

THE IMPACT OF THE CHINA-ASEAN FREE TRADE AGREEMENT ON TRADE PATTERNS AND GLOBAL VALUE CHAINS

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Malé, 2025



INTRODUCTION

- Global trade is shifting amidst geopolitical uncertainty and sustainability demands.
 - Regional agreements like CAFTA are reshaping Global Value Chains (GVCs).
 - This study situates CAFTA within the broader GVC discourse, examining trade roles, integration, and value-added shifts.
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PROBLEMS

- 01 Analyzing bilateral trade balances and gross export patterns
- 02 Disaggregating value-added trade flows (DVA, FVA)
- 03 Assessing structural change in regional GVC participation

IMPORTANCE OF GVCS

- 01 Global Value Chains fragment production across countries.
- 02 They allow countries to specialize in stages of production.
- 03 Value-added trade captures true economic contributions better than gross trade flows.

OVERVIEW OF CAFTA

01

Established in 2002, fully implemented by 2010

02

Goals: tariff reduction, market access, regional integration

03

Facilitated cross-border investment and GVC integration

THEORETICAL FRAMEWORK

1

Leontief's
IO model (1951)
: inter-sectoral
linkages

2

Gereffi et al.
(2005):
GVC governance

3

Koopman et al.
(2014):
value-added
decomposition

METHODOLOGY

DATA

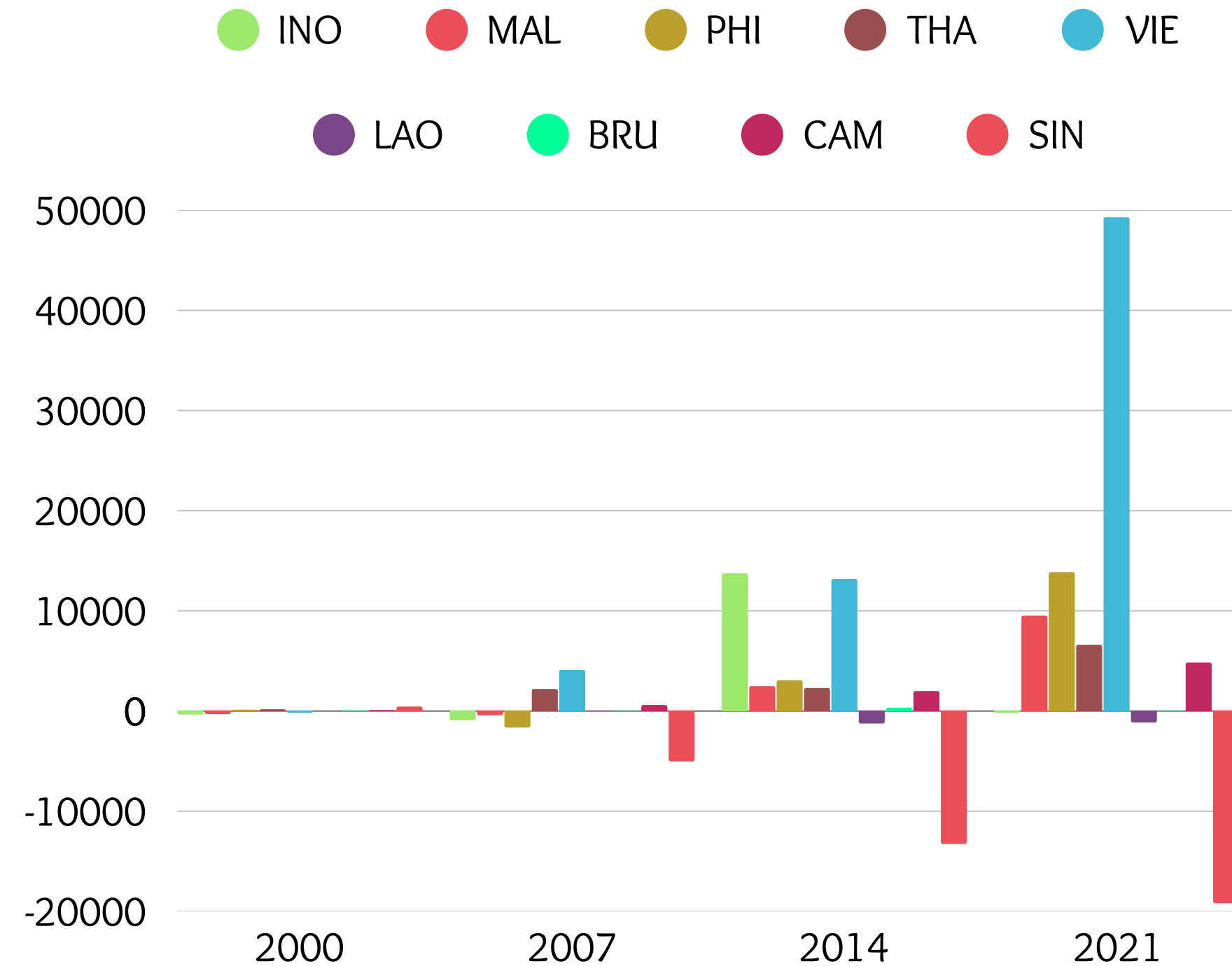
ADB MRIO (2022) and UIBE GVC database (2022)

