

Analyst

Tai Hui, +65 6530 3464
Standard Chartered Bank, Singapore
Regional Head of Research, South East Asia
Tai.Hui@sc.com

ASEAN – The shape of trade to come

08:30 GMT 08 April 2010

- We take a closer look at which products ASEAN trades with China and India
- Commodities stand out as the growth area for ASEAN's exports to these two economies
- China is selling more labour-intensive products to ASEAN
- ASEAN still has an edge over China and India in machinery and electrical products

What is ASEAN trading with China and India?

ASEAN's trade with India is having a positive impact on South East Asian economies, and China has also been a key driver of ASEAN's export recovery in recent months (for more details, see **On the Ground, 3 March 2010, 'ASEAN – Trade with India comes of age'**). In today's report, we take a look at what ASEAN economies are buying from and selling to China and India, and compare the trends across recent years. We use China's data on trade with Indonesia, Malaysia, Philippines, Singapore and Thailand and classify products according to Harmonised System Codes (HS Codes). In the case of India, we use HS Codes to look at the country's trade relationships with Indonesia, Malaysia, Thailand and Singapore.

Key observations

- The pattern of China's imports from Singapore, Thailand and the Philippines has been broadly stable in the past seven to eight years. Machinery, electrical equipment and vehicles have remained these economies' top exports to China.
- In the reverse direction, China's exports to ASEAN countries are also concentrated in machinery, electrical equipment and vehicles; these items make up 40% to 67% of its total exports to each of the five countries we tracked.
- China is a net importer of machinery, electrical equipment and vehicles from Malaysia, the Philippines and Singapore, but a net exporter of these products to Thailand and Indonesia.
- China's imports of mineral products (fuel) and animal/vegetable products (especially palm oil) from Indonesia have been rising as a percentage of its total imports in recent years. Malaysia has seen a similar trend in the past four years, but the change has been less dramatic.
- We note a distinct rise in manufactured goods (in particular labour-intensive manufactured goods) as a share of China's total exports to ASEAN, especially to Malaysia, the Philippines and Singapore.
- Mineral products (fuel) account for a sizeable and rising share of India's imports from ASEAN – especially from Indonesia, Malaysia and Singapore.
- India is also a net importer of machinery, electrical equipment and vehicles from all four countries, highlighting the need for infrastructure development in India.

Important disclosures can be found in the Disclosures Appendix



All rights reserved. Standard Chartered Bank 2010

<http://research.standardchartered.com>



Implications

- Demand for fuel and agricultural commodities from both China and India presents clear opportunities for ASEAN economies.
- China's trade relationships with ASEAN in the areas of machinery, electrical equipment and vehicles have been stable, reflecting the competitive edge Malaysia, the Philippines and Singapore enjoy in these industries.
- As we have highlighted previously, China's labour-intensive exports are increasingly entering ASEAN, and this will pose challenges to producers of similar products in the region.

Trade with China

Tables 1-10 highlight the top four product categories traded between China and major ASEAN economies in terms of their share of the total in 2002, 2005 and 2009, and show the absolute values for 2009. Machinery, electrical equipment and vehicles have consistently formed the bulk of China's exports to ASEAN, although this category's relative weighting has changed over time. It has decreased for Malaysia and Thailand but increased for Indonesia, Singapore and the Philippines. Meanwhile, manufactured products from China – typically more labour-intensive products – increased between 2005 and 2009 as a share of total imports by Malaysia, the Philippines and Singapore. ASEAN and other emerging markets are likely to present a more fertile area of growth for China's exports than the West.

Meanwhile, according to 2009 data, China is a net exporter of machinery, electrical equipment and vehicles to Thailand and Indonesia, while it is a net importer of these products from Singapore, Malaysia and the Philippines. To some extent, this reflects the fact that these three economies still have an edge over China in producing these goods, despite the upgrade of China's manufacturing in recent years.

In terms of China's demand from ASEAN, machinery, electrical equipment and vehicles are still the dominant categories. However, an interesting change can be observed in trade between China and Indonesia – mineral products (mainly fuels) and meat and animal and vegetable oil (mainly palm oil) now comprise more than 55% of Indonesia's exports to China, up from 26% in 2002 (Table 2). A similar development was seen in Malaysia between 2005 and 2009 (Table 4), albeit at a more subdued rate (and machinery, electrical equipment and vehicles still make up two-thirds of Malaysia's exports to China).

