CHINA'S TRADE POLICY

- Policy trends pre-WTO accession; trade and FDI patterns
- China in the WTO
- Chinese trade-related reforms: unilateral measures and PTAs
- Trade policy challenges
- Broader domestic economic and geopolitical context

CHINA'S TRADE POLICY

- A transformed context

-- China as one of Big Three in global order

-- A China-centred Asia

-- Trends accelerated by GEC

-- Shift in policy terms of trade: from unilateral liberalisation and rule-acceptance to reciprocity

CHINA’S TRADE POLICY AND THE CRISIS

- China’s trade policy before the crisis

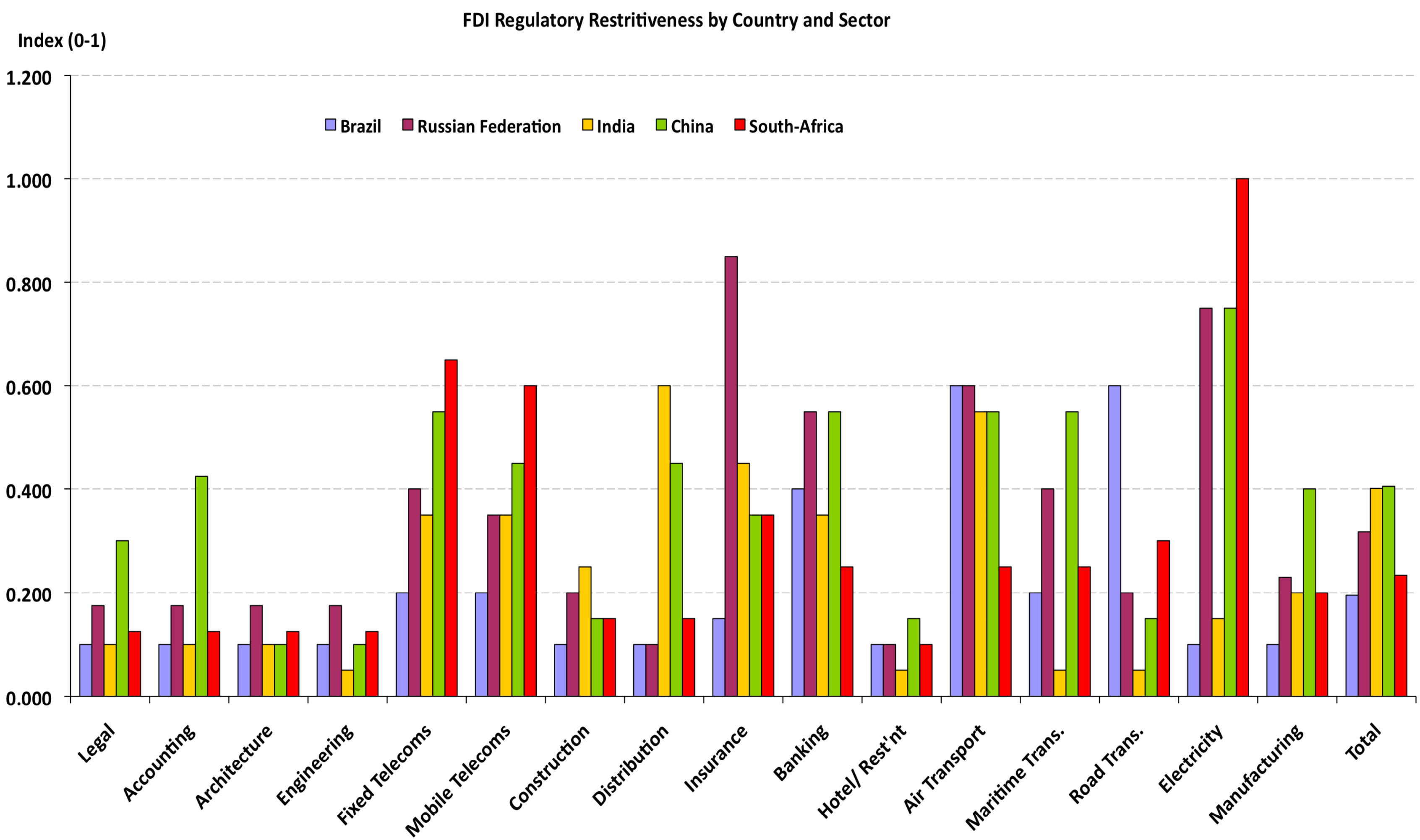
-- Enormous external opening 1990s-mid 2000s; fast and strong global integration

-- But high remaining barriers, esp. services, investment and domestic business-climate obstacles

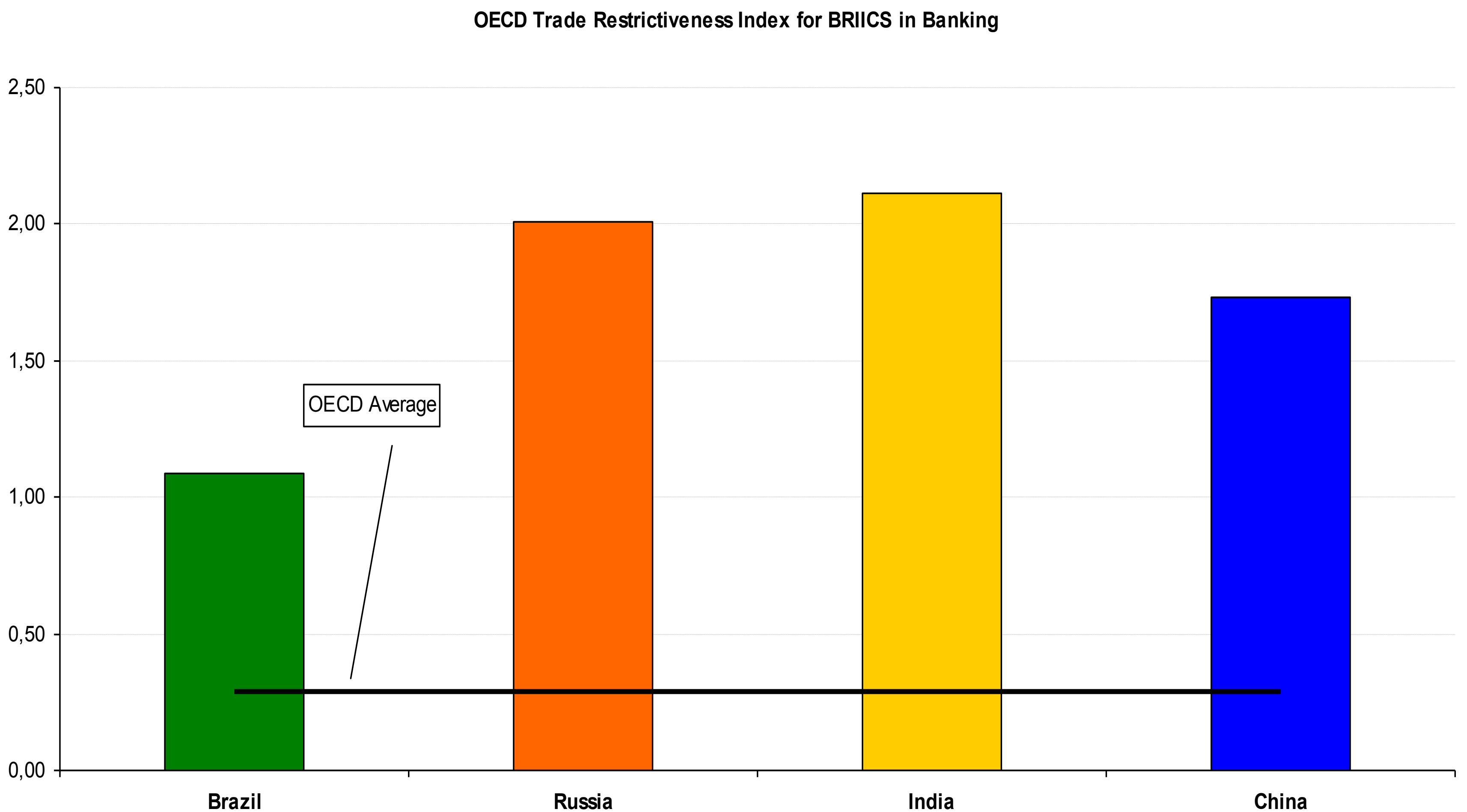
Bound and Applied MFN Tariffs (WTO 2010)

