Brunei Darussalam), Hun Sen (Prime Minister of Cambodia), Megawati Soekarnoputri (President of Indonesia), Bounnhang Vorachith (Prime Minister of Laos), Mahathir bin Mohamad (Prime Minister of Malaysia), Than Shwe (Prime Minister of Burma), Gloria Macapagal Arroyo (President of the Philippines), Goh Chok Tong (Prime Minister of Singapore), Thaksin Shinawatra (Prime Minister of Thailand), Phan Văn Khải (Prime Minister of Vietnam), Zhu Rongji (Premier of the State Council of the People's Republic of China).¹ The ACFTA was the first FTA with external parties to be signed by ASEAN. In August 2014, ASEAN and China decided to upgrade the ACFTA. The Agreement on Trade in Goods was signed in November 2004 and has been revised twice in 2006 and 2010.

¹ https://asean.org/wp-content/uploads/2021/08/Framework-Agreement-on-Comprehensive-Economic-Co-Operation_ASEAN-Rep-of-China.pdf

The modality for tariff reduction and elimination were categorized as either 'Normal Track' or 'Sensitive Track'. For the Normal Track, all tariff lines in this category have been eliminated by ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and China as of 1 January 2012. For Cambodia, Lao PDR, Myanmar and Viet Nam, tariff elimination will have to be completed by 1 January 2015, with some flexibility afforded to eliminate tariffs on products not exceeding 250 tariff lines by 1 January 2018. The Agreement on Trade and Services was signed on 14 January 2007, which aims to liberalize and substantially eliminate discriminatory measures with respect to trade in services among the parties in various service sectors. To promote and facilitate investment flows, an Investment Agreement was also signed in August 2009. The Investment Agreement stipulates key protection elements for ensuring fair and equitable treatment for investors, non-discriminatory treatment on nationalization or expropriation and compensation for losses. It also has provisions allowing for transfers and repatriation of profits in freely usable currency and provides investors recourse to arbitration to settle investor-state disputes.²

On 1 January 2010, the average tariff rate on Chinese goods sold in ASEAN countries decreased from 12.8 to 0.6 percent pending implementation of the free trade area by the remaining ASEAN members. Meanwhile, the average tariff rate on ASEAN goods sold in China decreased from 9.8 to 0.1 percent. By 2015, ASEAN's total merchandise trade with China reached \$346.5 billion (15.2% of ASEAN's trade), and the ACFTA accelerated the growth of direct investments from China and commercial cooperation.³

Perspectives of economic interdependence

CAFTA has played a crucial role in fostering economic growth among the member countries. It has led to increased trade and investment flows, contributing to the development of the region.

One of the primary objectives CAFTA was to reduce or eliminate tariffs on a wide range of goods. This has resulted in cost savings for businesses and increased competitiveness.

Supply chain integration within the China-ASEAN Free Trade Area (CAFTA) has played a pivotal role in transforming regional trade dynamics and fostering economic cooperation. CAFTA, established to promote closer ties between China and the member states of the Association of Southeast Asian Nations (ASEAN), has significantly impacted the efficiency and competitiveness of supply chains in the region.⁴

Infrastructure development has been a key focus, with investments in transportation, logistics, and communication networks. This has improved connectivity, making it easier for businesses to transport goods within the region. The Belt and Road Initiative (BRI), closely linked to CAFTA, has further contributed to infrastructure enhancements, creating a more interconnected network for supply chain operations.⁵

CAFTA has also promoted collaboration and coordination along the supply chain. Businesses from different member countries are increasingly engaging in partnerships in areas such as manufacturing, logistics, and distribution. Efforts have been made to align standards and regulations, reducing barriers to trade and ensuring smoother cross-border transactions.

² <https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20ACFTA.pdf>

³ https://www.chinadaily.com.cn/china/2009-12/30/content_9244077.htm

⁴ <https://www.thejakartapost.com/news/2010/01/02/asean6-zero-tariffs-take-effect-immediately.html>

⁵ <https://www.thejakartapost.com/paper/2023/09/06/empowering-collaborative-investment-through-asean-business-entity.html>

In the era of digital trade, CAFTA has recognized the importance of e-commerce in supply chain operations. The initiative has addressed regulatory challenges and promoted cross-border e-commerce, providing new opportunities for businesses to engage in online trade.

As supply chain resilience gains importance, CAFTA members are considering measures to enhance their capabilities. This includes adopting sustainable practices, diversifying sourcing strategies, and building more robust logistical networks to withstand disruptions.

RESULTS AND DISCUSSION: One of the fundamental aspects of CAFTA is the reduction or elimination of tariffs on goods traded among member countries. This has not only lowered costs but also facilitated a more seamless flow of goods across borders, enhancing supply chain efficiency. The initiative has encouraged the streamlining of customs procedures, simplifying documentation requirements and reducing delays associated with cross-border trade.

This organization is crucial for China. I agree with the points mentioned above. However, each organization will have a period of development and decline. This organization is currently in its development phase. Over the next 15 years, the organization's activities will accelerate and the number of new members will increase. In the coming years, Australia is also likely to become a member of this organization.

CONCLUSION: Integration within CAFTA has ushered in a new era of efficiency and collaboration in regional trade. By reducing trade barriers, improving infrastructure, and fostering collaboration, CAFTA has created a conducive environment for businesses to thrive and supply chains to operate seamlessly across borders.

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