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Article:

Eckhardt, Jappe orcid.org/0000-0002-8823-0905 and Wang, Hongyu (2021) China's New Generation Trade Agreements: Importing Rules to Lock in Domestic Reform? Regulation & Governance. pp. 581-597. ISSN: 1748-5991

<https://doi.org/10.1111/rego.12258>

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China's 'New Generation' Trade Agreements: Importing Rules to Lock in Domestic Reform?

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Forthcoming in *Regulation & Governance*

This version: February 2019

Abstract

Since the beginning of the 21st Century we have witnessed a proliferation of Preferential Trade Agreements (PTAs) in the Asia Pacific. China has been at the forefront of this development. Initially, China's PTAs were very shallow and mainly aimed at building friendly relationships with developing countries. However, over time China has started to negotiate deeper PTAs with developing and developed countries alike. This notable shift has thus far been understood to result from three broad motivations: China's desire to access key export markets; the facilitation of regional production networks; to address resource security concerns; and/or to further geostrategic interests and political influence. We propose that these motives are not sufficient to fully account for China's new generation trade agreements. We suggest that China is increasing its integration into the world economy to push for domestic marketization and reform by credibly committing to trade liberalization through PTAs. Deep and comprehensive PTAs tie a country's hands and constrains it to obey a set of rules that permit little leeway for violating commitments. In order to successfully implement and enforce PTA commitments, China has also gradually strengthened its regulatory state by investing in regulatory capacity and capability in the field of trade policy. We test the plausibility of our argument through an in-depth analysis of China's PTAs signed since 2000 and find evidence that China's PTAs are indeed in part driven by a desire to lock-in domestic economic reform and that this has gone hand in hand with a strengthening of its regulatory state

Key words: China, regionalism, trade agreements, economic reform, regulatory state

INTRODUCTION

Since 2000, we have witnessed a drastic increase in the number of Preferential Trade Agreements (PTAs) signed by China. Over time, China's PTAs strategy has changed considerably: the first PTAs were shallow agreements with small economies, while the more recent agreements are with a much wider set of countries and China's PTAs are now among the deepest in the world. Existing explanations of this striking shift have attributed it to various underlying motives: to obtain preferential access to key export markets; to facilitate the development- or deepening of regional production chains; to address resource security concerns; and/or to leverage trade agreements for geostrategic interests and political influence. We suggest that these motives are not sufficient to fully account for the new generation of Chinese PTAs and put forward an additional motive.

We argue that China is engaged in a gradual but ambitious strategy of trade liberalization through PTAs to lock in domestic economic reform. This strategy has become self-reinforcing as initial liberalization steps related to China's aim to join the WTO, led to the development of its regulatory capacity (building trade-related expertise and resources) and capability (to better recognize its trade interests and act upon them). Developing regulatory capacity and capability have shifted China's domestic preferences towards furthering economic reform by the means of trade liberalization. In doing so, China's PTA strategy has become part of a wider economic reform agenda, which aims to move the Chinese economy towards the production of higher value-added goods, improve the performance of the domestic services sector, and make innovation a top priority. These ambitions require, in the eyes of the Chinese leadership, *inter alia* further trade liberalization in goods and in particular services, as well as tougher regulations on the protection of intellectual property rights (IPR). For this reason, China's PTAs have become deeper over time and increasingly go beyond the countries' WTO commitments and include a wide range of behind the border issues in a similar way as traditional powers like the US and the EU are doing in their PTAs.

We test the plausibility of our argument through an in-depth analysis of China's PTA policy since 2000 and find evidence that China's new generation of PTAs

is indeed in part driven by a desire to lock-in domestic economic reform and that this has gone hand in hand with regulatory capacity- and capability building.

THE POLITICAL ECONOMY OF CHINA'S (SHIFTING) PTA POLICY

When looking at China's PTA history (see Table 1), it becomes apparent that the first generation of PTAs, signed roughly between 2000 and 2006, was with small developing or emerging economies: the ASEAN member states, Pakistan and Chile. Studies on this first generation of Chinese PTAs show that these agreements were brief and shallow; focused on trade in goods and traditional trade issues rather than non-WTO matters; and did not include any formal dispute resolution mechanisms (Antkiewicz and Whalley 2005).

[Table 1 here]

It has been argued that this choice of PTA partners and avoidance of deep and comprehensive PTAs is because China was mainly interested in playing a leadership role in the region and beyond rather than using PTAs for genuine trade liberalization. That is, China tried to situate itself favorably *vis-à-vis* countries like Japan (Munakata 2006; Sally 2006) and the US (Wan 2010) in its relations with its neighbors to increase its regional influence. Moreover, by signing agreements with small emerging countries like Pakistan and Chile, China hoped to become the leader of a coalition of developing countries in the global economy, which in turn would increase its international bargaining position (Aggarwal and Koo 2006; Dieter 2013). As a result, the first PTAs signed by China were of little economic significance and if there were any positive economic effects at all they were mainly reaped by China's PTA partners, Ravenhill and Jiang (2009: 32) see this as "the classical behavior of a benevolent hegemonic power, reminiscent of the US tolerance of discrimination against its exports by its European and Northeast Asian allies in the period after 1945."

Others have argued that, as a newcomer to PTA negotiations, there was a desire on the part of Beijing to learn from negotiating with relatively small economies before applying these lessons to PTA negotiations with more powerful players.

According to this logic, the Chinese leadership saw the economic potential of liberalization through bilateral trade agreements but first wanted to learn to play the PTA game by negotiating with “front posts” (qianzhan) (Yang 2008).

Over time, China’s PTA strategy has changed considerably. One of the key changes has been that China has opened negotiations with a much wider set of countries, most of which developed countries. That is, China signed, or is negotiating, PTAs with Australia, Iceland, Japan, New Zealand, Norway, South Korea and Switzerland, while it is updating its agreement with the ASEAN countries and initiated negotiations on a Regional Comprehensive Economic Partnership (RCEP) agreement (see Table 1). Trade also plays a key role in China’s Belt and Road Initiative (BRI). This shift could be seen as a validation of the aforementioned “learning thesis” (Yang 2008). That is, after signing shallow agreements with small economies, China now felt ready to engage in negotiating deeper agreements with bigger economies. However, Zeng (2016: 277) observes that most of China’s recent PTAs are “with countries on which [China] depends heavily for imports” and concludes that, as these agreements are not designed to enhance Chinese market access abroad, China’s PTA strategy continues to be “driven by a desire to augment the country’s geostrategic interests and political influence” (Zeng 2016: 279).

Although we do not question the importance of non-economic political motives for China’s PTA strategy, we agree with those that have suggested that China’s geostrategic interests and political influence alone are insufficient to account for the changes in China’s PTA strategy during the last decade (Wilson, 2012). Some have suggested in this regard, that one possible economic driver behind China’s changed PTA strategy is to reduce the impact of trade diversion resulted from competing PTAs (Yang 2008). There is anecdotal evidence that the PTA between South Korea and the US, signed in 2007, indeed alarmed Beijing to a significant extent: apart from the geo political implications of U.S. strategic counter balance against China in the region (Wan 2010), US competition could threaten Chinese agricultural exports to South Korea, which in turn spurred China to start negotiating their own PTA with South Korea (Caryl 2007).

