

A Study on Key Points and Countermeasures of Future Capacity Cooperation between China and ASEAN Countries

Chen Hui^{1,2}

¹ Department of Economics and Trade, Guangxi University of Finance and Economics, No. 100 Mingxiu Road, Nanning, China

² Research School for Southeast Asian Studies, Xiamen University, No. 422 Siming South Road, Xiamen, China

^a 9643538@ qq.com

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Abstract. China and ASEAN countries have a certain basis for capacity cooperation. The key areas of future capacity cooperation are energy and resources industry, infrastructure industry, equipment manufacturing industry, clean energy industry, bio-finishing and R&D industry and electronic information industry. To further promote China-ASEAN capacity cooperation, we should improve the policy support system for capacity cooperation, scientifically plan the areas of capacity cooperation, accelerate the establishment of capacity cooperation evaluation and monitoring system, actively build cross-border economic cooperation zones, and support small and medium-sized enterprises to “go global” to expand the scope of “light assets” cooperation.

1. Introduction

With the further development of “one belt and one road”, we have paved the way for China's Maritime Silk Road facing ASEAN countries and built a strategic fulcrum to promote the development of our hinterland.^[1] China's capacity cooperation with ASEAN countries is an important cooperation content of the “maritime Silk Road”, striving to form a demonstration base for dry foreign capacity cooperation, and promoting the institutional mechanism of international capacity and equipment manufacturing cooperation. Further improvement,^[2] can effectively promote the rapid development of regional economy between China and ASEAN countries.

2. The Basis and Obstacles of Capacity Cooperation between China and ASEAN Countries

2.1 The Basis of Capacity Cooperation between China and ASEAN Countries.

It has been 25 years since China and ASEAN established dialogue relations in 1991. The volume of bilateral trade has increased from only 8 billion US dollars at the beginning to 47.22 billion US dollars in 2016, an increase of nearly 60 times.^[3] As of March 2019, the cumulative import and export trade volume between China and ASEAN reached 137.09 billion US dollars. China has become ASEAN's largest trading partner for nine consecutive years, and ASEAN has also become China's third largest trading partner for seven consecutive years.^[4] By 2018, the mutual investment between China and ASEAN has totalled more than 200 billion US dollars. At present, China has set up 26 overseas economic and trade cooperation zones in eight ASEAN countries, with more than 300 Chinese-funded enterprises stationed, with a total investment of US\$1.77 billion and an output value of US\$9.02 billion.^[5] At the same time, China-ASEAN capacity cooperation has also made breakthroughs in industry, agriculture, infrastructure and other fields, laying a good foundation for future capacity cooperation between the two sides.

Table 1 Main Outcomes of China-ASEAN Capacity Cooperation

Areas of cooperation	different countries	Capacity cooperation projects	Project Construction and Achievements
Infrastructure	Indonesia	No.7 Coal-fired Power Station in Java	Shenhua Group invested \$2 billion
	Thailand	Thai Telecom Project	Huawei Technologies Limited Contracts Thai Telecom Project.
	Malaysia	Malaysia Anbang Light Rail Extension Project	China Communications Construction Group, Huawei and Zhongche Locomotive Company jointly implemented the project
	Indonesia	Megada Satellite City Project	China Construction Group Co., Ltd.
Industrial cooperation	Indonesia	Sumatra Zhanbei Iron and Steel Smelter	Angang invested \$1.2 billion in cooperation with Indonesian state-owned Krakatau Iron and Steel Co., with an average annual capacity of 1.75 million tons
	Indonesia	Mindanao Iron and Steel Works	Nangang has invested US\$80 million in cooperation with GGS Indonesia
	Malaysia	Malaysia United Steel	Beibu Gulf International Port Group and Shenglong Metallurgical Co., Ltd. jointly invested, with an annual output of 3.5 million tons and 4,000 jobs created
	Malaysia	Glass Production Projects	China Xinyi Group invested RMB12 billion to create 800 jobs
resource development	Laos	Nantahe No.1 Hydropower Station	China Southern Power Grid invested 2.7 billion yuan and installed 168,000 kilowatts
	Cambodia	Dadai Hydropower Station	China Heavy Machinery Co., Ltd. invested \$540 million.
	Malaysia	Edra Power	CGNPC acquired the Malaysian government's energy company for \$2.3 billion
	Malaysia	Malacca Gas Project	China Guangzhou Nuclear Group Co., Ltd. have invested in nuclear construction, and the total installed capacity of the project has reached 2 million to 2.4 million kilowatts.

