

China's FTA Policy and its implications for Regional Cooperation

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2016 Northeast Asia International Conference for Economic Development
Niigata·29 Jan 2016



China's progress in concluding FTAs

China began its efforts on negotiating FTAs after joining WTO in 2001. The FTA strategy serves China's interests in many ways: market access (trade, service, as well as investment), promoting domestic opening and reform, as well as improving its relations with the partners.

Currently, China has concluded 11 Agreements including China-ASEAN FTA, China-Pakistan FTA, China-Chile FTA, China-New Zealand FTA, China-Singapore FTA, China-Peru FTA, China-Costa Rica FTA, China-Iceland FTA, China-Switzerland FTA, China-ROK FTA and China-Australia FTA.



China's FTA Initiatives with Trading Partners

| Initiative | Signing Time |
|-----------------------|---|
| ASEAN-China FTA | Framework agreement, signed in 2002; Early harvest program, 2005; Trade in goods, 2005; service ,2007 |
| China-Pakistan FTA | Signed in 2006 |
| China-Chile FTA | Signed in 2005 |
| China-New Zealand FTA | Signed in 2008 |
| China-Singapore FTA | Signed in 2008 |
| China-Peru FTA | Signed in 2008 |
| China-Costa Rica FTA | Signed in 2010 |
| China-Iceland FTA | Signed in 2013 |
| China-Switzerland FTA | Signed in 2013 |
| China-ROK FTA | Signed in 2015 |
| China-Australia FTA | Signed in 2015 |
| China-GCC | Framework agreement in 2004, under negotiation |
| China-Norway FTA | Negotiation from 2006 |
| RCEP | Negotiation from 2012 |
| China-Japan-Korea FTA | Negotiation from 2013 |
| China-Sri Lanka FTA | Negotiation from 2014 |
| China-Maldives FTA | Negotiation from 2015 |
| China-Georgia FTA | Negotiation from 2015 |
| China-India FTA | Study from 2005 |
| China-Colombia FTA | Study from 2012 |
| China-Moldova FTA | Study from 2015 |
| China-Fiji FTA | Study from 2015 |



Gradual FTA approach

China has adopted a gradual approach when negotiating FTAs with trading partners: first goods, then services and investment. China-ASEAN FTA, China-Pakistan FTA (CPFTA) and the China-Chile FTA were conducted via this gradual approach. Both CAFTA and CPFTA were preceded by an Early Harvest Program, after which further negotiations around goods, service and investment took place.

In contrast, China-New Zealand FTA , China-Singapore FTA, especially China-ROK FTA and China-Australia FTA are comprehensive and single undertaking upon signing.



Different FTA templates

In general, FTAs between China and the developing economies tend to center upon the market access and economic cooperation, while those with the developed economies, such as ROK and Australia, incorporate more 21st century issues including financial services, telecommunication, people mobility, investment, E commerce, competition policy, intellectual property rights, environment, transparency measures.



China's Position on TPP

- **Hot Public Response to TPP**
 - Containment by the U.S.
 - Abandoned by the WTO 2.0
- **Government Response to TPP**
 - Open but cautious
 - China, ASEAN seals deal to upgrade bilateral FTA on Nov. 22, 2015
 - The State Council Issues Opinions on Speeding up the Implementation of FTA Strategy
 - Studying the TPP text



TPP's effects on Chinese Economy

| | Peking Univ.(2014) | | DRC(2013) | Petri et al(2015) | | |
|-----------------------|--------------------|-------|-----------|-------------------|------|------|
| | 2015 | 2020 | | 2015 | 2020 | 2025 |
| Real GDP (%) | -0.28 | -0.32 | -0.14 | 0.0 | -0.2 | -0.2 |
| Exports (%) | -0.21 | -0.25 | -0.32 | -0.1 | -1.1 | -1.0 |
| Imports (%) | -0.21 | -0.24 | -0.53 | -0.2 | -1.1 | -1.0 |
| term of trade (%) | | | -0.22 | | | |
| Welfare (Billion USD) | | | -4.1 | | | |

