

Chapter X

China's Practice of Participating in Multilateral and Regional Economic and Trade Cooperation

China firmly promotes global openness cooperation, actively integrates into the process of economic globalization, participates in mechanisms such as the United Nations, WTO, G20, APEC, and BRICS, accelerates the construction of free trade zones, promotes regional economic integration, and supports and promotes global trade and investment liberalization and facilitation, so as to contribute to the improvement of the global economic governance system, the construction of an open world economy, and the building of a community with a shared future for mankind.

I. Firmly Safeguarding Multilateral Trade System

This year marks the 20th anniversary of China's accession to the WTO. Over the past 20 years, China has firmly abided by and upheld WTO rules, supported a rule-based, open, transparent, inclusive, and non-discriminatory multilateral trading system, fully participated in the WTO's work, and sent out China's voice for the improvement of global economic governance. China has been a participant, defender, beneficiary, and contributors of the multilateral trading system.

1. Fully fulfilling the commitments to the WTO

China continues to improve the socialist market economy system, earnestly fulfills its commitments in the fields of open-up trade in goods and services, opens up 100 sub-sectors in 9 major service sectors, and strengthens intellectual property protection. It has significantly improved stability, transparency, and predictability of its opening-

up policy, making positive contributions to the effective operation of the multilateral trading system. China's fulfillment of its WTO commitments has been recognized by all parties. Former WTO Director-General Pascal Lamy, for example, gave a high score of "A+". China has also agree to receive WTO's trade policy review as required. Most WTO members hold that given its positive image in fulfillment of commitments, obeying of rules and openness, China has set a good example for other members.

2. Promoting the role of the multilateral trading system

China has actively promoted trade and investment liberalization and facilitation, comprehensively participated in the negotiations on various topics of the Doha Round, made important contributions to the conclusion of the expansion of the *Trade Facilitation Agreement* and the *Information Technology Agreement*, and earnestly fulfilled relevant agreed commitments. It has thoroughly participated in trade policy review, seriously accepted trade policy supervision of WTO members, and urged other members to abide by multilateral trade agreements. It has provided full support for the integration of developing countries into the multilateral trading system, implemented zero tariffs on 97% of tax items on goods from least developed countries that have established diplomatic relations with China, and set up special projects to help these countries joining the WTO.

3. Supporting necessary WTO reforms

China supports and promotes the resolution of the existing crisis facing the WTO, enhances its authority and effectiveness, and allows the WTO to play a greater role in openness expansion and promoting development.

Clarifying overall position. In November 2018, China issued a document, titled *China's Position Paper on WTO Reform*, which puts forward three principles and five propositions, emphasizing the need to maintain the WTO's main role as the main channel for pushing global trade and investment liberalization and facilitation, and safeguard non-discrimination, openness and other core values of the multilateral trading system, create a stable and predictable competitive environment for international trade. It is also urged that the development interests of developing members should be guaranteed, the "development deficit" in WTO rules should be addressed, the difficulties of developing members in integrating into economic globalization should

be solved, and efforts should be made to help achieve the UN 2030 Sustainable Development Agenda goals.

Making specific suggestions. In May 2019, China submitted a document, titled *China's Proposal on WTO Reform*, to the WTO, proposing reform proposals on four key action areas and 12 specific topics. China holds that the main areas of action for WTO reform include the followings. First, to resolve key and urgent issues that endanger the survival of the WTO, such as breaking the deadlock in the selection of members of the Appellate Body. Second, to increase the relevance of the WTO in global economic governance, such as promotion of negotiations and discussion of such topics as e-commerce and investment facilitation. Third, to improve the operational efficiency of the WTO, such as strengthening the implementation of member notification obligations. Fourth, to enhance the inclusiveness of the multilateral trading system, such as respecting developing members' rights to special and differential treatments.

Strengthening communication and cooperation with other members. In July, 2018, China and the EU agreed to establish a joint working group at the deputy ministerial level for WTO reform. The two sides held three joint working group meetings to exchange views on reform issues. In November 2019, China hosted a small-scale WTO ministerial meeting in Shanghai; 33 ministers or ministerial representatives from the European Union, Russia, India, and other countries exchanged views on the designing of the outcomes of the 12th WTO Ministerial Conference and WTO reforms, and pushed 92 WTO members, including those participating in the meeting, issued the *Joint Ministerial Statement on Investment Facilitation for Development*.

