GLOBALIZATION OF TRADE AND TRANSPORTATION BETWEEN THE ASEAN + 3 COUNTRIES AND THE EUROPEAN UNION

HO THI THU HOA¹, HEDA HANSENOVÁ²

Abstract: The paper discusses the globalization process of trade and transportation between the ASEAN + 3 countries (ASEAN plus three - APT) and the EU (the European Union). An East Asian 10+3 (ASEAN plus three) cooperative framework joined by ASEAN, China, Japan and South Korea, is proceeding towards institutional direction which will play a very important role in the regional and international economic development. The paper will intensively not only focus on recent trade boom; and the necessity of transportation in order to meet objective requirements of increasing trade relations between the ASEAN + 3 and the EU but also forecast new potentials in relations of transportation and trade of the ASEAN + 3 with EU candidate member countries.

Key words: the EU, ASEAN + 3, globalization, trade, transportation, trade boom.

INTRODUCTION

The world is gradually smaller and global marketplace is to become bigger. Trans-continent co-operation and business has become the major issues in globalization process. With recent high and dynamic economic growth rates, the ASEAN + 3 countries has realized incredible successes and attracted attention worldwide. The EU with ten new member countries and several candidate members has had stable and permanent relations with the ASEAN + 3 countries in co-operation, assistance, development, and especially in trade. The increasing trade boom between two these regions will also require the necessity of transportation and effective transport network.

1. NEW TRENDS IN GLOBAL TRADE AND TRANSPORTATION

1.1. Overview of global trade and transportation

Globalization with new trends in global business (network economy, global market, global business and global supply chain) has oriented transportation activities according to new requirements as follows:

– reduction of costs and increase of effectiveness: high frequency of delivery, flexible capacity of transport, just-in-time, lower insurance premiums;

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uniform legislation, uniform system with one responsible operator.
The establishment of regional markets such as the ASEAN in the Far East, the Canada-US Free Trade Agreement, and the economic unification of EU nations are creating new opportunities for enhancing international business. Such pan-continental regionalization of the world economy offers better opportunities to the global business, implements effective distribution strategies and to satisfy demand and supply of economies.

In 2004 the world economy grew at 4 percent, the strongest annual growth rate in more than a decade, providing a solid basis for the acceleration in world trade growth. World merchandise trade rose by 9 percent in real terms in 2004, the best annual performance since 2000, and more than twice as fast as world output (GDP measured at market rates) in 2004. Trade growth in 2004 also significantly exceeded average trade growth recorded over the last decade (Figure 1).

**Figure 1: Growth in the volume of world merchandise trade and GDP in the years 1994 – 2004 (Annual percentage change)**

Global trade growth in manufacturing was expanded by 10 percent in 2004, the highest performance since 2000; manufacturing sector which is largely responsible for the excess of merchandise trade growth over merchandise output (Figure 2). Asia’s real exports of manufactures have expanded by 15 percent and amount to 30 percent of world trade. Between the years 2000 and 2004, the export volume of manufactures from Asia has increased by 40 percent, from Europe by 13 percent³.

Figure 2: Volume growth of world merchandise trade and output by sector in 2004 (Percentage change)


Trends towards globalization, international logistics, and supply chain management are all reshaping the world’s trading patterns and physical cargo flows (Demkes et al., 1999). Such restructuring is generally leading to economic growth, better allocation of resources and above all greater freedom of choice for the consumers (Goh, 1999).

1.2. New trends in global trade and transportation

The globalization of trade is accompanied by the globalization of logistics. The distance between suppliers and manufacturers as well as between manufacturers and their final customers are increasing; therefore, logistics flows are increasing in distance, volume, number, and complexity between raw material supply and final consumption. Table 1 indicates main trends and aspects of transport logistics:

Table 1: Trends in transport logistics and their aspects

<table>
<thead>
<tr>
<th>Trends</th>
<th>Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Globalisation and international outsourcing originally due to cheaper labour, now due to more competitive labour</td>
<td>• Need for borderless transport management.</td>
</tr>
<tr>
<td></td>
<td>• International standardisation of documentation and Informatics Technology (IT) systems.</td>
</tr>
<tr>
<td></td>
<td>• Regional transport networks may have great difficulty in responding to the growth in demand caused by sudden access to changes in the geographical patterns of flows.</td>
</tr>
<tr>
<td>• A more diversified spectrum of consumer demand, combined with a shift from production to stock to production to order</td>
<td>• Just in Time delivery systems, resulting in the demand for faster, more frequent services and an increase in vehicle movement per unit of output.</td>
</tr>
<tr>
<td></td>
<td>• Synchronisation of the activities of multiple organisations in the supply chain.</td>
</tr>
<tr>
<td></td>
<td>• Need for real-time cargo monitoring and information systems.</td>
</tr>
</tbody>
</table>

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Liberalization of the international trading and financial environment has created the necessary conditions for the globalization of transportation. The trade liberalization has promoted globalization of transportation systems in two ways:

a) by accelerating the growth in international flow of goods, they have created the demand for transportation services, and intensified the need for capital investment, transfer of knowledge and harmonization of regulations and procedures on transport systems;

b) by directly reducing barriers to the trade in transport services, they have facilitated foreign direct investment (FDI) in transport infrastructure and the participation of trans-national organisations in the provision of transport services.

