

# China Development Forum 2021

## *China on a New Journey of Modernisation*

14:30-15:30 20 March 2021

### Parallel Session 3 - Venue 1

#### Opening a New Chapter in Regional Economic and Trade Cooperation

##### Moderator

Hai Wen, Vice Chairman, Peking University Council; Dean, Peking University HSBC Business School

##### Speakers

Yasuyuki Sawada, Chief Economist, Asian Development Bank

LI Daokui, Director, Institute for China's Economic Practice and Thinking, Tsinghua University; Co-president, Society for the Analysis of Government and Economics

Denis Depoux, Global Managing Director, Roland Berger

Zhang Yansheng, Chief Research Fellow, China Center for International Economic Exchange

Kim Heungchong, President, Korea Institute for International Economic Policy

##### Synopsis

Despite the backlash against globalisation over recent years, the signing of the Regional Comprehensive Economic Partnership (RCEP) and expansion of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) have brought inspiring results and injected new impetus into international cooperation.

Regional economic integration is gaining momentum in Asia, with China the frontrunner. LI Daokui believes China has become a leader in sustaining globalization as it prioritizes regional economic and trade cooperation. This is vital to rebuilding and achieving a prosperous, inclusive, resilient, and sustainable economy in Asia. The RCEP can deepen trade across the region. By enhancing regional production networks and coordinating regulation and policies, the RCEP enables different countries to adopt common rules of origin, and therefore reduces the export costs of RCEP members.

The development of the digital economy is also a new source of growth for global and

regional trade. Since the COVID-19 outbreak, the digital economy has seen accelerated growth, not only bringing new opportunities for digital trade, but also contributing to better digital platforms and increased global market integration, making digital technology, software design, and other digital services the core of the new value chain.

Nevertheless, challenges remain for regional economic and trade cooperation. The biggest challenges are deglobalisation and geopolitical risks. With the potential contraction of globalisation and frequent competition, conflicts, and confrontations among great powers, a core risk for enterprises is that they might be forced to take sides between China and the United States.

Another challenge for regional integration lies in the adjustment of supply chains. Will the emphasis on the security and localization of supply chains under current trade protectionism affect the trading system based on the international division of production processes? Can regional economic and trade cooperation continue to promote open regionalism? It is also a challenge to find the right balance between the environment and trade and to promote sustainable development. The European Union is considering implementing a Carbon Border Adjustment Mechanism (CBAM) to reduce the risk of carbon leakage. The Biden administration has also made climate change response a key policy of the United States. These countries are likely to impact international trade of carbon intensive products if they adopt the same climate change standards.

So how to deepen regional economic and trade cooperation in future? The panellists shared their insights and perceptions during this session.

LI Daokui predicted that China will make corresponding economic adjustments, including strengthening intellectual property protection, ensuring state-owned enterprises' operations comply with market economy principles, and further reducing tariffs. Zhang Yuyan believes China will proactively drive regional integration, and give priority to opening-up in three areas: first, China will focus on opening the market by increasing the proportion of zero-tariff products, stepping up the abolition of non-tariff measures, and continuing to ease market access to the service sector; second, China will endeavour to enhance institutional opening-up. China's active consideration of the CPTPP indicates its determination to adopt the high-standards of international rules and systems for the market economy; third, China will energetically boost innovation and opening-up in science and technology, innovative talent and open innovation, open sharing and open cooperation.

Zhang Yuyan proposed that all regions should undertake innovation initiatives to build

a complementary trade and industrial structure, form sharing-based trade and investment mechanisms, and avoid winner-takes-all markets. Kim Heungchong also mentioned that the different degrees of economic development and openness of countries in the Asia-Pacific region should be taken into consideration, and that it might be advisable to establish agreements that focus on a specific topic, such as digital economy partnerships, as such agreements might be more effective than comprehensive trade deals, and could be able to integrate new trade rules into regional trade relations.

Denis Depoux believes that in light of the technical fact that Asia is highly reliant on US digital infrastructure services, it urgently needs to enhance its own digital service abilities, and he noted that there are clearly an increasing number of competitive local digital services providers.

<End>

---

*Acknowledgement:* **Deloitte.**  
德勤