

Trade and Investment Cooperation along the B& R

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◆ **Frequently asked questions about “the R&B initiative”**

- China’s core objective ?
- How to realize win-win result?

Public goods: to create and share development opportunities among countries along the B&R, to provide new impetus to regional and global economic development.

Key : jointly built through establishing mutually beneficial cooperation
(find the convergence of interests)

→ **Strengthening trade and investment cooperation:**

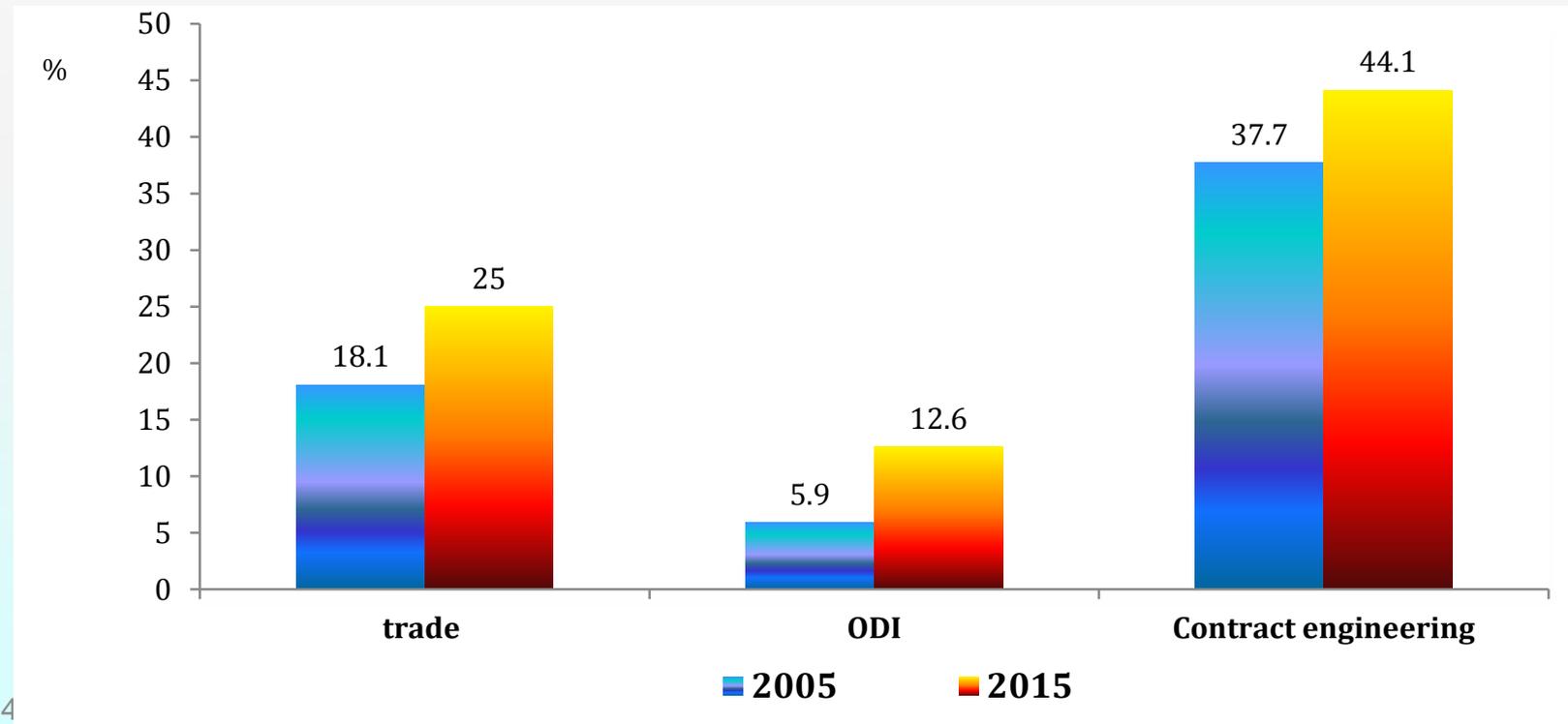
- of great significance to achieve the goals:

also the basis and priority among the “five connectivity”