Country/ Economy	Year	Tariff Binding Coverage in %	Simple Average Final Bound (All goods)	Simple Average Applied Tariff (Manufacture)	Simple Average Applied Tariff (Agriculture)	Simple Average Applied Tariff (All Goods)	Trade Weighted Average (All goods)	Maximum MFN Applied Duties
EU	08/09	100,0	5,2	3,9	13.5	5,3	2.9	166
US	08/09	100,0	3.5	3.3	4.7	3.5	2.0	350
Japan	08/09	99.7	5.1	2.5	21.0	4.9	2.0	641
Brazil	08/09	100	31.4	14.1	10.2	13.6	8.8	96.7
Russia	08/09	-	-	10.1	13.2	10.5	10.3	357
India	08/09	73,8	48.5	10.1	31.8	12.9	6.0	246
Indonesia	08/09	95.8	37.1	6.6	8.4	6.8	4.1	150
China	08/09	100,0	10.0	8.7	15.6	9.6	4.3	65
South Africa	08/09	96.4	19.0	7.5	8.9	7.7	5.0	878

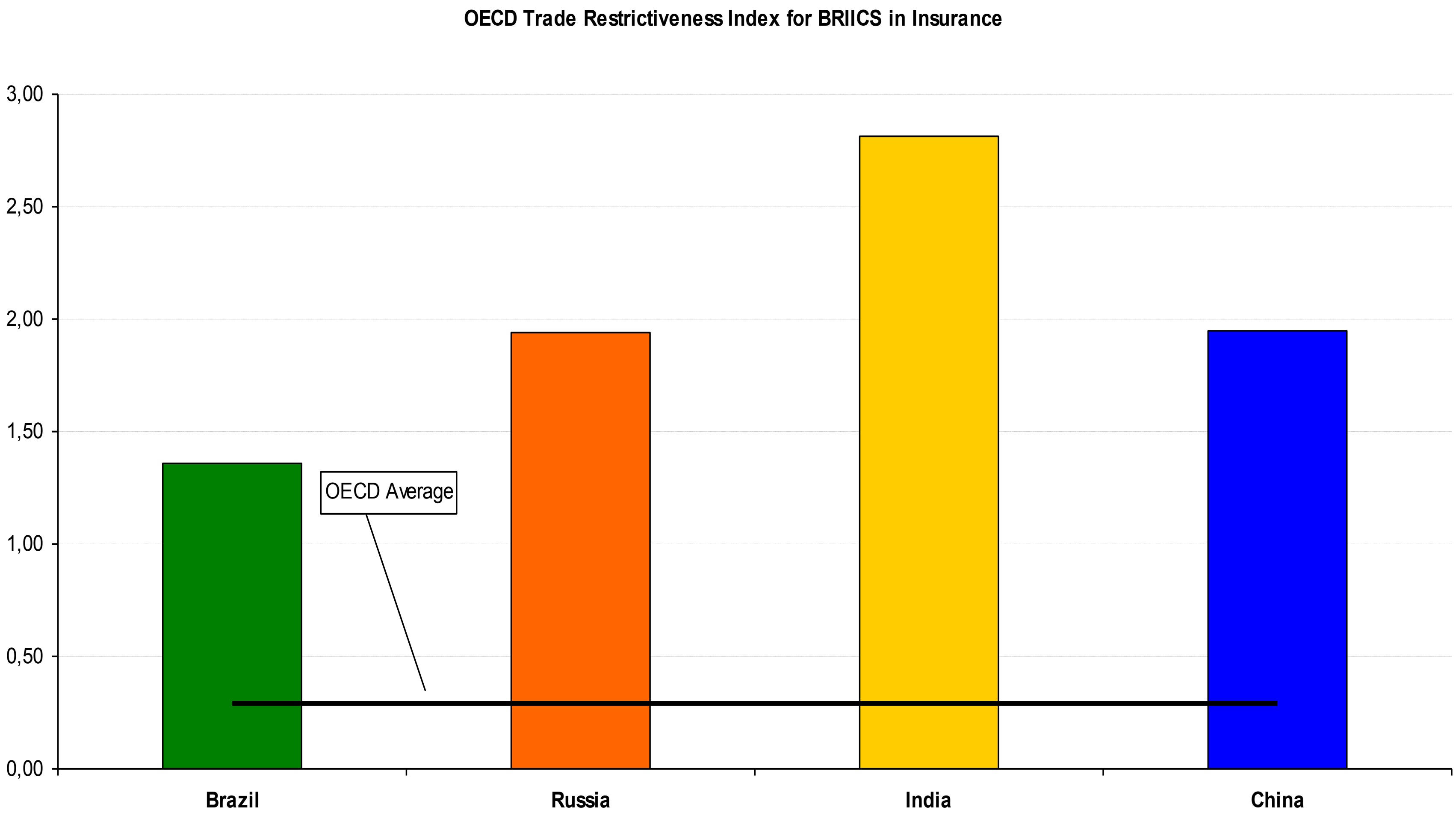
OECD FDI Regulatory Restrictiveness Scores for BRIICS - excl. Indonesia (1 = closed, 0 = open)



