SESSION 3:
New regional trade architecture, systemic coherence and development

MEGA-REGIONAL FTAS AND CHINA

Song HONG
Professor, Senior Fellow
Institute of World Economics and Politics (IWEP), CASS
China
UNCTAD Multi-year Expert Meeting

Mega-regional FTAs and China

Song Hong
Professor, Senior Fellow, IWEP, CASS,
Dec 8-9, 2014, Geneva, Switzerland
songhong@cass.org.cn
Outline

• The rising of mega-regional integration in recent years;
• The fragmentation of Asian integration framework;
• China’s response and new strategy.
I. The hard bargaining in WTO...

• The deadlock of DDA round;

• The reasons behind it is the change of governance structure of WTO----the rising of BRICS;

• The four key contracting parties----USA, EU, Canada and Japan; Now, the six key ones: USA, EU, Australia, India, Brazil and China.

• The separate strategies of industrial countries and BRICS.
Leading exporters and importers in world merchandise trade (excluding intra-EU (28) trade), 2013

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Leading industrial countries united, and move forward ----TTP and TTIP

• 21 century trade issues----Intellectual property rights, environmental protection, labor conditions, SOEs; Investment issues.

• High quality----Zero tariff for all goods, neutral competition of SOEs, and so on.

• TTP, TTIP and EPA between EU and Japan.
The rising of Mega-regional FTAs

• TPP----USA and Japan;
• TTIP----USA and EU;
• EU and Japan FTA;
Which countries may survive, Which countries left?

• Industrial countries. But, even for those countries, they also complaint about the new requirements of TPP. Ex. Australia for the IPRs rules, New Zealand for the SOEs, and so on.

• Small developing countries, such as Chile, Malaysia, Singapore.

• The most difficult countries are the large developing countries, such China and other BRICS countries.
The leading trader, 2013

Export shares, 2013

- Extra-EU (28): 15.3%
- China: 14.7%
- United States: 10.5%

Import shares, 2013

- United States: 15.4%
- China: 12.9%
- Extra-EU (28): 14.8%
The leading traders, 2013

**Export Shares, 2013**
- Extra-EU (28): 15.3%
- United States: 10.5%
- BRICS: 22.49%

**Import Shares, 2013**
- Extra-EU (28): 14.8%
- United States: 20.74%
- BRICS: 15.4%
II. The fragmentation of ASEAN and 10+x framework

- ASEAN: 6 group (Indonesia, Thailand, Philippines, Myanmar, Lao and Cambia) vs 4 group (Singapore, Malaysia, Burma and Vietnam);
- RCEP: 6+3 (Australia, New Zealand, and Japan) Group VS 4+3 group (Singapore, Malaysia, Burma and Vietnam; and India, Korea and China);
- The key countries in Asia are: ASEAN, Thailand, Indonesia, India and China.
The ASEAN solution: RECP?

• ASEAN is the hub of Asian economic integration: 10+X formula----10+1,and 10+3, and so on;

• The pursuit of the centrality of ASEAN in Asian integration: 10+6:RCEP;

• How about the leadership of ASEAN in Asian integration? Centrality ≠ Leadership.
The ASEAN solution, is also an Asian solution?

• It seems to be, since RCEP includes all the key members in Asia: ASEAN, Thailand, Indonesia, India and China on the one hand; and Japan, Korea, even the Australia on the other hand.

• But, RCEP also is a response to the TPP Initiative.
III. Chinese solution
----The reality China faced

• It is impossible for China to join into TPP in the next 10-15 years, even if China decide to Now;
• China can’t afford the negative impacts of being isolated again;
• How China can do during this 10-15 years?
• Chinese solution is much more Pragmatic, that means more focus on doable, more open-minded, more realistic and of course more creative.
China’s strategy

• Firstly, China pursues unilateral liberalization domestically;

• Secondly, we form some preferential arrangements around China;

• Thirdly, participate some plurilateral negotiations in WTO.
Unilateral liberalization

• Domestically, Shanghai free trade zone is testing something doable, such negative list FDI policy, service sector opening and so on;

• A lot of local provinces want to join Shanghai for this opening;
China’s economy is under restructuring

• China now is at its critical point of transition from a low-value added goods producer to a high value added one;

• Along with this transformation, service sector is more and more important. In 2012, the share of service sector is higher than industrial sectors in GDP.

• How to promote the development of service sector? Opening-up gradually to the outside world.
Bilaterally and regionally,

- The integration of mainland China and Taiwan, Hong Kong, and Macao;
- Bilateral FTAs with Korea, and Australia;
- Regionally, the initiatives of Silk Road Economic Belt, and Maritime Silk Road—the focus are ASEAN(update the 10+1 agreement), and Central Asia, especially the Shanghai Cooperation Organization members;
Why other countries cooperate with China? ----the investment and demand from China

• The move out of the labor-intensive industries to the neighbors countries;

• The more need for resource and energy from outside world, especially the neighbors countries;

• The more consumption-driving economic growth create a huge domestic demand for import goods and service.
Plurilaterally and mega-regionally

- Multilaterally, on the one hand, promote DDA negotiation, on the other hand, join some of the plurilateral negotiations, such as ITA(2), TISA and so on;
- Finally, for the mega-regional FTAs such as TPP, Maybe, 10 or 20 years late, China will join into, for example, TPP.
Thank you!