METHOD

WWZ (2013) decomposition of gross exports: DVA exported and absorbed / DVA returning home / FVA and double-counted trade

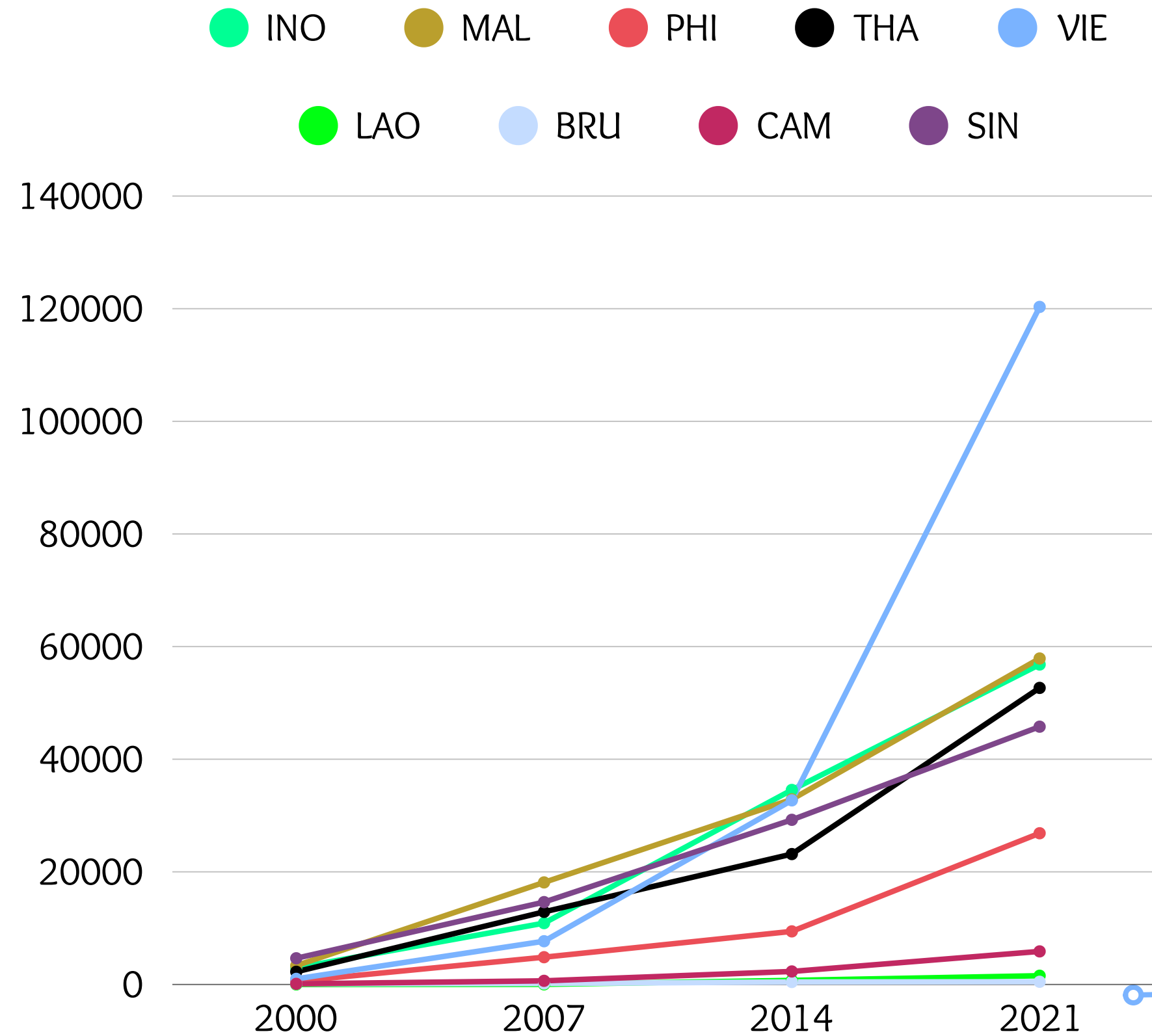
BILATERAL TRADE BALANCE EVOLUTION

- From 2007–2021, China's trade balance with ASEAN shifted dramatically.
- From deficits to surpluses with Thailand, Vietnam, and Singapore
- Reflects industrial upgrading and deepening integration



GROSS EXPORT TRENDS

- China's exports to ASEAN doubled from 2007–2021.
- Destination: Thailand, Vietnam, Malaysia

