Chapter VI
Cooperation in Global Trade and Investment Opening-up

Cooperation in opening-up of trade and investment is in the common interest of all countries in the world. Since World War Ⅱ, more countries have reduced barriers blocking cross-border flow of goods, capital, information, and personnel through multilateral, bilateral and regional negotiations, and become participants, beneficiaries and promoters of opening-up cooperation. Globally, international trade and cross-border investment facilitation and liberalization have continued to grow, which has promoted global economic growth and peaceful development.

I. Opening-up Practices in International Trade

Throughout the history of international trade, free trade and trade protectionism have engaged in long-term gaming. Since the GATT took effect, trade liberalization and facilitation have entered an institutionalized track. The multilateral trading system and regional bilateral trade agreements have jointly pushed for tariff and non-tariff barrier reduction, extending from *opening-up at the border* to *opening-up behind the border*. Remarkable progress has been made in market opening-up in global trade in goods and services.

1. Trade in goods

The actual level of tariffs in the world has fallen generally. The level of import tariffs of various countries has been significantly reduced, which has strongly pushed forward the development of international trade. From 1995 to 2017, the simple average applied tariff rate for all products in the world fell from 12.2% to 5.2%①, and the most-favoured-nation weighted average tariff rate from 15.4% to 9.5%②. After 2018, the tariff level of some economies has increased slightly. From a regional perspective, zero tariff would be applied to more than 90% of the traded goods after the RCEP takes effect.

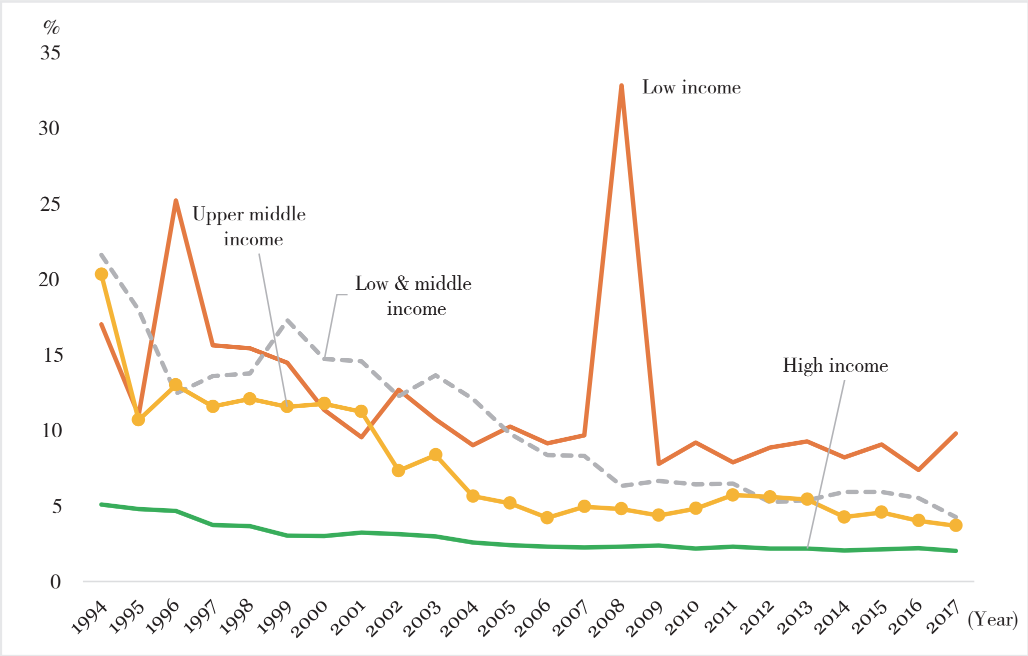

Figure 6-1 Weighted Average Applied Tariff Rate of All Products (%)

Source: The World Bank (2021). World Development Indicators, online dataset.

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① Simple mean applied tariff is the unweighted average of effectively applied rates for all products subject to tariffs calculated for all traded goods. Data are classified using the Harmonized System of trade at the six- or eight-digit level. Tariff line data were matched to Standard International Trade Classification (SITC) revision 3 codes to define commodity groups. Effectively applied tariff rates at the six- and eight-digit product level are averaged for products in each commodity group. When the effectively applied rate is unavailable, the most favored nation rate is used instead. To the exte. See webpage: https://data.worldbank.org.cn/indicator/TM.TAX.MRCH.SM.AR.ZS.

② Weighted mean most favored nations tariff is the average of most favored nation rates weighted by the product import shares corresponding to each partner country. Data are classified using the Harmonized System of trade at the six- or eight-digit level. Tariff line data were matched to Standard International Trade Classification (SITC) revision 3 codes to define commodity groups and import weights. Import weights were calculated using the United Nations Statistics Division's Commodity Trade (Comtrade) database. See webpage: https://data.worldbank.org.cn/indicator/TM.TAX.MRCH.SM.FN.ZS.