The globalization phenomenon has reached a point where its effects are felt in majority of all parts of the world, including the developing countries of Asia. Globalization involves the increasing integration of economies, markets and production chains around the world (global manufacturing). In Asia, its single greatest impact has been in terms of the integration of local production and supply chains with others in Asia or indeed with those in other regions of the world. This integration is manifested in the sharing of production among manufacturing places in two or more countries, in order to realise fully the comparative technical and cost advantages offered by individual countries for the manufacture of specific components. The automobile industry has been one of the leaders in the globalization of production. Figure 3 illustrates a simplified representation of the Asian cross-border supply for one major producer - KIA.
From this example, it is clearly that transportation has played a major role in trade-driven expansion; because without transportation, there is no trade. Transportation brings commerce to communities.

Efficient transportation plays a vital role in fostering international trade. The removal of barriers to trade in the transport sector is therefore doubly important. Firstly, the transport sector is in itself an important area of economic activity, and liberalization in transport will therefore make an important contribution to the liberalization of trade in services. Secondly, by enhancing efficiency and reducing the costs of trade in goods, removal of barriers in the transport sector will in turn lead to freer and more open markets in the trading of physical goods. Safety and sustainability are just the minimum requirements for transportation in the 21st century; therefore, the transportation system of the future must be: international in reach, connecting markets and destinations around the world.

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2. INTERNATIONAL RELATIONS BETWEEN THE ASEAN + 36 COUNTRIES AND THE EUROPEAN UNION

2.1. The Association of South East Asian Nations (ASEAN)

The five founding member countries, namely, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, established the Association of South East Asian Nations or ASEAN on the 8th of August 1967 in Bangkok, Thailand. Brunei Darussalam joined on the 8th of January 1984, Vietnam on the 28th of July 1995, Laos PDR and Myanmar on the 23rd of July 1997, and Cambodia on the 30th of April 1999.

Figure 4: Map of the ASEAN + 3

In January 1992, at the summit meeting of the Association of Southeast Asian Nations (ASEAN), the establishment of an ASEAN Free Trade Area (AFTA) was decided with the participation of all six member countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand). Since the mid-1990s, four more countries joined ASEAN: Vietnam, Myanmar, Laos PDR and Cambodia; they are also participating in AFTA. The ASEAN-China FTA is part of a larger China initiative, following the 1997 Asian crisis, to create a pan-Asian free trade area (EAFTA) that would include the ASEAN + 3 (APT) countries (China, Japan and South Korea). The Table 2 represents several main economic indicators of the APT.

Table 2: The main economic indicators of East Asia countries in 2004

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Total Gross Domestic Product (PPP)</th>
<th>Merchandise Exports</th>
<th>Merchandise Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>365</td>
<td>6,500</td>
<td>3,439</td>
<td>1,630</td>
</tr>
<tr>
<td>Cambodia</td>
<td>13,363</td>
<td>22,760</td>
<td>1,616</td>
<td>2,124</td>
</tr>
<tr>
<td>Indonesia</td>
<td>238,452</td>
<td>758,100</td>
<td>63,890</td>
<td>40,220</td>
</tr>
<tr>
<td>Lao, PDR</td>
<td>6,068</td>
<td>10,340</td>
<td>332</td>
<td>492</td>
</tr>
<tr>
<td>Malaysia</td>
<td>23,522</td>
<td>207,200</td>
<td>98,400</td>
<td>74,400</td>
</tr>
<tr>
<td>Myanmar</td>
<td>42,720</td>
<td>78,800</td>
<td>2,434</td>
<td>2,071</td>
</tr>
</tbody>
</table>

6 ASEAN + 3 (APT) includes 10 Asia South East Nations (Brunei, Cambodia, Myanmar, Laos, Singapore, Thailand, Vietnam, Malaysia, Philippines, Indonesia) and South Korea, Japan, China.
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</tr>
<tr>
<td>Myanmar</td>
<td>42,720</td>
<td>78,800</td>
<td>2,434</td>
<td>2,071</td>
</tr>
<tr>
<td>The Philippines</td>
<td>86,241</td>
<td>390,700</td>
<td>34,560</td>
<td>35,970</td>
</tr>
<tr>
<td>Singapore</td>
<td>4,353</td>
<td>109,100</td>
<td>142,400</td>
<td>121,600</td>
</tr>
<tr>
<td>Thailand</td>
<td>64,865</td>
<td>475,700</td>
<td>75,990</td>
<td>74,214</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>81,855</td>
<td>203,900</td>
<td>26,010</td>
<td>31,600</td>
</tr>
<tr>
<td>ASEAN</td>
<td>561,804</td>
<td>2,263,100</td>
<td>449,071</td>
<td>384,321</td>
</tr>
<tr>
<td>China</td>
<td>1,298,847</td>
<td>6,449,000</td>
<td>438,370</td>
<td>412,840</td>
</tr>
<tr>
<td>Japan</td>
<td>127,333</td>
<td>3,567,000</td>
<td>471,934</td>
<td>382,958</td>
</tr>
<tr>
<td>South Korea</td>
<td>48,598</td>
<td>855,300</td>
<td>201,300</td>
<td>178,784</td>
</tr>
</tbody>
</table>


2.2. Relations between the ASEAN + 3 countries and the EU

An informal dialogue forum working on the basis of consensus between the APT and the EU is ASEM (the Asia – Europe Meeting). ASEM was founded by 25 members out of which ten countries from Asia (seven members of ASEAN and three Northeast Asian nations (namely Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) and fifteen EU Member States, (namely Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom).