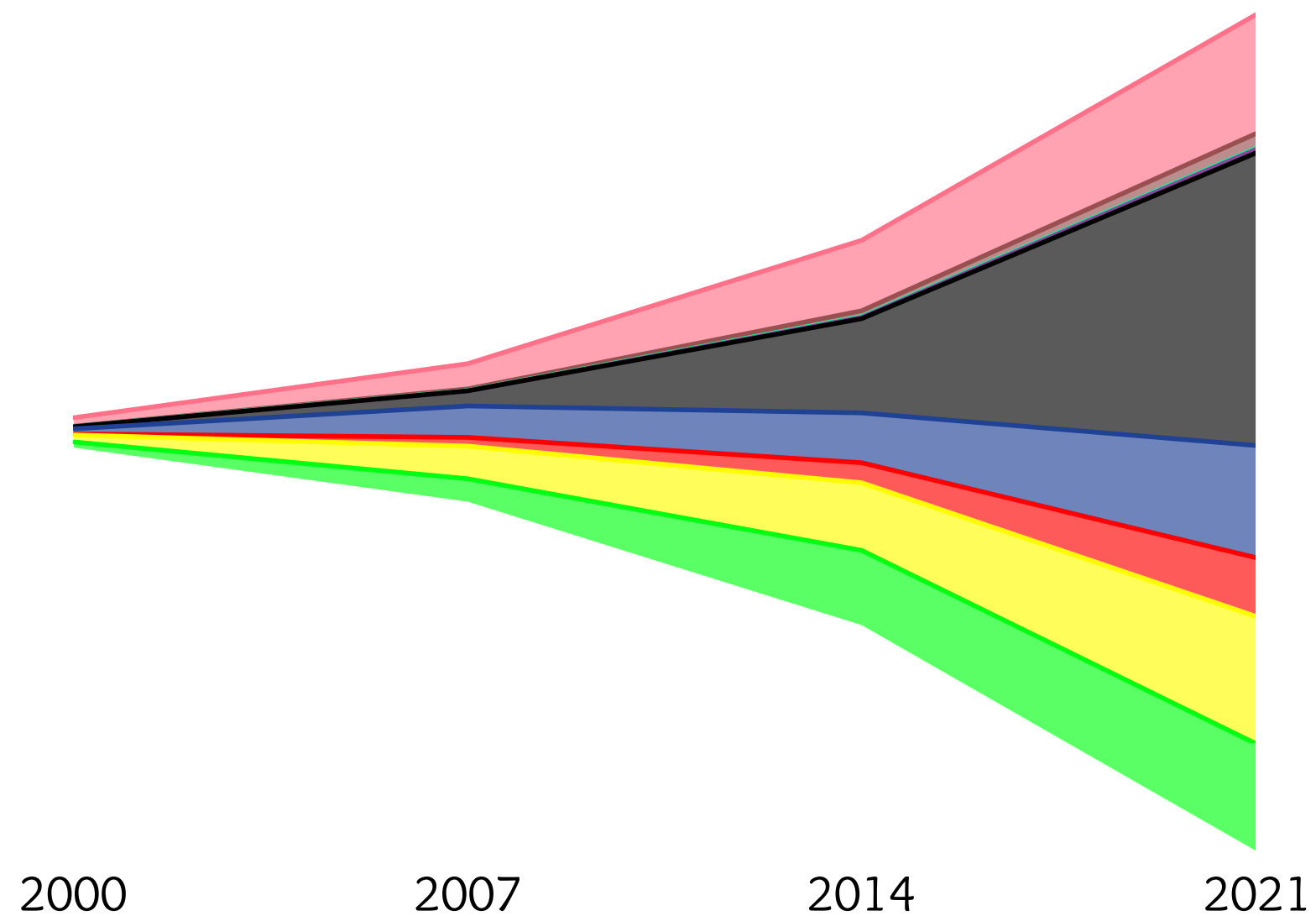


INTERMEDIATE EXPORT GROWTH

- China became a major supplier of intermediates to ASEAN.
- Key partners: Vietnam, Thailand, Malaysia
- Drives assembly and re-export activity

