

## The ASEAN Express: A New Era of Trade Connectivity

By Mohd Khairul Ramli

The inauguration of the new freight train service between Malaysia's Selangor and China's Yunnan province marks a significant milestone in the ever-evolving economic relationship between ASEAN and China. As the Belt and Road Initiative (BRI) continues to reshape the global trade landscape, this new rail link serves as a testament to the deepening ties between Southeast Asia and China, particularly in the realm of trade and logistics. The introduction of this service not only underscores the strategic importance of rail connectivity in the region but also heralds a new era of economic integration that promises to boost bilateral trade, enhance regional interconnectivity, and catalyse growth for Malaysia and its ASEAN neighbours.

Figure 1: The ASEAN Express Rail Lines



Source: The ASEAN Post

For years, the narrative of ASEAN-China trade has been dominated by sea routes, which, while effective, have their limitations. The traditional maritime routes between Malaysia and China, for instance, take between 14 to 21 days for goods to reach their destination<sup>1</sup>. This time frame, though manageable, has often been a bottleneck in the swift movement of goods, particularly perishable items like vegetables and halal products, which are increasingly becoming central to Malaysia's export strategy. The new freight train service, which cuts this transit time down to just nine days<sup>2</sup>, represents a quantum leap in trade efficiency. The implications of this development are profound, as it not only accelerates the movement of goods but also reduces logistics costs, thereby enhancing the competitiveness of Malaysian products in the Chinese market.

The economic implications of this rail link are not confined to Malaysia and China alone. The ASEAN Express, as the service is aptly named, traverses through Thailand and Laos before reaching China, making it a vital artery of trade for the entire region. The reduced transit time and costs associated with rail transport will undoubtedly make this route the preferred choice for many businesses within the ASEAN region. For countries like Thailand and Laos, which have traditionally been landlocked and reliant on longer and more expensive routes for their exports, this rail link opens up new economic opportunities. It facilitates quicker access to the vast Chinese market, thereby encouraging greater trade flows and economic integration within the region.

Moreover, the ASEAN Express aligns seamlessly with the broader objectives of the BRI, which seeks to enhance connectivity and foster closer economic ties between China and its neighbours. By improving the efficiency of trade routes, the BRI is not only helping to reduce the physical and economic distances between countries but also creating a more integrated regional economy. For ASEAN, this integration is particularly crucial as it seeks to position itself as a central player in the global economy. The enhanced connectivity provided by the ASEAN Express will enable ASEAN countries to capitalize on the growing demand in China for goods and services, thereby driving economic growth and development across the region.

For Malaysia, the new rail link represents a strategic opportunity to further strengthen its economic relationship with China, which has been its top trading partner for the past 15 years. In 2023, bilateral trade between Malaysia and China was valued at an impressive RM450.8

---

<sup>1</sup> <https://www.cief-malaysia.com/how-long-does-it-take-to-ship-from-china-to-malaysia/>

<sup>2</sup> <https://www.thestar.com.my/news/nation/2024/07/11/asean-express-completes-first-malaysia-china-rail-cargo-trip>

billion<sup>3</sup>, a figure that is set to rise with the advent of the ASEAN Express. The first half of 2024 alone saw a 10% increase in trade volume between the two countries, surpassing US\$100 billion. This upward trajectory is a clear indication of the potential that exists for even greater economic cooperation. With the introduction of the ASEAN Express, Malaysia is well-positioned to capitalize on this momentum, particularly in its exports of halal products, which are increasingly finding Favor in the Chinese market.

Halal products, such as durians and birds' nests, have become emblematic of Malaysia's export strategy, particularly in the context of the burgeoning Chinese consumer market. The reduced logistics costs and faster transit times offered by the ASEAN Express will make it easier for Malaysian SMEs to penetrate the Chinese market, thereby boosting their competitiveness. This is particularly important as Malaysia aims to increase its halal exports from RM54 billion in 2023 to RM65 billion by 2025. The ASEAN Express, by providing a more efficient and cost-effective means of transportation, will play a pivotal role in helping Malaysia achieve this target.