I. Trade and investment relations: China and the B&R

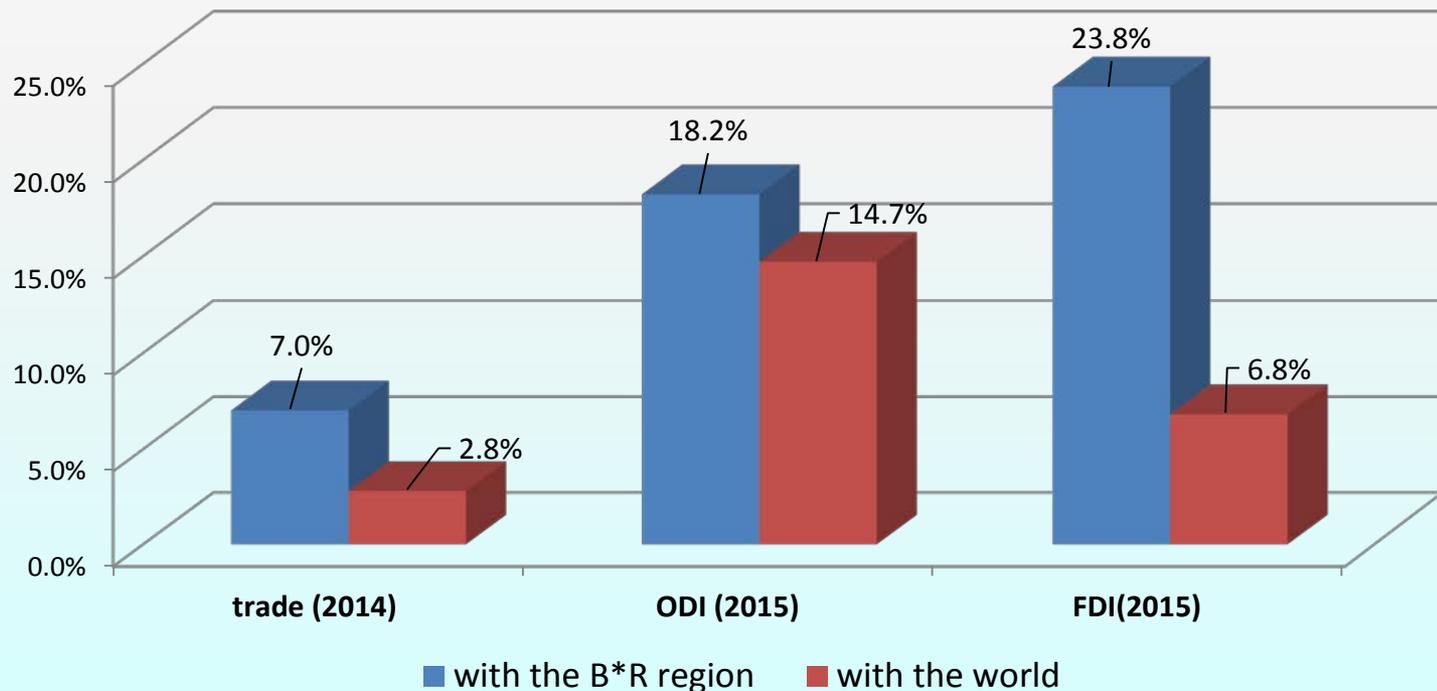
- ◆ Countries along the B&R: Not the main trade partners nor the destination/resource for mutual investment
- ◆ Become increasingly important in China's total trade and ODI

Figure: proportion of the B&R in China's total



II. Trade and investment relations: China and the B&R

- ◆ Growth rate: higher than China's total trade & investment with the world
- ◆ outstanding performance after China put forward "the initiative"
2015: China's trade with the B&R recorded \$995.5 bn., ODI reached \$14.8 bn.



