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## China's Free Trade Agreements under Negotiations

Hamid Mukhtar\*

Zhejiang University Guanghua School of Law

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### 1. Introduction

Since its accession to the WTO in 2001, China has made significant achievements in terms of international trade. On the one side, China has already signed and implemented Free Trade Agreements (“FTAs”) with a number of countries in the world including Pakistan, Maldives, Georgia, Korea, Switzerland, Iceland, Singapore, Chile, ASEAN etc.,<sup>1</sup> while, on the other side, it has been undertaking bilateral as well as multilateral negotiations with many other countries in the world, in order to expand its FTA network. These efforts have been enhanced by the Chinese government since the Belt and Road Initiative was launched in 2013. This essay will briefly introduce the on-going negotiation processes for the FTAs between China and other partner countries.

### 2. Negotiations

*RCEP*

Today, the Regional Comprehensive Economic Partnership (“RCEP”) is the most influential multilateral FTA network under negotiation in which China is actively involved. RCEP is a proposed FTA comprising ten ASEAN member States and six already established FTA partners namely China, Japan, Korea, India, Australia and New Zealand as one economic network. If successfully concluded,

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\* Doctoral Candidate in Law at Zhejiang University Guanghua Law School, China. LL.B. (Punjab Univ., Pakistan), LL.M. (Wuhan). The author may be contacted at: [hamid\\_mukhtar41@yahoo.com](mailto:hamid_mukhtar41@yahoo.com)

RCEP will become the largest trading block of the world, covering almost one third of the global economy.<sup>2</sup> Since 2012, twenty rounds of negotiations and nine ministerial level meetings have been held for this Partnership. Among them, the latest summit was held on November 14, 2017 in Manila. RECP is often designated as China's alternative to the Trans Pacific Partnership ("TPP"). It is important to mention here that after the withdrawal of the US from TPP, it has become economically less important. Thus, the countries, like Australia, Malaysia, Singapore, and New Zealand etc., which are also the part of TPP, have enhance the efforts to speed up negotiations on RECP in order to drive full economic benefits arising out of the China's Belt and Road Initiative. China is fully prepared to sign the RECP at current stage, but the diversified economic situation of participating countries has made the negotiations complicated causing delay in the conclusion of the agreement.<sup>3</sup> RCEP is expected to be signed in November 2018.<sup>4</sup>

#### *China-GCC*

The China-Gulf Cooperation Council ("GCC") FTA is China's another important FTA under negotiations. Formal negotiations between China and GCC started in 2005. Until now, nine rounds of negotiations and various meetings have already been taken place, but still there are some issues to be resolved. The China-GCC FTA is significantly important for China as the GCC member States (Kuwait, Bahrain Oman, Saudi Arabia, Qatar and the United Arab Emirates) is a major destination for the Chinese products, while China is a potential destination for Oil and Energy products from gulf countries. Hence, the parties would have significant mutual interests for the signing of FTA.<sup>5</sup>

#### *China-Japan-Korea*

Moreover, negotiations for the China-Japan-South Korea FTA were also launched in 2012.<sup>6</sup> During a relatively short period of six years, the parties have successfully completed twelve rounds of negotiations with the latest round held in April 2017. China wants to further speed up the negotiations as the Chinese Premier Li Keqiang said: "China stands ready to work with relevant parties to speed up negotiations of the China-Japan-South Korea FTA."<sup>7</sup>

*China-Sri Lanka*

China and Sri Lanka have also been negotiating the FTA for over four years. The latest round of negotiations was held in January 2017 in Colombo. Along with the other issues, both parties exchanged their views regarding the sanitary and phyto-sanitary (“SPS”) measures, technical barriers to trade (“TBT”) and trade remedies. These countries pledged to move forward towards the conclusion of the FTA.<sup>8</sup>

*China-Israel*

China and Israel are also marching for FTA. Their negotiations were formally launched in 2016 and the latest third round of negotiations was held in December 2017. Both parties covered issues including SPS measures as well as custom procedures. It is important to note that even without having the FTA, China is the biggest trade partner of Israel in Asian region. Parties want to sign FTA in the near future.<sup>9</sup>

**Table 1: List of China’s FTA Negotiations**<sup>10</sup>

Partner(s)	Starting Date	Negotiation Process (as of Feb. 2018)	Critical Issue(s)	Target Date
RCEP (ASEAN + China, Japan, Korea, India, Australia and New Zealand)	Nov. 20, 2012	Latest summit on Nov. 14, 2017	liberalization of trade in goods, services and investment, intellectual property, technical cooperation, dispute settlement	Nov. 2018
GCC (Kuwait, Bahrain Oman, Saudi Arabia, Qatar and the United Arab Emirates)	Apr. 23, 2005	9th round on Dec. 19-21, 2016	TBT, SPS, the articles of law and e-commerce	Parties intended to conclude negotiation by the end of 2017 but couldn’t reach the agreement.
Japan & Korea	May 12, 2012	12th round on Apr. 13, 2017	TBT, trade in agricultural products	Soon but specific date has not been specified