2.2.Obstacles to Capacity Cooperation between China and ASEAN Countries

2.2.1.Lack of effective promotion mechanism and service support system

At present, China-ASEAN capacity cooperation has not yet formed an effective promotion mechanism, especially when China's enterprises make direct investment in ASEAN countries, how the government departments should “release” and “manage” the capacity control cooperation is still in the exploratory stage. At the same time, in China's capacity cooperation with ASEAN countries, after-the-fact supervision mechanism has not yet been formed, and there are problems of unclear responsibilities and powers between government departments and ambiguous boundaries, which inevitably leads to the supervision of “vacuum” areas. In addition, when Chinese enterprises invest in ASEAN countries, there are problems of high investment costs and financing difficulties. However, the policy-oriented financial services and preferential fiscal and taxation policies for China-ASEAN capacity cooperation are not perfect, resulting in the slow progress of some capacity

cooperation projects due to insufficient funds.

2.2.2 The scope of capacity cooperation is relatively narrow and the pre-investment research and planning are insufficient.

At present, China-ASEAN capacity cooperation mainly focuses on infrastructure projects and equipment manufacturing projects, and the scope of capacity cooperation is relatively narrow. For example, most of the capacity cooperation projects under way or completed between China and ASEAN countries are high-speed rail, dams, light rail, hydropower stations, port construction, etc. At the same time, some enterprises in our country have problems such as inadequate research and unreasonable planning when they cooperate with ASEAN countries in capacity development. As a result, some projects in the process of cooperation may be suspended or suspended because of the influence of political, economic, cultural and industrial development level.

3. Key Areas of China-ASEAN Capacity Cooperation

At present, among the 10 ASEAN countries, except Singapore, whose industrial structure has the economic characteristics of developed countries, the other 9 ASEAN countries are at different stages of development, but they also have some common characteristics: the domestic industrialization development is not long, the industrial sector is not complete, the industrialization development mostly depends on foreign investment, and mainly develops intermediate technology and centralizes the production of manufactured goods. Overall, ASEAN countries have a greater demand for capacity input, and there is a greater space and potential for cooperation in foreign capacity. At present, China is in the middle and late stages of industrialization, and has a complete industrial category. It has not only a rapidly developing technology-intensive industry, capital-intensive industry, but also a considerable number of labor-intensive industries. At the same time, the strength of high-tech industry is becoming stronger and stronger. ^[6] It can be seen that China and ASEAN countries have obvious reciprocal space in capacity cooperation. Under the background of “The Belt and Road”, the energy cooperation between China and ASEAN countries can focus on energy industry, infrastructure industry, equipment manufacturing industry and clean energy industry.

3.1 Energy industry

We will actively participate in the development of oil and gas resources in ASEAN countries and explore cooperation models for production sharing, technical services and joint ventures. Actively expand the development and deep processing in the field of mineral resources and oil and gas resources, and extend the upstream and downstream energy industry chain. At the same time, we should make full use of regional geographical advantages and expand the scale of oil and gas trade with ASEAN countries. In addition, we can actively encourage domestic enterprises to export complete sets of development equipment and stimulate the production and development of related equipment manufacturing enterprises on the premise of development project contracting. It can not only establish independent production standards of products, but also provide complete supporting services for product

3.2 Infrastructure industry

China-ASEAN industry can cooperate in infrastructure engineering, construction engineering, supporting equipment manufacturing industry, building materials, steel, non-ferrous metals and other infrastructure areas. Fully understand the urgent needs of ASEAN countries for infrastructure construction projects, and give full play to China's industrial advantages such as infrastructure and construction projects. Make full use of the rich resources of ASEAN countries, cooperate with the mature production equipment and technology of building materials and non-ferrous metals products in China, expand the scale of production capacity cooperation projects between China and ASEAN countries, such as building materials and non-ferrous metals, so as to promote the rapid

development of infrastructure industry in ASEAN countries.

