

# Research on Logistics Channels between ASEAN and Guangdong China

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**ABSTRACT.** *This paper discusses the major logistics channels for international trade between ASEAN and Guangdong China. The trade data between ASEAN and Guangdong China is collected and analysed. Road transportation, railway transportation and air transportation are compared and suggested to be developed to provide more logistics channels for bilateral trade.*

**KEYWORDS:** *Logistics channels; ASEAN; Guangdong China*

## 1. Introduction

The “Belt and Road” development strategy is proposed to enhance trade interconnection and road connectivity between China and the countries along the Silk Road and the Maritime Silk Road. Guangdong China is located in the Southeast China and has also proposed to build a "Guangdong-Hongkong-Macao-Southwest Province-ASEAN Countries" international comprehensive logistics channel. Constructing a cross-border logistics channels for Guangdong-Hong Kong-Macao-Southwest Province-ASEAN countries connects ASEAN and is in line with the development direction both of China and Guangdong Province. It will lay a solid foundation for Guangdong to build a "maritime silk road" sea-rail combined transportation hub.

In terms of transportation, the container throughput of Shenzhen and Guangzhou ports ranks in the top ten in the world. A system of water transportation, transshipment and feeding in South China has been formed with Guangzhou and Shenzhen ports as the major container ports in the world. The development of the modern logistics industry in the Pearl River Delta has greatly promoted the innovation and development of related industries such as finance, commerce, high-tech, and e-commerce, thereby enhancing the competitiveness of the entire regional economy and industry.

## 2. An Analysis of the data of trade between ASEAN and Guangdong China

Since the China-ASEAN Free Trade Area was launched in 2010, China-ASEAN trade volume has achieved rapid growth. In 2019, China and ASEAN signed the "China-ASEAN Free Trade Area Upgraded Protocol". In 2018, the figure was 587.8 billion US dollars, with two-way investment of 15.8 billion US dollars. In 2018, China has maintained ASEAN's largest trading partner for 10 consecutive years. ASEAN surpassed the United States as China's second largest trading partner in 2018, cumulative two-way investment reached US \$ 223.3 billion [1]. ASEAN is also the second largest trading partner of Guangdong Province China in 2018.

Analysing from trade structure, in 2012, ASEAN's import and export are balanced. Slightly more exports than imports are seemed (export / import ratio is 1.08). According to the analysis of the trade structure, the ASEAN export / import ratio to China is 0.84, indicating that China's export competitiveness to ASEAN is greater than the average.

*Table 1. Import and export volume between Guangdong China and ASEAN (USD)[2]*

Amount(USD)	2013	2014	2015	2016
Agricultural Product Export	81.31	84.32	86.45	91.99
Electromechanical Product Export	4395.69	4285.59	4380.34	4064.84
Hi-tech Product Export	2564.07	2310.17	2325.47	2135.92
Export Subtotal	6363.64	6460.87	6434.68	5986.64
Agricultural Product Import	148.82	168.19	178.48	176.61
Electromechanical Product Import	2836.64	2543.12	2489.04	2411.23
Hi-tech Product Import	2186.64	1932.83	1932.84	1897.1
Import Subtotal	4554.58	4304.97	3793.28	3567.21

According to statistics categorised by industry in the table 1, the import and export volume of Guangdong and ASEAN is based on Guangdong's exports of electromechanical products to ASEAN. Electromechanical products are the major products to Guangdong, and high-tech products are the dominant industries in the Guangdong region. Such products are competitive in exports to ASEAN. The import data of agricultural products from ASEAN shows the improvement of the consumption level of agricultural products in Guangdong.