Headway has been made in reduction of non-tariff barriers. From 1995 to 2008, 1,728 non-tariff barriers were removed globally. After the global financial crisis, protectionism has been on the rise. The global trade environment came to be tightening, and some economies adopted unified standards to reduce non-tariff barriers through regional or bilateral negotiations. The EU and Japan, based on their *Economic Partnership Agreement* (EPA), have jointly adopted uniform safety and environmental protection standards in the automotive field, uniformly used international standards for quality management system in the medical device field, and uniformly used international textile labeling system in the textile field. On the basis of the WTO *Agreement on Sanitary and Phytosanitary Measures*, RCEP has further strengthened provisions for the implementation of pest-free and low-endemic areas, risk analysis, examination and approval, certification, import inspection, and emergency measures. In 2020, the novel coronavirus raged across the world. Some economies provided facilitation measures, such as tariff reduction and exemption for imports of anti-pandemic materials. According to the WTO report in July 2021, since the outbreak of the epidemic, members have implemented 248 trade promotion measures in the field of goods, which is much higher than the number of trade restriction measures.

The level of trade facilitation has risen significantly. Driven by the WTO *Agreement on Trade Facilitation* and other multilateral rules, many countries have continued to raise their trade facilitation levels and voluntarily improved their business-doing environment. For example, the Eurasian Economic Union pushed forward the establishment of a single window system to improve customs clearance efficiency. From 2016 to 2020, the compliance time for Russia's export documents was reduced from 72 hours to 66 hours, and its compliance time for import documents was reduced from 96 hours to 72 hours. In Kazakhstan, the border compliance time of export dropped from 133 hours to 105 hours. Former WTO Director-General Roberto Azevedo once pointed out that the implementation of trade facilitation measures by countries can increase global trade by more than $1 trillion each year.

2. Service trade

Market entry thresholds continue to decline. Accordign to the *General Agreement on Trade in Services* (GATS), all members have committed to opening up their services industry, and the level of openness of the developed economies is generally higher than that of the developing economies. Since the start of the 21st century, GATS negotiations have suffered setbacks, but through participating in bilateral and regional trade negotiations, countries have made more preferential commitments in the services industry and further lowered market entry barriers. For example, in the *Korea-US Free Trade Agreement* (KORUS), South Korea expands its market access commitments to almost all service sectors and allows cross-border services and commercial presence in the form of e-commerce. Canada opened up new maritime transportation market and dredging services to the EU after the EU-Canada *Comprehensive Economic and Trade Cooperation Agreement* (CETA) became effective. Another example is RCEP, under which the 15 RCEP members have all made opening-up commitments in the services industry that are more preferential than their commitments made in the ASEAN 10+1 Free Trade Agreement. Except for the three least developed countries of Laos, Cambodia and Myanmar, other signatory parties have all pledged to increase the number of service sectors to be opened up to more than 100 (out of 160 service sectors, according to WTO categorization).

Service liberalization continues to improve. In terms of trend of service trade liberalization, the *International Trade in Services Agreement* (TiSA) negotiations, which became effective in 2013, cover all areas of the services industry, including emerging services industries, such as e-commerce and information services, and conform to the development trend of global information technology and digital trade. Although they have not yet made substantial headway, they represent the direction of further expansion of service trade liberalization. In terms of practices of service trade liberalization, some countries have gradually relaxed areas that were once strictly restricted. In terms of foreign shareholding restrictions, India opened its retail industry in 2012, allowing foreign retailers to hold up to 51% of the shares of joint ventures; in 2016, foreign shareholding restrictions for civil aviation companies and broadcast and cable media were lifted. Regarding the movement of natural persons, Germany simplified the evaluation and certification procedures of foreign vocational certificates in 2012, lowering the threshold for high-quality talents to enter Germany. Later, it launched the MobilPro-EU program to facilitate flow of professionals from within and outside the EU.

The negative list model has gradually become the mainstream practice. Under the GATS framework, countries adopt a positive list approach and make commitments on market access and national treatment for the four service provision methods. TiSA requires adoption of a mixed list model, that is, a positive list for market access and a negative list for national treatment, which improves the flexibility of GATS commitments. In recent years, under the framework of FTAs led by developed countries, such as the *Comprehensive and Progressive Trans-Pacific Partnership Agreement* (CPTTP), the EU-Japan *Economic Partnership Agreement* (EPA), the *United States-Mexico-Canada Agreement* (USMCA), among others, a negative list model has been adopted; restrictions on service providers shall not be imposed outside of the sectors included in the negative list. At the same time, some agreements have also included a "ratchet provision" to lock in the service trade liberalization commitments made by the contracting parties so that they would not go back on their commitments; in this way, it promotes the continuous expansion of openness in the services industry. The eight members of the RCEP that have made promises on the positive list also include negative list elements, such as the ratchet plus most-favoured-nation treatment or transparency lists, to achieve a relatively high level of service trade liberalization based on the negative list model within six years after the agreement entered into force.

II. Opening-up Practices in International Investment

After the end of the Cold War, peace and development have become the main theme of the times; more and more multinationals have stepped out of national boundaries and developing countries have expanded entry of foreign capital, leading to the rapid growth of international investment. Countries have continued to relax restrictions on foreign investment, included more investment liberalization and facilitation provisions in regional bilateral agreements, and continued to explore multilateral investment rules to achieve substantial progress in the opening-up of international investment.

1. Significant relaxation of foreign investment restrictions

The developing countries have been bold in lauching reforms. In general, the developed countries have a better foundation for investment liberalization, while the developing countries have made greater progress. According to the latest FDI