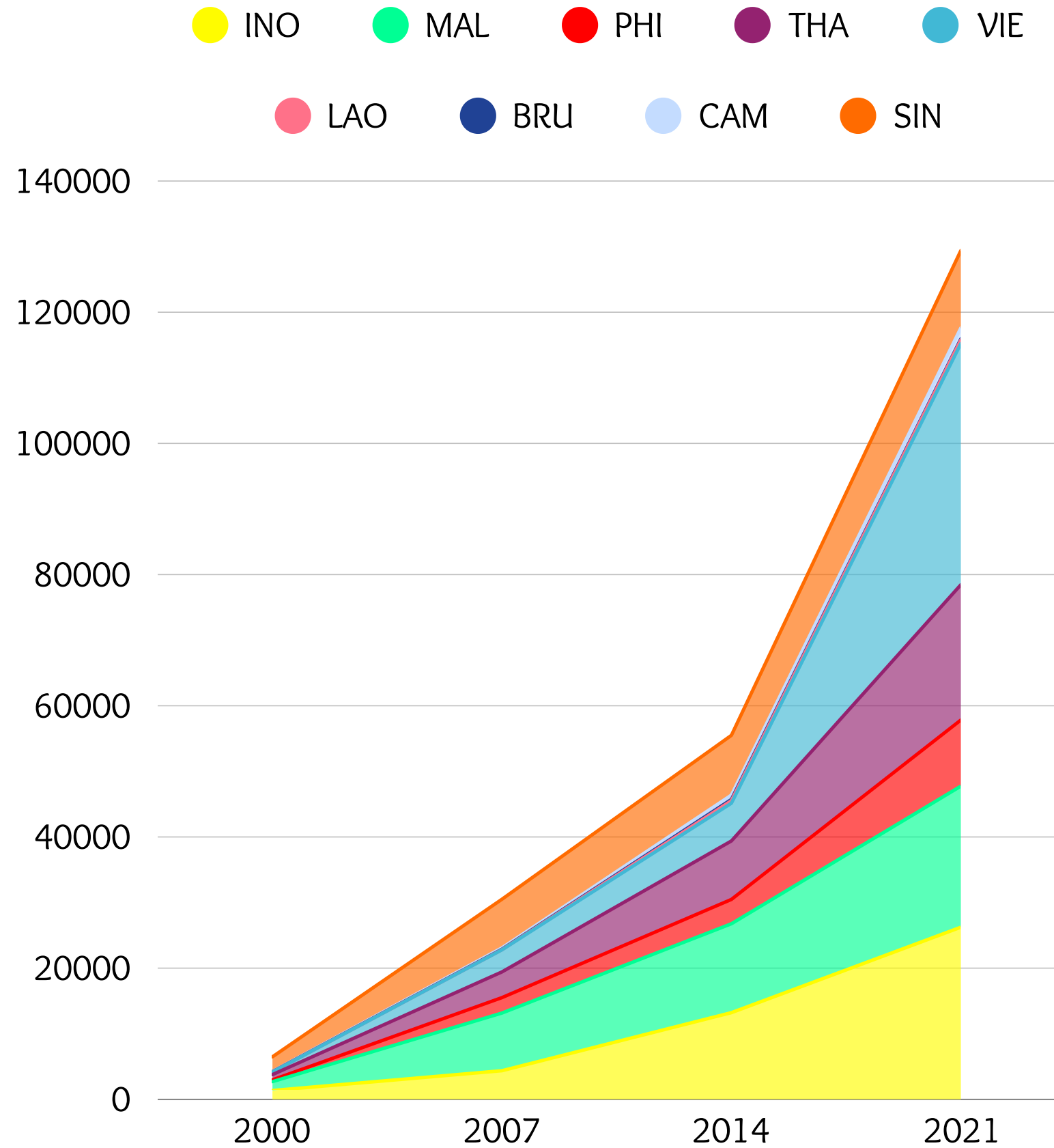
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