II. The B&R in the international trade & investment regime

◆ World economy: in deep adjustment

- Downward pressure + uncertainty in future recovery
- Global trade: 4 years of sluggish performance, (trade in goods -14% in 2015), end of hyper-globalization
- Investment: -16.3% (2014), 0.9% growth in Greenfield FDI (2015)
- Rising protectionism

	2007	2008	2009	2010	2011	2012	2013	2014
GDP	4.0	1.5	-2.0	4.1	2.9	2.4	2.5	2.6
Trade	8.0	3.0	-10.6	12.6	6.8	2.8	3.5	3.4
FDI	34.0	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3
<i>Memorandum:</i>								
FDI value (in \$trillions)	1.9	1.49	1.19	1.33	1.56	1.4	1.47	1.23

◆ Regional cooperation and integration: new trends

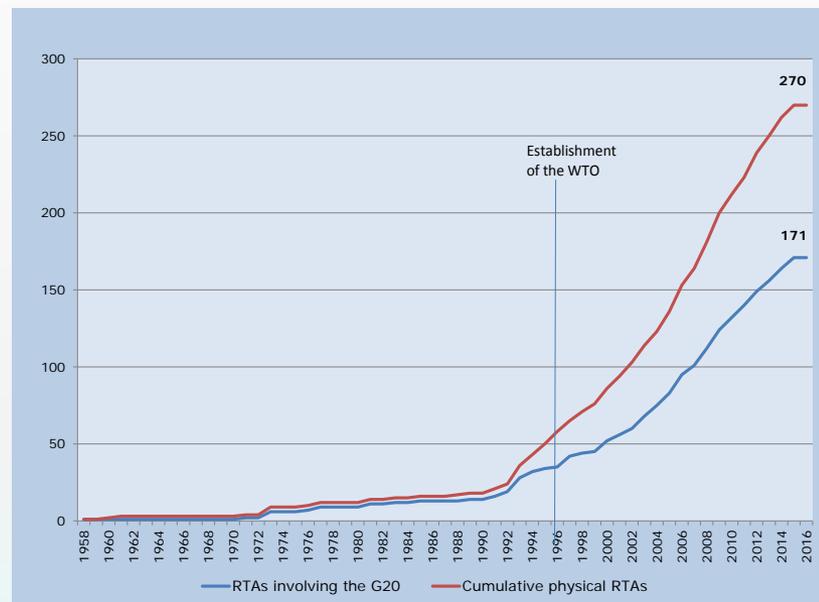
- rapidly growing FTAs

WTO had been notified of 270 RTAs
in force by March, 2016

- **Mega-FTAs: TPP, TTIP, RCEP**

(high standard: focusing on market openness and rule-setting)

- countries along the B&R facilitate participation in regional integration
by 2014, 119 FTAs by ADB member states + 69 under negotiation