3.3 Equipment Manufacturing Industry

China-ASEAN can cooperate in equipment manufacturing industries such as transportation equipment, mechanical engineering equipment and oil and gas production and manufacturing equipment. In terms of transport equipment, we should encourage and support our transport equipment manufacturers to enter the ASEAN market, and promote the export of transport equipment in the form of joint construction of transport infrastructure in ASEAN countries. At the same time, we will actively support our powerful transportation equipment manufacturing enterprises to establish production and service bases in ASEAN countries through joint ventures or sole proprietorship, so as to promote the development of transportation equipment upstream and downstream industries in ASEAN. In terms of mechanical engineering equipment, ASEAN countries need a lot of mechanical engineering equipment in the process of infrastructure construction. China's mechanical engineering manufacturing enterprises can expand the scope of cooperation between China and ASEAN countries in the field of mechanical engineering by expanding export scale to ASEAN countries and establishing production bases in ASEAN countries. In terms of oil and gas production and manufacturing equipment, the main oil producing and exporting countries in ASEAN countries have a large demand for oil and gas production and manufacturing equipment in the fields of oil and gas exploration, exploitation and processing. China's enterprises should actively participate in oil and gas resources development projects in ASEAN oil-producing countries, promote the export of oil and gas production equipment and engineering technology services, and expand the scope of cooperation in oil and gas production and manufacturing between China and ASEAN countries.

3.4 Clean Energy Industry

China-ASEAN can cooperate in such clean energy industries as solar energy, ocean tidal energy, wind energy, biological energy and nuclear fusion energy. Taking advantage of the self-heating advantages of ASEAN countries, we will actively support China's dominant enterprises in solar energy, wind energy, ocean tidal energy, biological energy and nuclear fusion energy to “go out”, vigorously exploit the clean energy market of ASEAN countries, and further promote capacity cooperation in the field of clean energy equipment between China and ASEAN countries.

3.5 Biofinishing and R&D Industry

ASEAN countries are rich in characteristic biological resources and have natural advantages in developing bio-finishing and bio-R&D. China's biotechnology R&D enterprises or biotechnology finishing enterprises can build a series of complete industrial chain system of characteristic products processing in ASEAN, including biotechnology planting, biotechnology finishing and biotechnology R&D. ASEAN countries are rich in natural resources such as oil palm, cassava, Chinese herbal medicine, sugarcane, hemp and rubber. Chinese enterprises should make use of advanced biotechnology and advanced traditional Chinese medicine biotechnology to carry out intensive processing and biotechnology research and development in order to promote the large-scale production of ASEAN biotechnology finishing manufacturing industry and promote biotechnology research and development to a higher level.

3.6 Electronic Information Industry

With the improvement of infrastructure construction in ASEAN countries, higher requirements are put forward for information and communication engineering construction, information and communication technology and network information security. China's electronic information enterprises should seize the opportunity of implementing the strategy of “The belt and road”, and

cooperate with ASEAN countries in such fields as electronic information products, information and communication technology, information and communication engineering construction, and network information security service. Actively participating in the construction of information and communication projects in ASEAN countries, opening up the ASEAN electronic information and communication engineering market with low-cost and high-quality information engineering construction technology, high-quality and efficient information and secure network information security services, thereby expanding the scope of cooperation between China and ASEAN countries in the production capacity of electronic information industry.

4. Suggestions on Promoting Capacity Cooperation between China and ASEAN

4.1 Improving the Policy Support System for Capacity Cooperation

Firstly, we should strengthen the innovation of management system and transform the investment of ASEAN countries from the examination and approval system to the filing system, with the examination and approval as the main supplement.^[7] We will greatly simplify the management system of foreign investment and make it easier, faster and more efficient for Chinese enterprises to carry out investment projects in ASEAN countries. The second is to strengthen the support of Chinese enterprises to participate in ASEAN capacity cooperation projects in policy finance and development finance. Third, increase financial and tax support to enterprises participating in ASEAN capacity cooperation, reduce the burden of enterprises, and help enterprises to have more capital competitive advantage in ASEAN capacity cooperation. We will actively promote the establishment of special funds for capacity development cooperation with ASEAN, improve the use of funds and standardize capital investment.

4.2 Scientifically Planning the Field of Capacity Cooperation

Firstly, we should organize experts and scholars to conduct on-the-spot inspections of potential areas of capacity cooperation between ASEAN countries and China, and to conduct a comprehensive textual research according to the economic development level, industrial level and resource agglomeration of various countries. According to the research results, based on the characteristics of key manufacturing sectors and resource endowments of ASEAN countries, the industrial needs of ASEAN countries are clearly defined, and the industrial scope of capacity cooperation between China and ASEAN countries is rationally planned. Secondly, according to the actual demand of capacity cooperation of ASEAN target countries, we should build and design the high-level cooperation mode and field of capacity cooperation between China and ASEAN target countries to achieve “tailor-made” capacity cooperation with ASEAN countries. Third, in the process of carrying out capacity cooperation, we should grasp the “sequence” and “key and difficult points”. We should promote capacity cooperation in a planned and step-by-step way, which can take the lead in promoting projects with mature industrial development conditions and prone to positive demonstration benefits, and avoid “end-to-end” projects as far as possible.