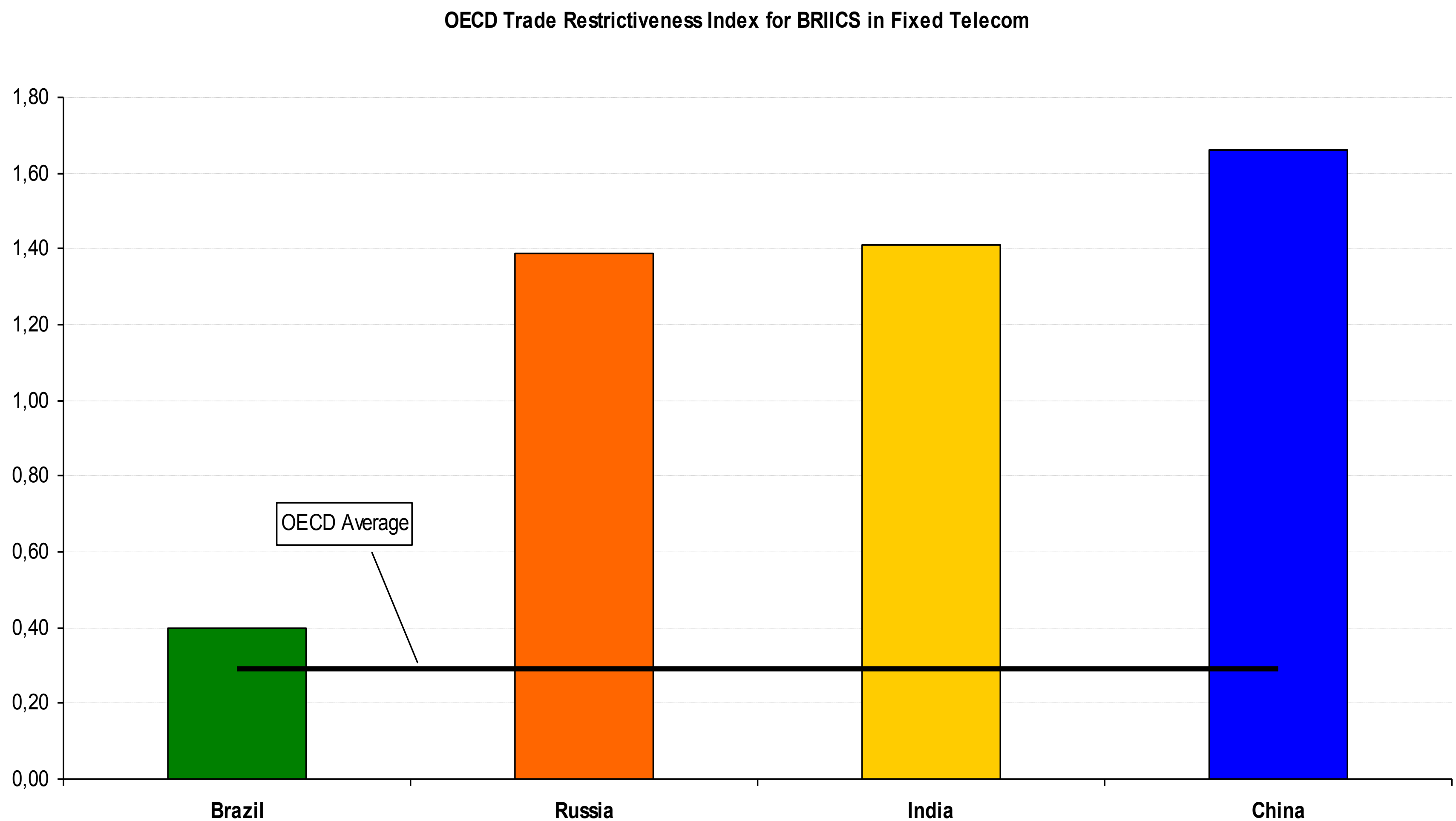
Trade Restrictiveness Banking



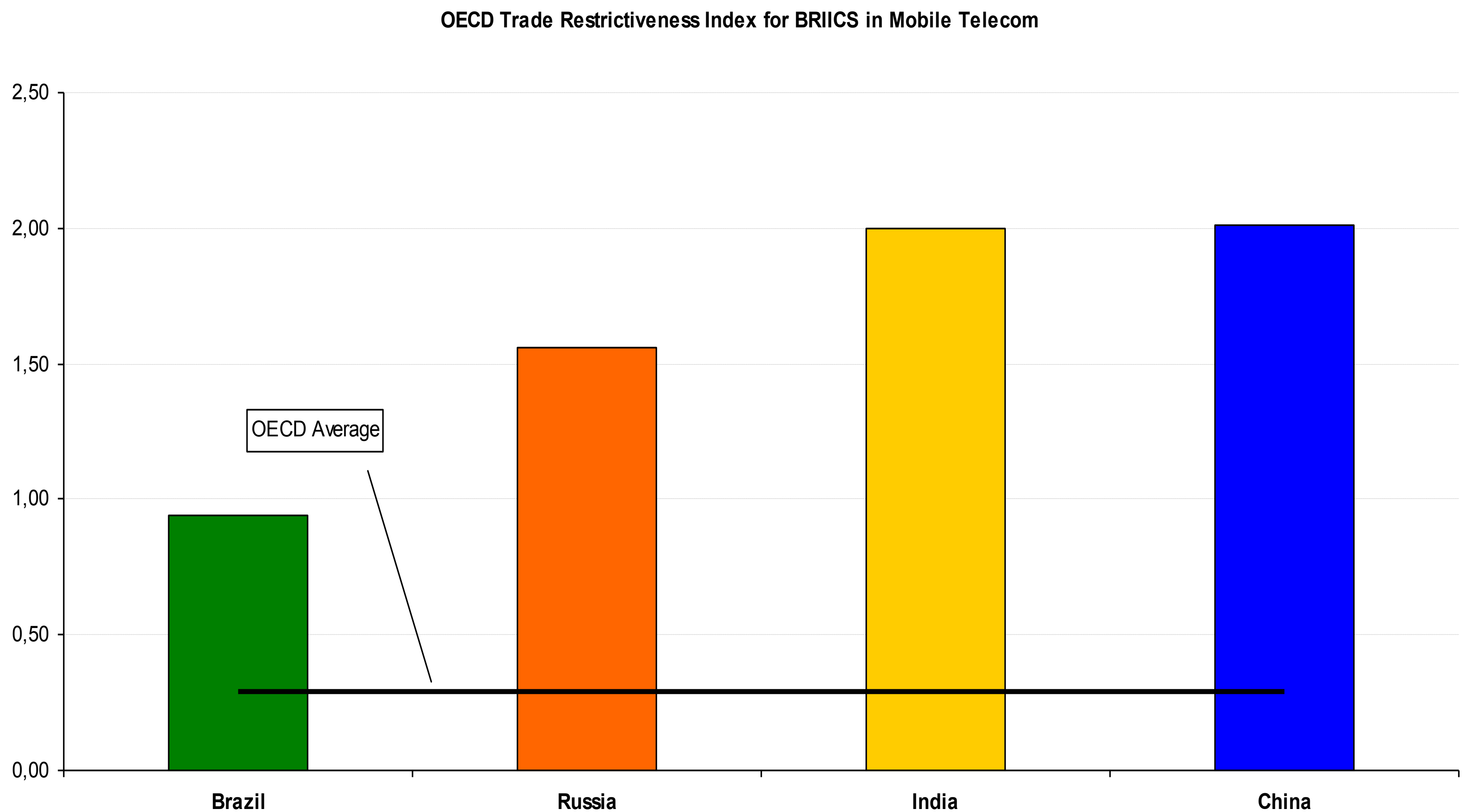
Trade Restrictiveness Insurance



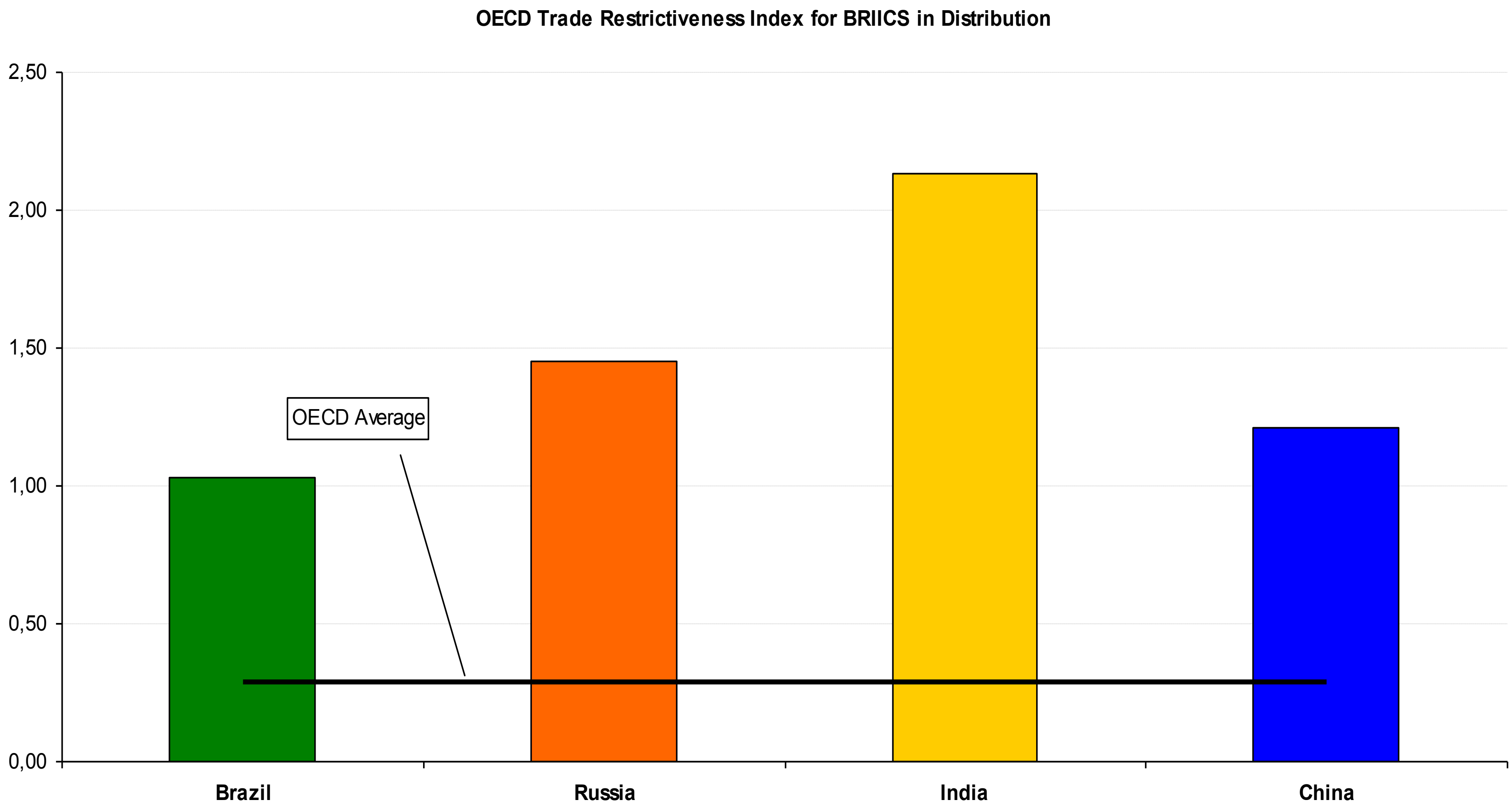
Trade Restrictiveness Fixed Telecom



Trade Restrictiveness Mobile Telecom



Trade Restrictiveness Distribution



World Ranking Ease of Doing Business (2011)