Participating in relevant negotiations actively. China and some developing members have jointly established the Friends of Investment Facilitation for Development mechanism and initiated structural discussions and negotiations on investment facilitation in the WTO. China has actively implemented the decisions made at the 11th WTO Ministerial Conference, and put forward many its own proposals on the negotiation of fishery subsidies. It has participated in negotiations on trade-related e-commerce issues with more than 80 members, including the United States and the European Union, signed a joint statement to promote negotiations on domestic regulatory issues with more than 60 members, including the European Union, and pushed negotiation on investment facilitation with more than 100 members, including

the European Union. It has also established a multi-party interim appeal arbitration arrangement with more than 40 members, including the European Union.

II. Accelerating Construction of Free Trade Areas

In 2002, the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China was signed, starting China's process of building free trade area. In 2007, China for the first time put forward the implementation of free trade area strategy. After more than a decade of hard work, China's free trade area construction has developed rapidly, the number of free trade partners has continued to increase, and the contents of relevant agreements have become increasingly substantial. As a result, it has largely built a high-standard free trade area network that is based on neighboring regions, connected with the Belt and Road Initiative, and aimed at the whole world, thus making positive contributions to global openness development.

1. Positive progress made in the construction of free trade areas

China's free trade *circle of friends* is getting wider and wider. In recent years, the construction of China's free trade areas has accelerated, and free trade agreements have been reached with Iceland, Switzerland, South Korea, Australia, Georgia, Maldives, Mauritius, Cambodia, among others. Among them, the free trade agreements it signed with Iceland and Switzerland mark a major breakthrough in the establishment of free trade areas with European countries; the free trade agreements it signed with South Korea and Australia are important in the sense that it has signed such agreements with major advanced economies. The agreement it signed with Georgia marks the first such agreement it has signed with a Eurasia country. And the agreement it signed with Mauritius marks the first such agreement with an African country. In November 2020, the *Regional Comprehensive Economic Partnership Agreement* (RCEP) was officially signed by its participating members, marking the formal launch of the free trade area with the largest population, the largest economic and trade scale and the most development potential in the world in which China has participated. By the end of 2020, China had signed 19 free trade agreements with 26 countries and regions, with free trade partners covering Asia, Africa, South America, Oceania and Europe.

Level of liberalization continues to improve. In terms of trade in goods, through

the negotiation and signing of free trade agreements, the level of tariffs on goods flowing between China and its free trade partners has been greatly reduced, and the ratio of zero-tariff items to total taxed has exceeded 90%, so has the ratio of import value of zero-tariff products to total import value, marking a new height of opening-up in the field of trade in goods. In the field of service trade, on the basis of fulfilling its WTO commitments, China has opened up nearly 20 more service sectors in accordance with relevant WTO free trade rules, and the level of openness of the originally promised sectors has been further improved.

Box 10-1 China Raises Level of Openness in Trade in Goods through Free Trade Agreements

First, new breakthroughs have been made in China's level of liberalization of trade in goods. In 2017, negotiations on upgrading the China-Chile Free Trade Area were completed, raising the level of liberalization of trade in goods to 97.5%.

Second, a moderate opening of more sensitive products is achieved. For example, the China-Switzerland Free Trade Agreement covers some tariff reductions for machine tools, and the China-Australia Free Trade Agreement opened up dairy products, while the China-Korea Free Trade Agreement covers reduction of tariffs on some chemical products and LCD displays.

Third, the level of facilitation of trade in goods is raised. For the first time, the China-Switzerland and China-Australia free trade agreements include the clause of self-declaration of certificate of origin and enterprises can directly enjoy preferential tax rates of the free trade areas after submitting invoices and other materials.

Box 10-2 China Achieves New Progress in Service Trade Openness through Free Trade Agreements

China is opening-up to its free trade partners at a higher level in banking, insurance, value-added telecommunications, tourism, transportation, medical care, management consulting and other service sectors. In the China-Singapore Free Trade Agreement, China persuaded Singapore to agree to issue full chartered banking license to Chinese banks in Singapore for the first time. In the China-Switzerland, China-New Zealand, and China-Maldives free trade agreements, China has persuaded them to agree to make opening-up commitments regarding the entry of traditional Chinese medicine practitioners and

the incorporation of traditional Chinese medicine into their respective medical insurance coverage.

Negotiation topics expanded continually. In terms of negotiation of free trade area rules, China has taken into consideration the actual situation and explored ways to gradually expand its topics to competition, e-commerce, and environment, among others. It has promoted rule negotiation and regulatory cooperation in an all-round and multi-angle manner, and promoted the appropriate integration of the two parties' regulatory systems, procedures, methods, and standards through more flexible information exchange, mutual recognition of standards and qualifications, and technical cooperation. For those free trade agreements that were signed earlier, it has made them more responsive to the actual needs of economic and trade development through signing of supplementary agreements or upgrading of free trade agreements.

