

the European Union. It has also established a multi-party interim appeal arbitration arrangement with more than 40 members, including the European Union.

II. Accelerating Construction of Free Trade Areas

In 2002, the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China was signed, starting China's process of building free trade area. In 2007, China for the first time put forward the implementation of free trade area strategy. After more than a decade of hard work, China's free trade area construction has developed rapidly, the number of free trade partners has continued to increase, and the contents of relevant agreements have become increasingly substantial. As a result, it has largely built a high-standard free trade area network that is based on neighboring regions, connected with the Belt and Road Initiative, and aimed at the whole world, thus making positive contributions to global openness development.

1. Positive progress made in the construction of free trade areas

China's free trade *circle of friends* is getting wider and wider. In recent years, the construction of China's free trade areas has accelerated, and free trade agreements have been reached with Iceland, Switzerland, South Korea, Australia, Georgia, Maldives, Mauritius, Cambodia, among others. Among them, the free trade agreements it signed with Iceland and Switzerland mark a major breakthrough in the establishment of free trade areas with European countries; the free trade agreements it signed with South Korea and Australia are important in the sense that it has signed such agreements with major advanced economies. The agreement it signed with Georgia marks the first such agreement it has signed with a Eurasia country. And the agreement it signed with Mauritius marks the first such agreement with an African country. In November 2020, the *Regional Comprehensive Economic Partnership Agreement* (RCEP) was officially signed by its participating members, marking the formal launch of the free trade area with the largest population, the largest economic and trade scale and the most development potential in the world in which China has participated. By the end of 2020, China had signed 19 free trade agreements with 26 countries and regions, with free trade partners covering Asia, Africa, South America, Oceania and Europe.

Level of liberalization continues to improve. In terms of trade in goods, through

the negotiation and signing of free trade agreements, the level of tariffs on goods flowing between China and its free trade partners has been greatly reduced, and the ratio of zero-tariff items to total taxed has exceeded 90%, so has the ratio of import value of zero-tariff products to total import value, marking a new height of opening-up in the field of trade in goods. In the field of service trade, on the basis of fulfilling its WTO commitments, China has opened up nearly 20 more service sectors in accordance with relevant WTO free trade rules, and the level of openness of the originally promised sectors has been further improved.

Box 10-1 China Raises Level of Openness in Trade in Goods through Free Trade Agreements

First, new breakthroughs have been made in China's level of liberalization of trade in goods. In 2017, negotiations on upgrading the China-Chile Free Trade Area were completed, raising the level of liberalization of trade in goods to 97.5%.

Second, a moderate opening of more sensitive products is achieved. For example, the China-Switzerland Free Trade Agreement covers some tariff reductions for machine tools, and the China-Australia Free Trade Agreement opened up dairy products, while the China-Korea Free Trade Agreement covers reduction of tariffs on some chemical products and LCD displays.

Third, the level of facilitation of trade in goods is raised. For the first time, the China-Switzerland and China-Australia free trade agreements include the clause of self-declaration of certificate of origin and enterprises can directly enjoy preferential tax rates of the free trade areas after submitting invoices and other materials.

Box 10-2 China Achieves New Progress in Service Trade Openness through Free Trade Agreements

China is opening-up to its free trade partners at a higher level in banking, insurance, value-added telecommunications, tourism, transportation, medical care, management consulting and other service sectors. In the China-Singapore Free Trade Agreement, China persuaded Singapore to agree to issue full chartered banking license to Chinese banks in Singapore for the first time. In the China-Switzerland, China-New Zealand, and China-Maldives free trade agreements, China has persuaded them to agree to make opening-up commitments regarding the entry of traditional Chinese medicine practitioners and

the incorporation of traditional Chinese medicine into their respective medical insurance coverage.

Negotiation topics expanded continually. In terms of negotiation of free trade area rules, China has taken into consideration the actual situation and explored ways to gradually expand its topics to competition, e-commerce, and environment, among others. It has promoted rule negotiation and regulatory cooperation in an all-round and multi-angle manner, and promoted the appropriate integration of the two parties' regulatory systems, procedures, methods, and standards through more flexible information exchange, mutual recognition of standards and qualifications, and technical cooperation. For those free trade agreements that were signed earlier, it has made them more responsive to the actual needs of economic and trade development through signing of supplementary agreements or upgrading of free trade agreements.

Box 10-3 China Realizes New Expansion of Rule Negotiation through Free Trade Agreements

The China-Iceland Free Trade Agreement, signed in 2013, for the first time includes a chapter on competition. The China-Switzerland Free Trade Agreement for the first time has a chapter on environment, and the free trade agreements China signed with Korea and Australia in 2015 for the first time established an e-commerce chapter.