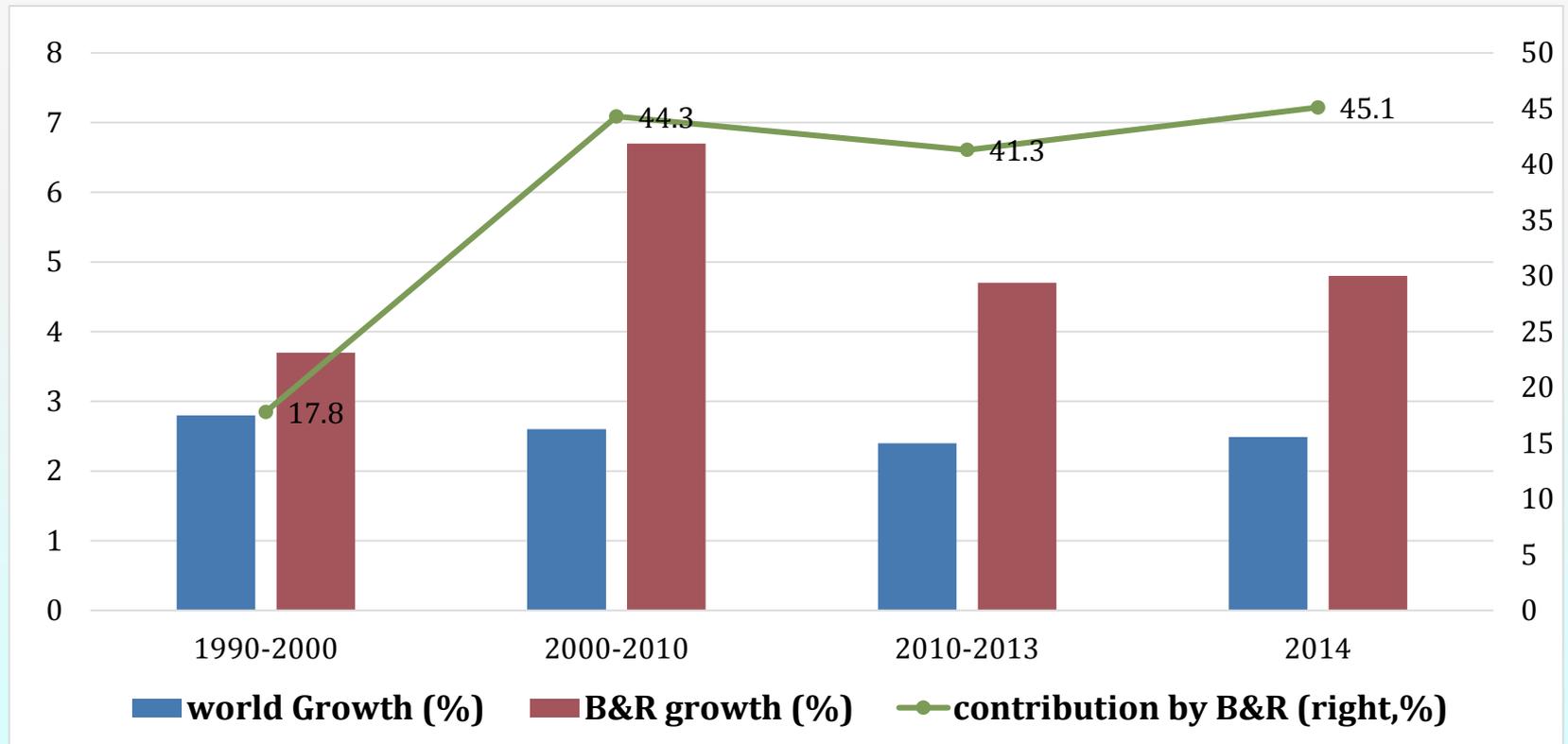


The B&R: a new source for world economic growth

- ◆ **Higher GDP growth in the region than the world economy**

Proportion to world GDP: 13.2%(2000) → 30.3% (2014)

- ◆ **Increasing contribution to world economic growth: 45.1% (2014)**



B&R region: highlight in world trade & investment

- ◆ **higher growth rate of trade and FDI inflow than those of the world**

“World Investment Report” by UNCTAD: connectivity improvement become an important factor for attracting FDI inflow (FDI to East and South-east Asia went up 10% + M&A in infrastructure increased by 3 times in 2014)

	Trade (%)		Capital inflow(%)	
	world	B&R	world	B&R
1990-2000	6.45	11.3	20.99	17.72
2000-2010	8.88	14.52	2.85	17.84
2010-2013	7.01	10.12	3.82	5.11
2014	0.6	0.64	-20.1	-4.7
2014(excluding China)		-0.64		-8.1