Box 10-3 China Realizes New Expansion of Rule Negotiation through Free Trade Agreements

The China-Iceland Free Trade Agreement, signed in 2013, for the first time includes a chapter on competition. The China-Switzerland Free Trade Agreement for the first time has a chapter on environment, and the free trade agreements China signed with Korea and Australia in 2015 for the first time established an e-commerce chapter.

Judging from the ongoing free trade negotiations, the issue of rules has become one of the important contents. China-Japan-Korea, China-Gulf Cooperation Council (GCC), China-Israel, and China-Norway free trade agreement negotiations all involve rule issues. In the second phase of the China-Japan-Korea Free Trade Agreement and the China-Korea Free Trade Agreement negotiations, service trade and investment negotiations were conducted on a unified negative list, making them in line with high-standard international practices in terms of negotiation mode.

2. Good results achieved in free trade area implementation

Bilateral trade expanded. In 2020, the import and export volume between China and its free trade partners (excluding Hong Kong, SAR, Macao, SAR and Taiwan region) increased by 3.2%, 1.3 percentages higher than the global import and export growth rate. It accounts for about 35% of China's total foreign trade. The signing of

free trade agreements has further released the potential of bilateral trade. Take the China-ASEAN Free Trade Area. In 2020, the volume of trade in goods between the two sides reached \$684.6 billion, which is more than double that in 2010, when the free trade area was fully accomplished, or up by 9% annually on average.

Box 10-4 China Shares Development Opportunities and Results with Its Free Trade Partners

Research by the Korea Institute for International Economic Policy (KIEP) shows that in the first year after the China-Korea Free Trade Agreement came into effect in December, 2015, the diversity of trade commodities between China and Korea had improved; the types of Korean products exported to China increased by 26, and the valued of agricultural, livestock, and aquatic products exported to China increased by 7.8%.

According to statistics of New Zealand, since the implementation of the China-New Zealand Free Trade Agreement in 2008, the country's export of milk, eggs, honey and other edible animal products to China had increased tenfold in just five years. In 2018, New Zealand's exports to China increased by 12.2%, accounting for 24.2% of its total exports. Its trade surplus with China was \$990 million.

Consumer wellbeing increases. By reducing tariff barriers, free trade agreement lowers market prices of products on which the involved countries have a comparative advantage and enriches choices of consumers. For example, thanks to the China-ASEAN Free Trade Area, tropical fruits from ASEAN countries enter the Chinese market, and their prices are becoming more and more affordable. Meanwhile, fruits that are grown in northern China can also be quickly transported to those ASEAN countries and placed on the table of their consumers. After the implementation of the China-Chile, China-Korea and China-Australia free trade agreements, cherries from Chile, household chemicals and appliances from Korea, and dairy products and wine from Australia have all had access to the Chinese market.

Box 10-5 China-ASEAN Free Trade Area Enriches Consumer Choices

Tropical fruits such as durian, dragon fruit and mango from ASEAN countries can quickly enter supermarkets in China through Guangxi's ports. Apples, pears, cantaloupe, and grapes from northern China can also quickly enter the ASEAN consumers through

Guangxi's ports. China is the world's largest producer of apples, with an annual output of 30 million tons. In recent years, China has exported large quantities of apples to the ASEAN markets through the Pingxiang Port in Guangxi. Xianyang city in Shaanxi is 2,600 kilometers away from Pingxiang and it takes about 30 hours for products to be transported from Xianyang to Pingxiang by highway. It is the most convenient land route to ASEAN. ASEAN has become the largest market for fruit sales in Shaanxi province.

Important platform for global openness cooperation. China regards the construction of a free trade area as an important platform for the active participation in international economic and trade cooperation and global economic governance. It has continuously improved the contents of free trade area construction, balanced flexibility and pragmatism, and innovated cooperation modes, which have been recognized and supported by its free trade partners. The cooperation concepts it has raised, such as openness, inclusiveness, balance, and mutual benefit, have been identified by more and more countries.

III. Actively Participating in Various Economic Governance Mechanisms

China adheres to the global governance concept of extensive consultation, joint contribution and shared benefits. It is a staunch defender, supporter and practitioner of multilateralism. It carries out policy coordination and pragmatic cooperation with all parties in a constructive way through multilateral and regional cooperation platforms, such as the United Nations, G20, APEC, and BRICS, so as to promote a more mature global economic governance system.

