

# Trade Outlook 2017 – Chinese Perspective

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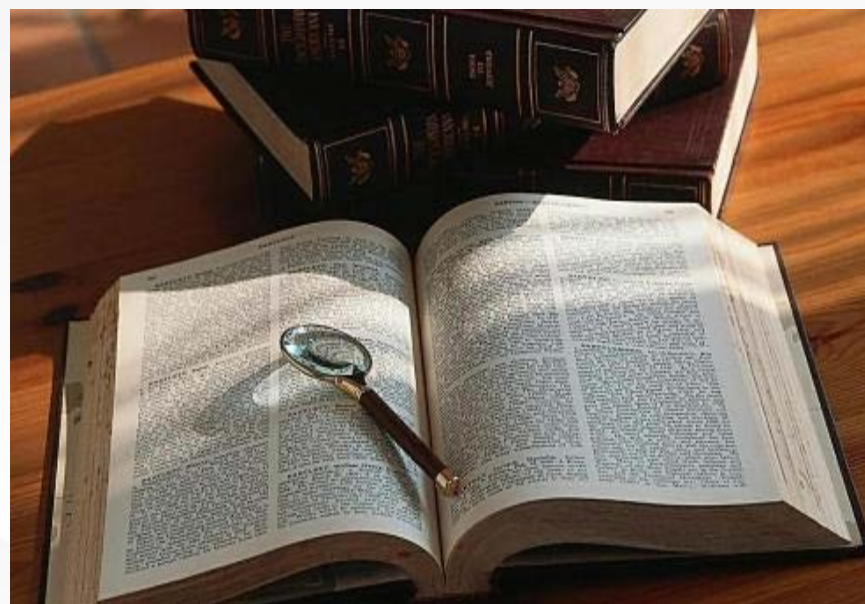
# Steven Yu



- “China Client Choice – Top 20” (2015 and 2016) by *Asia Legal Business*
- “Top 100 lawyers located in mainland China and Hong Kong” – “A List” by *China Business Law Journal*
- Worked at Shanghai WTO Affairs Consultation Center before joining private law practice, and also in DC-based law firm
- Visiting Fellow at the Law School of Georgetown University
- Policy and legal advisor to Shanghai MOFCOM and Jiangsu MOFCOM
- Adjunct professor for several Chinese law schools
- Practice areas: Corporate, FDI/ODI, M&A and International trade

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# I. Global Economy

## ***The Stagnation of the Global Economy***

The Conference Board: “The global economy has now entered its sixth year of stagnation, and the growth outlook for 2017 shows a continuation of this trend”.

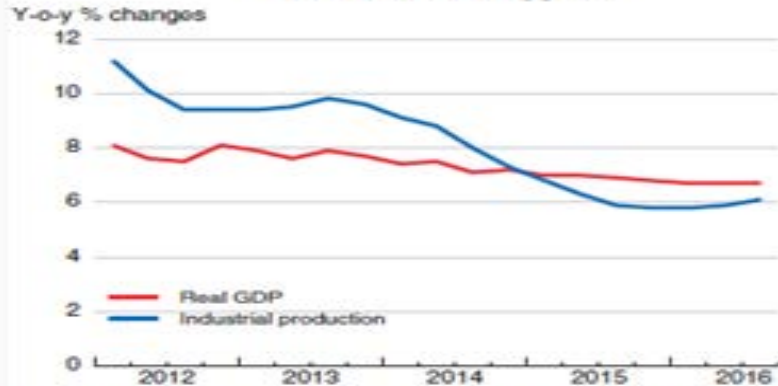


Further challenges to global economic prospect in 2017 forecast by the Conference Board:

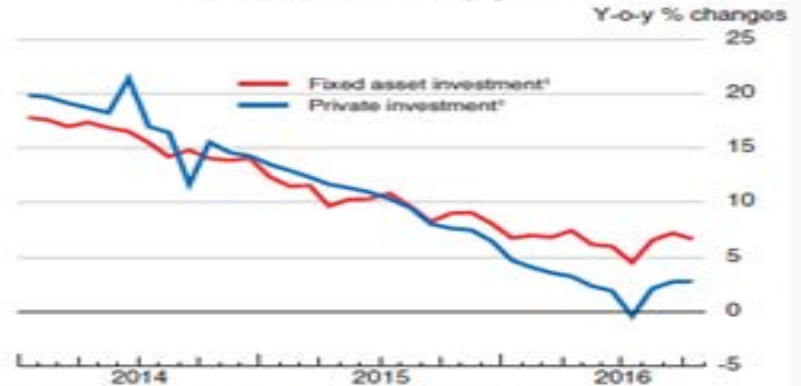
- looming labor shortage in mature economies
- skill deficiencies in emerging markets