Market access for Chinese (agricultural) exports could certainly be an obvious economic driver for (certain) PTAs, yet it does not explain Zeng's (2016) aforementioned observation that most recent PTAs are in fact with trade partners on which China depends heavily for imports. So, what other economic drivers could be behind the new generation of Chinese PTAs? Wilson (2012) has argued that China (as well as Japan and South Korea) increasingly uses its PTAs to address resource security concerns. China's demand for natural resources and energy has augmented drastically and, as a result, it has become one of the world's most import-dependent resource consumers and bilateral trade agreements could help to obtain resource imports at affordable prices and to ensure security of supply in the long run. However, he also concludes that "owing to supplier reluctance to enter into binding policy commitments for resource industries, PTAs have not yet helped to substantively improve China's resource security" (p. 429). Others suggest that China's new generation of PTAs are part of "a supporting policy framework for deepening production networks and supply chains formed by global multinational corporations and emerging East Asian firms" [(Kawai and Wignaraja 2009: 5; see also Kim 2015; Manger 2014). This is consistent with China's focus on signing PTAs with major Asian partners (i.e. ASEAN, South Korea, and Japan).

In this paper we propose an additional economic motive for China's shifting PTA strategy, which has so far not received sustained attention in the literature: China's new generation of PTAs may to a significant extent be driven by a desire on the part of Beijing to lock-in domestic economic reform. We also suggest that this has gone hand in hand and- is supported by a strengthening of China's regulatory capacities and capabilities, which in turn was required in order to successfully implement and enforce its PTA commitments.

PTAs AND DOMESTIC ECONOMIC REFORM

The starting point of our argument is that economic reform is one of the most controversial policy choices possible for political leaders. It entails dismantling deep-rooted structures of (re)distribution and discrimination in a society (Milner and Kubota 2005), which makes long-term reform often very difficult to accomplish.

Vested interests benefitting from the status quo, have a strong incentive to block reform initiatives to avoid losing their privileged position. International institutions may help governments to overcome such obstacles by acting not only “as a lever to force reform,” but to serve as a tool “to lock in economic reform and make [economic] reform irrevocable” (Halverson 2004: 334) and PTAs are an important example of such international institutions that could enable governments to lock-in domestic reform.

International institutions and reform

International institutions can lock-in domestic economic reform, first of all, by allowing credible policy commitments (Büthe and Milner 2008; Keohane 1989; Simmons 2000). That is, when a country joins an international organization (IO) or signs an international agreement, which entrenches commitments to certain policies, it becomes much more costly for that country to break its commitments, as such a move does not only have national implications but also entails a violation of its international commitments. By accepting the obligations set out in the treaty of the IO or agreement, a country “raises expectations about [its] behavior that, once made, are reputationally costly for governments to violate” (Simmons 2000: 819), while other countries may also react to the violation by (economically) retaliating, which in turn can have a severe and direct impact on the domestic economy of the “violate.” So, a government that wants to reform its domestic economy can, by joining an international institution, substantially increase the costs of reneging on reform, which in turn increase the chance of successfully completing its domestic economic reform agenda (Baccini and Urpelainen 2014).

A second way international institutions can promote domestic economic reform is that it allows reformist elites to change the domestic supporters/opponents’ ratio (Baccini and Urpelainen 2014; Mattli and Plümper 2004). If a country joins an international institution that requires economic reform, domestic (vested) interests that expect to benefit from the international institution will support the economic reform, as failure to reform would mean losing the benefits of international institutionalization. At the same time, joining an international institution allows decision makers to compensate and coerce domestic losers or sometimes even by-

pass domestic (vested) interests. The prime example of coercion can be found in the context of membership of the European Union (EU). A government of an EU candidate country can use the prospect of EU membership to push for economic reform that would normally not be acceptable for influential societal interests, as the possibility of EU accession strengthens the domestic bargaining power of the government (Mattli and Plümper 2004).

However, it must be noted that signing an international agreement in itself is not enough for a country to be able to lock-in economic reform. As the literature on international institutions and (non)compliance has taught us (for a recent overview see Lutmar et al, 2016), a necessary condition for governments to promote domestic economic reform through the signing of international institutions is that it is able to successfully implement and enforce its international commitments. That is “[the effectiveness of international institutions varies directly with the capacity of the governments of members to implement their provisions” (Young 1992: 183). Capacity problems arise when governments lack the political and/or economic means to ensure that public and private actors fulfil their international commitments (Tallberg 2002).

PTAs and domestic reform

The aforementioned relationship between domestic economic reform and international institutions, also applies to PTAs. That is, a necessary condition for countries to use PTAs to lock-in domestic reform is the ability to a) implement and enforce its PTA commitments (Prose 2002); and b) to foresee how this will affect the domestic economy. If this condition is met, PTAs can indeed promote domestic economic reform along the lines suggested above. It can allow credible policy commitments, as PTAs enable participants “to commit to trade liberalization through institutional arrangements that tie their hands and constrain them to obey a set of rules that do not permit leeway for violating commitments” (North and Weingast 1989: 804). Moreover, PTAs can be used by decision-makers to generate domestic support for its reform agenda; coerce societal interests; or function as “a mast to which governments can tie themselves to escape the siren-like calls of various pressure groups” (Hoekman and Kostecky 2009: 25).

This leads to the following three observable implications regarding governments interested in promoting domestic reform through PTAs. Firstly, it is expected that the signing of PTAs goes hand in hand and- is supported by a strengthening of a countries' regulatory capacities and capabilities (Lavenex et al. 2019). *Regulatory capacity* refers to a countries' "regulatory expertise, coherence, and ... statutory sanctioning authority" in order to implement and ensure compliance (Bach and Newman 2007: 31) with its PTA commitments. In other words, a country that aims to use PTAs to reform its domestic economy, needs to professionalize its domestic trade regulators. Besides having the necessary skills and resources to implement and comply with PTA commitments (i.e. regulatory capacity), a country also needs the *regulatory capabilities* to recognize the extent to which certain PTA provisions will affect the domestic economy and act accordingly. That is, the "emphasis of regulatory *capabilities* is not on skills to ensure compliance with regulatory standards set by others [i.e. regulatory capacity], but on the ability to choose among different regimes and to develop alternatives" (Cafaggi and Pistor, 2015: 102).

Secondly, governments are expected to sign PTAs with politically and economically powerful trading partners, with which the country in question already has a considerable level of trade (Dür et al. 2014; Baccini and Urpelainen 2014; Hicks and Kim 2012). The more interesting the PTA partner is in terms of foreign market access, the more likely it is that the domestic reforms will actually be implemented. By the same token, opening the domestic market to foreign import competition will put pressure on domestic firms, and hence creates incentives for reform. In other words, PTAs with a trading partner on which a country depends heavily for imports, leads to stronger reform incentives than in case of low import-dependence. What is more, when signing an agreement with a major trade power, there is a fair chance that this country will retaliate in case companies would violate the commitments spelled out in the PTA, which in turn could inflict substantial damage on the domestic economy. So if a country signs a PTA with a powerful country it is less likely that domestic companies will violate rules than in case of a PTA with a less powerful trading partner.

