

Research on ASEAN Plus Three Third-Party Market Cooperation

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Third-Party Market Cooperation (TPMC) is good to promote the multilateral and intraregional cooperation, which means a lot for ASEAN Plus Three (APT) countries and has great potentials within the region. Despite its benefits, in practice TPMC still faces challenges including the lack of comprehensive and professional TPMC mechanism covering all APT countries, financing gap insufficient to satisfy diversified local demands, and differentiated business environments in need of coordination and facilitation. In order to maximize benefits of TPMC for all APT countries in both economic and social aspects, concrete actions should be carried out to cope with the mentioned challenges.

Keywords: APT, TPMC, challenges and countermeasures

Introduction

Third-Party Market Cooperation (TPMC) is an open and inclusive approach to international cooperation that can help business partners draw upon each other's strengths and work together for better industrial development, infrastructure improvement, and higher living standard in third countries, achieving the effect of $1 + 1 + 1 > 3$. In practice it was first proposed by China in 2015, but the idea can be traced back to 2013, when UNIDO approved the operational strategy for South-South and triangular industrial cooperation, which is good to promote inclusive and sustainable industrial development, especially for developing countries.

It is more than necessary to strengthen Third-Party Market Cooperation among ASEAN Plus Three (APT) countries. On one hand, given the facts of downward economic trends, restructuring of value chains, and uprise of deglobalization, TPMC provides a solution for intraregional cooperation and economic integration, which is good for all parties. On the other hand, considering the diversity and complexity in the region, TPMC provides a flexible and adaptive way for further cooperation, which is suitable for APT countries, providing effective supplies based on comparative advantages and satisfying diversified demands based on national conditions.

Under the guidelines of leaders' consensus, Memorandum of Understanding (MOUs), and specific agreements, some specific projects have been carried out. However, in practice APT Third-Party Market Cooperation is far from enough. For instance, the region is still in lack of professional TPMC mechanism covering all APT countries. Besides, the financing gap is huge, especially in infrastructure area. Moreover, as an inevitable factor, national business environments differ greatly among APT countries, which may cause inefficiency.

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Given the importance of TPMC among APT countries and the fact of intraregional practices far from enough, it's more than necessary to conduct joint research on the status quo and future development in the areas related to intraregional trade, Foreign Direct Investment (FDI), and financing, particularly and most importantly, to pool wisdom to propose a professional TPMC mechanism with all APT parties involved and for multi-win outcomes.

Importance of TPMC for APT Countries

In the wake of globalization and regionalization, TPMC is a good option to recover and integrate the economy within the region.

Mutual Complementarity of Respective Advantages

As developing economies in the region, we have common desires. For instance, there are crying needs to upgrade industrial structure, to boost urban-rural integration, and to promote economic capacity. These needs not only propose requirements for development, but also mean great potential with opportunities. However, no single economy can achieve development alone. In practice, cooperation is necessity, and TPMC provides a matching way. Within the region, many economies not only have abilities but also have willingness to share development, and for specific sectors or technologies, several countries, e.g., Singapore, Japan, Republic of Korea, and China, may lead the way. Based on comparative advantages including not merely industrial capacity, sustainable finance, and cutting-edge technology, what we are good at for specific countries can initiate TPMC and benefit the entire region.