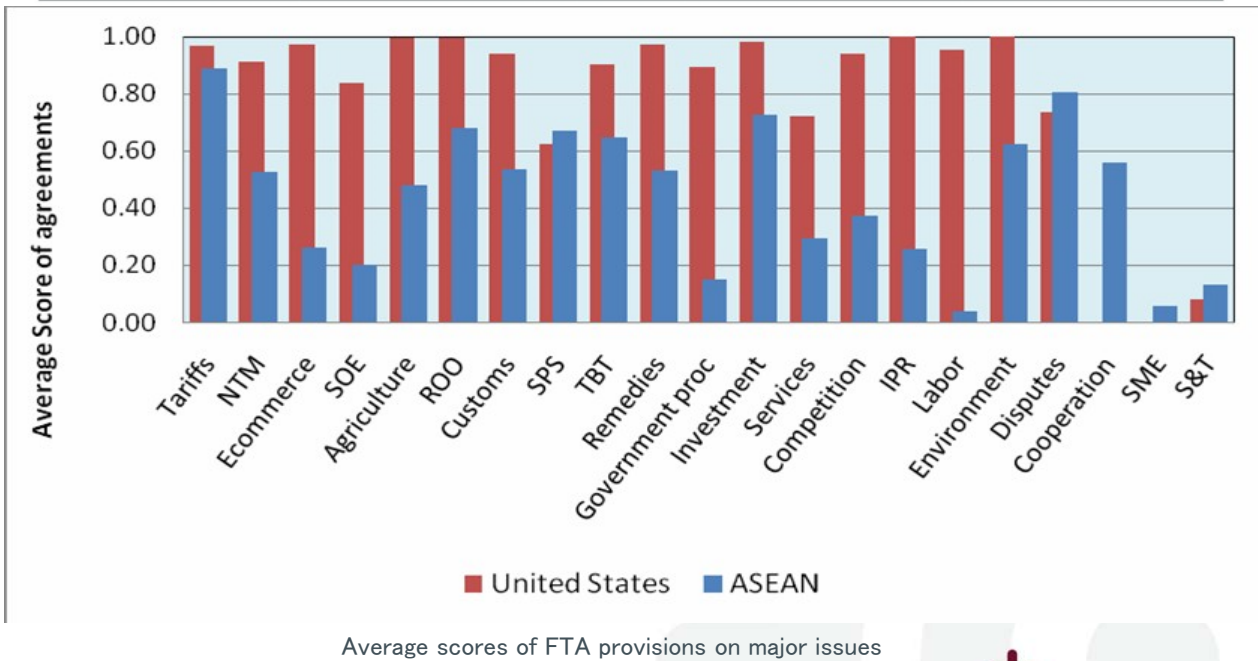


TPP's effects on major sectors

| Petri et al (2015) | | | | Zhang and Peng (2013) | | | |
|-------------------------|---------|---------|-------------|--|---------|---------|-------------|
| Sector | Exports | Imports | Value Added | Sector | Exports | Imports | Value Added |
| Rice | -2.7 | -0.5 | -0.5 | Cereals | 1.52 | -3.65 | 0.12 |
| Wheat | -25.4 | -1.7 | -0.4 | Animal products | -20.17 | -2.68 | -1.16 |
| Other agriculture | -1.5 | -0.9 | -0.4 | Forest, husbandry and fisheries products | 1.43 | -1.73 | -0.16 |
| Mining | 0.3 | -0.5 | -0.2 | Other agricultural products | -0.18 | -1.54 | -0.14 |
| Food, beverages | -3.0 | -1.0 | -0.4 | Textile | -3.0 | -1.35 | -1.25 |
| Textiles | -0.9 | -1.1 | -1.0 | Apparel | -1.99 | -0.71 | -0.90 |
| Apparel, footwear | -6.1 | 0.4 | -1.9 | Leather | 0.32 | -0.41 | 0.47 |
| Chemicals | -0.3 | -0.9 | -0.3 | Chemical | -0.08 | -0.60 | 0.14 |
| Metals | 0.0 | -1.4 | -0.4 | Steel | 0.15 | -0.56 | 0.06 |
| Electrical equipment | -1.1 | -0.9 | -0.9 | Non-ferrous metal | 1.01 | -0.67 | 0.66 |
| Machinery | -0.9 | -1.7 | -0.5 | Metallic products | -0.27 | -0.78 | 0.02 |
| Transport equipment | -2.3 | -0.2 | -0.9 | Automobiles | -1.96 | -0.93 | -0.45 |
| Other manufactures | 0.2 | -1.6 | -0.2 | Electronic equipment | 1.13 | 0.27 | 1.01 |
| Utilities | 1.0 | -1.4 | -0.3 | Machinery | -0.17 | -0.76 | 0.09 |
| Construction | 0.9 | -1.7 | -0.6 | Other manufactured goods | 0.09 | -0.77 | 0.12 |
| Trade, transport, comm. | 0.0 | -0.6 | -0.4 | | | | |
| Private services | 0.6 | -1.5 | -0.4 | | | | |
| Public services | 0.2 | -0.8 | -0.5 | | | | |