Thirdly, governments are expected to sign PTAs that are broad in scope – i.e. cover a wide range of trade barriers – and have a considerable depth – i.e. include high levels of obligations and stringent enforcement mechanisms (Dür et al. 2014; Baccini and Urpelainen 2014; Hicks and Kim 2012). PTAs which only cover industrial goods and leave out sensitive products (like agriculture) and exclude trade in services, will not tie the hands of a government as much as an agreement that has a much broader scope. The depth of an agreement is equally important, as it determines “how much room for maneuver countries have and how formalized the interactions are between agreement partners” (Hicks and Kim, 2012: 5). Important in this regard is whether the PTA comprises (legally binding) enforcement mechanisms such as dispute settlement procedures. In case such enforcement mechanisms are put in place, the PTA signals higher credible commitment than if such mechanisms are lacking. The PTA will also demonstrate lower credible commitment, if it includes escape clauses, anti-dumping provisions or other exclusions, which could limit the extent to which trade will be liberalized.

China, PTAs and domestic reform: a special case?

It could be argued that the logic described above mainly applies to democratic countries and that a country like China, with its non-democratic one party system, faces much fewer (political) obstacles when seeking to implement reforms (see e.g. Baccini and Urpelainen 2014). As the Chinese leadership is in no immediate danger of losing power, it has a longer time horizon than democratically elected governments to implement reforms, so they can commit fully to domestic reform and implement measures as they see fit and do not need PTAs to mobilize winners or compensate and coerce losers of such reforms. At the same time, a common perception is that Chinese vested interests are not interested in public policy, as they are “subject to a state controlled association system that effectively blocks their ability to defend their interests at the national level or because they establish patron-client ties with bureaucrats to obtain privileged access [and] avoid onerous regulations.” (Kennedy (2005: 2).

However, this image of China's political economy no longer holds. Also in China do we find different groupings, which either win or lose from domestic economic reform initiatives and/or the signing of PTAs and they are increasingly vocal and willing to protect their vested interests (Wan 2010). There is a growing body of work, which indeed shows that there is an increasing political involvement and influence of both Chinese and foreign firms in policy making (Kennedy 2005; Jiang 2010; Eckhardt and De Bievre 2015; Weil 2018). Without arguing that business-government relations in China are exactly the same as in Western democracies, these studies show that firms in China influence the policy process via trade associations and other intermediaries, as well through direct lobbying of regulators.

Besides firms, other domestic actors may also support or try to block economic reform initiatives and/or trade liberalization. For instance, think tanks play an increasingly important role in advising the Chinese government on its economic policies, many of which are supportive of economic reform and liberal trade policies (Shambaugh 2002; Yang 2008). Various Ministries and Party committees also play a pivotal role in economic decision making, with some taking a conservative position on reform and economic openness (e.g. the Ministry of Agriculture [MOA], the Ministry of Information Industry [MII] and the powerful National Development and Reforms Commission [NDRC]), while others believe that foreign competition enhances productivity and that free trade benefits consumers (e.g. Ministry of Commerce [MOFCOM]) (Jiang 2010). In addition, as a result of the significant differences in economic growth within China, there are important differences of opinion between local governments (Jiang 2010; Wan 2010) and within the Communist Party itself, with some political factions in favor of far-reaching domestic economic reform, while others are much more hesitant when it comes to changing the domestic economy (Breslin 2003; Halverson 2004).

So, in China, decision-makers do face opposition when implementing reforms and hence have incentives to use international institutions to lock-in domestic reform and convince, compensate or coerce supporting- or opposing domestic actors. In fact, such motives have played a key role in China's trade policy in the past, as the extensive literature on China's WTO accession shows (e.g. Breslin 2003; Groombridge and

Barfield 1999; Halverson 2004; Liu and Chen 2005; Scott and Wilkinson 2011; Wang 2001). Breslin (2003: 213-4) puts it as follows, China's WTO accession "should be seen as an external tool to enforce marketization and reform, brought about by [Chinese] international globalizing elites wishing to lock China into multilateral trade norms and aiming to promote domestic political and economic change within China." In other words, China is no stranger to the idea of using international trade agreement to lock-in market reforms and we propose that it is plausible that China is currently using PTAs for the same purpose.

CHINA'S SHIFTING PTA POLICY: A CASE OF LOCKING-IN DOMESTIC ECONOMIC REFORM?

In this section we test the proposition that the Chinese leadership is increasingly using PTAs to lock-in the kind of domestic economic reforms mentioned above. We intend our empirical analysis to serve as a plausibility probe (Eckstein, 1975). That is, our aim is not to offer a definitive proof that economic reform is the single most important driver of China's shifting PTA policy. More modestly, we aim to carry out a preliminary study to assess whether domestic economic reform is one of the drivers behind China's new generation PTAs. We proceed in three steps. First, based on a detailed analysis of key official government documents and statements, we analyze the official language on China's PTA policy in relation to economic reform, which reveals that government officials increasingly and explicitly talk about PTAs in relation to China's economic reform agenda. We then assess, based on 15 semi-structured interviews and an analysis of primary and secondary sources, whether the reality of China's PTA policy meets the rhetoric by testing the observable implications mentioned in the previous section.

China's PTAs and economic reform: the rhetoric

In the last 30 years, China's economic growth has been based primarily on manufacturing. Yet, in recent years the Chinese leadership has come to realize that this purely industrial-based growth is unsustainable and far-reaching economic reforms are required to sustain economic growth in the future. Reforms are needed

to promote domestic demand, innovation and labor movement, as well as to develop the service industry, the financial sector and to move from labour intensive- to technology intensive production. What is more, the agriculture sector needs to be reformed and so are (sectors dominated by) state owned enterprises (SOEs) (Lai and Qingru 2013; Li et al 2012; Pepermans 2016). This realization among the Chinese leadership that reforms are indeed needed grew stronger in the wake of the global financial crisis. Although initially it was argued that the crisis did not have a severe effect on China, more recent accounts suggest that China was in fact hit “fairly hard by the global recession generated by the financial crisis....it suffered a huge drop in exports [and], while growth remained well above international averages, its drop was of the same order of magnitude as for the United States” (Li et al. 2012; see also *The Economist* 2012; 2016).

To see if the Chinese leadership indeed sees signing PTAs as a way to reform its domestic economy along the lines suggested above, we thoroughly studied key state documents, in the period from 2001 until 2015 (see annex for an overview). We distinguish between three periods: 2001-2005; 2006-2010; and 2011-2015.