# China-Economic Situation Summary

**Industrial output growth has remained sluggish**



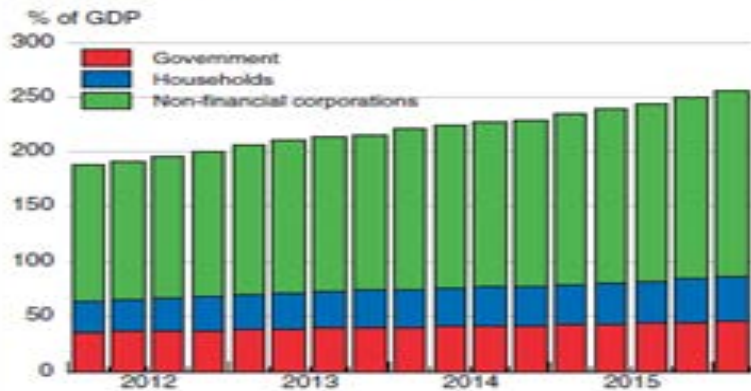
**Private investment growth has declined sharply**



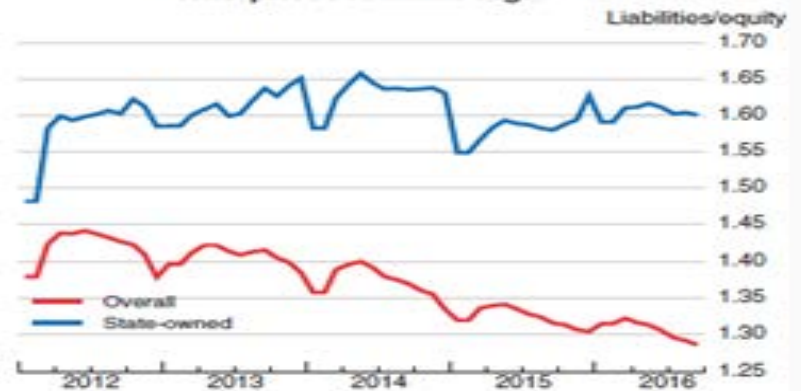
1. Fixed asset investment and private investment refer to nominal values and do not include investment by rural households.  
Source: CEIC.

StatLink <http://dx.doi.org/10.1787/888933437512>

**Corporate debt is mounting**



**The leverage<sup>1</sup> of state-owned enterprises remains high**



1. Leverage is defined as the liabilities-to-equity ratio. Overall as well as state-owned refer to industrial enterprises.  
Source: CEIC.

StatLink <http://dx.doi.org/10.1787/888933437520>

# ***Chinese Economy***

- Growth rate lower
- Domestic consumption booming but unbalanced
- RMB depreciation expected (while depreciations in other new markets)
- Other challenges

## ***Trade Protectionism Intensified***

International Monetary Fund (“IMF”) Sees Subdued Global Growth, Warns Economic Stagnation Could Fuel **Protectionist** Calls:

- Global growth subpar at 3.1 percent in 2016, with slight increase to 3.4 percent in 2017
- Persistent stagnation in advanced economies could further fuel anti-trade sentiment, stifling growth
- Countries need to rely on all policy levers—monetary, fiscal and structural—to lift growth prospects



## **II. Political Environment**

# The changing nature of EU

As statistics indicated below, Europe has become a regional trading hub. Over three-fifths of EU member-states' trade in goods is conducted among themselves. Intra-EU trade expanded less rapidly than extra-EU trade over the last decade, but it still managed growth of 5.4 per cent a year, suggesting that European regional trade integration is far from exhausted.

