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APEC's path to free trade

By DAN STEINBOCK

Even as the Asia-Pacific Economic Cooperation (APEC) meeting in Papua New Guinea took place over the weekend, there were rising concerns about the future of global trade amid the tide of nationalism and protectionism.

The 21 APEC member economies represent some 40 percent of the global population, their cumulative GDP is more than 60 percent of global GDP and they account for almost 50 percent of global trade in goods and services. What APEC leaders decide matters.

There are three possible (but two probable) paths to free trade in the Asia-Pacific region.

Founded in the early 2000s by a few smaller regional economies, the initial Trans-Pacific Partnership (TPP) was more economic, open and inclusive by nature. Former US president Barack Obama's "pivot to Asia" opted for a more exclusive, geopolitical and secretive TPP agreement, which aspired to a "gold standard" that would remove tariffs between its members that represented 40 percent of global economy.

But the TPP also deemed provisions on labor rights, environmental protection and state-owned enterprises. These "high standards" made it impossible for China and India to join the TPP, while boosting the role of US multinationals in Asia-Pacific trade.

On his first day in office, US President Donald Trump killed the TPP. He is considering rejoining a revised TPP, but only if the US is granted a "better deal". Without US participation, other TPP members have agreed on a mini-deal (that is, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP-11), which may be progressive, but cannot be comprehensive without China, India — and the United States.

Second, the Regional Comprehensive Economic Partnership (RCEP) is fueled by the 10 member states of the Association of Southeast Asian Nations (ASEAN). Since 2012, the goal has been to harmonize free trade agreements among ASEAN members, advanced economies (Australia, Japan, Republic of Korea and New Zealand), and China and India.

The US has stayed on the sidelines. Seeking to exploit its economic clout, it prioritizes bilateral talks and seeks to defuse ASEAN's bargaining power. As a trade pact, the RCEP is not as exclusive, broad and deep as the Obama TPP. But it is more multilateral, realistic and inclusive — and could materialize in 2019.

And third, Trump and his trade hawks are pushing a new Asia-Pacific alignment, which strategically seeks to cement Washington's Indo-Pacific Vision to contain China's rise. Economically, it aspires to neutralize the China-proposed Belt and Road Initiative. Militarily, it is exploiting the "freedom of navigation" doctrine to dominate the South China Sea as 60 percent of the US' naval fleet will be transferred to the region by 2020.

However, any geopolitical sphere-of-interest plan would split the region and thus derail the anticipated Asian Century.

Unsurprisingly, even the US' allies — Japan and the Republic of Korea — feel unsettled about new US protectionism. And that leaves only one solution.

Within the APEC economies, the idea of regional free trade has been around since 1966 when Japanese economist Kiyoshi Kojima advocated a Pacific Free Trade agreement. Three decades later, APEC leaders opted for free and open trade and investment in the Asia-Pacific.

In 2006, C. Fred Bergsten, then chief of an influential US think tank, advocated the Free Trade Area of the Asia Pacific (FTAAP). If the FTAAP could be made a reality, he argued, it would represent the largest single liberalization in history.

The TPP-11 is dominated by advanced high-income economies but excludes upper- and lower-middle income regional engines. In contrast, the RCEP includes these regional engines and a few high-income economies as well.

Yet the final pact must be able to include the interests of both advanced and emerging economies. Ultimately, only the FTAAP has potential to cover the interests of the RCEP, the TPP-11, the US (when Trump or the next US president accepts a more inclusive deal), Russia and other potential members.

That's the FTAAP goal that APEC put forward in 2006, which Asian economies, including China, supported. Ultimately, the TPP-11 and the RCEP must agree on harmonization that will facilitate trade and cooperation among regional members and can form a joint path to the FTAAP.

It is very much in the long-term interest of the US, too, to accept the idea that all economies, including those in the Asia-Pacific, have interests of their own. Neither the US nor any other economy can have unipolar primacy in world trade, but all countries have a critical stake in multilateral world trade.