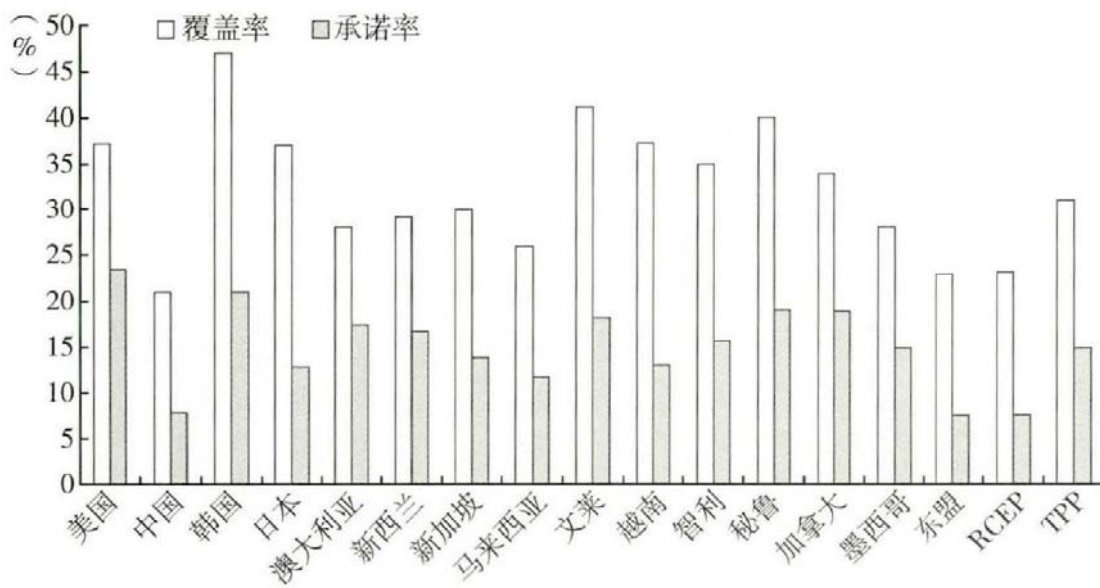
TPP as a challenge



Average scores of FTA provisions on major issues



Real Challenges from WTO-X Issues



Average scores of FTA partners on WTO-X issues



Future perspective

- Steps forward towards broader liberalization through China-ROK FTA, China-Australia FTA
- Competitive liberalizations among RCEP, Sino-US BIT and CJKFTA
- WTO framework contains both US and China well
- Silk Road Economic Belt and 21st Century Maritime Silk Road
- The State Council Issues Opinions on Speeding up the Implementation of FTA Strategy
 - Neighboring economies
 - Belt and Road FTA
 - Most emerging economies, major developing countries, major regional trade group and some developed economies



Forging new FTA template

- More market access to Trade in Goods
- More market access to Services including Finance, education, culture and Health caring.
 - And even Nursing, architectural design, accounting, auditing, business logistics, e-commerce.
 - Negative list on mutual basis
- More investment access and promote doing business
- Exploring new trade issues including IPR, environment, E-commerce, Competition, Government procurement.
- Trade Facilitation including alternative ROOs (or co-equal rules), self-certificate ROOs, and Single-window
- Regulatory Coherence
- Temporary Entry for business people
- ECOTECH



Belt and Road initiative



Thanks!
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