

## **China to take a lead role in Asia-Pacific trade liberalization**

### **Background**

The 23rd Asia Pacific Economic Cooperation (APEC) forum was held in Lima, Peru, on 19-20 November, 2016. Chinese President Xi Jinping delivered a keynote speech entitled *Deepening Partnership and Promoting Common Prosperity of the Asia-Pacific Region* at the APEC CEO Summit on 19 November.

The APEC is a regional economic forum aiming to create greater prosperity for the region by promoting its growth and economic integration. APEC's 21 members account for around 39% of the world's population, 57% of the world's gross domestic product (GDP), and 49% of world trade.

#### **Highlights of Xi's speech**

- The APEC should steadfastly promote the construction of the Free Trade Area of the Asia-Pacific (FTAAP).
- China will work for the early conclusion of the negotiations on the Regional Comprehensive Economic Partnership (RCEP).
- The Asia-Pacific region should boost economic integration and build open economy. The region also needs to promote inter-connectivity and realize collaborative development.
- Any regional trade arrangement, in order to earn broad support, must be open, inclusive and all-win; closed or exclusive pacts are not the right choice.
- China will implement its opening-up strategy more actively, so as to create a deeper, more comprehensive and diversified pattern of opening-up.

## *Our analysis*

All eyes were on China at the APEC summit in Peru just over a week after Donald Trump's victory in the US presidential election.

As Trump strongly criticizes the Trans-Pacific Partnership (TPP) and other free trade deals, it is widely expected that a Trump administration will tear up the TPP, and renegotiate or even withdraw from the North American Free Trade Agreement (NAFTA). However, in contrast to Trump's protectionist stance, Xi calls for further trade and economic cooperation and urges regional leaders to advance trade deals including the FTAAP and the RCEP. (The FTAAP, as a major instrument to further APEC's regional economic integration agenda, will be pursued as a comprehensive free trade agreement including all 21 APEC members. The RCEP, backed by China, is a free trade agreement involving China, Japan, South Korea, Australia, New Zealand, India, and the 10 members of the Association of Southeast Asian Nations (ASEAN).)

Xi's push for the RCEP and the FTAAP also signifies that China would take the lead on global trade if the US turns towards protectionism.

In fact, both the TPP and the RCEP were regarded as valid paths to the realization of the FTAAP. However, with the uncertainty over the TPP, the China-backed RCEP has now emerged as perhaps the only path to the FTAAP. China has been pushing the RCEP, which notably excludes the US, as an alternative to the TPP, which does not include China.

Xi also argues for further regional cooperation through the 'Belt and Road' Initiative. In Xi's address, the FTAAP fits in with China's 'Belt and Road' Initiative as important moves toward economic integration in the region. The FTAAP seeks to reduce policy barriers (such as tariffs) to trade, while the 'Belt and Road' Initiative will facilitate the physical movement of goods with increased infrastructure connectivity.

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