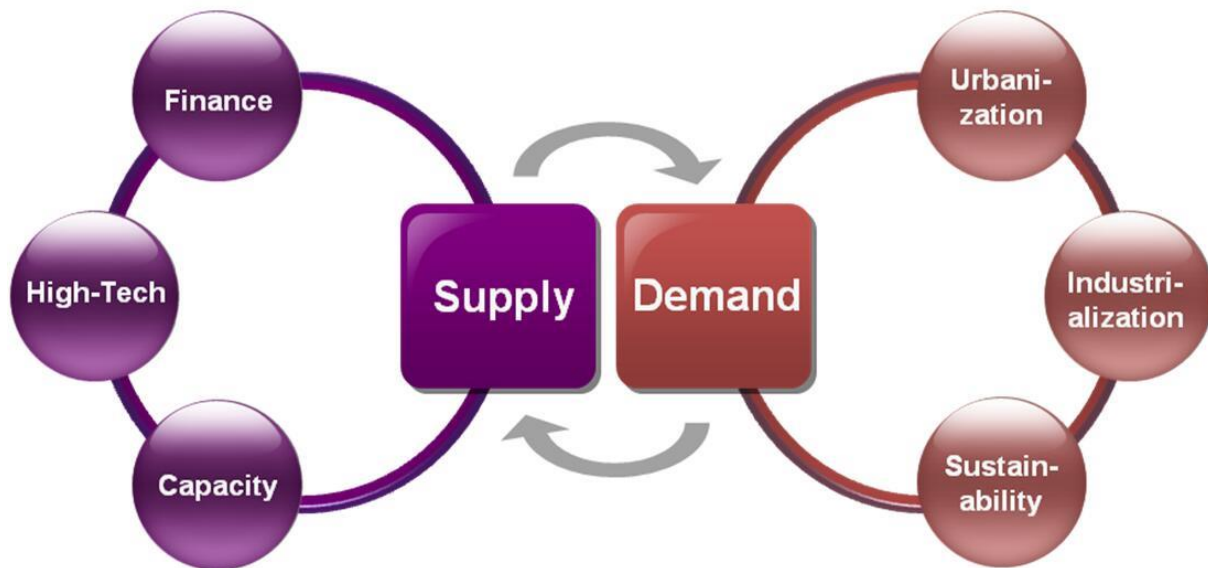


Figure 1. Effective supply to satisfy local demands for APT TPMC.

Impetus for Economic Recovery & Value Chains

Given the uncertainty in global economy, especially because of challenges of anti-globalization and impact of COVID-19, Asia and the entire globe need to find out a new solution for recovery. Based on equal and fair negotiation, TPMC provides a peaceful way. Only in cooperation can we meet the challenges together, and only with mutual trust can we achieve win-win outcome in the long term. TPMC is good to unite Asian economies, improve resilience against recession, and enhance regional economic integration.

Besides, in the trend of Global Value Chains (GVCs), Asian economies should not be left behind. On one hand, TPMC is a good way to participate in GVCs through cooperation, since TPMC is helpful to co-develop value-added manufacturing; and on the other hand, it's more than necessary to enhance regional value chains, since cooperation under TPMC can strengthen intra-regional linkage and deploy efficient capacities within the region.

Adapted Collaboration Based on Local Demands

Referring to Asian economies, diversification is one important aspect which can never be neglected. On the basis of different national conditions within the region, it's not an easy task to find a solution once for all. On the contrary, every specific economy and each concrete project need differentiated and customized way for cooperation. In this sense, TPMC provides a suitable way, especially among 10+3 economies.

Within the region, only ourselves know better what we are good at and what we need, and therefore TPMC through negotiation among three parties can get straight to the point and satisfy the local demands directly. Intra-regional cooperation, typically TPMC, is a better choice to solve regional problems and achieve regional prosperity.

Solid Foundation and Good Practices of APT TPMC

TPMC is important and indispensable for APT economies, which shows the necessity of TPMC, and in reality, solid foundation for long time and good practices at present make TPMC feasible and sustainable, which shows great potentials opportunities for TPMC.

Consensus Among APT Economies

From the perspective of policy and consensus, not only there is well-functioning 10+3 cooperation mechanism since 1997, but also high-standard RCEP can be utilized, which came into force since 2022. On one hand, good relations based on cooperation mechanism are a platform for further TPMC cooperation, and on the other hand, binding economic and trade agreements can provide legal guarantee for TPMC practitioners.

In the past years, willingness of cooperation similar to TPMC has been mentioned and emphasized several times. The 6th CJK Summit in 2015 mentioned "Improvement of Production Capacity in the Fourth-Party-Market" in *Joint Declaration for Peace and Cooperation in Northeast Asia*, which means more chances for TPMC within APT economies. The 7th CJK Summit Meeting in 2018 also shared the intention to explore "Trilateral+X" cooperation modality for sustainable regional development, and sustainable economy is priority in major cooperation areas. "Trilateral Cooperation Vision for the Next Decade" in 2019 further emphasized the efforts to advance "Trilateral+X" cooperation, where APT countries are major parties. At the 24th APT Summit in 2021, the *Chairman's Statement* underlined the importance of trade and investment relations between ASEAN and the Plus Three countries, and China proposed that the Plus-Three countries jointly deepen third-party investment cooperation in ASEAN.