When looking at the 2001-2005 period, reforms are mentioned plenty of times in official documents and statements. The Tenth National Five-Year Plan (2001-2005) refers extensively to economic and regulatory reforms, particularly in services, which should become more market-oriented. The plan also mentions the need to attract more foreign investment, as a way to reform the domestic economy. However, we did not find any Government statements in which an explicit link is made between PTAs and possible economic benefits for China, let alone the possibility of using PTAs for domestic reform purposes. In the economic/trade section of the Tenth National Five-Year Plan, PTAs are not mentioned once. All one can find in the text are some general statements about the benefits of an open economy and how trade and investment policy may help to boost economic competitiveness of Chinese companies at the world stage (e.g. helping enterprises invest abroad),¹ but the document does not explicitly mention PTAs as a tool for domestic reform. Also, the MOFCOM documents

¹ See Chapter 17 of the “Report of the Government's 10th National Five-Year Plan (2001-2005)”.

published in this period are silent about PTAs and the possible effects on the domestic economy.

When looking at the official documents in the following years (2006-2010), we see that an important change takes place: the Chinese government starts to talk about PTAs as a vital part of its trade policy and stresses the domestic economic benefits PTAs may have. For instance, in the 11th National Five-Year Plan (2006-2011) there is a section on economic regionalism,² in which it is stated that regional trade cooperation in general, and opening up China's economy specifically, can have a positive effect on the domestic economy in the long run. The report makes a link in this regard between deepening external trade relations and domestic economic reform. For instance it is mentioned how market access may eventually lead to better IPR protection,³ help to reform the financial system and may have a positive effect on domestic labor mobility.⁴ What is more, in 2007, Hu Jintao reported in the seventeenth National Congress of the Communist Party of China that PTAs can be a tool to strengthening bilateral economic and commercial cooperation. Even more explicit is MOFCOM's commercial eleventh five-year plan, which was also published in 2006. In this document it is clearly stated that PTAs are a useful tool to help boost domestic economic competitiveness. It mentions several regions in particular which could economically benefit from PTAs: the Pearl River Delta, the Yangzi River Delta, the Tianjin Binhai Area, the Northeast, the Northwest and Southwest China.

Now let us turn to our findings regarding the most recent period (2011-present). In the 12th National Five-Year Plan (2011-2015) a lot of attention is paid to economic reforms and how foreign competition can help to achieve this. It is mentioned that since WTO membership the Chinese economy has undergone a major restructuring, but that further reforms are needed. The Plan mentions restructuring of the service sector, increased transparency, tougher IPR legislation as part of a more robust legal system. Foreign competition, so it is argued, can achieve this even though this will be a major challenge for domestic firms. PTAs are mentioned several times as

² See Chapter 37 in the "Report of the Government's 11th National Five-Year Plan (2006-2011)."

³ See chapter 27 of the "Report of the Government's 11th National Five-Year Plan (2006-2011)."

⁴ See chapter 21 of the "Report of the Government's 11th National Five-Year Plan (2006-2011)."

a key tool to achieve this. It is stated that PTAs are an important economic policy instrument to fulfill China's ambition to reform, among other things, its manufacturing industry, the service industry and the financial sector.⁵ Also the report of the 18th National Congress of the Communist Party of China, released in 2012, makes an explicit link between PTAs and domestic economic reform.⁶ The report mentions the importance of enhancing the competitiveness of China's domestic economy and of reforming the international economic regime as two of China's key priorities. PTAs, so it is argued, can help to achieve these goals and, therefore, China should further increase the number of PTAs signed. It is said that China should create a global, high-standard network of PTAs. In terms of substance, the report states that China's PTAs should not only focus on traditional WTO issues, but should increasingly also include behind-the-border issues such as environmental protection, investment protection, government procurement and e-commerce.

The Report of Third Plenary Session of the 18th National Congress of the Communist Party of China, which is a blueprint for future reforms and published at the end of 2013, conveys a very similar message. It stresses the importance of opening the Chinese economy as a way to reform the domestic economy and mentions PTAs and market access to foreign investors as two key ways to accomplish this, as this would enhance competition, and hence create incentives for reform, as well as investments in the domestic manufacturing and services sectors. Finally, also in speeches and other public statements, the Chinese leaders explicitly link PTAs to economic reform. For instance, when announcing that China requested the members of ASEAN to negotiate an updated version of their PTA, Xi Jinping, explicitly referred to the key role it could play for China's domestic reform.⁷

In sum, our analysis reveals that, in its official communication, the Chinese government increasingly and explicitly talks about PTAs in relation to its domestic reform agenda.

⁵ See chapter 53 of the "Report of the Government's 12th National Five-Year Plan (2011-2015)."

⁶ See Chapter 7 of "The official report on the 18th National Congress of the Communist Party of China."

⁷ Speech by Xi Jinping at the China-ASEAN FTA Forum on "Deeper Cooperation and common sustainable development," *People's Daily*, 22 September 2012.

China's PTAs and economic reform: the reality

The rhetoric of the Chinese Leadership described above can of course just be cheap talk. If we want to make a plausible case that China's PTA policy is really driven by a desire to reform its domestic economy, we need to test the three propositions about domestic reform and PTAs we identified earlier. That is, in what follows, we assess whether indeed 1) the signing of PTAs has gone hand in hand by a strengthening of China's regulatory capacities and capabilities; 2) China's PTA strategy has focused on politically and economically powerful trading partners, with which China already has a considerable level of trade; and 3) China has signed PTAs that are broad in scope and have a considerable depth.

Increasing regulatory capacity and capability

Opening up the Chinese economy, as well as strengthening its regulatory capacity, have been key elements of China's transformation since the end of the 1970s. In the 1980s, a foreign trade policy was developed (Lardy 2004), while institutions such as the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) and the State Intellectual Property Office (SIPO) were established. China also became a member of several international economic organizations such as the World Intellectual Property Organisation (WIPO) and ratified international treaties and conventions (Yang 2003). This process of regulatory capacity building and integration with the international economic community were part of "a process of learning and accepting liberal norms which were foreign to [China] whose world views had been dominated by Marxism-Leninism" (Yang 2008: 5).

In the course of the 1990s, a group of key Chinese policy-makers started to push for further far-reaching domestic economic reforms in order to deal with growing inequality, potential unemployment, and problems with SOEs (Breslin 2003). Part of this reform agenda was a radical reduction of trade barriers and a revolutionary transformation with respect to IPR protection, with the explicit aim to encourage greater foreign competition (mainly for export sectors) and to attract FDI in order to boost efficiency (Yang 2003; Lardy 2004; Morrison 2013). WTO membership was seen as an important way to achieve this. As opposition in society, as well as within certain

ministries and the Communist party itself, against these reform initiatives was fierce, the pro-reform group decided to use the conditionality of WTO membership to promote their reform agenda (Breslin 2003). The WTO deal that was eventually signed after very long negotiations (1986-2001) was very much in line with this ambition. China agreed to far-reaching market opening while other WTO members were allowed to protect their markets from a potential surge in Chinese imports for a long period of time. What is more, China agreed to enhance transparency and predictability of its trade policy by accepting the general WTO policy rules (e.g. the need to publish trade rules and regulations) and by accepting a series of China specific commitments such as “uniform application of the trade regime”; an “independent judicial review”; and a “mechanism through which concerned parties can bring problems of local protectionism to the attention of the central government” (Bhattasali et al 2004: 3). China also agreed to bring its trade- and IPR regimes into compliance with existing WTO Agreements, which required a massive revision of existing trade- patent-, trademark- and copyright laws and the issuing of new implementing rules and regulations (Lardy 2004; Massey 2006).