1. Actively pushing forward economic governance through the platform of UN

China resolutely defends the international order and regime with the United Nations as the core and the philosophy and principles of the Charter of the United Nations as the foundation. It promotes the integration of global governance concepts of extensive consultation, joint contribution and shared benefits into important United Nations meetings, resolutions, and documents, and supports raising the representativeness and voice of developing countries in global economic governance. It also supports efforts to improve global economic governance mechanisms.

It enhances cooperation with UNCTAD and the International Trade Center.

From personnel training and technical consultation at the early stage to joint research, policy analysis, co-organizing conferences, and helping other developing countries to carry out capacity building, China has actively supported and promoted global cooperation in dealing with challenges and difficulties in the economic and trade field.

It promotes a mutually beneficial cooperative relationship with the United Nations Industrial Development Organization (UNIDO). Since 2013, China's cooperation with UNIDO has entered a new stage. The two sides have strengthened exchanges and cooperation, raised level of cooperation, actively shared China's industrialization development experiences and practices with other developing countries, and promoted inclusive and sustainable industrial development.

It expands cooperation with United Nations development agencies. China has strengthened tripartite cooperation with the United Nations Development Programme, UNICEF, and UNFPA, and shared its solutions and wisdom to help other developing countries achieve a lasting, inclusive, and sustainable economic growth.

2. Making efforts to improve functions of multilateral governance mechanism, such as G20 and APEC

China has always attached great importance to and actively participated in G20 cooperation. Since the 18th National Congress of the Communist Party of China, President Xi Jinping has attended all G20 summits and delivered a series of important speeches on improving global economic governance, which left a deep impression and imprint on the G20 stage and demonstrates China's wisdom, breadth of mind and sense of responsibility as a responsible major country. In particular, in 2016, the G20 Leaders Hangzhou Summit was successfully held, pioneering a permanent mechanism for trade and investment; participants also agreed the world's first multilateral programmatic document on investment policy — the G20 Guiding Principles for Global Investment, and approved the G20 Strategy for Global Trade Growth and many other proposals as the outcomes of the summit, effectively pushing forward the transition of the G20 from crisis response to a long-term governance mechanism.

It pushes forward APEC cooperation, with new progress made. Since joining the APEC in 1991, China has actively promoted regional economic integration and successfully hosted two APEC leaders' meetings. In 2014, it pushed forward the

endorsement of the Beijing Roadmap for APEC's Contribution to the Realization of the Free Trade Area of Asia-Pacific at the 22nd APEC informal leaders meeting, held in Beijing, put forward the APEC Interconnectivity Blueprint, and proposed a series of practical initiatives, such as establishment of an Asia-Pacific model electronic port network. In 2019, it proposed to "build an Asia-Pacific community with a shared future that featuring openness and inclusiveness, innovative growth, interconnectivity, and win-win cooperation", which opened up a new horizon for deepening economic and trade cooperation in the Asia-Pacific region.

Box 10-6 China Actively Participates in Mechanism Cooperation, such as G20 and APEC

At the G20 Hangzhou Summit in 2016, China promoted the pioneering of a permanent mechanism for trade and investment, and helped reach major achievements and initiatives, such as the G20 Guiding Principles for Global Investment and the G20 Strategy for Global Trade Growth. The summit also for the first time placed development in a prominent position in the global macro policy framework, and approved the G20 Action Plan on the 2030 Agenda for Sustainable Development and the G20 initiative on Supporting Industrialization in Africa and LDCs, injecting new impetus into efforts to achieve a strong, sustainable, balanced and inclusive global economic growth. In 2020, in the face of the impact of the pandemic, China proposed to strengthen international cooperation in the fight against the pandemic at the G20 special summit, which received positive responses from concerned parties.

At the APEC Beijing Summit in 2014, China promoted the formulation of the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation, which becomes the world's first global value chain guidance document, and established ten pillar areas, such as trade value added statistics, integration of developing economies into global value chains, and small and medium-sized enterprises development.

3. Strengthening construction of regional governance mechanisms, such as BRICS and SCO

China actively promotes regional economic cooperation and continues to deepen cooperation and strategic alignment with the BRICS countries and developing countries in Asia, Africa and Latin America. It promotes the stability and long-term

development of the BRICS cooperation mechanism. As a founding member of the BRICS mechanism, China actively advocates for all parties to strengthen macro-policy coordination, enhance strategic mutual trust, and promote the institutionalization, systematization and solidification of economic and trade cooperation. In 2017, the BRICS leaders met in Xiamen, Fujian province, and adopted the Xiamen Declaration, reaffirming the BRICS spirit of openness, tolerance, and win-win cooperation. In 2018, which marks the tenth anniversary of BRICS leaders meeting, China advocated the establishment of a new industrial revolution partnership to enhance the competitiveness of developing countries.