Interregional Arrangements on TPMC

In the form of Memorandum of Understanding (MOU), many supportive documents have been signed, such as MOUs on TPMC between Japan and China, between Republic of Korea and China, and between Singapore and China. Besides, we have created cooperation platforms to implement the MOUs and further enhance cooperation through TPMC. During the 1st Japan-China Forum on TPMC in 2018, 52 memorandums in details for specific areas were signed, including infrastructure, energy, finance, logistics, and IT.

Table 1

APT TPMC Mechanisms and Platforms

Signed documents	Cooperation platforms
MOU on TPMC between Japanese and Chinese Businesses	Japan-China Forum on TPMC Japan-China Working Mechanism for TPMC
MOU on TPMC between Republic of Korea and China	ROK-China Working Group on TPMC
MOU on TPMC between Singapore and China MOU on the Implementation Framework for Strengthening Singapore-China TPMC	Singapore-China Working Group on TPMC Singapore-China Belt and Road Initiative Investment Forum

Source: China's National Development and Reform Commission, 2019.

Practical Projects in Progress

From the perspective of firm-level cooperation, there are concrete and successful practices. TPMC may happen in different forms including not merely trade, engineering, investment, and finance, and some practical projects among APT economies have already been carried out with down-to-earth benefits. Many TPMC projects within the region are related to infrastructure and manufacturing, which fit both comparative advantages and development requirements.

Table 2

Practices of APT TPMC

Projects	Location	Participants
Eastern Economic Corridor high-speed rail	Thailand	Charoen Pokphand CRCC & CITIC Hyundai JOIN & JBIC
Coal-fired power plant with two 1 GW units in Java	Indonesia	Sumitomo & Mitsubishi Genertec
Phase II of Hai Phong Power Station	Vietnam	Electricity of Vietnam Marubeni & JBIC Dongfang Electronic & Eximbank
Aluminium oxide plant in Kalimantan	Indonesia	Hongqiao & Sinosure Winning & DBS

Source: Author's data compilation.

Challenges for APT TPMC

Despite of shared consensus, signed memorandums, and good practices, APT Third-Party Market Cooperation is far from enough, since there are several challenges we have to face up to.

Lack of Comprehensive and Professional TPMC Mechanism

The region is still in lack of professional TPMC mechanism covering all APT countries. Most of the memorandums cover only two parties, and the involvement of the third party is limited, where the local needs are not satisfied properly. TPMC is more like a cooperation proposal, but for APT economies we still need a comprehensive platform, not only to cover all APT economies but also to provide firm-level and project-specific database. Unfortunately, in practice, we do not have such a comprehensive platform, and therefore it's not good for us to share practical experiences and optimize business environment in the field of TPMC.

Infrastructure Connectivity and Huge Financial Gap

The financing gap for TPMC in APT economies is huge, especially in infrastructure area. In this sense, infrastructure is not only the key sector for cooperation, but also a tough nut to crack. ADB in 2017 estimated a

financing gap in economic infrastructure of \$459 billion per year for Asia, and the gap almost doubled to \$907 billion with the expected need for funding of social infrastructure (Ra & Li, 2018). Financial deficiency is not good news for TPMC, since many TPMC projects are time-consuming and capital-demanding.

Diversification of National Conditions and Policies

TPMC is not a once-for-all solution for all APT economies, since every specific country within the region has its own national conditions and differentiated development demands. Besides, national business environments differ greatly among APT countries, which may cause inefficiency. TPMC is more suitable for APT economies, but how to coordinate is another thing, since it's not an easy task to coordinate policies and standards, and to harmonize economic demands and geopolitical factors.

Suggestions for APT TPMC

It is essential for APT countries to enhance intraregional cooperation and Third-Party Market Cooperation provides a good solution, which is suitable for diversified local conditions. In order to maximize benefits for all APT countries in both economic and social areas, the Working Group on “Deepening APT Third-Party Market Cooperation” puts forward policy recommendations based on all the presentations and discussions at the Meeting as follows:

Fundamental Principles and Guidelines for TPMC

Experiences from South-South and Triangular Cooperation can be shared in the practices of APT TPMC. Guided by international norms and intraregional consensus, TPMC is essentially business actions carried out by market players, so some fundamental principles need to be applied, including transparent governance, market orientation, rule-based business environment, inclusive growth benefiting all APT countries, ESG, etc. in practice, TPMC cooperation should also be guided by principles of extensive consultation, joint contribution and shared benefits (China's National Development and Reform Commission, 2019).