About 2.3 billion people live in ASEM countries accounting for 37% of the world population. Their aggregate GDP in 2002 was $14,849 billion equal to 46% of the world GDP. Their combined value of goods trade was $2,718 billion or 43% of the world trade.

There are 3 main areas or three pillars of ASEM cooperation, namely political dialogue, economic-financial cooperation, and cooperation in other fields. Eight years after the establishment of forum, ASEM has undertaken over 250 activities and proposed various initiatives in all these three areas.

On 8-9 October 2004, the ASEM 5 Summit Meeting ended in Hanoi marked a new advance in cooperation progress between the two continents. ASEM 5 was the meeting between 25 members (including Slovakia) of the EU and 13 Asian countries. During eight years since the establishment of the forum, thirteen new members have been admitted at the Fifth Asia-Europe Meeting (ASEM 5) namely Cambodia, Cyprus, the Czech Republic, Slovakia,
Estonia, Hungary, Laos PDR, Latvia, Lithuania, Malta, Myanmar, Poland, and Slovenia.

There have been five Summits: ASEM 1 in Bangkok, Thailand in 1996; ASEM 2 in London, United Kingdom, in 1998; ASEM 3 in Seoul, South Korea, in 2000; ASEM 4 in Copenhagen, Denmark, in 2002; ASEM 5 in Hanoi, Vietnam, in 2004 and ASEM 6 will be organized by Finland in September 2006.

3. BILATERAL TRADE

3.1. Merchandise trade between the ASEAN + 3 countries and the EU

Trends of trade globalization and liberalization require that trade relations between EU and APT countries will be evaluated on aspects concerning not only between member countries but also between two large partners, two large economic regions - two free trade areas.

In fact, East Asian countries mainly South Korea, Malaysia, the Philippines, Singapore, and China, have become major suppliers both of components and finished products to the world’s high-tech markets and accounted for nearly half of the world’s high-tech exports in 2000. East Asian countries also accounted for two-fifths of the world’s exports of textile and clothing.

With China leading the region’s fast economic growth and with political collaboration within the region intensifying, East Asian cooperation has major economic, political and security implications for the world, generating both opportunities and challenges for the EU.

Europe’s interests in the APT are to benefit from the economic opportunities, to respond to the economic challenges in the region which contains the world’s fast growing countries; and to integrate into the opening market-based world trading system, some APT countries such as China or Vietnam are moving from state controls to market-oriented economies.

Table 3: Merchandise trade between the APT countries and the EU (2001-2004, EUR billion)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU imports</td>
<td>EU exports</td>
<td>EU imports</td>
<td>EU exports</td>
</tr>
<tr>
<td>ASEAN</td>
<td>70.8</td>
<td>43.8</td>
<td>67.7</td>
<td>40.5</td>
</tr>
<tr>
<td>China</td>
<td>81.6</td>
<td>30.5</td>
<td>89.6</td>
<td>34.9</td>
</tr>
<tr>
<td>Japan</td>
<td>80.9</td>
<td>45.5</td>
<td>73.3</td>
<td>43.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>23.1</td>
<td>15.8</td>
<td>24.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Total</td>
<td>256.4</td>
<td>135.6</td>
<td>254.8</td>
<td>134.4</td>
</tr>
</tbody>
</table>


The trade statistics from 2001 to 2004 between the APT countries and the EU is shown in Table 3. In 2004, total value of merchandise trade the APT - EU achieved EUR 450.8 billion, out of which EU trade with China ranked the first with 38.9%, 24.8% with ASEAN, 25.8% with Japan and 10.6% with South Korea, which is clearly presented in Figure 5.

**Figure 5: APT trade with the EU in 2004**

![APT trade with EU in 2004](image)

*Source: EUROSTAT, 2004.*

In the comparison of trade volume between the ASEAN and USA, the EU, Japan, Hongkong, South Korea presented in Table 4, we can recognize that the EU has become the second biggest trade partner of ASEAN. Dynamic development of trade relations - the trade boom between the ASEAN, the APT and the EU will create new business potentials for both regions and the APT with 13 members and the EU with 25 countries will co-operate and benefit more effectively.