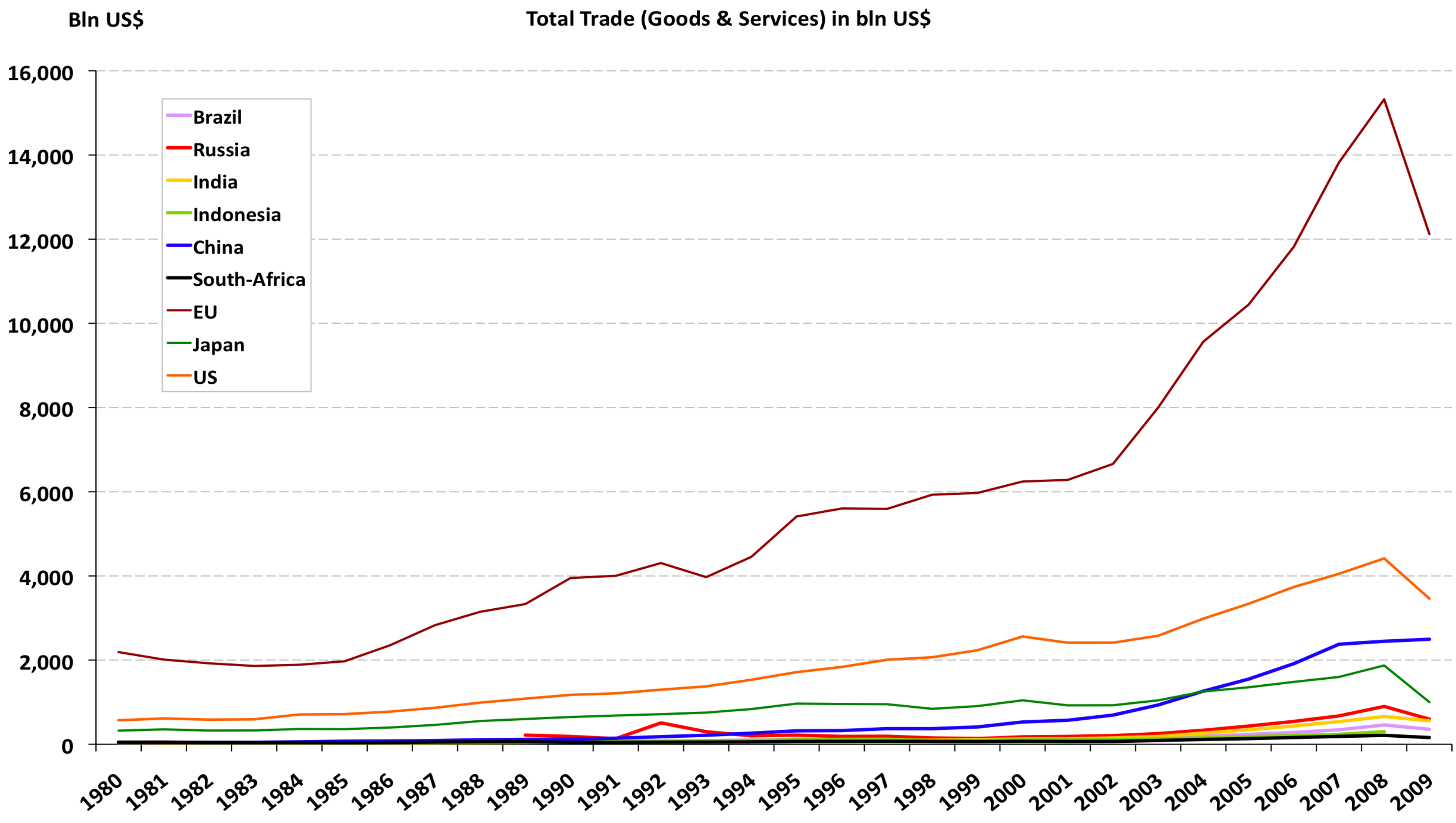
	Ease of Doing Business	Starting a Business	Dealing with Constr. Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Singapore	1	4	2	15	6	2	4	1	13	2
H-Kong	2	6	1	56	2	3	3	2	2	15
US	5	9	27	12	6	5	62	20	8	14
Denmark	6	27	10	30	15	28	13	5	30	5
Korea	16	60	22	74	15	74	49	8	5	13
Japan	18	98	44	59	15	16	112	24	19	1
Thailand	19	95	12	19	72	12	91	12	25	46
Malaysia	21	113	108	60	1	4	23	37	59	55
Vietnam	78	100	62	43	15	173	124	63	31	124
China	79	151	181	38	65	93	114	50	15	68
Indonesia	121	155	60	98	116	44	130	47	154	142
Russia	123	108	182	51	89	93	105	162	18	103
Brazil	127	128	112	122	89	74	152	114	98	132
India	134	165	177	94	32	44	164	100	182	134
Philippines	148	156	156	102	128	132	124	61	118	153

The Enabling Trade Index (2010)

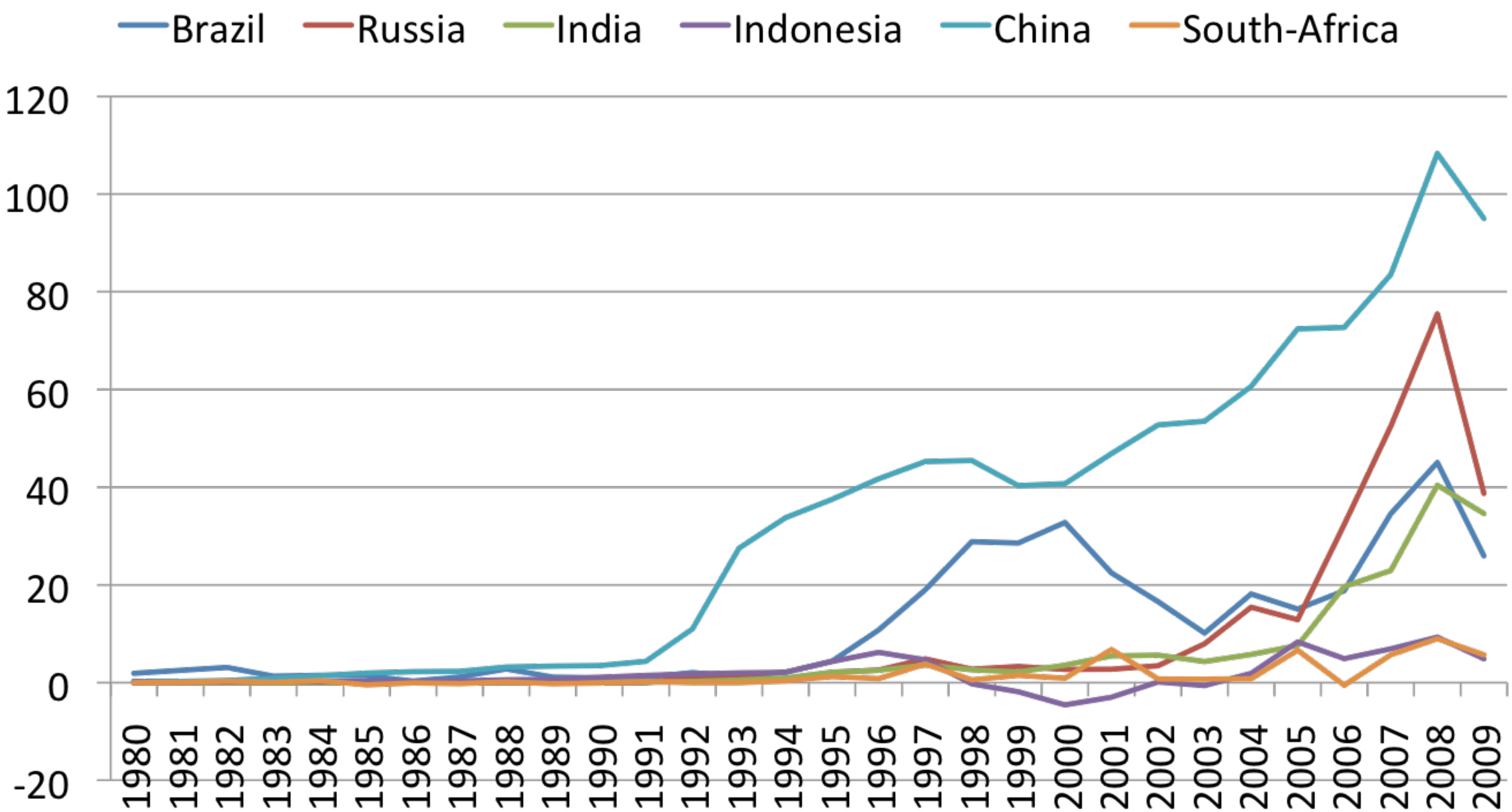
Country	Overall Rank		Market Access		Border Administration		Transport and Communications Infrastructure		Business Environment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Singapore	1	6.06	1	5.97	1	6.56	7	5.74	2	6.00
H Kong	2	5.70	16	5.12	6	5.96	5	5.79	5	5.94
Denmark	3	5.41	95	3.76	3	6.22	8	5.71	3	5.96
US	19	5.03	62	4.17	19	5.60	11	5.49	37	4.86
Japan	25	4.80	121	3.20	16	5.65	14	5.45	34	4.91
Korea	27	4.72	111	3.63	24	5.24	15	5.37	44	4.65
Malaysia	30	4.71	31	4.71	44	4.57	24	4.95	51	4.59
China	48	4.32	79	3.87	48	4.53	43	4.13	41	4.74
Thailand	60	4.13	113	3.48	41	4.61	40	4.19	71	4.24
Indonesia	68	3.97	60	4.21	67	3.99	85	3.28	60	4.42
Vietnam	71	3.96	50	4.41	88	3.46	68	3.62	64	4.34
India	84	3.81	115	3.42	68	3.98	81	3.34	58	4.48
Brazil	87	3.76	104	3.72	80	3.70	66	3.64	83	4.00
Philippines	92	3.72	64	4.13	74	3.82	83	3.31	103	3.61
Russia	114	3.37	125	2.68	109	2.99	48	4.00	92	3.79