Table 1: China's exports to Indonesia

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	36%	33%	43%	6,315
Textiles/Fabrics	10%	9%	11%	1,550
Chemicals	12%	9%	10%	1,415
Metals	8%	13%	9%	1,341

Sources: CEIC, Standard Chartered Research

Table 2: China's imports from Indonesia

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Mineral Products	20%	27%	41%	5,597
Meat/Animal and Vegetable oil	6%	10%	16%	2,104
Equipment/ Vehicles/ Machinery	17%	20%	13%	1,713
Manufactured goods	5%	7%	9%	1,157

Sources: CEIC, Standard Chartered Research

**Table 3: China's exports to Malaysia**

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	61%	55%	49%	9,627
Manufactured goods	5%	5%	11%	2,254
Textiles/Fabrics	6%	8%	10%	1,982
Artwork/ Photography	2%	8%	6%	1,241

Sources: CEIC, Standard Chartered Research

Table 4: China's imports from Malaysia

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	61%	72%	65%	20,961
Meat/Animal and Vegetable oil	8%	6%	9%	2,818
Mineral Products	7%	3%	8%	2,649
Manufactured goods	7%	8%	8%	2,464

Sources: CEIC, Standard Chartered Research

Table 5: China's exports to the Philippines

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	36%	46%	40%	3,407
Manufactured goods	11%	8%	13%	1,101
Textiles/Fabrics	14%	11%	12%	1,058
Metals	6%	11%	8%	696

Sources: CEIC, Standard Chartered Research

Table 6: China's imports from the Philippines

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	86%	90%	82%	9,804
Metals	4%	3%	5%	537
Mineral Products	3%	2%	4%	506
Manufactured goods	1%	1%	4%	470

Sources: CEIC, Standard Chartered Research

Table 7: China's exports to Singapore

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	55%	63%	67%	20,134
Mineral Products	9%	8%	8%	2,465
Manufactured goods	4%	3%	7%	1,969
Chemicals	3%	3%	3%	798

Sources: CEIC, Standard Chartered Research

Table 8: China's imports from Singapore

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	52%	60%	55%	9,735
Mineral Products	14%	13%	16%	2,872
Manufactured goods	14%	11%	11%	1,947
Chemicals	10%	9%	9%	1,618

Sources: CEIC, Standard Chartered Research

**Table 9: China's exports to Thailand**

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	56%	47%	46%	6,135
Chemicals	13%	10%	11%	1,519
Metals	7%	19%	9%	1,209
Textiles/Fabrics	9%	7%	8%	1,040

Sources: CEIC, Standard Chartered Research

Table 10: China's imports from Thailand

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	42%	54%	57%	14,269
Manufactured goods	23%	17%	17%	4,301
Chemicals	4%	4%	6%	1,493
Mineral Products	6%	6%	5%	1,261

Sources: CEIC, Standard Chartered Research

Trade with India

ASEAN's trade with India has undergone more drastic change than its trade with China in recent years as the Indian economy continues to transform. In terms of India's exports to ASEAN, machinery, electrical equipment and vehicles have increased as a share of the total in the past three years – they represented 20-30% of India's exports to the four ASEAN countries we tracked in 2009, up from less than 15% in 2005. Despite the increase, India is still a net importer of machinery, electrical equipment and vehicles from Thailand, Singapore and Malaysia. Metals represent another important export to ASEAN from India, in particular aluminium, steel and copper.

India's top import from both Indonesia and Malaysia is mineral products (predominantly fuel), which makes up almost 50% of the total. For Indonesia, meat and animal and vegetable oil (mainly palm oil) makes up another 33% of its exports to India.

Table 11: India's exports to Indonesia

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Mineral Products	3%	24%	23%	599
Equipment/ Vehicles/ Machinery	8%	8%	21%	525
Chemicals	18%	25%	18%	449
Metals	11%	13%	9%	225

Sources: CEIC, Standard Chartered Research

Table 12: India's imports from Indonesia

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Mineral Products	25%	22%	49%	3,261
Meat/Animal and Vegetable oil	33%	51%	33%	2,197
Chemicals	13%	6%	4%	287
Equipment/ Vehicles/ Machinery	4%	4%	3%	231

Sources: CEIC, Standard Chartered Research

**Table 13: India's exports to Malaysia**

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	22%	14%	33%	1,141
Metals	12%	13%	17%	598
Foodstuffs/ Beverages	4%	10%	12%	423
Chemicals	5%	12%	7%	248

Sources: CEIC, Standard Chartered Research

Table 14: India's imports from Malaysia

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Mineral Products	24%	5%	47%	3,400
Equipment/ Vehicles/ Machinery	12%	33%	19%	1,360
Chemicals	4%	13%	8%	578
Metals	2%	5%	7%	512

Sources: CEIC, Standard Chartered Research

Table 15: India's exports to Thailand

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Metals	10%	23%	23%	443
Equipment/ Vehicles/ Machinery	5%	10%	19%	363
Precious Stones	38%	33%	17%	326
Chemicals	13%	13%	10%	189

Sources: CEIC, Standard Chartered Research

Table 16: India's imports from Thailand

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	30%	42%	36%	981
Metals	4%	12%	16%	434
Plastic	14%	9%	9%	245
Mineral Products	3%	0%	9%	233

Sources: CEIC, Standard Chartered Research

Table 17: India's exports to Singapore

Exports	As % of total exports			Value, USD mn
	2002	2005	2009	2009
Mineral Products	0%	48%	45%	3,774
Equipment/ Vehicles/ Machinery	17%	12%	29%	2,472
Metals	14%	6%	7%	566
Precious Stones	18%	14%	7%	562

Sources: CEIC, Standard Chartered Research

Table 18: India's imports from Singapore

Imports	As % of total imports			Value, USD mn
	2002	2005	2009	2009
Equipment/ Vehicles/ Machinery	55%	58%	46%	3,499
Mineral Products	6%	1%	28%	2,181
Chemicals	11%	15%	10%	754

Sources: CEIC, Standard Chartered Research



Disclosures Appendix

Regulatory disclosure

Subject companies: --

Standard Chartered Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year: --.