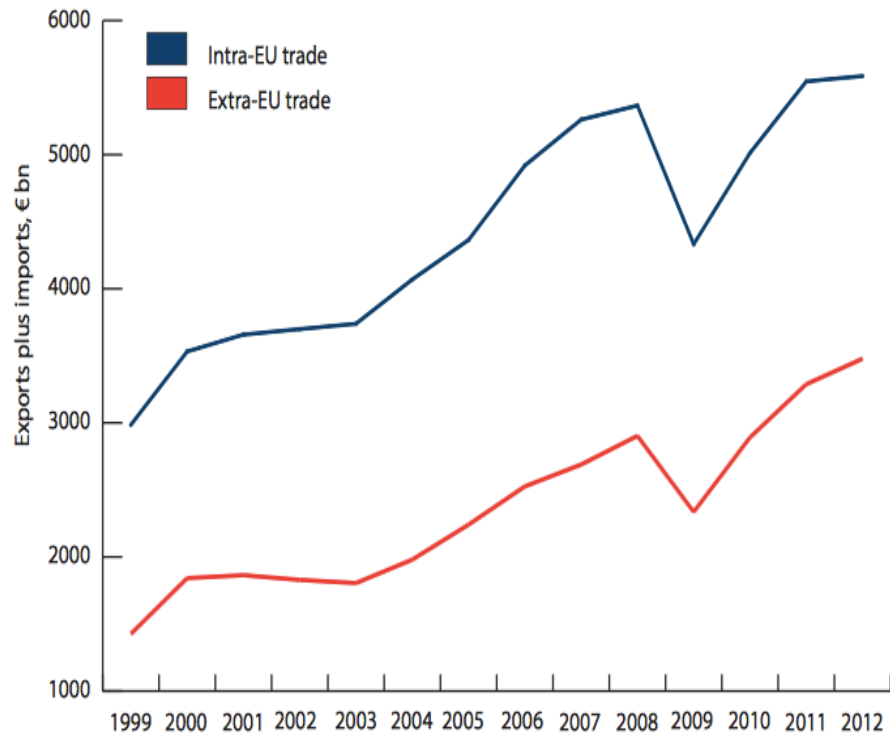


Chart 1.1:  
Trade between member-states of the EU and between the EU and the rest of the world

Source: Eurostat.



## UK' s options for future relationship with EU

**There would be a number of potential options for managing its trading relationships with EU:**

- Remain membership of the EEA (the Norway option);
- A customs union, similar to the one the EU has with Turkey;
- A basket of bilateral agreements such as that which exists between Switzerland and the EU;
- A so-called ‘vanilla’ free trade agreement such as the ones the EU has with countries ranging from South Korea to South Africa;
- Trade with the EU under World Trade Organization (WTO) rules.



# UK's future Trade negotiations with non-European countries

- **If Britain leaves, it will not inherit the EU's bilateral trade agreements; it will have to renegotiate trade agreements with non-European countries from scratch.**
- **What non-tariff barriers and tariffs UK is prepared to cut ?The UK will need to consider whether to continue to apply anti-dumping and anti-subsidy measures imposed by the EU**

For example, At the moment, the European Commission slaps Chinese-made bicycles with a 48.5% anti-dumping duty. This protectionist tariff was first applied in 1993 as a response to the huge volumes of cheap Chinese-made bikes flooding European markets and threatening the livelihood of European bicycle producers. However, a newly-independent United Kingdom might not adopt this tariff. Only 52,000 bikes were produced in the UK according to CONEBI's 2014 figures and it appears that the vast majority of these were Brompton folding bicycles – and most of those were exported.



# The Trump Administration's International Trade and Economic Policy Prediction

## ➤ A Trade War With China Is Likely?

A centerpiece of Trump's winning campaign strategy is trade protectionism. To gain the support from blue-collar manufacturing workers in the American heartland, Trump has vowed, among other things, to abrogate trade agreements and impose unilateral tariffs. In the case of China, he has floated the idea of slapping tariffs as high as 45% on imports from China.

## ➤ Renegotiate NAFTA?

If withdrawal from NAFTA would result in "substantial" benefits for U.S. industries and workers, Trump's US Trade Representative would formally notify Canada and Mexico of its request for negotiations regarding "immigration, currency manipulation, increased labor and environmental standards, trucking safety rules and other areas of concern.

## ➤ Withdraw from TPP ?

Trump's unconditional opposition to TPP leaves virtually no possibility that it will be brought up for a vote in the current lame duck session of Congress.