Total Trade (Goods and Services) in bln US$

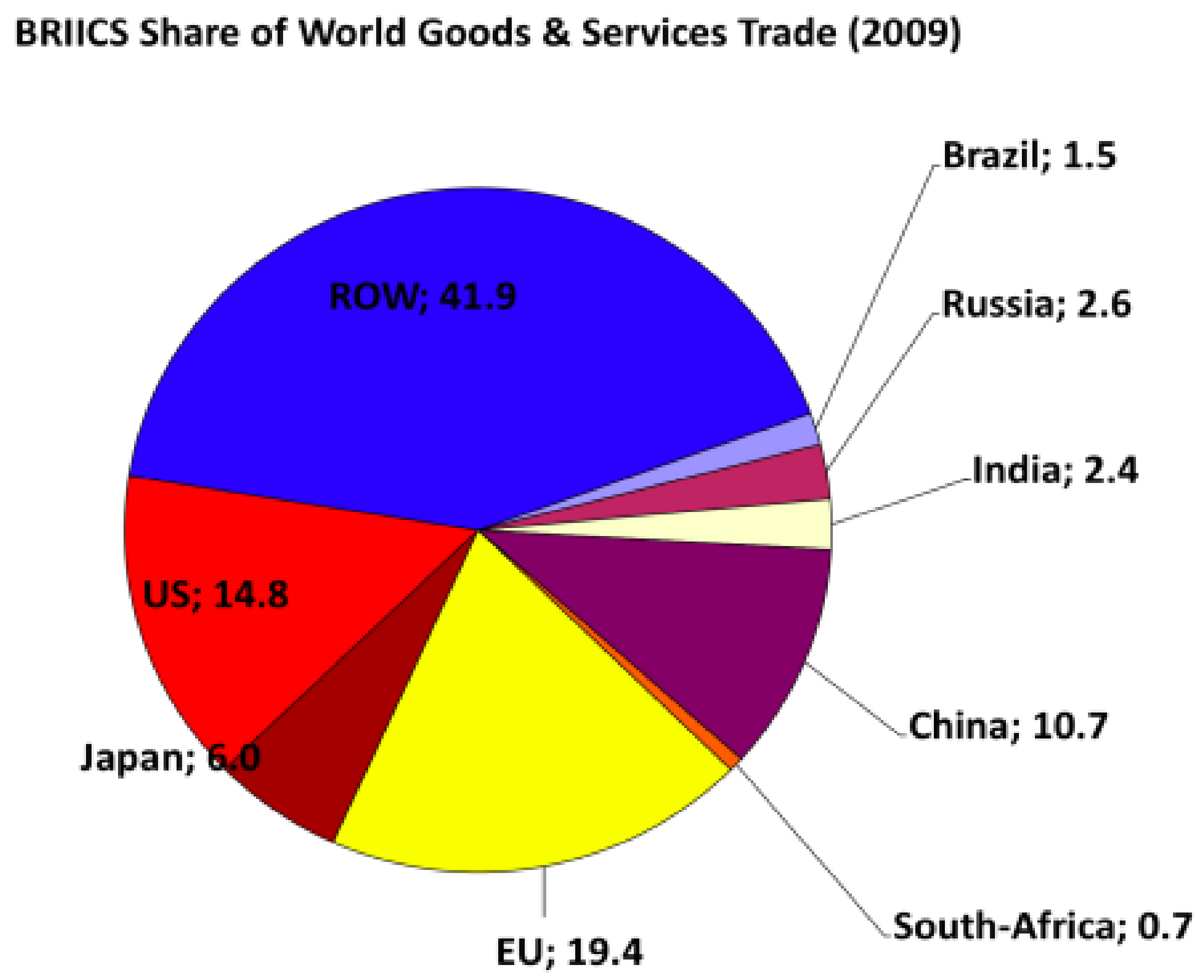
(1980-2009)



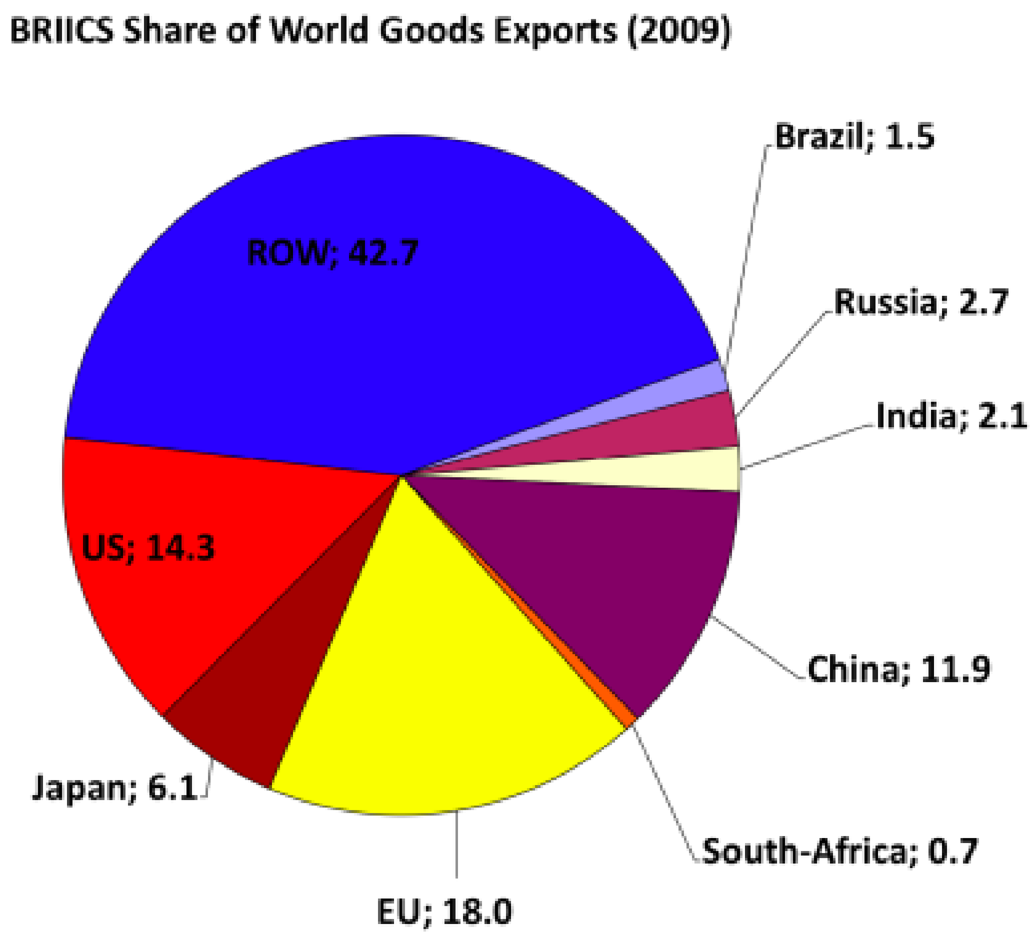
Inward FDI flows for BRIICS in bln US$ (1980-2009)



