



View of an area under construction at the Guangdong Pilot Free Trade Zone in Shenzhen, South China's Guangdong province, on Aug 6. China is backing regional trade blocs like RCEP and the FTAAP in moves to make economic globalization more inclusive. IMAGINECHINA

# TRADE:

## Freer exchange of goods and services seen as growth driver

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All of these are linked by the larger and more strategic Belt and Road Initiative, President Xi Jinping's plan to boost connectivity and free trade between China and the rest of the world. It will revive the ancient Silk Road routes through investments in infrastructure across the region.

These initiatives could replace the "noodle bowl" of deals that stretches across Asia and beyond. The Asia Regional Integration Center database lists 147 free trade agreements (FTAs) involving at least one Asian country and another 85 not yet ratified or being negotiated. China is part of 24 FTAs while ASEAN has seven as a group.

For China, all those deals have helped grow a trade surplus that ballooned from \$102 billion to \$593 billion in the decade through 2015.

By the end of 2016, the Chinese mainland was the largest goods exporter in the world, with total merchandise exports of \$2.01 trillion — well ahead of the second-placed United States, which exported \$1.46 trillion, and Germany with exports of \$1.34 trillion.

Japan was the second-largest goods exporter in Asia, with exports of \$645 billion, and Hong Kong

came in third in the region and sixth worldwide with exports of \$517 billion — much of that being re-exports from the mainland.

All these goods can move more easily around the world if trade barriers are lowered. A case in point is the growth in trade between China and ASEAN since the FTA between the two took effect in 2005, when ASEAN exports to China topped \$52 billion. A decade later, exports to China hit \$135 billion.

Continued growth is expected. ASEAN's total trade with China was almost \$346 billion in 2015, according to the latest available figures from the ASEAN Secretariat.

Trade between the two sides could hit \$1 trillion by 2020, said Lee. China has been the largest trade partner of ASEAN for the last seven years. In turn, ASEAN has been China's third-largest trade partner for the last four years.

An upgraded China-ASEAN Free Trade Area Protocol took effect in

July 2016 and calls for zero tariffs on as many as 95 percent of taxed items, improves rules of origin and simplifies customs procedures, said Yang Chen, a senior partner at the Chinese law firm of Jincheng Tongda & Neal. "China already has goods and services FTAs with ASEAN, which are working well," said Amitendu Palit, a senior research fellow and lead for trade and economic policy at the Institute of South Asian Studies in Singapore.

China also has bilateral deals with non-ASEAN members of RCEP like Australia and New Zealand, which have also helped make China an important partner to these countries.

With all of these existing deals in mind, China is now pushing forward with the larger RCEP that would include the 10 ASEAN members, Australia and New Zealand, as well as India, Japan and South Korea. These 16 countries cover roughly half the global population, almost

32 percent of global output and 28.5 percent of global trade.

The original framework for RCEP was first put forward in 2012 based on the ASEAN+1 framework that includes the 10 ASEAN countries and China. The goal of RCEP is to boost trade and investment among the 16 participating Asia-Pacific economies. When it comes online, it could potentially create a unified framework for trade among all the members.

Representatives from RCEP countries met in Manila on Nov 12 on the sidelines of the East Asia Summit (EAS). A framework for RCEP that covers areas such as trade, rules of origin, customs procedures and trade facilitation was announced in November.

"RCEP will increase employment (opportunities), drive sustainable growth, promote inclusive development, push innovation and will fundamentally enhance people's living standards," said Yang.

The push to complete RCEP follows the stalling of the US-led Trans-Pacific Partnership (TPP). Before RCEP is completed, likely at the end of 2018, participants will have to overcome a number of differences, but "the delay is unlikely to affect China's trade prospects", Palit said.

"The RCEP negotiations are going on but, unfortunately, countries are not able to achieve breakthroughs due to sharp differences in opinions on several issues between negotiating countries," he added.

RCEP negotiations are being kept confidential, so the specific issues are hard to identify. But there are a number of stalemates over how far to reduce tariffs and the flexibility to adjust them later, as well as concerns that RCEP would provide China with a significant trade advantage given the trade surpluses it has with the other participants. India, for example, has a \$50 billion deficit with China and its concerns have been a significant source of delays.

RCEP and China's FTA with ASEAN both pale in comparison with the proposed FTAAP, which could ultimately swallow both the other deals as well as the moribund TPP.

**16**  
trillion dollars  
Value of total global exports  
at the end of 2016

**24**  
FTAs  
Number of free trade agreements  
China is part of

**2.4**  
trillion dollars  
Estimated amount the FTAAP  
will add to the global economy

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