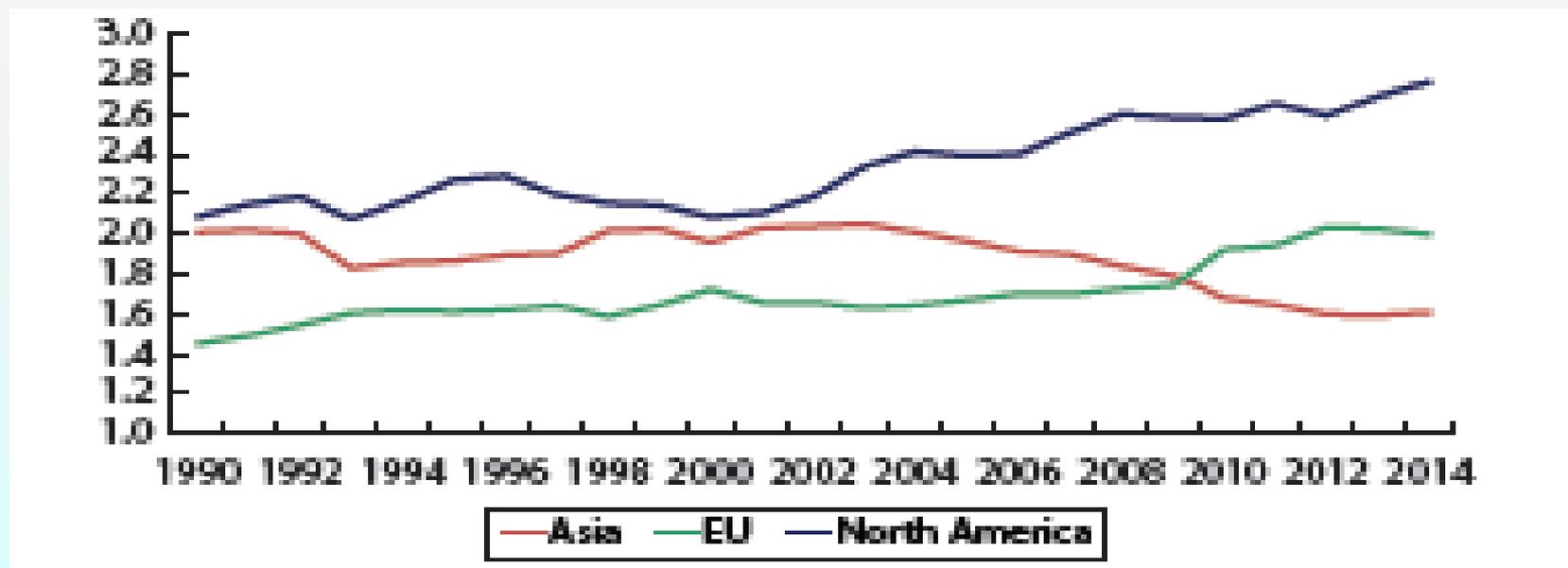
III. Reality is challenging: difficulties and great potentials

- ◆ **level of development: generally low + different**
great potential for future growth + complementary advantages

grouping by GDP per capita	Number of nations	Average GDP per capita	population (%)	GDP (%)
above \$20,000	10	35470	0.9	3.04
\$10,000-20,000	12	13178	4.72	5.92
below \$10,000	35	3862	55.34	20.36
B&R total	57	5050	60.96	29.32
World		10500	100	100

- ◆ **Level of openness:**
relatively low, difficult for high standard economic integration
just /not even join WTO + inconsistent policies (custom system, SPS)
➔ potentials in facilitation cooperation to remove barriers, improve business environment
- ◆ **High reliance on external market + position in the low end of global production and value Chain**