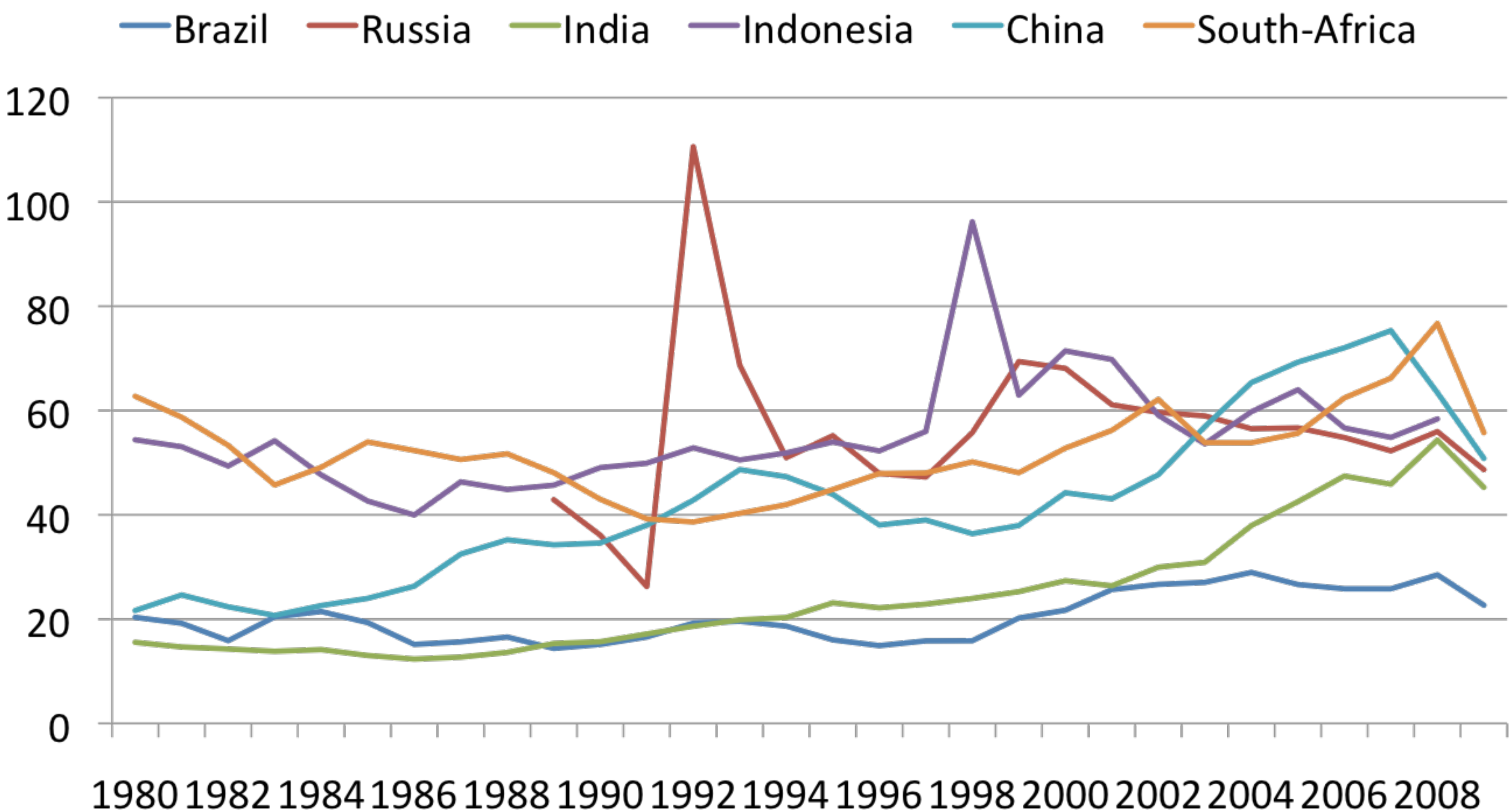
BRIICS Share of World Goods and Services Trade (2009)



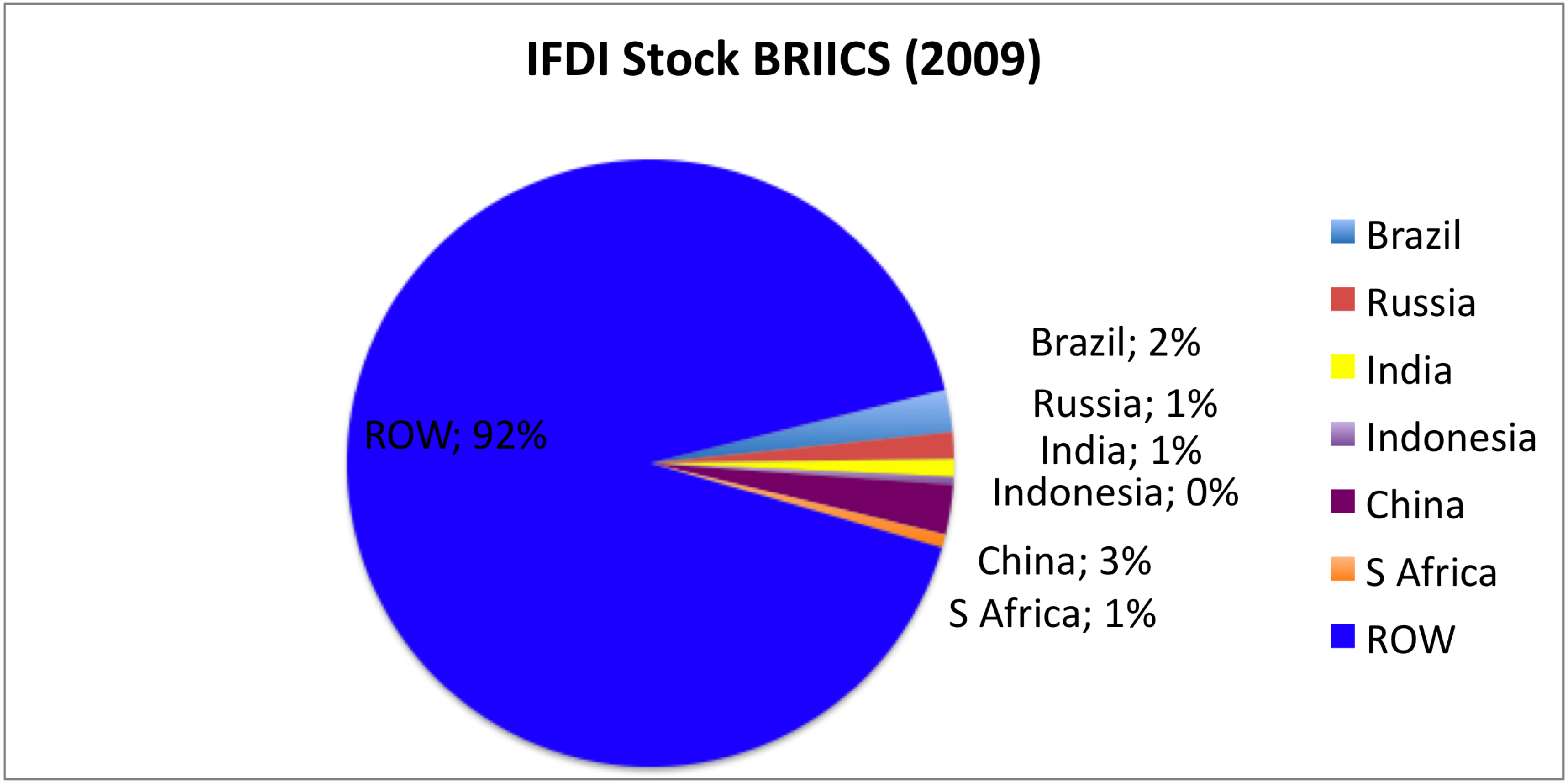
BRIICS, EU, US and Japan Share in Global Exports in Goods (2009: excl. EU intra trade)