Sri Lanka	Sept. 17, 2014	5th round on Jan. 16-19, 2017	customs procedures and trade facilitation, economic and technical cooperation, rule of origin, technical barriers to trade (TBT), trade remedy	Soon but specific date has not been specified
Israel	Mar. 29, 2016	3rd round on Nov. 28-30, 2017	rules of origin and customs' procedures, SPS,	Soon but specific date has not been specified
Norway	Sept. 18, 2008	9th round on Aug. 21-23, 2017	e-commerce and dispute settlement	Soon but specific date has not been specified
Pakistan	2nd phase negotiations lunched on Oct. 16, 2015	8th meeting of Sept. 14-15, 2017	tax reduction model for trade in goods, customs data exchange cooperation and inspection and quarantine measures	Soon but specific date has not been specified
Singapore	launch of negotiations to upgrade FTA on Nov. 7, 2015	4th round on Oct. 11-12, 2017	rules of origin, trade facilitation and trade remedy, and customs procedures	Initially parties agreed to conclude by the end of 2016 but could not conclude.
New Zealand	launch of negotiations to upgrade FTA on Apr. 25, 2017	2nd round on July 4-6 2017	TBT, agricultural cooperation, e-commerce, competition policy, trade facilitation	Not specified yet
Mauritius	Dec. 12, 2017	1st round on Dec. 12, 2017	Trade in goods, services and investments, TBT and SPS	Not specified yet
Moldova	Dec. 28, 2017	1st round on Dec. 28, 2017	Trade in goods, services and investments, TBT and SPS	Not specified yet

\* Compiled by the author.

### *China-Norway*

China and Norway started formal negotiations for FTA in 2008. Although the eighth round of negotiations were completed in 2010, further negotiations were temporarily suspended between these two parties as a result of the political standoff in 2010 due to the Chinese reservations on the award of Nobel Peace Prize to a Chinese dissident Xiaobo Liu by the Norwegian Nobel Committee. As China and Norway signed the Memorandum of Understanding on Recovering

China-Norway Free Trade Agreement Negotiation on April 7, 2017, the ninth round of China-Norway FTA negotiations was resumed in August 2017 in Beijing.<sup>11</sup> This was the first round of FTA negotiations since China suspended political dialogue with Norway in 2010.<sup>12</sup> Both countries pledged to enhance efforts for the conclusion of FTA.

#### *China-Pakistan*

China and Pakistan signed FTA in 2006 which took effect in the following year. At present, Pakistan is the second largest trading partner of China in South Asia. Bilateral trade between China and Pakistan has been increasing continuously as a result of the FTA, but at the same time trade imbalance of Pakistan with China has also been rising significantly due to the alleged unequal benefits granted under the FTA.<sup>13</sup> On the demand of Pakistan, China is negotiating FTA afresh in the second phase as the Pakistani business community complained that 2006 FTA was highly in favour of China. The eighth meeting of the second phase of negotiations of China-Pakistan FTA was held in September 2017.<sup>14</sup>

#### *China-Singapore*

China signed the FTA with Singapore in 2008 which took effect in 2009. Keeping in view the enhanced economic cooperation as a result of China's Belt and Road Initiative, both the sides, in order to enhance the scope of China-Singapore FTA, launched the negotiations in November 2015 to upgrade the existing FTA. The fourth round of China-Singapore FTA Upgrading Negotiations was held in Singapore in October 2017.<sup>15</sup>

#### *China-New Zealand*

Furthermore, China is negotiating with New Zealand for upgrading China-New Zealand FTA which was initially signed in 2008. The Third Round of upgrading the negotiations between China and New Zealand was held in November 2017.<sup>16</sup>

#### *China-Mauritius & China-Moldova*

China and Mauritius after completing the feasibility study for FTA launched formal negotiations for their FTA in December 2017.<sup>17</sup> Likewise, negotiations for

China- Moldova FTA were also launched in December 2017.<sup>18</sup>

### 3. Conclusion

After the launch of the Belt and Road Initiative, China has accelerated its efforts to enlarge the FTA network for the expansion of economy. China has been playing a leading role in most of the multilateral and bilateral FTA negotiations. In order to provide a financial impetus to projects under the Belt and Road Initiative, overseas investments has been regarded as the most important policy option of the Chinese government. Hence, China is acting as a capital exporting country. In this course, the restoration of former friendly political relationship through trade negotiations with countries like, Japan, India and Norway is another objective of China. Due to its rapid growth of exports, the protection of local industries and the tackle with the dumping activities have become the major causes of concern for China's FTA partner countries. These issues often become barriers in China's FTAs negotiations. Given the commitment showed by the parties, China is expected to conclude most of its FTAs which are currently under negotiations by 2020.

In addition to its FTAs under negotiations, China is undertaking feasibility studies for FTAs with Colombia, Fiji, Nepal, Papua New Guinea, Canada, Bengal, Mongol, Panama and Palestine in order to further expand its FTA network in future.<sup>19</sup>

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