The WTO agreement, in turn, forced China to engage in further administrative reforms and capacity building. For instance, according to our interviewees, MOFTEC went through a severe reorganization, was renamed MOFCOM and budget and staff numbers of key institutions such as SIPO increased considerably.⁸ In other words, since China became a WTO member in 2002, Beijing has further invested heavily in its regulatory capacity. Shaffer and Gao (2018: 115), argue that, as a result, China has become “a serious rival to the [US and the EU] in the development and enforcement of international trade law.” Besides increasing its regulatory capacity, WTO accession has also led to a strengthening of China’s regulatory capabilities in the sense that the long road to WTO accession has made China better able to identify its trade interests and doing something about them.⁹

⁸ Interview Chinese scholar, Beijing, 15 November 2013; Interview Government adviser, 22 November 2013; Interviews Chinese scholar, 9 October 2014; Interview Government official, 25 July 2018.

⁹ Interview Government adviser, 22 November 2013

In short, China has considerably increased its regulatory capacity and capability over the last decades. This was in part derived from the original lock-in from WTO negotiations, which showed decision-makers the way to follow. As a result of path dependency and a further increase of regulatory capacity/capabilities since WTO accession, the Chinese Leadership and regulators have learned to see trade liberalization as a way to push for domestic economic reform.

The choice of PTA partners

As indicated earlier and shown in Table 1, China's choice of PTA partners has shifted over time. New Zealand and Australia were the first two developed countries with whom China started PTA negotiations. Negotiations with New Zealand started in November 2004, after New Zealand had recognized China as a market economy. It took both parties 15 negotiating rounds and little over three years to complete their negotiations. Eventually, the agreement was signed in 2008. Although the agreement was symbolically significant in itself – being the first between China and a developed country – it has been argued that China used this PTA as leverage to negotiate an agreement with New Zealand's economically more significant neighbor Australia (Salidjanova 2015). Negotiations with Australia officially started in 2005 – after also Australia granted China market economy status – and have been long and complicated (Wilson 2015; Armstrong 2015; Ravenhill and Jiang 2009). It took both sides more than ten years to complete their PTA and negotiations were stalled at several times. What is more, submissions to an Australian Senate Inquiry into the PTA with China revealed significant disagreement among societal interests regarding the costs and benefits for the Australian economy (BCA 2015; CFMEU 2015). However, in 2014, after 22 negotiation rounds, Australia and China finally sealed their PTA (The Economist, 2014).

The negotiations with New Zealand and Australia sent a signal to the world that China was ready to sign economic agreements with developed economies (Lee 2014), after which China turned its attention to Europe, opening PTA talks with the members of the European Free Trade Association (EFTA). China has since then signed PTAs with two EFTA-members, Iceland and Switzerland, while negotiations with

Norway are still ongoing.¹⁰ The EFTA countries are not true economic heavyweights, yet the economic significance of the PTAs with these small highly developed European countries should not be underestimated either. What is more, as some of our interviewees indicated, the Chinese leadership hopes that the PTAs between China and EFTA-countries could pave the way for a Sino-EU PTA in the future.¹¹ A similar point is put forward by Lanteigne (2010: 364), who shows that, when it became clear that a short-term launch of a PTA between China and the EU was not feasible, as a result of a series of political-economic disputes, China turned to EFTA-countries in 2006 “to increase its visibility in the European economy [...] through a ‘side-door.’”

As significant as the aforementioned PTAs may be, the PTA that all eyes are really focused on is the one between China, Japan and South Korea. The run up to these PTA negotiations has been long and complicated. The first proposal for such a PTA was put on the table already in 2003 (Dieter 2013). Part of the problem was that China and Japan both pushed for negotiations on a PTA between all three countries from the onset, whereas Korea preferred to first complete a China-Korea PTA and then move on to an agreement including Japan at a later stage.¹² This, and numerous other obstacles, delayed the start of official negotiations (Yu 2011; Zhang 2013). A compromise was found and in 2012 China and Korea started negotiations on a bilateral PTA and, parallel to this process, China, Japan and Korea launched talks on a trilateral PTA.¹³ From our interview with a member of the Chinese PTA negotiating team,¹⁴ it is clear that these talks with Korea and Japan were initiated by China and have been top priority for Beijing from the very beginning. The China-South Korea PTA, which took less than 2 years, was eventually signed in November 2014¹⁵ and the two sides are currently negotiating an upgraded version of their PTA.¹⁶ The negotiations

¹⁰ China-Norway FTA negotiation as while as their bilateral diplomatic relations was blocked since 2010. China and Norway declared their normalization of diplomatic relations and their preference of moving PTA negotiation forward on December 19, 2016.

¹¹ Interviews, Beijing, November 2013.

¹² Interview with Chinese negotiator, Beijing, 17 November 2013.

¹³ See: https://www.mofa.go.jp/mofaj/press/release/24/11/pdfs/20121120_02_01.pdf

¹⁴ Interview with Chinese negotiator, Beijing, 17 November 2013.

¹⁵ See: <http://fta.mofcom.gov.cn/topic/enkorea.shtml>

¹⁶ See:

http://fta.mofcom.gov.cn/enarticle/chinakoreatwoen/chinakoreatwoennews/201808/38598_1.html

on the China-Japan-Korea PTA had a somewhat less fruitful start, mainly as a result of rising tensions between Beijing and Tokyo in 2013,¹⁷ but 14 rounds of talks have taken place held so far with latest round being held in December 2018.¹⁸

There are two final noteworthy developments in terms of China's PTA strategy and partner choice. First, the gradual upgrading of the China-ASEAN PTA from a simple framework agreement in 2002 to one of the biggest free trade areas in the world in 2010: the ASEAN-China Free Trade Agreement (ACFTA) (Rammal et al. 2013; Yang and Martínez-Zarzoso 2013). As a group, the ASEAN countries are China's third most important trading partner (measured by total bilateral trade volumes) (Park et al. 2009). Second, China's involvement in the Regional Comprehensive Economic Partnership (RCEP). RCEP negotiations – which, besides China, include the ten ASEAN member countries, Australia, India, Japan, South Korea and New Zealand – were launched at the end of 2012 and are often seen as an alternative to the Trans-Pacific Partnership (TPP) agreement, which does not include China and India (Wilson 2015). For China the RCEP soon became a top priority and, now that the US has left the TPP under the Trump presidency,¹⁹ RCEP may very well become an even more important focus of China's PTA policy in the years ahead.