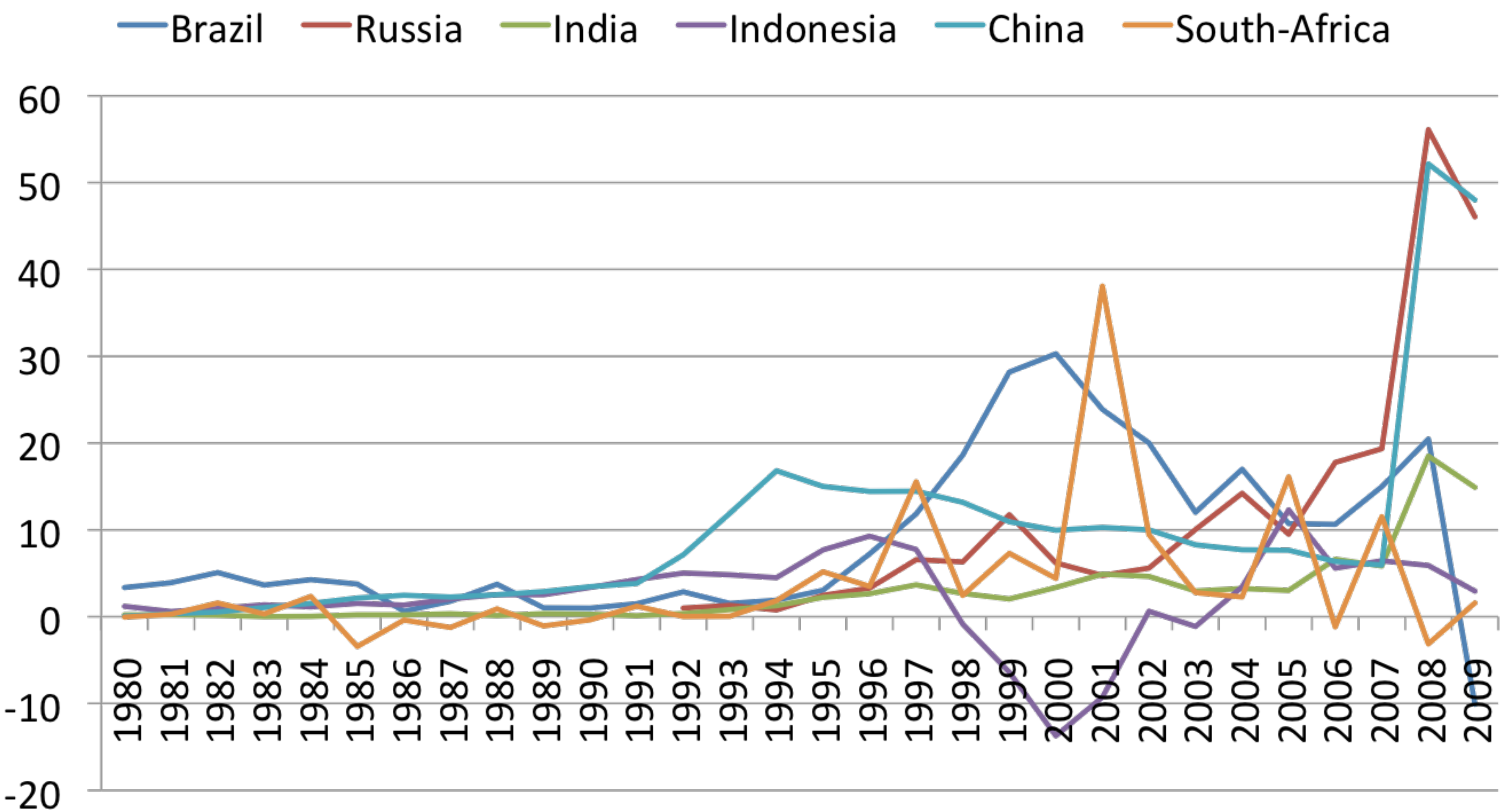
Trade (Goods and Services) / GDP in percentages for BRIICS (1980-2009)



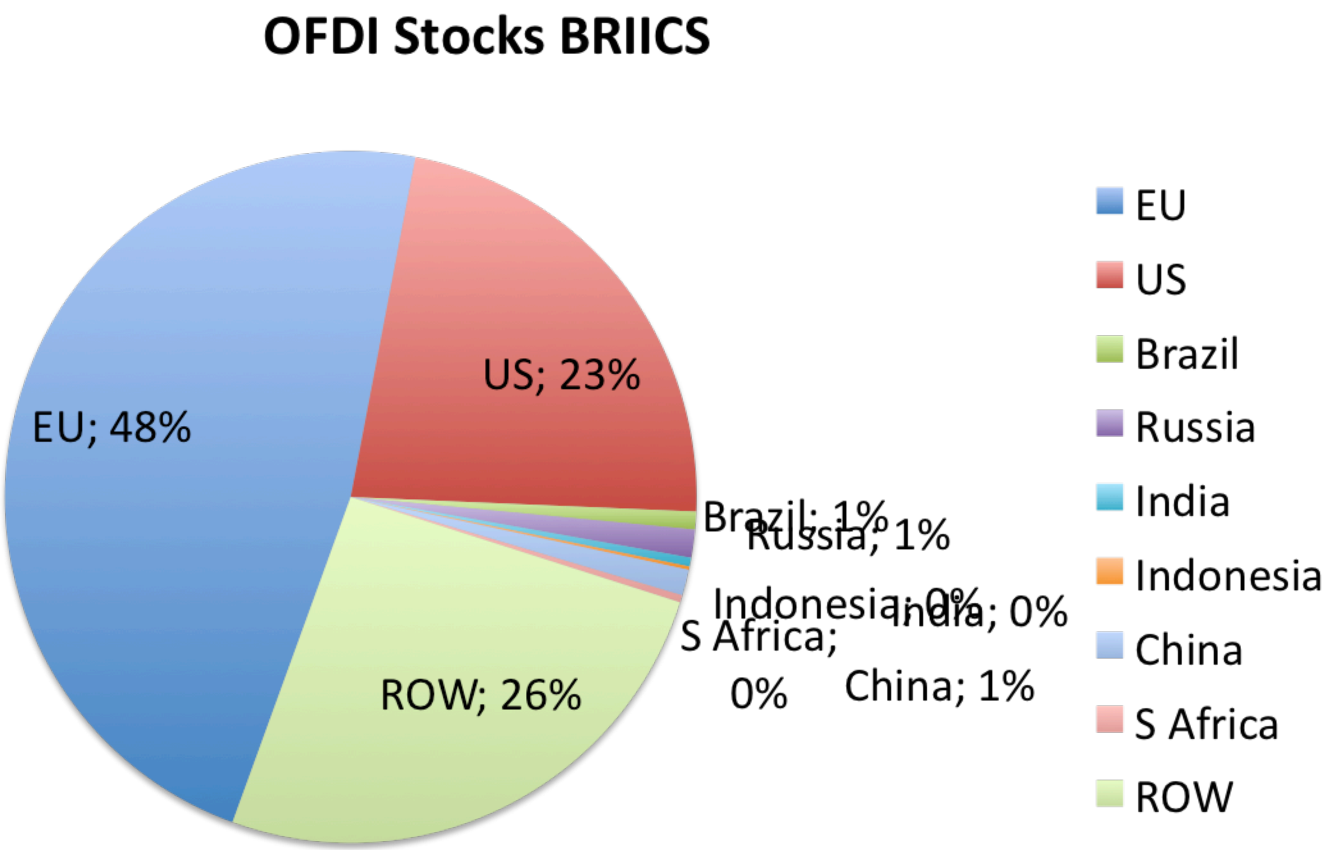
IFDI Stock BRIICS (2009)



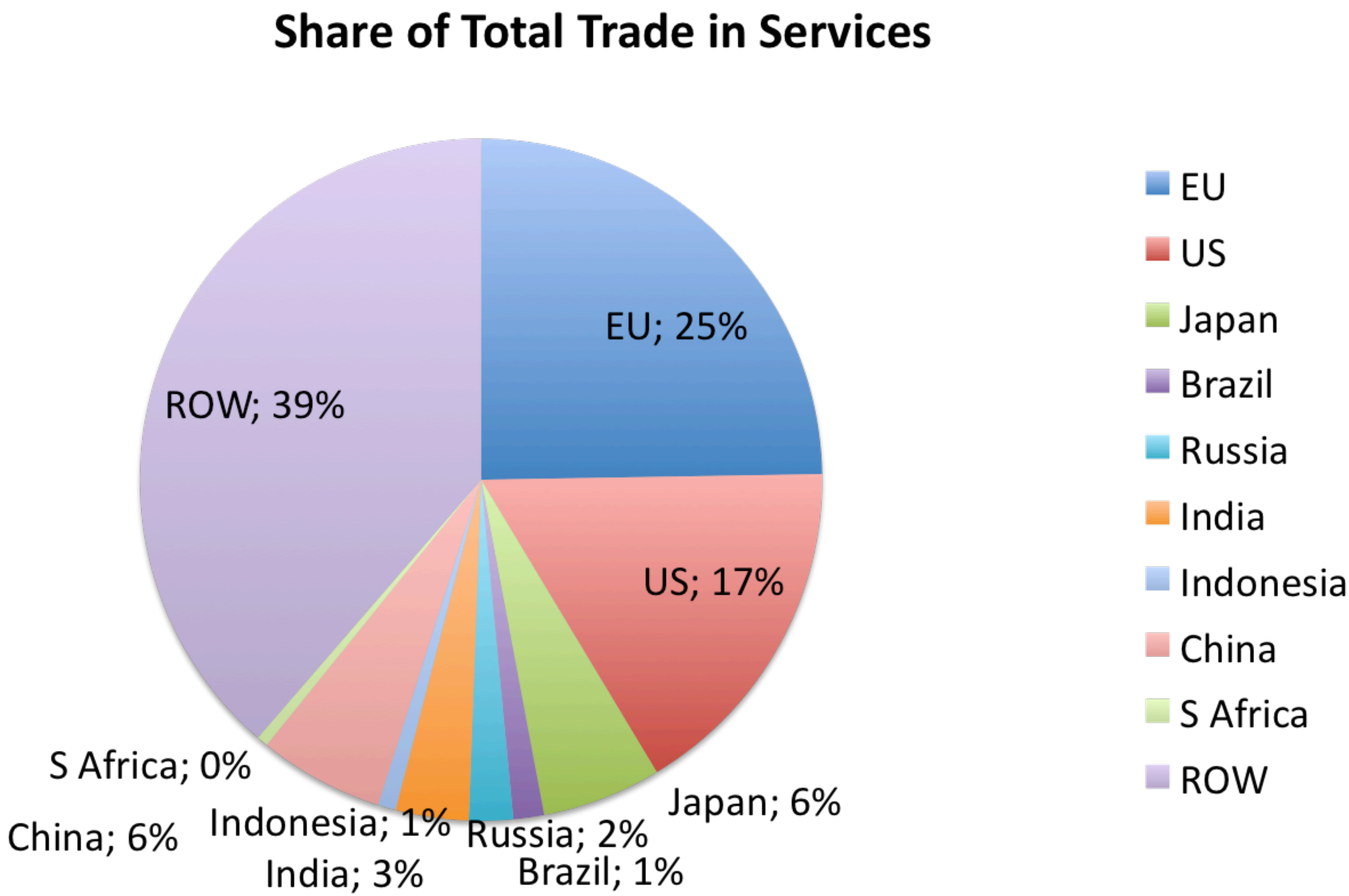
Outward FDI flows for BRIICS in bln US$ (1980-2009)