Judging from the ongoing free trade negotiations, the issue of rules has become one of the important contents. China-Japan-Korea, China-Gulf Cooperation Council (GCC), China-Israel, and China-Norway free trade agreement negotiations all involve rule issues. In the second phase of the China-Japan-Korea Free Trade Agreement and the China-Korea Free Trade Agreement negotiations, service trade and investment negotiations were conducted on a unified negative list, making them in line with high-standard international practices in terms of negotiation mode.

2. Good results achieved in free trade area implementation

Bilateral trade expanded. In 2020, the import and export volume between China and its free trade partners (excluding Hong Kong, SAR, Macao, SAR and Taiwan region) increased by 3.2%, 1.3 percentages higher than the global import and export growth rate. It accounts for about 35% of China's total foreign trade. The signing of

free trade agreements has further released the potential of bilateral trade. Take the China-ASEAN Free Trade Area. In 2020, the volume of trade in goods between the two sides reached \$684.6 billion, which is more than double that in 2010, when the free trade area was fully accomplished, or up by 9% annually on average.

Box 10-4 China Shares Development Opportunities and Results with Its Free Trade Partners

Research by the Korea Institute for International Economic Policy (KIEP) shows that in the first year after the China-Korea Free Trade Agreement came into effect in December, 2015, the diversity of trade commodities between China and Korea had improved; the types of Korean products exported to China increased by 26, and the valued of agricultural, livestock, and aquatic products exported to China increased by 7.8%.

According to statistics of New Zealand, since the implementation of the China-New Zealand Free Trade Agreement in 2008, the country's export of milk, eggs, honey and other edible animal products to China had increased tenfold in just five years. In 2018, New Zealand's exports to China increased by 12.2%, accounting for 24.2% of its total exports. Its trade surplus with China was \$990 million.

Consumer wellbeing increases. By reducing tariff barriers, free trade agreement lowers market prices of products on which the involved countries have a comparative advantage and enriches choices of consumers. For example, thanks to the China-ASEAN Free Trade Area, tropical fruits from ASEAN countries enter the Chinese market, and their prices are becoming more and more affordable. Meanwhile, fruits that are grown in northern China can also be quickly transported to those ASEAN countries and placed on the table of their consumers. After the implementation of the China-Chile, China-Korea and China-Australia free trade agreements, cherries from Chile, household chemicals and appliances from Korea, and dairy products and wine from Australia have all had access to the Chinese market.

Box 10-5 China-ASEAN Free Trade Area Enriches Consumer Choices

Tropical fruits such as durian, dragon fruit and mango from ASEAN countries can quickly enter supermarkets in China through Guangxi's ports. Apples, pears, cantaloupe, and grapes from northern China can also quickly enter the ASEAN consumers through

Guangxi's ports. China is the world's largest producer of apples, with an annual output of 30 million tons. In recent years, China has exported large quantities of apples to the ASEAN markets through the Pingxiang Port in Guangxi. Xianyang city in Shaanxi is 2,600 kilometers away from Pingxiang and it takes about 30 hours for products to be transported from Xianyang to Pingxiang by highway. It is the most convenient land route to ASEAN. ASEAN has become the largest market for fruit sales in Shaanxi province.

Important platform for global openness cooperation. China regards the construction of a free trade area as an important platform for the active participation in international economic and trade cooperation and global economic governance. It has continuously improved the contents of free trade area construction, balanced flexibility and pragmatism, and innovated cooperation modes, which have been recognized and supported by its free trade partners. The cooperation concepts it has raised, such as openness, inclusiveness, balance, and mutual benefit, have been identified by more and more countries.

III. Actively Participating in Various Economic Governance Mechanisms

China adheres to the global governance concept of extensive consultation, joint contribution and shared benefits. It is a staunch defender, supporter and practitioner of multilateralism. It carries out policy coordination and pragmatic cooperation with all parties in a constructive way through multilateral and regional cooperation platforms, such as the United Nations, G20, APEC, and BRICS, so as to promote a more mature global economic governance system.

1. Actively pushing forward economic governance through the platform of UN

China resolutely defends the international order and regime with the United Nations as the core and the philosophy and principles of the Charter of the United Nations as the foundation. It promotes the integration of global governance concepts of extensive consultation, joint contribution and shared benefits into important United Nations meetings, resolutions, and documents, and supports raising the representativeness and voice of developing countries in global economic governance. It also supports efforts to improve global economic governance mechanisms.