Figure: intra-regional trade index



IV. Strengthen trade and investment cooperation

◆ **Essential: find a way suitable to development status & needs**

(1) joint efforts and consultation to reach mutual benefits

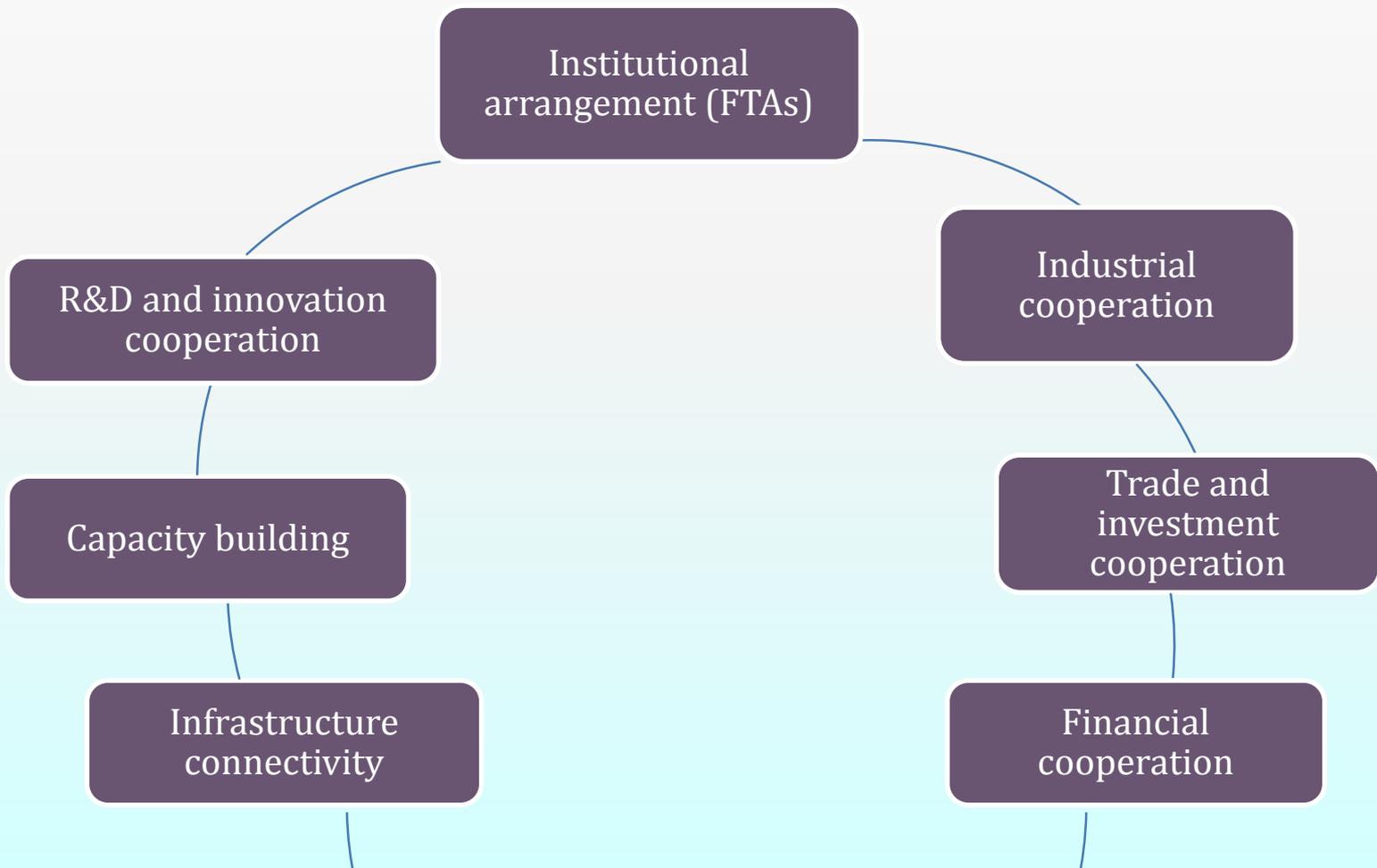
- big countries: international experience ---- important role in regional development & integration. China has the willingness and capability to provide more contributions to trade and investment cooperation with the B&R countries