**Table 4: Breakdown of ASEAN merchandise trade by major partners in 2003 & 2004**

<table>
<thead>
<tr>
<th></th>
<th>Export by millions Euro (%)</th>
<th>Import by millions Euro (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td>USA</td>
<td>66,949 (17.3%)</td>
<td>USA 70,844 (16.2%)</td>
</tr>
<tr>
<td>EU</td>
<td>58,412 (15.1%)</td>
<td>EU 65,924 (15.1%)</td>
</tr>
<tr>
<td>Japan</td>
<td>49,970 (12.9%)</td>
<td>Japan 54,388 (12.4%)</td>
</tr>
</tbody>
</table>
Currently, the APT is one of the most dynamic integrated economic regions, which includes China and Vietnam – two economies with the highest growth rate of GDP in the world. Almost countries in APT have export – oriented economic policies, especially such as export value ratio to GDP of Vietnam achieved 57.4%, of China reached 34.5%. Therefore, enlarged EU – 25 with new ten potential markets will bring opportunities and advantages for foreign trade activities of the APT countries.

### 3.2. Merchandise trade between selected countries

In recent years, there has been dynamic and significant growth of merchandise trade between the ASEAN + 3 countries and the EU. Figures 6 & 7 represent statistics of merchandise trade between Slovakia – the ASEAN + 3 countries and Vietnam – EU member countries.

**Figure 6: Merchandise trade between Slovakia and the APT countries (2001 – 2004, USD thousand)**

<table>
<thead>
<tr>
<th>Export by millions Euro (%)</th>
<th>Import by millions Euro (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2003</strong></td>
<td><strong>2004</strong></td>
</tr>
<tr>
<td>China 26,878 (6.9%)</td>
<td>China 36,046 (8.2%)</td>
</tr>
<tr>
<td>Hong Kong 26,666 (6.9%)</td>
<td>Hong Kong 28,977 (6.6%)</td>
</tr>
</tbody>
</table>

*Source: IMF Dots and EUROSTAT, 2005.*

<table>
<thead>
<tr>
<th>Export to APT</th>
<th>Import from APT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2001</strong></td>
<td><strong>2002</strong></td>
</tr>
<tr>
<td>26,666 (6.9%)</td>
<td>28,977 (6.6%)</td>
</tr>
</tbody>
</table>

*Source: EUSTAT, 2004.*
4. TRADE BOOM AND THE REQUIREMENTS OF EFFICIENT TRANSPORTATION BETWEEN THE ASEAN + 3 COUNTRIES AND THE EU

On transportation routes between EU countries and the APT (ASEAN + 3), demand of transportation is not only in cargoes movements but also in passenger transport and tourism (Figure 8). EU countries are discovering the natural material resources, business opportunities in new dynamic markets and tropical landscapes as well as culture of Asia as well as APT countries.

**Figure 8: Major market share by region of international visitor arrivals to ASEAN countries (2004)**

Source: www.aseansec.org/tour_stat.
The coming cargoes from APT countries need sustainable transport system with cost-effective and efficient operation. The event of quota elimination in garment imports from China, Vietnam and other countries in ASEAN perfectly contributes in increasing cargo exports from the APT to EU member countries. Liberalization of world trade without quota barriers forecasts necessary demand on transportation and services. According to statistics analyses, the movement of export cargoes from the APT to the EU such as garments, shoes, electronic components, agricultural and aquatic products, furniture and flows of import cargoes of the APT from the EU as industrial equipment, chemical products, finished automotive products absolutely need the efficient solution for transportation of cargo between two areas.10

Currently, on the Europe – Asia trade routes, the transportation from Asia increased by 10 times in comparison with the opposite direction; therefore, imbalance in merchandise trade (Figure 9) between the EU and the APT will create challenges for transport activities especially maritime transport and operational capacity of ports.

**Figure 9: Merchandise trade of EU - 25 with APT by products in 2004 (EUR million)**

<table>
<thead>
<tr>
<th>Products</th>
<th>EU imports from APT</th>
<th>EU exports to APT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>10.127</td>
<td>9.058</td>
</tr>
<tr>
<td>Energy</td>
<td>2,256</td>
<td>700</td>
</tr>
<tr>
<td>Machine</td>
<td>139,603</td>
<td>56,817</td>
</tr>
<tr>
<td>Transport Equip</td>
<td>36,224</td>
<td>20,654</td>
</tr>
<tr>
<td>Chemical</td>
<td>15,748</td>
<td>21,792</td>
</tr>
<tr>
<td>Texts &amp; clothing</td>
<td>23,974</td>
<td>3,521</td>
</tr>
</tbody>
</table>

Source: EUROSTAT, 2004

While considering statistics of cargo flows along major transport trade routes as follows: Asia – USA, Asia – Europe and USA – Europe, we can recognize the fact that cargo flows on routes Asia – Europe and Asia – USA have two or three times larger than that on routes USA – Europe (Figure 10).

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10 Review of Maritime 2004, see chapter 4.
Parallel with economic cooperation, bilateral trade between the APT and the EU have become enormous. The more bilateral trade turnover has achieved the more demand for freight transport has increased. Therefore, the selection of efficient transport modes could play an important role in increasing the region’s trade competitiveness and create the foundation for further growth of foreign trade between these two regions – APT and the EU.

Increasing global trade also means opportunities for transportation are growing. Increasing business relations between two continents Europe and Asia (especially ASEAN plus 3) are obviously creating potential trends for transportation routes, networks and corridors.