4.3 Accelerating the Establishment of the Capacity Cooperation Assessment and Monitoring System

Firstly, we will focus on assessing the level of industrial development, the conditions of industrial infrastructure and the investment environment of ASEAN countries, and establish a dynamic evaluation and monitoring system with complete indicators of industrial development, industrial infrastructure, investment environment and policy stability. Regular and real-time publication of authoritative analysis reports on capacity cooperation among ASEAN countries, especially for political, economic and social risks that may cause losses to enterprises, should be described in detail and comprehensively in order to provide reference standards and decision-making basis for enterprises engaged in capacity cooperation with ASEAN. Secondly, in

conjunction with the business counsellors' offices of embassies in ASEAN countries and research forces of domestic ASEAN think tanks, we will jointly establish an information platform system for ASEAN capacity cooperation, build an ASEAN capacity cooperation project information base,^[8] timely provide domestic enterprises with the latest information on investing in ASEAN countries, and expand business opportunities for capacity cooperation. Finally, according to the detailed information of the dynamic evaluation monitoring system and the capacity cooperation project information base, the paper timely evaluates and analyses the pre-event, in-event and post-event risks of capacity cooperation between Chinese enterprises and ASEAN countries, and warns them of risks, effectively evades predictable risk factors, and improves the time efficiency and economic benefits of capacity cooperation between China and ASEAN countries.

4.4 Increasing Capital Export to Promote Bilateral Capacity Cooperation

First, we actively support capacity cooperation projects in China-ASEAN bilateral infrastructure and energy resources industries by means of equity investment and debt financing, with the help of investment platforms such as the Asian Investment Bank, the Silk Road Fund and the ASEAN Fund. Secondly, the PPP project loan business carried out by commercial financial institutions provides financing support for the capacity cooperation projects of China-ASEAN equipment manufacturing industry and clean energy industry, so as to enhance the comprehensive strength of the capacity “going out” enterprises. Thirdly, we should support enterprises and financial institutions with certain strength to actively raise domestic and foreign market funds by issuing bonds, stocks, asset securitization products, etc. We should actively implement the overseas bond issuance filing system, raise low-cost funds and support enterprises to enter the ASEAN market.^[9] By increasing capital export to ASEAN countries to drive output, we can change the long-standing single mode of product export to ASEAN countries. We can also play a connecting and supporting role of financial capital of commercial and financial institutions in our country, and explore a new type of international capacity cooperation business model that combines financial capital and industrial capital.

4.5 Actively Building China-ASEAN Cross-border Economic Cooperation Zone

Under the background of “The belt and Road”, China and ASEAN countries strive to build cross-border economic cooperation zones as an important support platform for strengthening production capacity cooperation. At present, China and ASEAN countries have established six cross-border economic cooperation zones in the border area. Cross-border economic cooperation zones are managed by “two countries, one region, closed operation, domestic and foreign customs, free trade” mode. Enterprises of the two countries can enjoy preferential policies given by the governments of the two countries in the zones. Therefore, according to the actual situation and comparative advantages of the two sides, we can carry out targeted capacity cooperation and build the cross-border economic cooperation zone into a large-scale, industrialized and systematic superior capacity cooperation gathering area.^[10] We should give full play to the demonstration effect of cross-border economic cooperation zones on promoting capacity cooperation between China and ASEAN, and effectively avoid high-risk factors in capacity cooperation.

4.6 Supporting minor enterprises to “go global” to expand the scope of “light assets” cooperation

On the one hand, we will vigorously support small and medium-sized enterprises to “go out” to carry out capacity cooperation in ASEAN countries. First, domestic financial institutions have increased their policy-oriented financial support for small and medium-sized private enterprises. Second, we should give full play to the advantages of “China Civil Investment” and actively help small and medium-sized enterprises to solve the problem of expensive and difficult overseas financing. Thirdly, the Ministry of Commerce and the Ministry of Industry and Information

Technology should set up information service centers for overseas investment of private enterprises, systematically collect market information and investment environment information of ASEAN, provide valuable cooperation information for private enterprises to carry out capacity cooperation in ASEAN, and provide professional overseas project evaluation and feasibility report, etc. On the other hand, we should expand the scope of cooperation on “light assets” and develop “light assets” projects according to ASEAN's own advantages and China's technological capabilities. For example, we should strengthen cooperation in research and development of characteristic biological resources, modern agricultural production and processing, research and development of traditional Chinese medicines, and food finishing.

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