OFDI Stock BRIICS (2009)



EU, US, Japan and BRIICS Shares of World Services Trade (2009) (excl. intra-Eu trade)



CHINA’S TRADE POLICY AND THE CRISIS

- China’s multi-track trade policy

-- WTO: mixed record

-- FTAs: v. active in Asia but “trade-lite”; no serious medium-term prospect of Asian regional integration

-- Stalled liberalisation, more active industrial policy for SOEs; marginal increase in protectionism

CHINA'S TRADE POLICY

- China in the WTO post-accession

-- General: locking in domestic reforms; becoming a stakeholder in multilateralism; integrating into the global economy

-- DDA: relatively pragmatic early on, but passive throughout; ultimately blocking deal

-- DSM: listening and learning; mutual restraint; but now more action

-- Implementation: a mixed record

CHINA'S TRADE POLICY

- National trade-related reforms: unilateral measures and PTAs

-- Paltry unilateral liberalisation post-WTO accession; more industrial-policy intervention; cautious and defensive leadership; inevitable complications

-- Reform Stalling: unpredictablility/variability of legal/regulatory implementation; export regime; technical standards; high-tech and online protectionism; services barriers; tighter FDI restrictions; government procurement and "indigenous innovation"; energy; outward investment; trade remedies

-- Increase of protectionism since crisis, but not dramatic

-- PTAs: China driving force in Asia; but trade-light PTAs and noodle-bowl complications; also trade-light regional-integration initiatives

Recently Established or Proposed RTAs/CEPAs by China (2000-2010)

Partner Country	Type	Status
ASEAN	CECA	In Effect
Asia Pacific	PTA	In Effect
CEPEA/ASEAN+6	CEPEA	Proposed/Under Consultation and Study
ASEAN+3	FTA	Proposed/Under Consultation and Study
New Zealand	FTA	In Effect
Australia	FTA	FA signed/FTA under negotiation
Chile	FTA	In Effect
Costa Rica	FTA	Signed
GCC	FTA	Under Negotiation
Hong Kong	CEPA	In Effect
Iceland	FTA	FA signed/FTA under negotiation
India	RTA	Proposed/Under Consultation and Study

Recently Established or Proposed RTAs/CEPAs by China (2000-2010) II

Partner Country	Type	Status
Japan-Korea	FTA	Proposed/Under Consultation and Study
Korea	FTA	Proposed/Under Consultation and Study
Macao	CEPA	In Effect
Norway	FTA	Under Negotiation
Pakistan	FTA	In Effect
Peru	FTA	In Effect
Singapore	FTA	In Effect
South Africa	FTA	Proposed/Under Consultation and Study
SACU	FTA	Under Negotiation
Switzerland	FTA	Proposed/Under Consultation and Study
Taipei	CECFA	FA signed/FTA under negotiation
Thailand	FTA	In Effect
Shanghai Cooperation Organization	FTA	Proposed/Under Consultation and Study

CHINA’S TRADE POLICY AND THE CRISIS

- China’s crisis response

-- Supercharged stimulus: macroeconomic dangers; reinforces public sector at expense of private sector; more unbalanced growth; marginal reversal of market reforms

-- Trade: sharp contraction followed by recovery

-- Increase of protectionism, but shouldn’t exaggerate; not wanting to “rock the boat”

-- China main target of others’ protectionism

-- But danger of domestic interventions leading to creeping protectionism and greater international conflict; parallel with 1970s, not 1930s

Countries Targeted by Crisis-Era Trade-Restrictive Measures

Target	Number of discriminatory measures imposed on target		Number of pending measures which, if implemented, would harm target too	
	November 2010	Increase since June 2010	November 2010	Increase since June 2010
China	337	55	129	4
EU27	322	56	88	8
USA	260	47	51	5
Germany	240	36	63	7
France	221	33	50	4
UK	214	33	48	4
Italy	211	36	53	3
Japan	192	24	50	4
Netherlands	191	21	45	3
Belgium	189	19	46	3

Crisis-Era Trade-Restrictive Measures by Country

<table>
<tr><th>Rank</th><th>Ranked by number of measures</th><th>Ranked by the number of tariff lines affected by measures</th><th>Ranked by the number of sectors affected by measures</th><th>Ranked by the number of trading partners affected by measures</th></tr>
<tr><td>1</td><td>EU27 (166)</td><td>Viet Nam (926)</td><td>Algeria (67)</td><td>Argentina (174)</td></tr>
<tr><td>2</td><td>Russia (85)</td><td>Venezuela (785)</td><td>EU27 (57)</td><td>EU27 (168)</td></tr>
<tr><td>3</td><td>Argentina (52)</td><td>Kazakhstan (723)</td><td>Nigeria (45)</td><td>China (160)</td></tr>
<tr><td>4</td><td>India (47)</td><td>Nigeria (599)</td><td rowspan="2">Venezuela (38)
Viet Nam (38)</td><td>Indonesia (151)</td></tr>
<tr><td>5</td><td>Germany (35)</td><td>Algeria (476)</td><td>Algeria (476)</td></tr>
<tr><td>6</td><td>Brazil (32)</td><td>EU27 (467)</td><td rowspan="3">Germany (36)
Kazakhstan (36)
Russia (36)</td><td>India (145)</td></tr>
<tr><td>7</td><td>UK (31)</td><td>Russia (426)</td><td>Russia (143)</td></tr>
<tr><td>8</td><td>Spain (25)</td><td>Argentina (396)</td><td rowspan="3">Finland (132)
Germany (132)
South Africa (132)</td></tr>
<tr><td>9</td><td rowspan="2">Indonesia (24)
Italy (24)</td><td>India (365)</td><td rowspan="2">India (32)
Ethiopia (32)</td></tr>
<tr><td>10</td><td>Indonesia (347)</td></tr>
</table>

CHINA'S TRADE POLICY

- What China should do (from a market-liberal perspective)

-- Prevent protectionist backsliding; play a system-supporting role

-- National reforms: WTO implementation; WTO-plus reforms (services and investment); moving to 2nd generation regulatory reforms; link to domestic reforms to "rebalance" growth

-- Faster unilateral reforms – in China's own interest

-- China as engine of Asian and global unilateral liberalisation

-- WTO: strengthening rules post-Doha; China must move to co-leadership

-- PTAs: more caution; cleaning up the mess

-- Key bilateral relationships: What others need to do, esp. USA and EU

-- Unconstructive engagement: China-bashing on the RMB and external imbalances

CHINA'S TRADE POLICY

- Chinese trade policy in a domestic-economic and geopolitical context:

-- The state's "commanding heights"; distortions at home, imbalances and trade tensions abroad; foreign business frustrated; need for deep competition-enhancing reforms; but extremely difficult politically

-- But countervailing forces: marketisation, globalisation, WTO rules.

-- Result: a hybrid political economy; mixed reforms; pragmatism and continued international engagement – but not leadership

-- More geopolitical assertiveness, but also binding constraints on external leadership