5. POSSIBILITIES OF FREIGHT TRANSPORTATION BETWEEN THE ASEAN + 3 COUNTRIES AND THE EU

The expansion in trade has benefited transport network on transportation routes connecting between the ASEAN + 3 countries and the EU. The choice of transport corridors and combination of transport modalities will have the significance to intercontinental transportation for trade between the ASEAN + 3 countries - the EU.

In 2004, at Kiev it was discussed about use of rail transit capacities for intermodal freight transport for passage from China to Europe via Kazakhstan, Turkmenistan, Iran, Russian Federation, Belarus, the Caucasus States, Ukraine and Turkey.

The Trans-Siberian Railway is one of the most attractive transport routes in the world. This railway line running over 10,000 kilometres, one of the world’s longest lines, leads from Russia’s western border to its Pacific ports in East Siberia. Built in the years 1895-1916, the line runs via Moscow, Ryazan, Samara, Chelabinsk, Omsk, Novosibirsk, Krasnoyarsk, Irkutsk, Chita and Khabarovsk to Vladivostok. Its branch lines lead towards Kazakhstan, Uzbekistan, China and other countries.

Among different routes, the sea transport routes are more effective
because they are very well established, accounting for two-thirds of all international movements\textsuperscript{12}. There are a lot of transport corridors Asia – Europe where concentrate on shipping by sea.

From 2000, Russia, Iran and India signed an agreement in St. Petersburg laying out a vision for a North-South Transport Corridor. The corridor stretches from ports in India across the Arabian Sea to the southern Iranian port of Bandar Abbas, where goods then transit Iran and the Caspian Sea to ports in Russia’s sector of the Caspian. From there, the route stretches along the Volga River via Moscow to northern Europe. On the 13 - 15\textsuperscript{th} May 2004 Turkey, Russia and Central Asia Transport, Maritime and Railway Ministers met at regional Caspian Transport Summit in Istanbul. Ministers discussed a variety of intermodal transportation and logistics issues including the goods flows, capacity and direction of transportation of energy sources from the Caspian region to Europe via the Black Sea as well as the potential of maritime transport between Central Europe and Black Sea region via the Danube.

The world economy is proving record price of fuel (increasing price from USD 40 until USD 71 per oil barrel). The fluctuation of fuel price has seriously impacted on transportation market and price of goods\textsuperscript{13}. The requirements of environment preservation and greenhouse gas emissions have influenced on the pattern of choice modes of cargo transport\textsuperscript{14}.

While road or rail transport has flexible advantages in short – distance routes, maritime transport is main transport mode which takes part in long – distance routes as well as satisfies shipping of mass cargo quantity. Therefore, maritime transport has become the major transport mode for cargo movement on routes the EU - ASEAN + 3 and has to be a link connecting to another transport mode to establish integrated door-to-door intermodal transport chain. When transport network is planned connecting maritime transport and inland waterway between Asia and the EU, it will contribute in development of maritime and river trade of EU member countries (i.e Slovakia).

Until now, over 70% of EU external trade and 43% of its internal trade are transported by sea; each year 3 billion tonnes of freight are loaded and unloaded in EU ports\textsuperscript{15}. Maritime companies belong to European Union nationals control one third of the world fleet, and some 40% of EU trade is carried on vessels controlled by EU owners.

One of the most significant maritime transport routes between the ASEAN + 3 countries and the EU can be described as follows:

\textit{The shipments from the APT -> Strait of Malacca via Port of Singapore (the

\textsuperscript{12} Coyle, J.J. et al.: \textit{The Management of Business Logistics}. USA: South Western Thomson, p.163.

\textsuperscript{13} Adapted from ADEME-Agence française de l’environnement et de la maîtrise de l’énergie. (French Environment and Energy Management Agency): \textit{In terms of energy efficiency and the weight of goods which can be moved one kilometre by one litre of fuel, the figure for road haulage is 50 tones, for rail haulage 97 tones and for inland waterways 127 tones.}

\textsuperscript{14} A recent study by Grimaldi for the European Climate Change Programme, Working Group Transport, Topic Group 3, entitled “Reducing CO2 emissions in Europe through a door-to-door service based on short-sea shipping” demonstrated that on any given link the intermodal option based on short-sea shipping produced 2.5 times less pollution, in the form of CO2 emissions, than the road option.

The Strait of Malacca (Figure 11), linking the Indian Ocean and Pacific Ocean, has important role on shipping routes between Asia - Europe. More than 50,000 vessels per year transit through the Strait of Malacca. This strait also has more comparative advantages in capacity ability of vessels than Suez or Panama canals.

The Danube River, the second longest river in Europe, has always been an important route between Western Europe and the Black Sea. One reason for this is the fact that it is the only major European river to flow west to east. The source of the river is located in the Black Forest area of Germany, from there it flows about 1,770 miles (2,850 km) to the east.

There are many important cities that the Danube River flows through, including Passau, Vienna, Budapest, Bratislava, Belgrade. With the aid of canals, the Danube River is connected to the Main, Oder, and Rhine rivers in Germany. This waterway connects the North with Black Seas and via North Germany canal and with Baltic Sea. For commercial transportation, the Danube River is extremely valuable transport road.