## President Trump and his nominees!

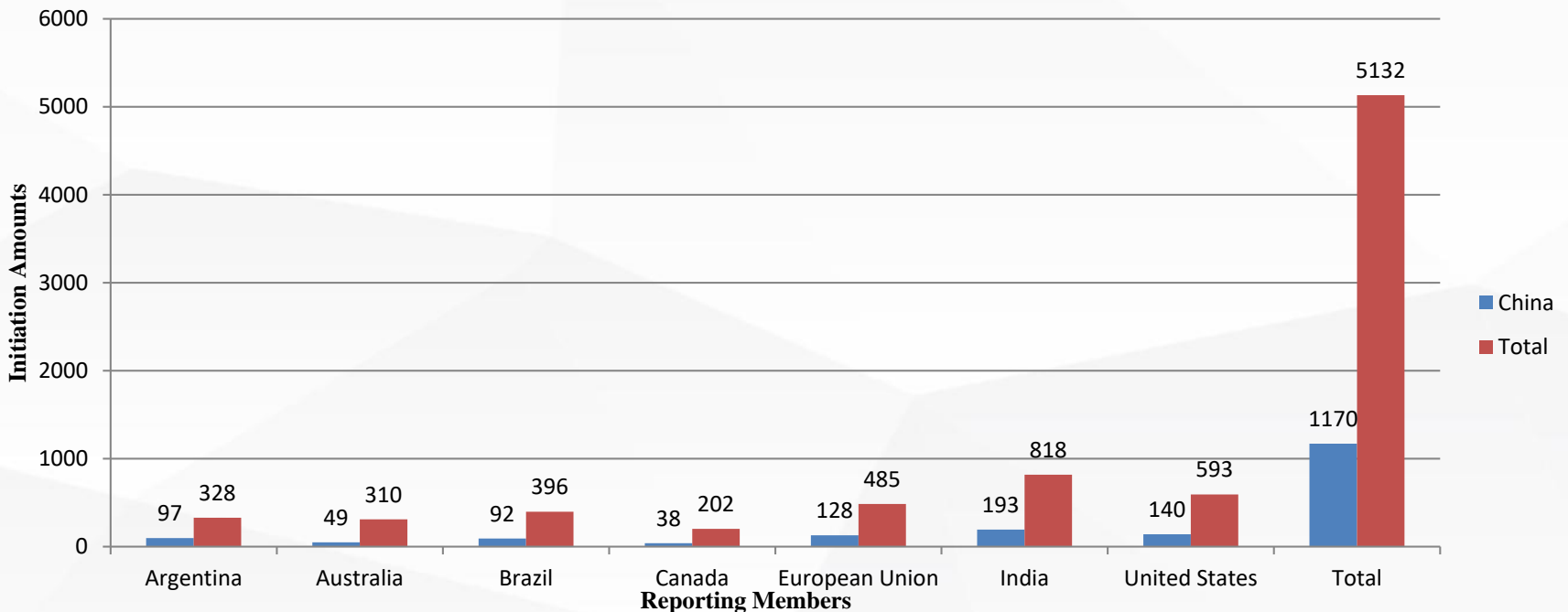


# **III. Chinese Prospective on International Trade**

## Review: Trade Remedy Against China

China as the world's anti-dumping and countervailing duty investigation of the most serious economic body, has been for 21 consecutive years to become the largest target of anti-dumping.

**Anti-dumping Initiations: Reporting Members vs Exporter 01/01/1995-30/06/2016**



Data Source: WTO



## Review: Trade Remedy Against China

According to MOFCOM statistics, in the year of 2016, Chinese exporters have suffered a record number of 119 trade remedy probes initiated by 27 countries or regions in 2016, a 36.8 percent increase year-on-year”

- The 91 anti-dumping and 19 anti-subsidy investigations, as well as nine safeguard measures involved \$14.34 billion, up 76 percent from 2015 levels.”
- Almost half of the probes, or 49 investigations initiated by 21 countries or regions involving \$7.895 billion, targeted **Chinese steel products**.



## Forecast in 2017: Trade Remedy Against China

In view of the continuation of the global economic stagnation and the changes in the international political environment, Chinese exports will be hampered by:

**Traditional Trade Remedy Measures:** antidumping, countervailing, safeguard measures, 337 investigations, etc.

**Other “creative” Measures:** for example, Donald Trump said he would impose a 45 percent tariff on imports from China.

## Market Economy Status of China

China has long been categorized by many WTO Members as a Non-Market Economy, which often leads to the determination of higher anti-dumping duties. The Chinese WTO Accession Protocol contains an expiration clause that many scholars believe is the basis for the automatic shift of China's status from Non-Market Economy to Market Economy in 2016. But many main countries still consider China as Non-Market Economy after the expiration date (2016-12-11).



## Market Economy Status of China

Possible practices of WTO members to China's Market Economy Status:

1. Take the initiative to amend the law to make it consistent with the WTO rules

2. Take a delay tactic to obtain market, time and space as much as possible

3. Disguised maintenance of the discriminatory practices (e.g. European Union)

## Market Economy Status of China

Lodge a complaint  
with DSB

Actively promote  
bilateral negotiations

China will take  
all legal and necessary  
actions in response to  
ignorance of its graduation  
from  
NME status

Take efforts to promote  
the revision and  
improvement of  
international trade rules

Implement trade remedy  
measures to maintain the  
safety of the domestic  
industry and protect fair  
competition

## Outlook for the year with **TURBULANCE**

Trade remedy measures are a double-edged sword, and in face of the weak world economic recovery, China hopes that all countries would use them in a prudent, restrained and standard way. China is willing to work with all countries to solve frictions through negotiation and cooperation, so as to overcome pressure from the weak economic recovery and create shared development and prosperity.



# **IV. Question and Discussion**



HIWAYS

LAW FIRM

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Thank you!

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