A China Round

Aaditya Mattoo (World Bank) and Arvind Subramanian (Peterson Institute)

Conference on US Trade Policy 2012-2013

June 19, 2012
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