Figure 11: The Strait of Malacca

Transport network between the ASEAN + 3 countries and EU member countries will establish more effective transportation routes for cargoes from the APT to EU west countries through means of sea transport between Pacific and Indian Ocean as well as inland waterway en route intra EU via Danube river. This network will also contribute to development of maritime and river trade of EU countries such as Slovakia. Figure 12 represents one specific example of shipping routes between Asia and Europe operated by one of the biggest shipping lines companies worldwide - OOCL (Orient Overseas Container Line).

16 Along its way, the Danube flows through countries (Germany, Austria, Slovakia, Hungary, Croatia, Serbia and Montenegro, Bulgaria, Romania, Ukraine).
Currently, the EU has launched the integration of transport routes in Trans-European Network (TEN) program. The development of alternative transport corridors including the North-South corridor from Russia and North Eastern Europe to Iran has created corridors linking to transport networks of third countries, i.e. Asia. The architecture of transcontinent and intercontinental transport networks connecting Europe and Asia has been also discussed by inter-regional parties involved in the projects including the European Commission, European Commission for Energy and Transport (Trans-European Networks), International Road Federation, International Union of Railways, United Nations and the Organisation for Railway Co-operation.

6. OPPORTUNITIES AND CHALLENGES FOR GLOBALIZATION OF TRADE AND TRANSPORTATION BETWEEN THE ASEAN + 3 AND THE EU

6.1. In trade

The growing trade boom between the APT and the EU presents prospects of trade relations between these two regions. However, there are some issues which should be discussed. The imbalance in bilateral trade may create obstacles to market stability. Annually, the APT has a surplus in trade with the EU more than EUR 120 billion (Figure 13) while the value of APT imports from the EU is approximately EUR 130 billion. The surplus trade of APT mainly focuses on products such as telecom and transport equipment, textiles and clothing, and agricultural products, while in 2004 the value of telecom and transport equipment was EUR 77 billion and that of textiles and clothing EUR 19 billion.
The high rate of imbalance will have negative impacts on domestic production of the EU and will result in barriers in regulation and agreement for the APT. What are the barriers? EU policy-makers have to take measures to protect domestic products against the competition of product flows from APT by regulations such as anti-dumping, quotas, standards of quality, etc. On the other hand, APT exporters will face obstacles from EU market, and they may lose their opportunities in this potential market. One example of this situation is that of Vietnam’s exporters of fluorescent lamp products. With a fast-growing export of Vietnamese fluorescent lamp products to the EU, the European Commission decided to investigate; finally new anti-dumping tariff 66.1% has been applied to these products.

After January 1st, 2005 when all the import quotas on textiles products were eliminated among WTO members, increasing textiles and clothing products from APT (especially China) have had negative influences on textile industry of EU members. The problem appears whether the EU can issue new measures against textiles products from major exporters of APT or not. If measures such as anti-dumping or quotas are applied again, they will have unexpected impacts on trade relations of two these FTAs. The best solution is that APT and EU promote their priority products. The EU could utilize its strengths in chemicals, iron and steel products, for which demand in APT is increasing, and APT could use their advantages of labour, raw materials in textiles, agricultural, and furniture products. It also is a trend of globalization and trade liberalization. While the APT is one of the EU’s largest trade partners, China becomes the EU’s biggest trade partner in APT with bilateral trade value of EUR 174 billion (in 2004) and has the largest surplus value of trade in APT with the EU - EUR 78.6 billion in 2004 (Table 5).
The trade balance between the EU and China is very high in specific fields (Table 6). The biggest textile exporter to the EU is China. So China appears not only as the EU’s important trade partner but also as the EU’s trade problem. Textiles and clothing trade is at the core of very important issues that affect the international economic environment, such as development, conditions for fair trade, opening up access to markets, sustainability of development, social conditions and labour relations, as well as regional development matters. As a result, on the one hand, the EU eliminates textile quotas for China because of WTO negotiations under the Doha Development Agenda – offers an occasion to foster more equitable trading conditions all over the world. On the other hand, the EU must solve difficulties in textile industry such as labour, market competition, etc.

Table 5: EU – China trade balance (2001 – 2004) (EUR billions)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU exports</td>
<td>30.5</td>
<td>34.9</td>
<td>41.2</td>
<td>48.1</td>
</tr>
<tr>
<td>EU imports</td>
<td>81.6</td>
<td>89.6</td>
<td>105.4</td>
<td>126.7</td>
</tr>
<tr>
<td>Balance</td>
<td>-51.1</td>
<td>-54.7</td>
<td>-64.2</td>
<td>-78.6</td>
</tr>
</tbody>
</table>


It is clear that trade relations between APT-EAFTA and the EU have to overcome challenges of regulations, structure of products and trade imbalance. Nevertheless, the trade relations between APT - the world’s most dynamic economic region – and the EU – one of the largest world’s economic centres - promise definite prospects and create economic force for both regions. In the trend of trade globalisation, the economic co-operation of two of these FTAs will open a larger single market, a simplified and enhanced economy.
access to the Member States’ markets, trade liberalisation and equitable competition, stronger position of each member and power balance compared with other FTAs all over the world.