Furthermore, the strategic significance of the ASEAN Express extends beyond trade. The enhanced connectivity it provides is likely to have far-reaching geopolitical implications as well. As China continues to assert its influence in the region, the strengthening of trade links with ASEAN countries will be a key pillar of its strategy. For ASEAN, closer economic ties with China offer both opportunities and challenges. On the one hand, increased trade and investment from China can help drive economic growth and development in the region. On the other hand, ASEAN countries must navigate the complexities of maintaining their sovereignty and balancing their relationships with other major powers, such as the United States and Japan.

### ***Domestic Consumerism***

From the perspective of Malaysian consumers, the ASEAN Express represents a significant boon. The reduction in transportation costs and transit times for goods imported from China is likely to translate into lower prices for a wide array of consumer products. As the new rail link facilitates quicker and more efficient importation of goods, Malaysians can expect to see a broader range of products available at more competitive prices. This is particularly relevant in the context of the current economic climate, where inflationary pressures have been a concern for many households. The influx of more affordable goods from China could help alleviate

---

<sup>3</sup> <https://www.thestar.com.my/business/business-news/2024/06/18/malaysia-china-likely-to-discuss-wide-range-of-issues-to-enhance-economic-collaboration---experts>

some of these pressures, providing consumers with greater purchasing power and access to higher-quality products at lower costs.

Moreover, the ASEAN Express not only benefits consumers by lowering prices but also strengthens Malaysia's position in the global market, particularly with China emerging as a key consumer market for Malaysian exports. With faster and more reliable access to Chinese markets, Malaysian businesses, especially those involved in the production of halal goods, can expand their reach and grow their customer base in one of the world's largest and fastest-growing economies. This enhanced market access is a critical factor in driving economic growth and ensuring that Malaysia remains competitive in an increasingly globalized world.

### ***Homegrown Struggle***

However, while the ASEAN Express offers significant benefits, it also presents challenges, particularly for Malaysia's local producers. The influx of cheaper goods from China, facilitated by the new rail link, could pose a serious threat to domestic industries, especially micro, small and medium-sized enterprises (MSMEs) that may struggle to compete with the lower prices of imported goods. This is a particularly pressing issue in sectors such as manufacturing, agriculture, and consumer goods, where the price competitiveness of Chinese products could undermine the market share of local producers.

The challenge for Malaysian producers lies in their ability to maintain their competitiveness in the face of this new wave of imports. While the lower logistics costs and faster transit times associated with the ASEAN Express are advantageous, they also make it easier for Chinese products to flood the Malaysian market. This could lead to increased competition for local producers, who may find it difficult to match the lower prices of imported goods. The risk here is that without adequate support and strategic planning, some Malaysian MSMEs could be squeezed out of the market, leading to job losses and a potential decline in domestic production.

Way forward, the ASEAN Express could serve as a model for future infrastructure projects in the region. The potential for expanding rail connectivity within ASEAN and beyond is vast. For instance, the possibility of developing high-speed rail links between China and Malaysia, as hinted at by the China State Railway Group Corp, could further enhance trade connectivity and economic integration in the region. Such projects would not only facilitate faster movement of goods but also people, thereby deepening the economic and cultural ties between ASEAN and China.

### ***Conclusion***

In conclusion, the launch of the ASEAN Express represents a significant step forward in the ongoing efforts to enhance trade connectivity between ASEAN and China. By providing a faster, more cost-effective means of transportation, this new rail link will help boost bilateral trade, support the growth of Malaysian MSMEs, and contribute to the broader goal of regional economic integration. As ASEAN continues to develop its infrastructure and deepen its economic ties with China, the ASEAN Express will play a crucial role in shaping the future of the region's economy. However, as the region becomes more interconnected, it will also need to navigate the complexities of an increasingly multipolar world, balancing economic cooperation with the need to maintain strategic autonomy. The ASEAN Express, therefore, is not just a rail link; it is a symbol of the region's aspirations, challenges, and its potential to play a central role in the global economy.