

## **The Impact of the China-ASEAN Free Trade Agreement on Trade Patterns and Global Value Chains**

Topic: Trade and Global Value Chains Policies (2)

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The China-ASEAN Free Trade Agreement (CAFTA) has significantly shaped trade dynamics and economic integration between China and ASEAN, affecting their participation in global value chains (GVCs) and regional industrial upgrading. This study systematically examines bilateral trade imbalances, total exports, intermediate exports, final goods and services exports, and value-added trade patterns between China-ASEAN, employing a disaggregated accounting method and Input-Output (IO) analysis. The empirical findings highlight three key insights: (1) China has strengthened its role in regional supply chains, particularly in intermediate and final goods production, reinforcing its growing influence in ASEAN trade networks. (2) Shifts in trade imbalances and a notable increase in DVA content in China's exports indicate that it transits toward higher-value-added activities, driven by industrial upgrading and deeper economic integration. (3) The rise in FVA content and fluctuations in returned value-added and double-counted trade flows underscores the complexity and dynamic nature of GVC participation, reflecting evolving interdependencies within the China-ASEAN economic corridor. Policymakers should implement targeted measures to enhance industrial upgrading, improve supply chain resilience, and optimize trade structures, ensuring long-term competitiveness and sustainable economic growth within the China-ASEAN economic corridor.