

**CHINA IN THE RAPID DEVELOPMENT OF
ASIA-PACIFIC ECONOMIC REGIONALISM**

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EAI Background Brief No. 976

Date of Publication: 4 December 2014

Executive Summary

1. The Asia-Pacific region has recently experienced an increase in institutionalised economic integration activities such as the Regional Comprehensive Economic Partnership (RCEP) of 16 Asian countries and the Trans-Pacific Partnership (TPP) of 12 countries across Asia, America and Oceania.
2. China is currently a part of RCEP which focuses mainly on trade and investment liberalisation in goods and services. Although China is believed to have difficulties achieving TPP's "high standard" requirements (eg. intellectual property right, labour standard, environment protection etc), the country has expressed interest in participating.
3. In 2013, RCEP countries' share in China's imports (33%) was slightly greater than TPP's 30% but its weight in China's exports (26%) was less significant than TPP's 35%. Unlike its trade deficit with RCEP countries (US\$86 billion), China ran trade surplus with TPP members at US\$201 billion in the same year.
4. In terms of investment, in 2012, China received more foreign direct investment from TPP (US\$46 billion) countries than from RCEP members (US\$15 billion) in spite of an almost equal Chinese investment of around US\$10 billion.
5. While RCEP countries have developed a strong regional supply network, the lack of strong demand within the region constrains the group's future economic growth. As such, China's prospective free trade agreements (FTAs) with major consumption markets such as the United States and Europe will prove to be more significant.
6. The United States and Japan are China's most important trade and investment partners within TPP. As China-Japan economic relations can be institutionalised under both the China-Japan-South Korea FTA and RCEP, China's participation in TPP negotiation is equivalent to a quasi-China-US FTA.

7. For developing countries in Asia, RCEP is a platform to join other multilateral trade talks. Their interest in TPP may increase if foreign investors from developed countries begin to favour Vietnam or Malaysia with the preferential treatment given to TPP nations.
8. If both RCEP and TPP were to proceed smoothly, TPP's wider coverage of members from different continents and "higher standard" imply its greater capacity to incorporate RCEP into its framework of economic liberalisation in the future rather than vice versa.
9. China's active participation in RCEP and sustained effort to be part of TPP would enhance its competitive position in the increasingly interdependent world and enables it to take part in reshaping future regional and global economic order. For TPP, including China enhances its standing as a new multilateral organisation.