In how far does the choice of the PTA partners described above tells us something about domestic reform? One of our interviewees pointed out that China runs a trade deficit with almost all of its chosen PTA partners and that this should be seen in light of Beijing's efforts "to use PTAs to reform by putting pressure on firms...in particular SOEs...the Leadership wants to encourage more private capital in SOEs and to create more competition in the market."²⁰ This is confirmed by several analyses, which show that the aggregate benefits of China's PTAs for Chinese exporters are limited while domestic import competition has increased substantially as a result of PTAs signed (Cheng 2008; Salidjanova 2015; Zeng 2016). In other words, on average

¹⁷ See: <https://www.ictsd.org/bridges-news/bridges/news/trilateral-trade-talks-resume-between-china-japan-and-south-korea>

¹⁸ See: https://www.mofa.go.jp/press/release/press4e_002261.html

¹⁹ The remaining TPP countries have forged ahead with a new version of the pact, known as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), keeping most of the original intact (see: <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp>).

²⁰ Interview Chinese Government Adviser, Beijing, 22 November 2013.

China benefits less from the PTAs in terms of immediate growth in GDP than its PTA partners. In fact, China's PTA partners currently account for about 17% of China's exports, while they are responsible for nearly 30% of all imports into China. China also runs significant trade deficits with Japan, and Taiwan, two of its most important current negotiating partners, while China's combined trade deficit with South Korea, Japan, and Taiwan more than doubled in the last 10 years (Salidjanova 2015). It is also interesting to note that with Switzerland China picked one of the few European countries to enjoy a trade surplus with China.²¹ As PTAs substantially lower tariffs on foreign imports, import figures between China and its current and future PTA partners will increase even further. Take the ACFTA block: the ASEAN members and China agreed to remove all tariffs on 90% of the goods traded between them (that is almost 8,000 products). As a result, the average tariff rate on products from ASEAN countries entering the Chinese market was lowered from 9.8% to 0.1% (Park et al. 2009).

In other words, China has chosen PTA partners whose imports could hurt domestic producers and, as several of our interviewees confirmed, this may suggest that the Chinese Leadership is indeed using PTAs to open up the Chinese market to foreign competition and investors in order to transform its domestic economy.²² It is striking in this regard that China is targeting those countries that have a comparative advantages in industries that form a particular potential threat to Chinese firms.

The scope of China's PTAs

China's early PTAs solely covered trade in goods; did not lift trade barriers in sensitive sectors such as agriculture; and focused mainly on traditional border issues rather than behind the border issues like intellectual property rights (IPR), government procurement and industrial standards. Other non-WTO areas such as special sectoral arrangements, possible tax harmonisation, innovative dispute settlement, coverage

²¹ See: <http://www.china-briefing.com/news/2014/02/10/understanding-chinas-free-trade-agreements.html#sthash.ylFPmt4W.dpuf>

²² Interview Beijing, November 2013.

of environment and non-trade matters, and financial integration were also excluded. What about the more recent PTAs?

Agriculture and raw materials. China's initially refusal to discuss agricultural products during PTA talks, has often been an important obstacle for the successful completion of PTA talks (Ravenhill and Jiang 2009). However, recently China has become much more willing to discuss trade in agricultural products and most of China's recent PTAs have a comprehensive coverage of agricultural products. It is particularly striking in this regard that China is- or has negotiated PTAs with 11 of the 19 members of the Cairns Group, which is "a coalition of agricultural exporting countries which account for over 25 per cent of the world's agricultural exports...[and pushes] for the liberalisation of trade in agricultural exports."²³ In contrast, the US, with its much more liberal agriculture policy, has so far only signed PTAs with 6 members of the Cairns Group (Salidjanova 2015).

The first time China accepted the elimination of tariffs on agricultural products was in the PTA with New Zealand: China accepted the phase out by 2019 of tariffs on imports from almost all of New Zealand's main agricultural products (Kawai and Wignaraja 2013). Also, in its other more recent PTAs does China accept lifting barriers on trade in agriculture. Even in the recently signed PTA with Australia. As said before, for long China refused to discuss trade in agriculture with Australia, yet if one looks at the final text of the agreement, it is clear that China's position has changed quite drastically. The PTA includes an important chapter on agriculture and tariffs on products such as dairy, beef, lamb, life kettle and wine, which until now faced tariffs of 20-30%. All these will be removed within the next 4 to 11 years.²⁴ Moreover, the updated PTA with the ASEAN members, ACFTA, also includes provisions on trade liberalization in agriculture products. Competition from ASEAN's agriculture products poses a serious threat to farmers in Chinese southern provinces, such as Hainan and Guangxi, but the Chinese leadership decided to include agriculture products in ACFTA anyway. Finally, in the PTA with Korea, China agreed to eliminate tariffs on 75% of

²³ <http:// Cairnsgroup.org/Pages/Introduction.aspx>

²⁴ See Chapter 2, China-Australia PTA at http:// fta.mofcom.gov.cn/Australia/annex/xdwb_02_en.pdf.

agricultural products within 10 years and more than 90% within 20 years. By doing so, China committed to more extensive agriculture liberalization and a shorter tariff phase-out period than did Korea (Schott et al. 2015).

Services. China has also made a notable switch when it comes to the inclusion of trade in services. At first, China did not include services trade in its agreements at all, but gradually agreed to include at least the key GATS principles such as market access, national treatment and domestic regulations. Later China has shown to be willing, as one of the few Asian countries, to move beyond its WTO-commitments by including GATS-plus commitments. It is telling that China signed (or is negotiating) PTAs with Singapore, Taiwan, Hong Kong, and Switzerland, which all have strong services sectors (Salidjanova 2015).

The most comprehensive Chinese PTA when it comes to liberalization in trade in services is the agreement with Singapore. In this PTA, the coverage of services-trade goes beyond GATS and includes, for instance, a chapter on the movement of natural persons (Kawai and Wignaraja 2013: 34). Also in the agreement with Switzerland, China goes beyond its GATS commitments. China has accepted the inclusion of “additional sectors and improvements in areas such as environmental services (waste water treatment, emission and noise control services), financial services (in particular trading in securities), air transport services (aircraft maintenance and repair, ground handling), logistics services (customs clearance services) and for providers of short-term contractual services (in particular installation and repair of machinery, architects and engineers).”²⁵ The PTA with Australia “grants Australia's service providers unprecedented access to the Chinese market.” This counts for all kinds of services providers. From financial services firms (including banks, insurers and fund managers), to tourism and healthcare providers – who will be allowed “to wholly own, build and operate hotels, hospitals and elderly-care facilities in China” – and from Universities to law firms (The Economist 2014). The PTA with Korea also includes services

²⁵ See: <http://www.lexology.com/library/detail.aspx?g=13e2589a-64a7-4f68-a5b2-4a6d2c1e9a89>

provisions, even though the agreement reflects a so-called positive list.²⁶ “[F]ollow-up services negotiation will be conducted under a “negative list” approach, which means that all sectors will be liberalized unless specifically indicated on the list of exception” (Schott et al. 2015: 12).

Several of our interviewees see in the liberalization of services one of the clearest signs that PTAs may be used to reform the Chinese economy. Up until recently, China’s services sector was highly protected and it seems that, with the inclusion of services chapters in PTAs, the government is pushing to liberalize services more and more. But they also point at the fact that serious restrictions remain in place and that China is not very consistent in terms of services liberalization in its PTAs.²⁷ And indeed the agreements with Singapore and New Zealand include more far-reaching provisions than for instance the more recent agreement with South Korea.