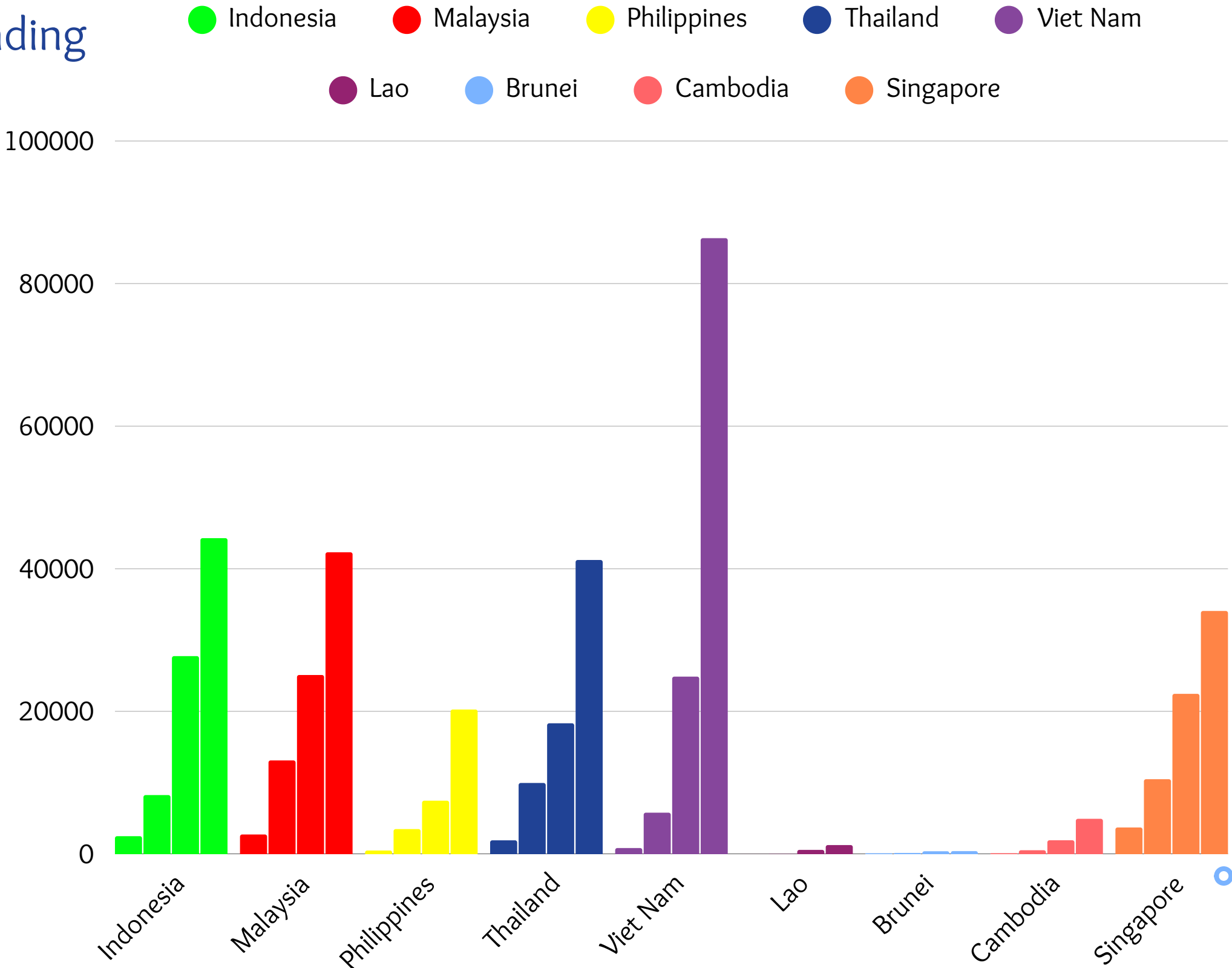
FINAL GOODS EXPORT PATTERNS