Global disclaimer

SCB makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to on the document.

If you are receiving this document in any of the countries listed below, please note the following:

United Kingdom: Standard Chartered Bank ("SCB") is authorised and regulated in the United Kingdom by the Financial Services Authority ("FSA"). This communication is not directed at Retail Clients in the European Economic Area as defined by Directive 2004/39/EC. Nothing in this document constitutes a personal recommendation or investment advice as defined by Directive 2004/39/EC.

Australia: The Australian Financial Services Licence for SCB is Licence No: 246833 with the following Australian Registered Business Number (ARBN : 097571778). Australian investors should note that this document was prepared for wholesale investors only (as defined by Australian Corporations legislation).

China: This document is being distributed in China by, and is attributable to, Standard Chartered Bank (China) Limited which is mainly regulated by China Banking Regulatory Commission (CBRC), State Administration of Foreign Exchange (SAFE), and People's Bank of China (PBoC).

Hong Kong: This document is being distributed in Hong Kong by, and is attributable to, Standard Chartered Bank (Hong Kong) Limited which is regulated by the Hong Kong Monetary Authority.

Japan: This document is being distributed to the Specified Investors, as defined by the Financial Instruments and Exchange Law of Japan (FIEL), for information only and not for the purpose of soliciting any Financial Instruments Transactions as defined by the FIEL or any Specified Deposits, etc. as defined by the Banking Law of Japan.

Singapore: This document is being distributed in Singapore by SCB Singapore branch only to accredited investors, expert investors or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact SCB Singapore branch in relation to any matters arising from, or in connection with, this document.

South Africa: SCB is licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002. SCB is a Registered Credit provider in terms of the National Credit Act 34 of 2005 under registration number NCRCP4.

UAE (DIFC): SCB is regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority. This document is intended for use only by Professional Clients and should not be relied upon by or be distributed to Retail Clients.

United States: Except for any documents relating to foreign exchange, FX or global FX, Rates or Commodities, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of Standard Chartered Securities (North America) Inc., 1 Madison Avenue, New York, N.Y. 10010, US, tel + 1 212 667 1000.

WE DO NOT OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS EITHER (A) THOSE SECURITIES ARE REGISTERED FOR SALE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH ALL APPROPRIATE U.S. STATE AUTHORITIES; OR (B) THE SECURITIES OR THE SPECIFIC TRANSACTION QUALIFY FOR AN EXEMPTION UNDER THE U.S. FEDERAL AND STATE SECURITIES LAWS NOR DO WE OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS (i) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL ARE PROPERLY REGISTERED OR LICENSED TO CONDUCT BUSINESS; OR (ii) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL QUALIFY FOR EXEMPTIONS UNDER APPLICABLE U.S. FEDERAL AND STATE LAWS.

The information on this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. Users of this document should seek advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to on this document and should understand that statements regarding future prospects may not be realised. Opinions, projections and estimates are subject to change without notice.



The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments.

Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance.

SCB is not a legal or tax adviser, and is not purporting to provide you with legal or tax advice. If you have any queries as to the legal or tax implications of any investment you should seek independent legal and/or tax advice.

SCB, and/or a connected company, may have a position in any of the instruments or currencies mentioned in this document. SCB has in place policies and procedures and physical information walls between its Research Department and differing public and private business functions to help ensure confidential information, including 'inside' information is not publicly disclosed unless in line with its policies and procedures and the rules of its regulators. You are advised to make your own independent judgment with respect to any matter contained herein.

SCB and/or any member of the SCB group of companies may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities or financial instruments referred to on the website or have a material interest in any such securities or related investment, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments.

SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services.

Copyright: Standard Chartered Bank 2010. Copyright in all materials, text, articles and information contained herein is the property of, and may only be reproduced with permission of an authorised signatory of, Standard Chartered Bank. Copyright in materials created by third parties and the rights under copyright of such parties is hereby acknowledged. Copyright in all other materials not belonging to third parties and copyright in these materials as a compilation vests and shall remain at all times copyright of Standard Chartered Bank and should not be reproduced or used except for business purposes on behalf of Standard Chartered Bank or save with the express prior written consent of an authorised signatory of Standard Chartered Bank. All rights reserved. © Standard Chartered Bank 2010.

Regulation AC Disclosure:

The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or Analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) No part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

Data available as of 08:30 GMT 08 April 2010. This document is released at 08:30 GMT 08 April 2010.

Document approved by: Tai Hui, Regional Head of Research, Southeast Asia