In February 2006, the announcement of European Commission about progressive antidumping duty for import leather shoes from China and Vietnam has immediately received critical respond from shoes makers, exporters and government of both countries. The tariff have started at 4% in April 2006 and will increase to the highest levels to 19.4% antidumping duties on Chinese shoes and 16.8% on Vietnamese footwear over six months; children’s shoes and high-tech sports shoes are exempted.

EU investigation of dumping pointed out that during period 2001 – 2005, increase in Chinese leather shoe exports to EU 2001-2005 is +1000%; increase in Vietnamese leather shoe 2001-2005 is +95%; fall in average unit price for Chinese/Vietnamese leather shoes 2001-2005: China -32%; Vietnam -20%; average -28%. EC argued that EU has conformed to principles in the Doha Round of WTO negotiations, however, the Chinese and Vietnamese footwear industries are now massive, highly competitive industries with global reach and moreover, they are entirely capable of retaining their extraordinary competitiveness without exporting at dumped prices. EU production of leather footwear has fallen by 30% since 2001, accompanied by a steady fall in import prices and a tripling in imports for leather shoes from China and Vietnam over the same period. Before 2001 European leather footwear production was falling at about 13% a year. Profit margins in the European footwear industry since 2001 have fluctuated between 0-2%, and this figure represents the successful companies: more than 40000 jobs have been lost in the EU footwear sector since 2001 and more than 10000 footwear companies have closed.

The antidumping has faced to objection not only from China and Vietnam but also from EU members. While Italy is leading European shoe manufactures in seeking greater protection, Denmark and Sweden have expressed concern. Sweden’s Minister for Industry and Trade Thomas Ostros said that “The problem is that it directly affects EU consumers through higher prices.” (i.e. if the burden of the duty is equally shared by all intermediaries in the supply chain, the cost of a pair of 35 euro shoes would rise by less than a Euro).

Of course, China and Vietnam have critically objected to EU decision. A spokesman of the Vietnamese Ministry of Commerce declared that the decision taken by the European Union regarding antidumping duties on footwear exports from that Asian country will accelerate a crisis in the local leather footwear sector. The spokesman also said that Vietnam had never dumped leather footwear on to the EU market. The Ministry of Commerce also informed that Vietnam exported leather footwear worth US$582 million in the first two months of 2006, which means that exports rose by 31% compared to the same period last year. Leather footwear constituted around 11% of total exports for the period. “Vietnamese leather shoe manufacturers are functioning according to the rules of the market economy and they are enjoying free and fair competition,” said Foreign Ministry spokesman Le Dung in Hanoi, and “The Vietnamese government does not intervene and does not subsidize business activities of enterprises”.

Negative consequences have also occurred at the same time to Vietnamese and Chinese workers in shoes industry. Some of them have lost
their jobs and become unemployment (estimated 8,000 workers in Vietnam) and other workers have reduced salary. The EC and Vietnam – China will have the best solution for this situation, however, workers from these countries and EU consumers are the first injury objects. They must themselves pay for impacts of antidumping. And we wonder that whether are the result of this decision better or not?

6.2. In transportation

The EU-25 from May 2004 expands the single market’s reach, but the EU is still struggling with the problems of overstretched infrastructure. Transport infrastructure could undermine gains from EU expansion. Signs of the developing crisis can be seen in European ports struggling to cope with a surge in traffic driven by a boom in two-way trade with China. Ship owners are growing nervous about ability of European ports to handle double-digit traffic growth that will be boosted by the new generation of 8,000 TEU ships.

EU manager of OOCL (Mr. Ted Wang, Orient Overseas Container Lines) complained that Hamburg was unable to fulfill for its big new ships. He added that Le Harve is “not a major container port” as it prepares to operate a dozen 8,000 TEU-ships in Europe by 2007, OOCL are considering all options, including investment in its own dedicated terminals.

One of problems concerned EU transport infrastructure: the overloaded capacity of the large seaports such as Rotterdam, Antwerp, Hamburg, Le Havre, Southampton, etc. Currently, the biggest container ship in the world belongs to over 8,000 TEU vessels (forecasted in 2010 the biggest container ship will be 12,000 TEU ship). However, the capacity of seaports in Europe can not meet this kind of vessel. Besides, there are some problems such as congestion in road transport, interest of road transport of cargo owner, pollution, etc. So the solution for EU transport is to combine effectively all modes of transport and using the potential capacity of new member countries; i.e. Slovakia with waterway transport on Danube River, candidate countries such as Bulgaria, Romania with seaports near Black Sea.

Which innovations should Europe perform to respond to new trends in transportation business? Where is the position of Europe, Asia in the map of international transportation business?

7. INFLUENCES OF EU SOUTHEASTWARDS EXPANSION ON ASEAN + 3 TRADE AND TRANSPORT NETWORK

How are the influences on ASEAN + 3 (APT) trade and transport network of European Union (EU) enlargement towards southeast in the future? Whether this enlargement will promote new opportunities of ASEAN + 3 foreign trade activities and establish effective transport network linking trade routes between two continents Asia and Europe.

7.1. Influence on trade opportunity

Growing trade boom between ASEAN + 3 and the EU presents perspectives of trade relations of two regions. EU has become one of the largest and the most important partner of APT countries APT with 13 members and EU with 25 countries will share co-operation and benefit more effective.