Deepening SCO regional economic cooperation. Based on the Shanghai Spirit of mutual trust, mutual benefit, equality, consultation, respect for diverse civilizations, and seeking common development, China and other SCO member states have increased openness cooperation to promote complementary advantages, mutual benefit and win-win results. In 2018, the Qingdao Summit was held, and 23 cooperation documents, including the Qingdao Declaration, were reviewed and approved to deepen all-round cooperation in economy and trade, finance, agriculture, connectivity, and people-to-people exchanges.

4. Bringing out its positive role in World Bank and International Monetary Fund

China advocates the reform of the World Bank and IMF quotas and voting rights should be accelerated to enhance the representativeness and voice of developing countries. It promotes the adoption of the reform plan of the IMF and helped increase the overall voting power of developing countries in the World Bank to 47.2%. It promotes a fairer, more equitable, more reasonable and orderly global governance system. At the same time, it actively promotes efforts to improve the efficiency of international financial governance and pushes forward the establishment of new international financial institutions, such as the Asian Infrastructure Bank and the New Development Bank to continually improve the global economic governance structure.

IV. Pushing Forward Efforts to Improve Global Economic Governance System

China will adhere to the principle of extensive consultation, joint contribution and

shared benefits, participate in global economic governance in a constructive way, play an active guiding role in implementing the global economic agenda, firmly support the multilateral trading system, actively participate in WTO reforms, and promote trade and investment liberalization and facilitation, so as to make greater contributions to improvement of global economic governance.

1. Increasing the authority and effectiveness of WTO

China is willing to work with all WTO members to frankly exchange views and take joint actions to promote the necessary reforms of the WTO. While strengthening communication and cooperation with all parties and continuing to bring out the role of multi-party provisional appeal and arbitration arrangements, China strives to restore the operation of the Appellate Body as soon as possible and maintain a two-level dispute settlement mechanism. It supports efforts to guarantee the development interests of developing members, allow the developing members the flexibility and policy space they need to achieve economic development, and narrow the North-South gap. It actively participates in WTO negotiations, completes negotiations on issues such as fishery subsidies in accordance with the requirements of the United Nations Sustainable Development Goals, participates in the formulation of investment facilitation, digital economy and other rules in a constructive manner, and promotes relevant negotiations on new topics to produce substantial results to make the WTO rules system keep up with the times.

2. Pushing forward high-level free trade network construction

China adheres to open regionalism, improves the global layout of free trade area construction, promotes the RCEP entering into force at an earlier time, and speed up negotiations on free trade areas, such as the China-Japan-South Korea and the China-GCC free trade areas. It increases the level of trade in goods openness, improves two-way market access, and continues to expand the opening-up of the service industry. It constantly enriches the contents of free trade areas, pushes forward negotiation of new topics, such as e-commerce, while appropriately expanding negotiations to cover topics such as industrial cooperation, development cooperation, and global value chains.

3. Enhancing the role of multilateral economic governance platforms

China adheres to the principle of equal consultation, mutual benefit and win-win results, promotes the role of the G20 in international economic cooperation, strengthens the pillar role of trade and investment in G20 cooperation, and fosters a free, open, inclusive, and orderly international economic environment. It deeply participates in APEC cooperation and pushes forward trade in goods, services, and investment to make them more open. It enhances the effectiveness of cooperation between the BRICS and other mechanisms, and promotes cooperation in trade and investment facilitation, intellectual property rights, and e-commerce, to achieve new results. It also strengthens international macroeconomic policy coordination, makes efforts to reduce the impact of the novel coronavirus pandemic, and promotes global economic stability.

4. Promoting openness cooperation, innovation and sharing

China seeks development through openness, and deepens exchanges and cooperation in political, economic, cultural, social, ecological and other fields. It resolutely opposes protectionism and continually reduces trade barriers. It enhances innovation cooperation in the fields of digital economy and artificial intelligence, and promotes the deep integration of technology and economy. It implements the UN 2030 Agenda for Sustainable Development, so that its development results can benefit more countries and regions. And it strengthens communication and consultation and expands consensus on opening-up to make the world economy more open and inclusive.