- China's final goods exports surged post-CAFTA.
- ASEAN increasingly handles downstream GVC tasks
- Branding, packaging, and assembly roles



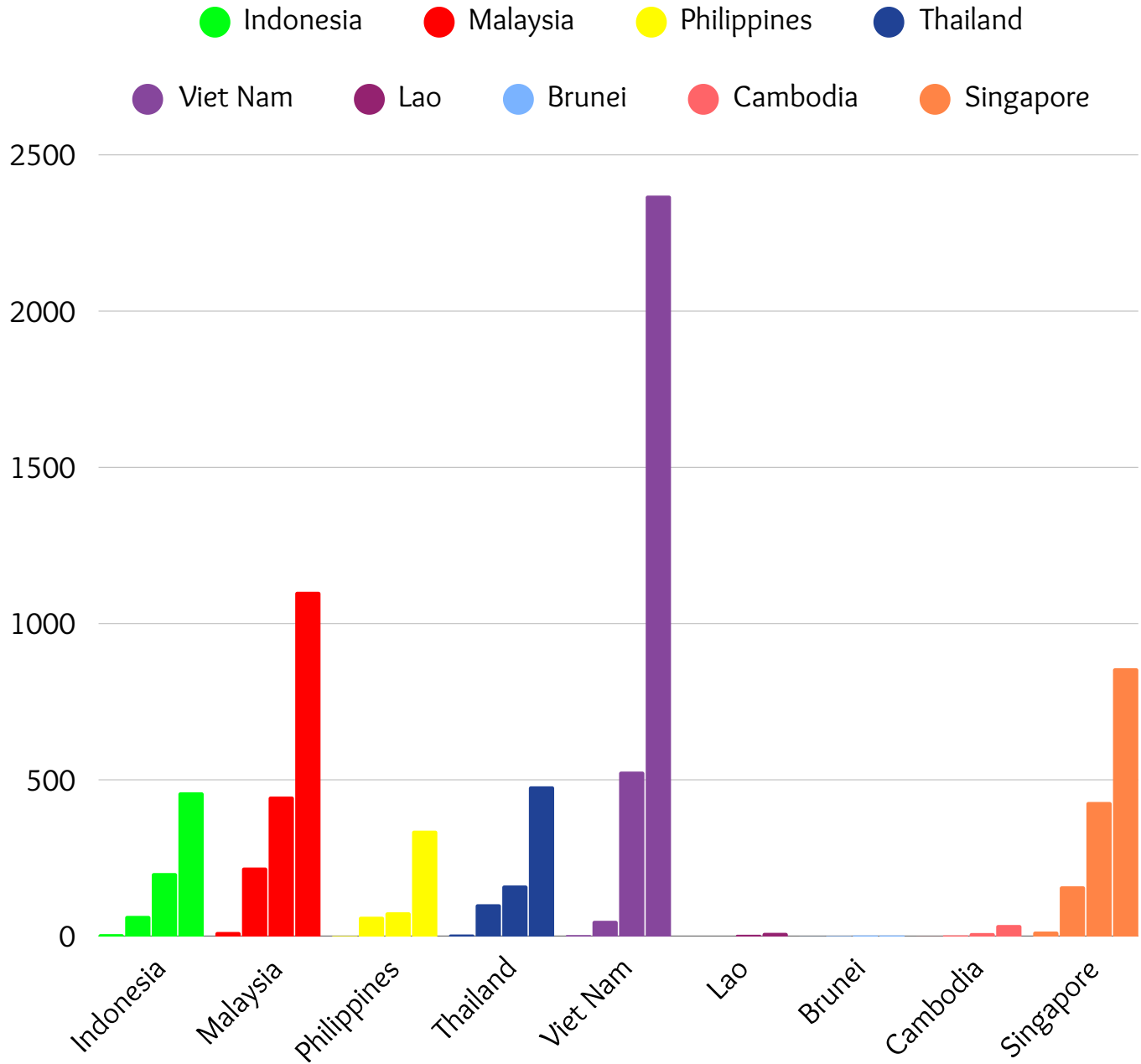
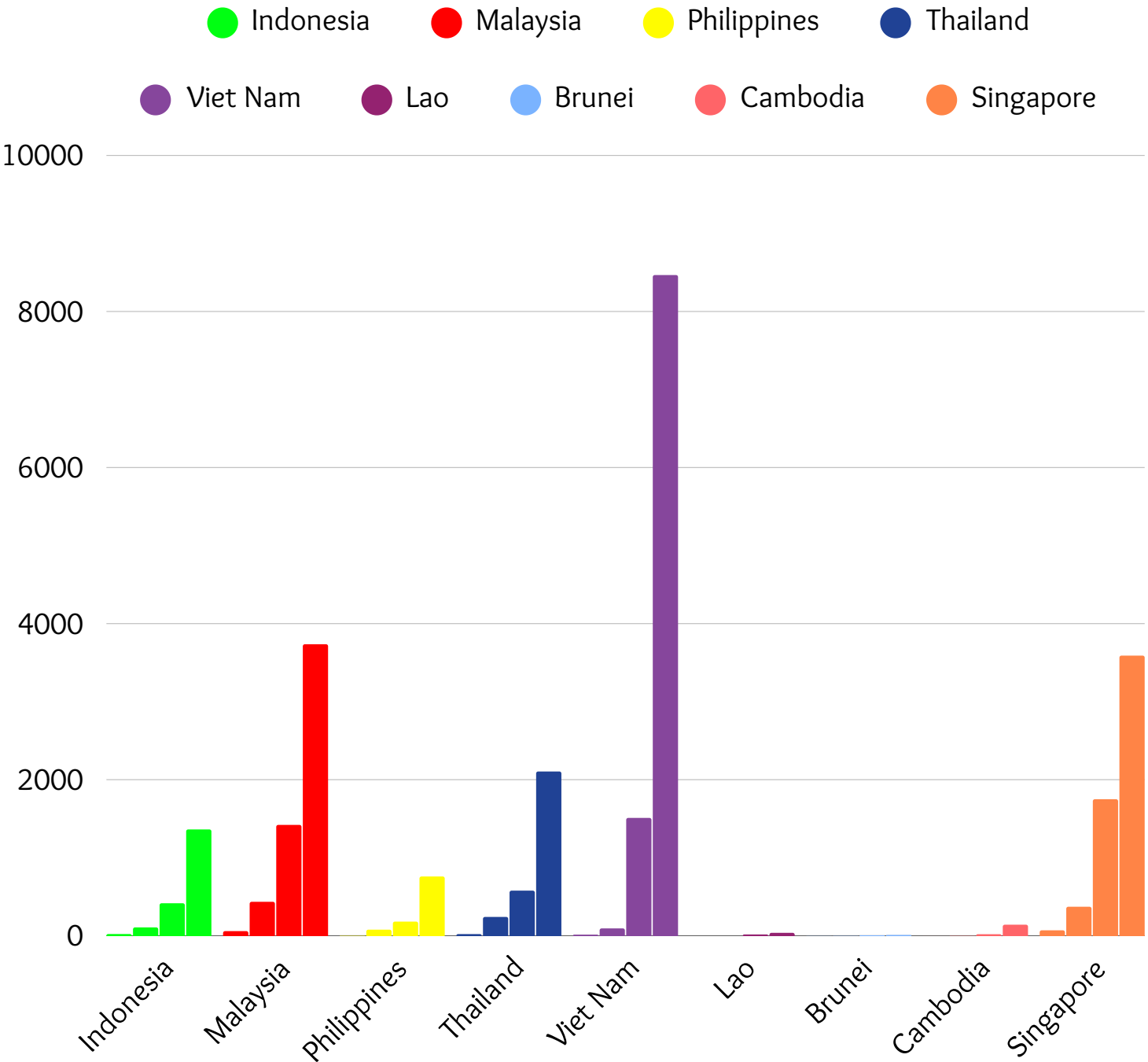
DOMESTIC VALUE ADDED (DVA) TRENDS