After enlargement in May-2004, EU will continue its expansion towards Europe southeast nations (Bulgaria, Romania, Croatia and Turkey). So what issues will effect on APT business opportunities in EU market?

The APT is one of the most dynamic integrated economic regions which include China and Vietnam – two economies with the highest growth rate of GDP in the world (Table 7).
Almost countries in APT have export-oriented economic policies, especially such as export value ratio to GDP of Vietnam achieved 57.4%, of China reached 34.5%. Therefore, enlargement to Europe southeast export market will benefit foreign trade activities of APT. Recent statistics of merchandise trade (Figure 14) between ASEAN-8 countries (Vietnam, Thailand, Indonesia, China, Japan, Korea, Singapore and Malaysia) and Bulgaria, Croatia, Romania and Turkey have implied business opportunities in these potential markets. Export values of APT to these markets are gradually increasing year by year. Total population of EU 25 members is approximately 453 millions and import values from ASEAN + 3 are 299 EUR billion (in 2004), however, 4 candidate countries in southeast Europe have around 106 million inhabitants (23% EU population, Figure 15) but import values from APT are only more EUR 7 billion (2.3% EU import from ASEAN + 3).

Table 7: Several economic indexes of ASEAN + 3

<table>
<thead>
<tr>
<th>Regions</th>
<th>% growth rate GDP</th>
<th>Exports to GDP ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td>ASEAN</td>
<td>5.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Japan</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Korea</td>
<td>3.1</td>
<td>4.6</td>
</tr>
<tr>
<td>China</td>
<td>9.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7.3</td>
<td>7.8</td>
</tr>
</tbody>
</table>


Figure 14: Export value of ASEAN – 8 to 4-country group (USD million)

When these candidates become EU official member states, the adoption of EU regulations on trade with APT will exactly promote and increase trade value between two regions. Export–based developing economies in APT can approach potential markets of export and import in these countries, while industrial economies such as Japan, South Korea will have investment opportunities in new markets, i.e. South Korea investment on automotive industry at Slovakia.

**Figure 15: Population (Romania, Bulgaria, Croatia, Turkey) 1993 – 2004**

![Population Graph](image)


### 7.2. Influence in transport network between the APT and the EU

There are some changes or issues can appear after EU enlargement towards southeast in the field of transport network between two these continents.

Bulgaria, Romania, Croatia and Turkey are the coastline nations. Turkey with the potential position nearby Mediterranean Sea will become transit bridge for movement of cargoes from APT countries to EU and in opposite direction. Bulgaria and Romania – the coastline nations in the region of Black Sea combine perfectly and smoothly trade routes from APT to Europe southeast countries. Croatia, Bulgaria and Romania are also states along the Danube River. Transport network between ASEAN + 3 and 4-EU candidates will establish more effective corridors for shipping cargoes from APT to EU west countries by means of sea transport between Pacific and Indian Ocean as well as inland waterway en route intra EU via Danube river. It is no doubt that these situations are creating the tips of cargoes movements between two continents-especially development in shipping cargo, promoting for routes by sea transport between two continents and inland waterway intra EU.

The expansion in trade has benefited transportation in routes connecting between ASEAN + 3 and EU. When transport network is planned connecting sea transport and inland water way between Asia and EU, it will contribute in development of maritime and river trade of EU countries, such as Slovakia.
EU is one of the largest partners in economic co-operation and trade relations of the ASEAN + 3. The EU enlargement really benefits APT countries in searching business opportunities in new markets in central and east Europe. The growth of trade value between two continents will require the sustainable transport network and effective transport corridors. Therefore, the expansion of EU towards southeast will impact on trade relations and transport network of ASEAN + 3 as well as enlarged EU.

The requirements of environment preservation and greenhouse effect have influenced in the pattern of choice modes of cargo transport. Maritime transport among the important modalities of international transportation, therefore, will play a necessary role on freight transportation routes between two strategic trade partners the EU and the ASEAN + 3.

One model of the particular maritime transport route between the ASEAN + 3 countries and the EU (through Romania) can be described as follows:

The shipments from APT -> Strait of Malacca via Port of Singapore (the second largest sea port in the world) -> Indian Ocean -> Red Sea via Suez canal -> Mediterranean Sea -> Black Sea -> sea ports of Bulgaria or Romania -> inland waterway intra EU via Danube river.

CONCLUSION

Cooperation, assistance, respect, and share of benefits have become core trends of the globalized world trade. Globalization has presented the significant impacts on almost fields worldwide, especially on trade and transportation. Transportation has derived from the demand of cargo and passenger movements. Currently, the global trade has been increasing quickly; therefore cargo flows are intensively moving to and from dynamic economies. The ASEAN + 3 and the EU have gradually become essential trade partners, economic cooperation and trade relations are also major issues between these areas. However, increasing trade requires efficient transport modalities for shipping cargo smoothly and cost-effective. The EU consisting of 25 countries from May 2004 has been the most important partner of the APT in trade and transportation. The enlargement of EU-25 with the single market will obviously become a potential marketplace for APT merchandise trade; on the other hand, new EU members will have opportunities for approaching APT countries in all fields of trade, transportation, investment, finance, etc.
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