- not many bilateral cooperation b/t China and the others

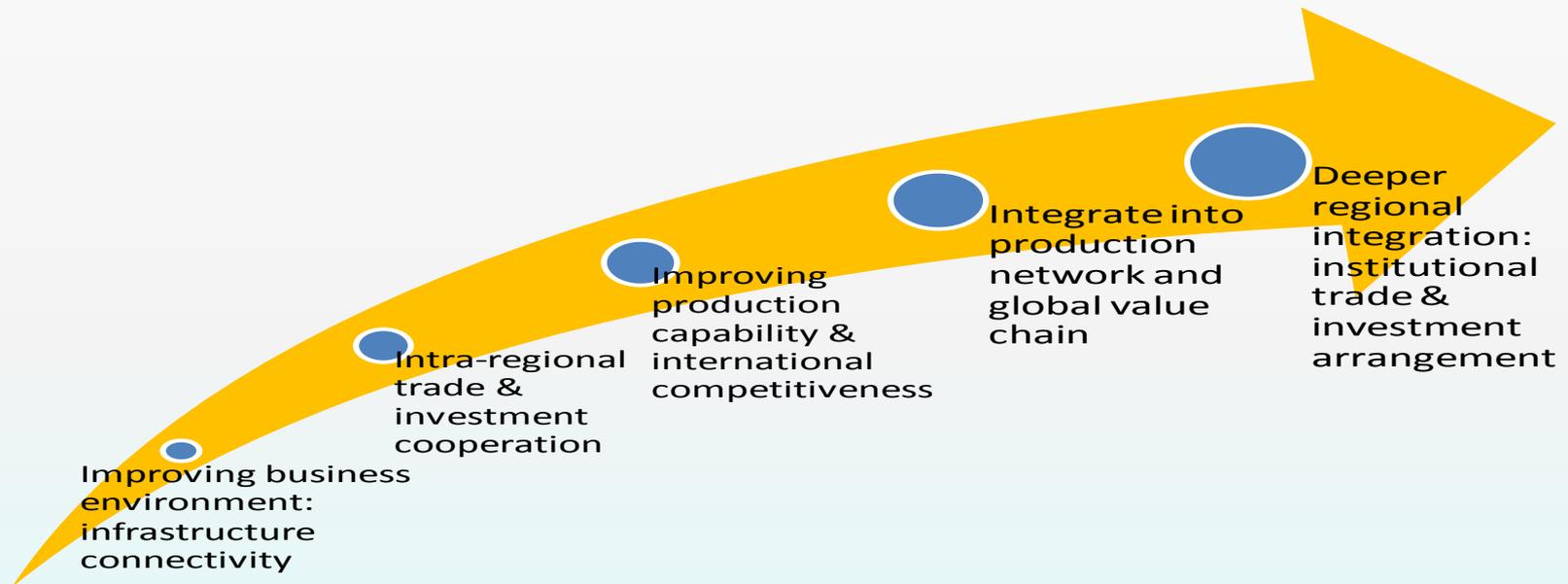
➔ to establish cooperation platform + coordinate development strategies and plans of different countries and of the existing mechanisms/forums

regional development and integration

(2) FTA (institutional arrangement) is an important but not the only driving force, more types of economic cooperation (functional cooperation) are also required.



(3) To deepen economic integration by strengthening trade and investment cooperation step by step



China: initiator + contributor + facilitator need to better handle the following relations:

- ◆ Long term vision vs. pragmatic implementation
- ◆ Regional common interests vs. individual development needs:
small countries and LDCs
- ◆ Competition vs. cooperation: opportunity-sharing
- ◆ Intra-regional cooperation vs. cooperation with externals:
to invite and attract more to participate (open cooperation in terms of
areas, modes and participants)

Final words

- ◆ **not a challenge to international trade and investment regime**
- ◆ **not a sort of counter to TPP**

→ Complementary :

“open, inclusive, opportunity-sharing, mutual beneficial cooperation”

- to promote the economic prosperity of countries along B&R
- to provide stimulus to world economic development

Thank you!