A tentative draft suggests that APEC leaders "acknowledge the importance of APEC's regional economic integration agenda, including how to advance, in a comprehensive and systematic manner, the process toward the eventual realization of a Free Trade Area of the Asia Pacific".

A timely road map for the effective implementation of this agreement would be the right start for the region and the world.

The author is director of Difference Group and has served at the India, China and America Institute (US), Shanghai Institute for International Studies (China) and the EU Centre (Singapore).

Deepen reform for better growth

By ZHANG DEYONG

National Bureau of Statistics' data show that China's GDP growth in the first three quarters was 6.7 percent, which means China's national economic operations have remained within a reasonable range, presenting a generally stable and improving growth trend.

But the Chinese economy has been encountering severe and complicated external and internal challenges. Many economies are resorting to unilateral and protectionist trade policies, and the United States-instigated trade conflict with China has increased the external uncertainties for China's economy.

These external factors have affected market sentiments in China. And domestic reform and development have become increasingly complicated tasks, which, combined with the external factors, pose a challenge to China's economy.

But despite the changing situations, China's economy remains stable. The 6.7 percent GDP growth in the first three quarters has laid a solid foundation for the Chinese economy to achieve its yearly growth target of about 6.5 percent, especially because the urban unemployment rate in September was 4.9 percent, down 0.1 percentage point.

Also, in the first three quarters, the newly employed population in China's urban areas exceeded 11 million, achieving the annual goal a quarter in advance. The first nine months of the year also saw the consumer price index increasing to 2.1 percent, which is generally considered stable and controllable.

As for Chinese residents' income, their per capita disposable income (deducting the price factor) increased 6.6 percent, keeping pace with the economic growth.

The positive factors for the economy are China's overall economic operations and the continuously adjusting and improving economic structure, which will help consolidate the generally positive trend.

Industrial structure upgrading continued steadily in the first three quarters, with the growth of the tertiary industry's value added being 1.9 percentage points higher than that of the secondary industry, and its ratio in China's overall GDP being 12.7 percentage points higher than that of the second industry.

Besides, the service industry's value added increased 7.7 percent, maintaining its fast-paced growth rate and contributing to 60.8 percent of GDP growth.

The first three quarters also saw continuous improvement in the investment structure, with investment in high-tech manufacturing increasing 14.9 percent year-on-year — 9.5 percentage points higher than overall investment growth. And private investment increased 8.7 percent, up 2.7 percent year-on-year, which will help restore market confidence.

Supply-side structural reform, too, continued steadily, especially in key fields, and new driving forces developed faster. The capacity utilization rate remained stable, and enterprises' operating cost and leverage ratio reduced, while the asset-liability ratio of industrial enterprises above the designated size declined and the commercial housing sector's inventory declined further.

The first three quarters also saw rapid growth of emerging industries, and the value added growth rates of high-tech enterprises, manufacturing and strategic emerging industries were 11.8 percent, 8.6 percent and 8.8 percent, respectively — way higher than the overall value added growth of industrial enterprises above the designated size. This promoted the rapid growth of new economic driving forces, laying ground for optimization of the economic structure.

Since the generally stable and improving growth trend has not changed despite China facing complicated external and internal challenges, it can be safely said that China's economy is still strong and resilient, and will remain so because of its more than 1.3 billion consumers, the world's largest middle-income group and Chinese people's pursuit of a beautiful life.

Moreover, China has a sound industrial system and supply chain, which can prevent as well as manage risks. And that the central government has launched a series of macro-control policies to stabilize employment, trade, investment and the financial market means demand will further expand and economic structural adjustment will expedite.

China's active and effective fiscal policy and prudent and flexible monetary policy will stabilize economic growth. Therefore, by deepening reform and opening-up, China can maintain its generally stable and improving growth trend, and achieve its economic and social development goals despite the challenges it faces.

The author is a research fellow at the National Academy of Economic Strategy, Chinese Academy of Social Sciences.