Guangdong Customs data shows that Malaysia, Thailand and Singapore ranked the top three in Guangdong-ASEAN import and export trade in 2014, and the import and export value of the three countries accounted for 63.5% of the total value of Guangdong-ASEAN trade. Guangdong's exports to ASEAN in 2014 were mainly electromechanical products, worth US \$ 26.96 billion, which accounted for 59.1% of Guangdong's total exports to ASEAN over the same period. The export of major

traditional labor-intensive products such as clothing and footwear grew rapidly [3]. The bilateral trade between China and major ASEAN countries continues to grow, and there is an inseparable complementary relationship between China and major ASEAN countries. China and ASEAN's main trade commodity types such as electromechanical product, electrical equipment, television and audio equipment, and mechanical equipment and parts are of high added value, therefore they are not sensitive to transportation cost, if the railway, road and airway transportation can significantly shorten the transportation time from China to ASEAN. High value-added commodities such as electromechanical, electrical equipment, television sets and audio equipment that are traded with ASEAN have great demand for railway freight lines.

### **3. Logistics channel for trade between Guangdong and ASEAN**

The total international trade volume of Guangdong in 2019 is 7.14 trillion RMB, a decrease of 20 billion RMB from 2018, a decrease of 0.3% [3]. The total value of cross-border e-commerce imports and exports counted by Guangdong's customs in 2019 is 110.79 billion RMB (excluding overseas warehouses, postal express import and export channels), with a year-on-year growth of 45.8%, accounting for 59.5% of the total value of cross-border e-commerce in China [4].

The transportation of Guangdong-ASEAN import and export goods are mainly shipped by sea to foreign countries, and the proportion of transportation by land and air is relatively low. It is necessary for Guangdong to strengthen the capacity of land and air transportation as trade channels with ASEAN, therefore to improve the competitiveness of Guangdong's exports. Compared with sea transportation, the road, railway and air transportation shorten the transportation distance and time, which meet the needs of import and export goods with large transportation volume and strict time requirements. Airfreight focuses on creating international parcel transportation in Guangzhou and Shenzhen, which provides an option for precision electronics, medical equipment, and food transportation.

(1) Develop road transportation from Guangdong to ASEAN to promote regional trade

Located in the south of China, Guangdong is closer to southeast Asia than the Yangtze river delta and the Bohai bay, so it has better conditions to develop road transportation to ASEAN. The development of bilateral road transport enhances export capabilities. And the poor infrastructure of ASEAN countries also makes road transport more flexible in ASEAN countries, which is also conducive to promoting the common development of China and ASEAN member countries.

(2) Develop railway freight transportation and explore new market potential

Multimodal transportation from China to ASEAN is usually required complicated procedures to customs declaration and inspection. With reference to the rail transportation from China to Europe, the Guangdong-ASEAN rail transportation could have a similar mode. Through consultations between the joint inspection

departments of China and ASEAN countries, a smoother trade channel will be established.

(3) Fast circulation of high value-added products through air transportation

There is a certain degree of similarity in the export commodity structure between China and ASEAN, especially high-tech products are the main category of imports and exports. Imports and exports of high value-added products are less price sensitive than ordinary commodities, but more sensitive to transportation time than ordinary commodities. The development of air transportation is more conducive to expanding the diversified export market.

#### **4. Conclusions**

In the background of globalization, it is the general trend to strengthen regional cooperation. The construction of the Continental Bridge connection strengthens regional economic cooperation, promotes trade between Guangdong and ASEAN, and consolidates Guangdong's position as a national foreign trade and logistics hub.

The economic development level of the ten ASEAN countries differs greatly, which is reflected in their trade data to China. China has a large market share in Singapore, Malaysia, Thailand, Vietnam, and Cambodia, therefore China should consolidate the existing market and continue to improve export quality, bilateral economic cooperation and reputation, and expand more market shares. The trade volume of Indonesia, the Philippines, Laos, Myanmar, and Brunei is still low, so cooperation should be strengthened such as building up better trade policies for smoother Custom inspection, reducing trade barriers and seizing opportunities to develop trade potential. The development and construction of road, railway and air transport channels with ASEAN is conducive to build the brand of "Guangdong" as the starting point of China-Asean logistics channel. It is conducive to making strategic preparations for the "upgraded version of China-Asean free trade area" protocol.

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