Table 3

South-South and Triangular Cooperation Within the UN System

Normative principles	Operational principles
(a) Respect for national sovereignty & ownership (b) Partnership among equals (c) Non-conditionality (d) Non-interference in domestic affairs (e) Mutual benefit	(a) Mutual accountability & transparency (b) Development effectiveness (c) Coordination of evidence- & results-based initiatives (d) Multi-stakeholder approach

Source: United Nations Industrial Development Organization, 2022.

Long-Term Cooperation Mechanism and Rule-Based Business Environment

APT TPMC Mechanism or Working Group would be better. Through negotiation and coordination, it's good to improve mutual trust and eliminate misunderstandings. Besides, TPMC needs a specific platform to share experience and good practices, finance and technology, and information for detailed projects and specific local demands. Moreover, multiparty engagement for all APT countries is necessity for further and effective cooperation.

Transparent governance for sound business environment can provide basic guarantee for TPMC. In order to achieve open and inclusive TPMC, transparent governance in member countries and within the region should play a part, to ensure equal and fair treatment for every single TPMC participants. Besides, the sound business

environment should be rule-based and market-oriented, where the importance of lawful regulations and market mechanism should be emphasized and implemented in practice.

Intraregional Policy Coordination and Development Convergence

Centrality of ASEAN should be insisted. As to cooperation among APT countries, TPMC can learn experience from ASEAN in the field of good practices and harmonious collaboration. Furthermore, ASEAN centrality is indispensable for satisfying diversified demands based on local conditions. Only with ASEAN centrality can TPMC be differentiated in appropriate forms, which is more suitable for differentiated local needs.

Regional Comprehensive Economic Partnership (RCEP) would be an ideal instrument to promote TPMC. Except many 10+1 agreements, RCEP provides high-standard regulations which are good for regional economic cooperation. Since TPMC has no effective binding laws at present, RCEP can serve as lawful guarantee, to facilitate intraregional businesses, and to protect reasonable benefits for all parties.

Convergence programs should be implemented together for shared development. For APT countries, we share the same goals of economic growth and sustainable development, and therefore many regional and national arrangements can be utilized and combined, such as Japan's Asia Energy Transition Initiative (AETI), China's Belt and Road Initiative (BRI), The Philippine's Tourism Road Infrastructure Program (TRIP), etc.

Major Areas for Cooperation With Financial Support

Priority areas for cooperation should be selected as pilot program. Infrastructure is not only the major impetus for TPMC, but also the fundamental element in TPMC. Besides, food security, energy transition, and green economy draw great attention, and should also be priorities in TPMC. Moreover, high-end manufacturing as local advantages and high-tech R&D as promising industries should also be emphasized within TPMC.

Sustainable financial support with diversified source is urgent and indispensable. Since TPMC projects are mostly time-consuming and capital-demanding, it would be good if APT TPMC Fund could be specifically invented, either as independent fund or within the business scope of certain financial institutions. More importantly, there is no single institution which can satisfy the entire financial needs. So cooperation among financial institutions is necessity, including but not limited to World Bank, International Monetary Fund, Asian Development Bank, Asian Infrastructure Investment Bank, and Silk Road Fund. Besides, Public-Private Partnership (PPP) is also a good option, not only because of diversified financial resources, but also for the involvement of private sectors.

Society-Centered Approach With Multi-objective Optimization

With roots in business, TPMC aims high for society. On one hand, TPMC has pilot projects as priority for economic development, and on the other hand, TPMC should also aim at small and beautiful livelihood projects for social sustainability. In order to promote market vitality, bring more jobs, and improve living standards, MSMEs should also be TPMC's focus in practice.

With focus in economy, TPMC aims further for green economy. TPMC harmonizes economic growth with environmental protection, and its sustainability covers economic, social, cultural, and environmental areas. In practice, TPMC should be carried out with comprehensive effects in different aspects for all APT countries.

Conclusion

Although confronted with some difficulties and challenges, yet undoubtedly TPMC is more suitable for APT countries, and it will definitely witness promising development in the future. Within the region, China,

Japan, Republic of Korea, and Singapore have already taken concrete actions, but more work needs to be done. During the cooperation, multi-party engagement is fundamental, multi-source finance is necessary, and multi-objective optimization is helpful. With consensus and policies for coordination, with major areas as cooperation priority, with qualified businesses as market players, and with social demands as ultimate goal, TPMC will bring overall development effects for specific countries and among the entire region.

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