- China's DVA in exports to ASEAN increased sharply.
- Reflects industrial upgrading



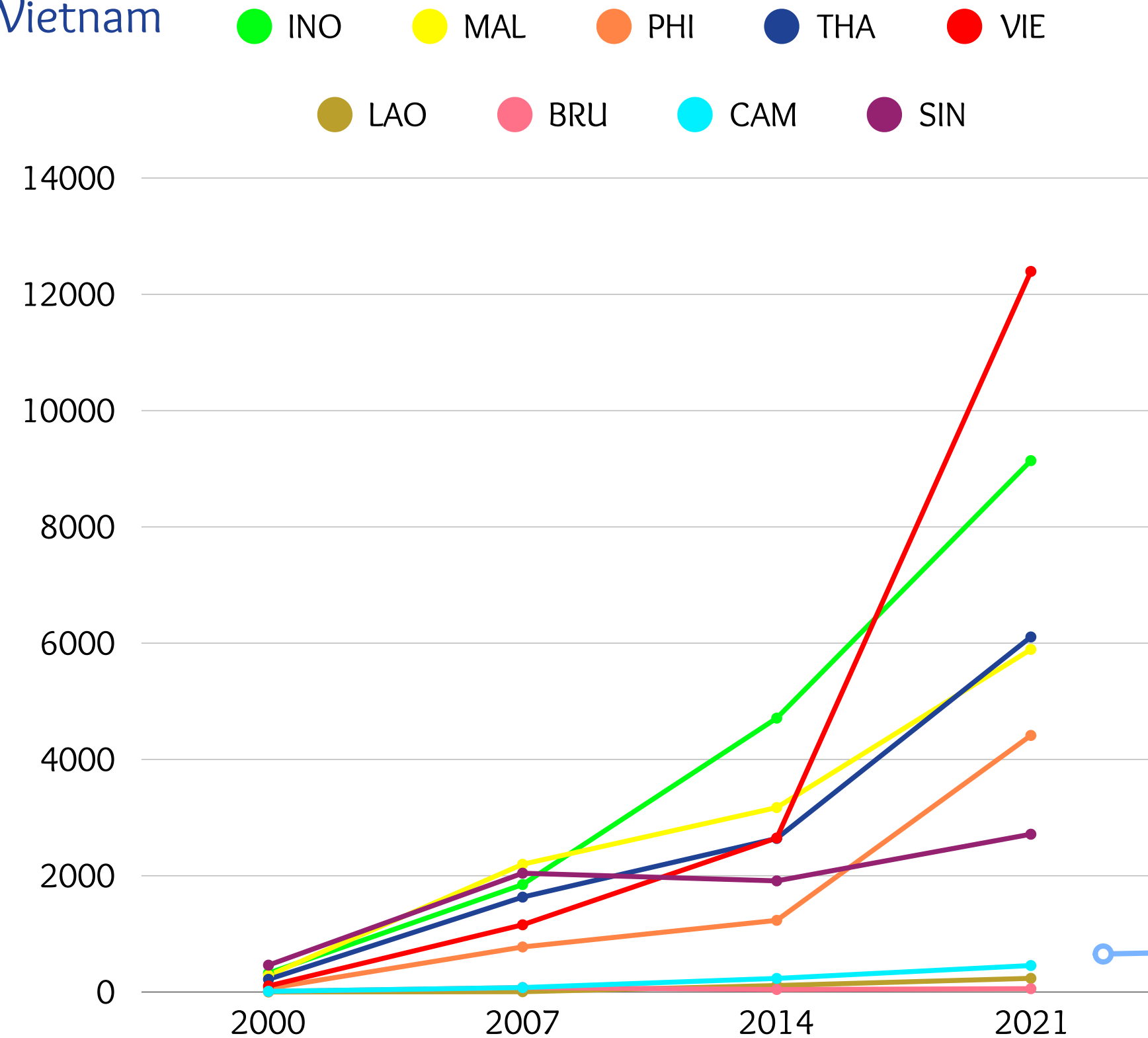
RETURNED DVA AND DOUBLE COUNTING

- Rising DVArt and DDC imply circular trade structures.
- DVA returning home (DVArt) also increased
- Goods cross borders multiple times



FOREIGN VALUE ADDED (FVA) ANALYSIS

- FVA in China's ASEAN exports reflects global sourcing.
- Major sources: Malaysia, Singapore, Vietnam
- Indicates multinational production





POLICY IMPLICATIONS

FOR ASEAN


- Diversify supply chains
- Upgrade manufacturing & digital capacity

FOR CHINA

- Maintain tech edge, promote outward FDI
- Support balanced GVC development.



CONCLUSION

- CAFTA reshaped regional trade and GVC integration.
 - China became a GVC hub.
 - ASEAN nations have diverse upgrading paths.
 - Value-added metrics reveal deeper linkages.
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THANK YOU

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Malé, 2025