

A China Round

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Overview

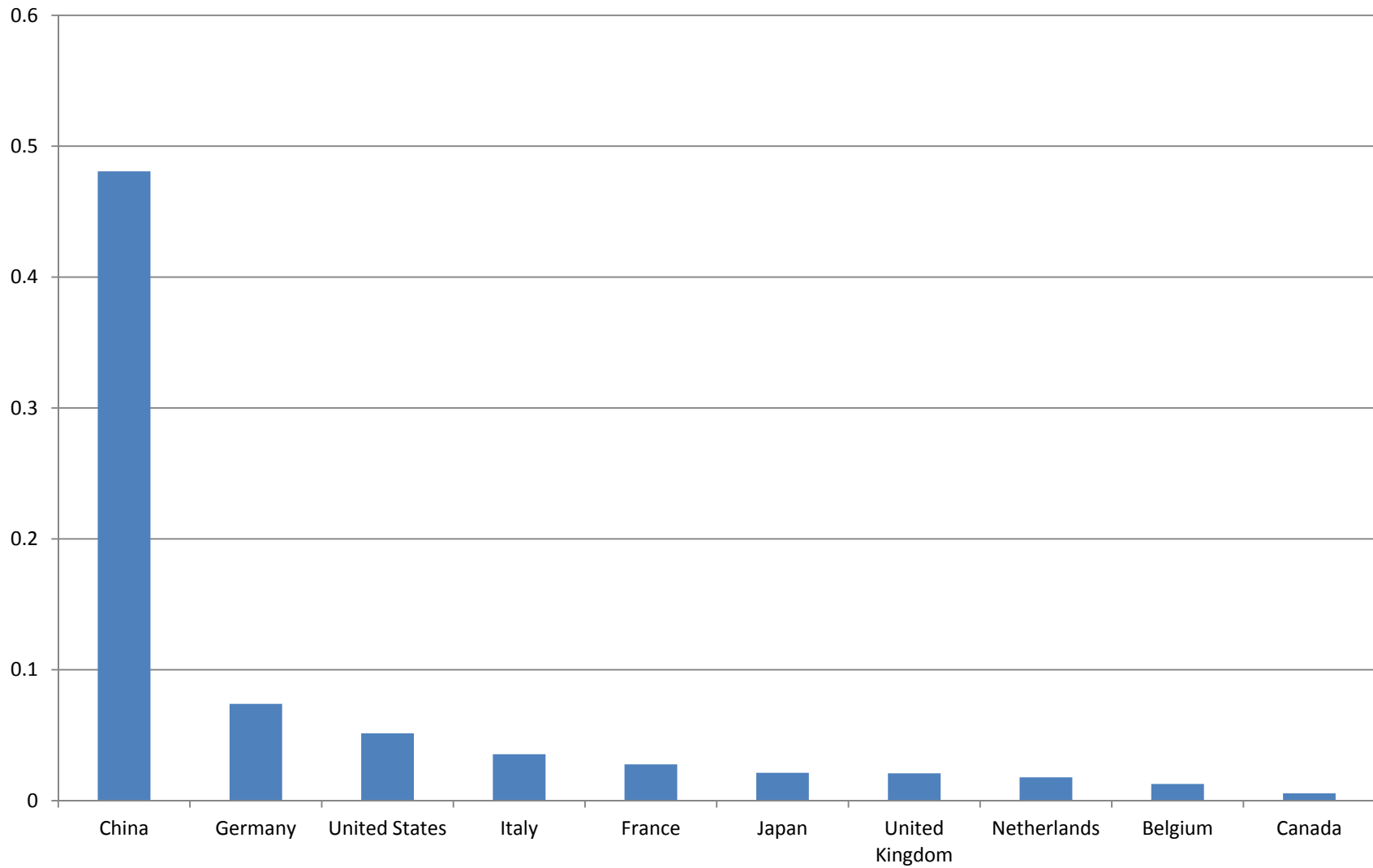
- **Why multilateralism**
- **Why not regionalism**
- **The openings**
- **The next steps**

The Centrality of China

- **Today: Largest economy (in PPP), largest exporter, most diversified exporter, largest creditor**

Index of Competition: Top 10 Non-Oil Exporters, 2008

Mattoo, Mishra and Subramanian, 2012



The Centrality of China

- **Today: Largest economy (in PPP), largest exporter, most diversified exporter, largest creditor**
- **Most trade frictions involve China: exchange rate, rare earths, government procurement, IPRs, anti-dumping and countervailing**
- **Tomorrow: China's economic dominance will increase further (reserve currency issuer)**

Why Multilateralism?

- **China has the mercantilist bargaining power**
 - Most protected, especially in services, GP etc.
 - Largest and growing markets
- **China and the WTO an unambiguous success: Accession plus dispute settlement**
- **China therefore has to be central to any future trade discussion and dealings with China have to be multilateral**
 - US, EU, Japan, etc cannot go it alone

Why Not Regionalism: Trans-Pacific Partnership

- Scenario 1: TPP without China? Hamlet without the Prince of Denmark
- Scenario 2: TPP as Open Regionalism? Will China sign on the dotted line?
- Scenario 3: TPP with China? Is that better than having EU, Japan, Brazil, and India also at the negotiating table?
- Scenario 4: TPP as Hostile Regionalism? Tit-for-Tat? Do we want a fragmented world?

Will China be Interested? Openings

- Leadership transition in China and perceived need for reform (*Rongji Redux?*)
- “China as a trade challenge” shared more widely
 - Brazil, Latin America, India and Africa worried about “colonial” trade relationship with China
 - Dirty secret of the Doha Round (Mattoo and Subramanian, 2012)

New Multilateral Agenda

- US and other major traders (EU, Japan, Brazil, India and ASEAN) need to start a WTO process with a new agenda: Working Party on New Issues?
- Agenda must:
 - Include pressing trade concerns (exchange rates, state capitalism, government procurement)
 - Be broad enough for reciprocal bargains (argues against services only agreement and for including, AD/CVD, investment rules, agricultural export restrictions)
 - Proceed on the basis of a “de-democratized WTO”
- Message for the United States: Rise of China makes multilateralism a necessity