



**Multi-year Expert Meeting on Enhancing the Enabling Economic Environment
at All Levels in Support of Inclusive and Sustainable Development (2nd session)**

Towards an enabling multilateral trading system for inclusive and sustainable development

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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
(IWEPP), CASS
China

UNCTAD Multi-year Expert Meeting

Mega-regional FTAs and China

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Professor, Senior Fellow, IWEP, CASS,

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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

Rank	Exporters	Value	Share	Rank	Importers	Value	Share
1	Extra-EU (28)	2307	15.3	1	United States	2329	15.4
2	China	2209	14.7	2	Extra-EU (28)	2235	14.8
3	United States	1580	10.5	3	China	1950	12.9
4	Japan	715	4.8	4	Japan	833	5.5
5	Korea, Republic of	560	3.7	5	Hong Kong, China	622	4.1
6	Hong Kong, China	536	3.6		retained imports	141	0.9
	domestic exports	20	0.1	6	Korea, Republic of	516	3.4
	re-exports	516	3.4				
7	Russian Federation	523	3.5	7	Canada a	474	3.1
8	Canada	458	3.0	8	India	466	3.1
9	Singapore	410	2.7	9	Mexico	391	2.6
	domestic exports	219	1.5	10	Singapore	373	2.5
	re-exports	191	1.3		retained imports	182	1.2
10	Mexico	380	2.5				
11	United Arab Emirates b	379	2.5	11	Russian Federation a	343	2.3
12	Saudi Arabia, Kingdom of	376	2.5	12	Chinese Taipei	270	1.8
13	India	313	2.1	13	Turkey	252	1.7
14	Chinese Taipei	305	2.0	14	United Arab Emirates b	251	1.7
15	Australia	253	1.7	15	Thailand	251	1.7
16	Brazil	242	1.6	16	Brazil	250	1.7
17	Switzerland	229	1.5	17	Australia	242	1.6
18	Thailand	229	1.5	18	Malaysia	206	1.4
19	Malaysia	228	1.5	19	Switzerland	201	1.3
20	Indonesia	183	1.2	20	Indonesia	187	1.2

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

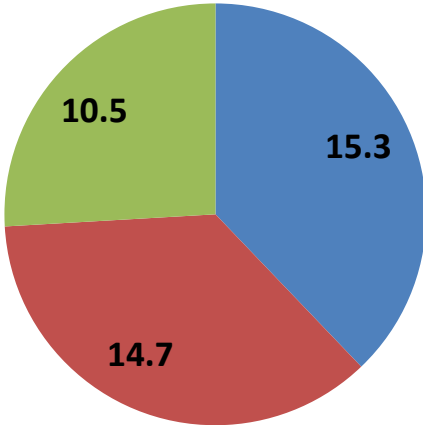
- **TPP-----USA and Japan;**
- **TTIP-----USA and EU;**
- **EU and Japan FTA;**

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.**

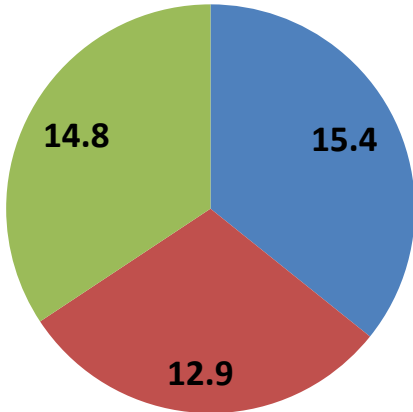
The leading trader, 2013

Export shares, 2013



■ Extra-EU (28) ■ China ■ United States

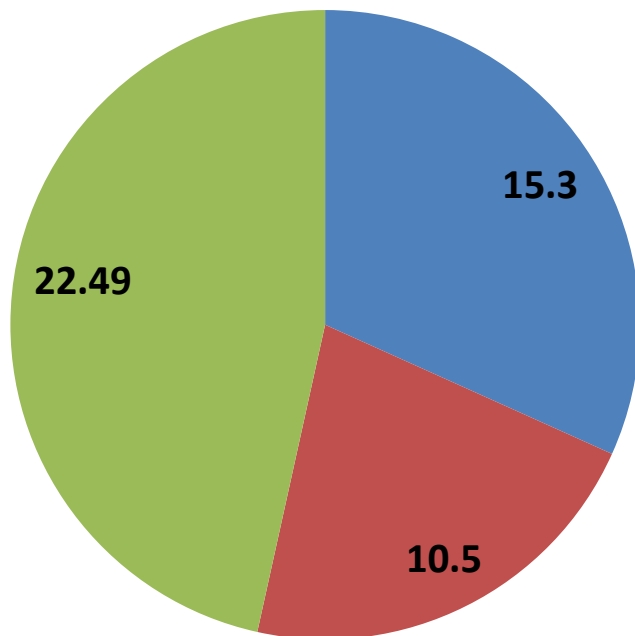
Import shares, 2013



■ United States ■ China ■ Extra-EU (28)

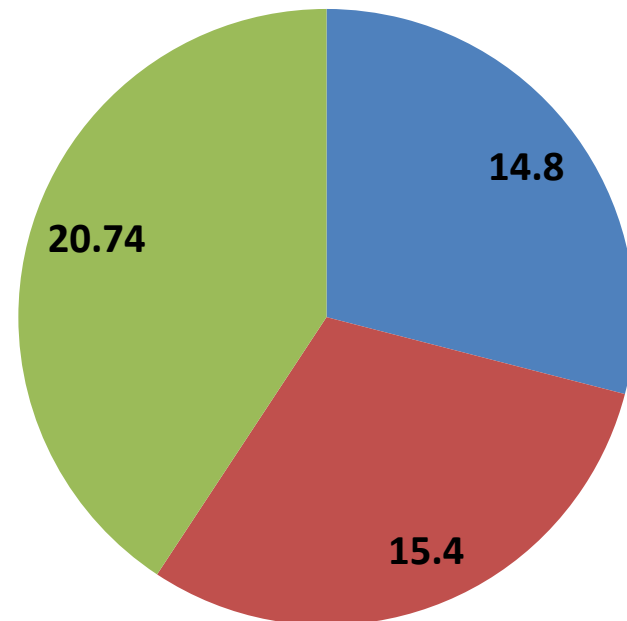
The leading traders, 2013

export shares, 2013



■ Extra-EU (28) ■ United States ■ BRICS

import shares, 2013



■ Extra-EU (28) ■ United States ■ BRICS

II. The fragmentation of ASEAN and 10+x framework

- **ASEAN: 6 group (Indonesia, Thailand, Philippines, Myanmar, Lao and Cambodia) 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!