Singapore issues and IPR protection. Early Chinese PTAs did not cover Singapore issues (i.e. government procurement, trade facilitation, investment, and competition policy) and IPR protection in PTAs but we also see a shift in China’s stance here.

For instance, the PTAs with New Zealand, Pakistan, Taiwan, Switzerland, Australia and South Korea all include provisions on investment and investment promotion. However, China “is not willing to include full investment liberalization commitments” in its PTAs. It remains particularly reluctant when it comes to foreign ownership and the issue of national treatment (Berger 2013: 31). China has made some concessions in recent PTAs on foreign ownership – e.g. “Swiss companies in environmental services and certain insurance companies are now permitted to set up wholly foreign-owned enterprises” (Salidjanova 2015: 18) – but in many sectors foreign investors can still only get involved in joint ventures. What is more, China has only granted Pakistan and ASEAN full national treatment. In all other PTAs, foreign investors will be treated like domestic investors only after they have set up their operation in China, which puts them in a disadvantaged position (Salidjanova 2015).

²⁶ That is, a list on which each sector and mode of supply is explicitly listed on a schedule that indicates the type of access and treatment given to foreign services suppliers.

²⁷ Interviews with: Chinese policy advisor, Beijing, 22 November 2013; and Chinese scholar, 9 October 2014.

The protection of IPR has always been a thorny issue during China's PTA negotiations, but also here we see that China's position seems to be changing. Early PTAs contained virtually no commitments beyond what China agreed to under WTO's TRIPS agreement. However, the PTAs with New Zealand and Switzerland, both have extensive chapters on IPR protection. When compared to the TRIPS agreement, the level of IPR protection in the PTAs with New Zealand and Switzerland is substantially increased. Both agreements include provisions on the legal enforcement of IPR, measures on combatting of counterfeiting and piracy (on both imports and exports), the confiscation of suspect products, as well as (general and specific) review clauses. What is more, in terms of IPR, the PTAs with New Zealand and Switzerland also require "civil and criminal proceedings to be available to prosecute breaches of the laws and to claim compensation." IPR protection is also included in the PTA with Korea and includes provisions on copyright-, trademark- and patent protections and China accepted for the first time "extensive IPR enforcement measures."²⁸ However, these IPR provisions and enforcement measures are less extensive than in the PTAs Korea signed with the EU and the US, which suggests that China was not willing to go as far as South Korea would have liked (Schott et al. 2015). Finally, IPR issues have also been discussed during the recent PTA negotiations with Japan.²⁹

Besides provisions on investment and IPR, China also seems more willing than before to discuss provisions related to competition policy and public procurement during PTA talks. Recent PTAs include chapters on competition policy, even though these are overall rather short and relatively vague. When it comes to far-reaching concessions in the field of public procurement, the Chinese government wants to wait for the completion of negotiations on China's accession to the WTO Agreement on Government Procurement (GPA). In the PTA between China and Switzerland, for instance, it is stated that "[t]he Parties agree to commence negotiations on government procurement as soon as possible following the completion of negotiations on the accession of China to the [GPA]...with a view to concluding, on a

²⁸ Interview Beijing, November 2013.

²⁹ Interview Beijing, November 2013.

reciprocal basis, an agreement on government procurement between the Parties.”

Depth of China’s PTAs

In order to measure the overall depth of China’s PTAs we first used data gathered by Dür et al. (2014). In their dataset, the authors measure PTA depth by using a scale of 0 to 7, whereby a depth index score of 0 indicates that the PTA is very shallow whereas a score of 7 means the PTA is very deep. Depth is measured through an additive index that combines seven key provisions that can be included in PTAs (Dür et al. 2014). The first provision captures whether the agreement foresees that all tariffs should be reduced to zero. The other six provisions code for whether the agreement contains any substantive provisions in services trade, investments, standards, public procurement, competition and intellectual property rights. The second measure of depth relies on latent trait analysis. Table 2 gives an overview of the depth of China’s PTAs. The first PTAs China signed all have a low depth index scores, suggesting these PTAs were indeed relatively shallow, yet the more recent PTAs are all deep agreements. The PTAs with a depth score of 5 are in fact almost as deep as any of the deepest agreements signed by the US or the EU.

[Table 2 here]

Finally, we have looked at whether China’s PTA include dispute settlement procedures, which is usually regarded as a key characteristic of a deep and comprehensive PTA. As table 3 shows, there has been a shift in China’s willingness to include dispute settlement mechanisms in its PTAs. Most early PTAs had either no chapter on dispute settlement or just a simple arbitration procedure. The only exception is the early PTA with ASEAN, which included a full agreement on dispute settlement. From 2008 onwards, most PTAs signed by China include a chapter on dispute settlement, although the agreements with Iceland and Switzerland again only include an arbitration procedure. This suggests that China has not yet developed a habit of including dispute settlement procedures in its PTAs as a rule. What is more, if one looks at the language used in the dispute settlement chapters in China’s PTA, it

becomes apparent that the provisions are not very specific. To be sure, the chapters include basic guidelines as to how to resolve disputes but lack clear wording on crucial issues such when a panel report should be released or compensation in case of non-compliance on the side of the defendant.

[Table 3 here]

CONCLUSIONS

In this article we have studied China's PTA policy and aimed to offer a new explanation for the recent shift towards the signing of deeper and more comprehensive PTAs with developed countries. Our analysis shows that, in its official communications, the Chinese Leadership increasingly emphasizes the importance of PTAs in relation to domestic economic reform. The official rhetoric is that liberalization in trade in goods (including agriculture) and services through PTAs, and the resulting foreign competition, will lead to innovation and a stronger economy in the long run. Beijing also stresses that PTAs may help to introduce tougher IPR rules and attract more foreign investment.

But does the rhetoric meet the reality? Our findings show that China has chosen many PTA partners with whom the countries has a severe trade deficit and is willing to accept terms that offer market access for foreign producers and investors into the Chinese market, while offering less beneficial conditions for Chinese exporters. What is more, foreign competition is allowed exactly in those sectors where reform is needed according to the Chinese leadership (e.g. agriculture and services). This suggests at the very least that China uses its PTAs to incrementally increase foreign competition, which in turn could help to reform the domestic economy. In addition, China's PTAs do increasingly also include new trade rules related to overcoming regulatory differences that hinder trade flows and so-called behind-the-border measures rather than just market access. This suggests that China is using PTAs to bring its domestic regulations in line with international rules. This process has become self-reinforcing as these changes in PTA strategy have gone hand in hand with

the development of regulatory capacity and capability in the field of trade policy. A strong regulatory state is required to implement and enforce PTA commitments. This process of capacity/capability building was initiated during its WTO accession negotiations and further strengthened after joining the WTO in 2002.

Having said that, we also show that China's PTA policy is haphazard at best, as there is significant variation between PTAs in terms of which provisions are included. Also, most of China's PTAs still lack strong commitments and enforcement mechanisms, which suggests that the rhetoric of using PTAs as a way to push for domestic reform is certainly stronger than the reality. Most concluded PTAs are also still with small- or medium sized economies. A PTA with Japan, which is under negotiation, and the US or the EU would obviously have a much more significant impact on the domestic economy than the current PTAs. Is it likely that China will sign PTAs with such bigger economies? The PTAs with Australia, South Korea and Japan suggests a move towards signing agreements with bigger trading partners, but PTAs with the US and the EU are unlikely to be concluded any time soon. Recent (trade) tensions makes a US-China particularly unlikely, but China seems serious about a possible PTA with the EU and the two sides have already started official talks over a bilateral investment treaty in 2013, which is regarded as an important step towards a possible Sino-EU PTA in the future.³⁰

We do not go as far as claiming that domestic reform is the single most important determinant of China's changing PTA strategy. More modestly, we have tried to show that it is plausible that economic reforms are an increasingly significant driver behind China's new generation of PTAs. Other drivers, many of which were discussed in the literature review, clearly play a significant role as well and, depending on the negotiating partner and the timing of the negotiations, China's PTA policy is likely to be driven by a mixture of various political and economic factors. One issue we have not addressed in any great detail is the role of China's negotiating partners and/or the importance of other forms of external pressure on China's PTA strategy. That is, it could be that China signs deeper PTAs because this is the template preferred

³⁰ Interview, Beijing, November 2013.

by its negotiating partners and/or that China is just following a general trend towards deeper PTAs and feels it cannot continue to sign shallow agreements. Such external factors undoubtedly play a role, and future research should focus more explicitly on the role of external factors on China's PTA strategy, but we have shown that many of the PTA negotiations were in fact initiated by China while one could also argue that China is powerful enough to push its preferred rules on almost any other country or at the very least is in a position to decide which rules to accept.

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ANNEX

List of Chinese governmental reports

- the report of Government's Tenth National Five-Year Plan (2001-2005) (中华人民共和国国民经济和社会发展第十个五年计划纲要)
- Jiang Zemin. The official report on the 16th National Congress of the Communist Party of China, 2002-11-8 (江泽民：在中国共产党第十六次全国代表大会上的报告，2002 年 11 月 8 日)
- the report of Government's 11th National Five-Year Plan (2006-2010) (中华人民共和国国民经济和社会发展第十一个五年计划纲要)
- Hu Jintao: The official report on the 17th National Congress of the Communist Party of China, 2007-10-24 (胡锦涛：在中国共产党第十七次全国代表大会上的报告，2007 年 10 月 24 日)
- the report of Government's 12th National Five-Year Plan (2011-2015) (中华人民共和国国民经济和社会发展第十二个五年计划纲要)
- Hu Jintao: The official report on the 18th National Congress of the Communist Party of China, 2012-11-8(胡锦涛：在中国共产党第十八次全国代表大会上的报告，2012 年 11 月 8 日)_
- The official report of comprehensive deeper reform in China on the third plenary session of 18th national congress of CPC.2013-11-15(《中共中央关于全面深化改革若干重大问题的决定》2013 年 11 月 15 日)

TABLES

Table 1: China's PTA activity (2001-2019)

Under Consideration (joint feasibility study conducted) (6)	Under Negotiation		Signed and in effect (15)
	Framework Agreement signed (1)	Negotiations launched (9)	
China-Columbia PTA Joint Feasibility Study	Asia-Pacific Trade Agreement	China-Gulf Cooperation Council PTA (since 2004)	China-Hong Kong Closer Economic and Partnership Arrangement (2003)
China-Fiji PTA Joint Feasibility Study		China-Norway PTA (since 2008)	China Macau Closer Economic and Partnership Arrangement (2003)
China-NePal PTA Joint Feasibility Study		China-Pakistan (second phase) (since 2011)	China-ASEAN (2004)
China-Papua New Guinea PTA Joint Feasibility Study		Regional Comprehensive Economic Partnership (RCEP) (since 2012)	China-Chile (2005)
China-Canada PTA Joint Feasibility Study		China-Japan-Korea PTA (since 2012)	China-Pakistan (2006)
China-Bengal PTA Joint Feasibility Study		China-Sri Lanka PTA (since 2014)	China-Singapore (2008)
China-Mongol PTA Joint Feasibility Study		China-Singapore Upgrade (since 2015)	China-New Zealand (2008)
China-Palestine PTA Joint Feasibility Study		China-Israel PTA (since 2016)	China-Peru (2009)
China-Peru Upgrade PTA Joint Feasibility Study		China-New Zealand Upgrade (since 2017)	China-Taiwan Economic Cooperation Framework Agreement (2010)
China-Switzerland Upgrade PTA Joint Feasibility Study		China-Mauritius PTA (since 2017)	ASEAN-China Free Trade Agreement (ACFTA) (2010 + upgrade 2015)
		China-Moldova PTA (since 2017)	China-Costa Rica (2011)
		China-Panama PTA (since 2018)	China-Iceland (2013)
		China-Korea PTA (second phase) (since 2018)	China-Switzerland (2013)
			China-Korea (2014)
			China-Australia (2015)
			China-Maldives (2017)
			China-Georgia PTA (2017)
			China-Chile update(2017)

Source: <http://fta.mofcom.gov.cn/english/index.shtml>

Table 2: Depth of Chinese PTAs

PTA partner	Year	Depth
Hong Kong	2003	2
Macao	2003	2
ASEAN (goods)	2004	2
Chile	2005	3
Pakistan (goods)	2006	3
ASEAN (services)	2007	3
Singapore	2008	4
New Zealand	2008	4
Pakistan (Services)	2009	4
Peru	2009	5
Costa Rica	2011	4*
Iceland	2013	5*
Switzerland	2013	5*
South Korea	2014	5*
Australia	2015	5*
ASEAN plus	2015	5*
China-Maldives	2017	5*
China-Georgia	2017	5*
China-Chile	2017	5*

Source: All data from Dür et al. (2014) except for those indicated with * = author's estimate based on method used by Dür et al. (2014).

Table 3: Dispute settlement procedures in Chinese PTAs

PTA partner	Year	Inclusion of dispute settlement?
Hong Kong	2003	N/A
Macao	2003	N/A
ASEAN	2004	Separate agreement on dispute settlement mechanism
Chile	2005	Arbitration procedure
Pakistan	2006	Arbitration procedure
Singapore	2008	Arbitration procedure
New Zealand	2008	Chapter on dispute settlement
Peru	2009	Chapter on dispute settlement
Costa Rica	2011	Chapter on dispute settlement
Iceland	2013	Arbitration procedure
Switzerland	2013	Arbitration procedure
South Korea	2014	Chapter on dispute settlement
Australia	2015	Chapter on dispute settlement
ASEAN plus	2015	Separate agreement on dispute settlement mechanism
China-Maldives	2017	Chapter on dispute settlement
China-Georgia	2017	Chapter on dispute settlement
China-Chile	2017	Separate agreement on dispute settlement mechanism in investment

Source: <http://fta.mofcom.gov.cn/english/index.shtml>