

China in the Network of Regional Integrations

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Possibly the most important change in world economy in the last 40 years has been China's entering into its new global position: having left its marginal situation behind, it has become the world's no. 1 exporting country and has also earned a second position right behind the US as to world output.¹ This fast development is a clear result of China's 'Reform and Opening' policy (Majoros 2011, pp. 178-191): in 1980, China's share in the world trade was slightly below 1 percent, while it reached 4 percent 21 years later, when the country joined the WTO, and 13 percent in 2016 (preliminary figure). Between 1980 and 2010, China's economy produced an average annual growth of 10 percent, but exports already exceeded 15 percent (Majoros, *ibid*). Chinese economy slightly slowed down in the following years, but exports growth seems to steadily exceed the country's economic growth. According to the IMF's and the OECD's forecasts, by 2030, China might also overtake the US in production. (In 2002, the National Congress of the Communist Party of China set this objective for 2049.)

Data show that China tripled its exports at the beginning of the new millennium. The fact that China joined the WTO in 2001 played a big part in this achievement, but its new politics and economic policy also helped the country to sharply increase FDI inflow. After 2001, for a short period of time, China was the No.1 destination country for foreign investment, otherwise it holds its strong second overall position behind the US. Capital inflow has resulted in the appearance of new modern technology, the expansion of employment, a massive increase in export capacity and also entailed an increase in budgetary revenues. But let us not forget that in China capital inflow strengthened free market thinking as well.

It is worthwhile to mention that China's WTO membership played an important role in the country's economic success. In return for the country's most favourable treatment and a preferential treatment for the trade of many of its products, China has significantly lowered its customs tariffs, opened up partly its market and also started to implement and apply the WTO's standards and regulations. However, a

¹ The People's Republic of China will be simply referred to as China.

membership in the WTO does not necessarily mean that a given country's market economy status be automatically assumed. As a consequence of this, China's exports had to face anti-dumping procedures several times for alleged market disruption. At the beginning of the new millennium, the new trade policy is a clear result of the increased number of commercial conflicts and the discriminatory behaviour against China. Another reason for this was the fact that during the 2008/2009 world economic crisis many countries, developed countries as well, have implemented protectionist economic measures – leaving no other choice to China either.

1. Changes in China's Foreign Trade Policy

The earlier multilateral approach has been replaced by a bilateral one: due to the failure of the WTO Doha Round, the sustained uncertainty about China's market economy status, and the fierce competition between China and Japan for the No. 1 position in Asia, China has elaborated a new foreign trade strategy in order to become a centre of gravity for trade in the region. This change in the strategic thinking was partly entailed by the shift in US President Obama's strategic thinking: due to TTIP and TPP integrational negotiations between the EU and the US, China found itself in a situation where its foreign trade could suffer discrimination from developed countries. At the Asia-Europe Meetings (ASEM) the enlargement of trade relations is a central issue, which reflects the EU's will to intensify its foreign trade relations with countries of the South-East Asian region (during the first ten years, Central Asian countries were all absent from ASEM negotiations). This was interpreted by China as a manoeuvre being directed against its interest and it undertook to open negotiations with the countries of its region to conclude free trade agreements. It is important to underline that according to GATT/WTO regulations exemption from customs duties within the free trade area does not necessarily have to be expanded to other WTO member states as well. This was (and still is) an important reason why developed countries (EU, USA, Japan) apply the same method to improve their market positions. No space is allowed here to analyse how this process will affect the WTO,² but to be sure, it will contribute to the weakening of the multilateral frameworks.

Immediately after its accession to the WTO, China opened negotiations with the ASEAN countries in order to promote a free trade agreement. Moreover, the idea of a free trade area was first raised by Zhu Rongji, China's prime minister in 2000 during the China-ASEAN summit, even before the country's accession to the WTO. This

² This issue is analyzed in detail in Kruppa 2016.

offer took many by surprise: one of its objectives could have been to meet ASEAN member countries' growing concerns about the potential economic impacts of China's 2001 accession to the WTO, while still underlining the mutual benefits (the win-win balance) of such a relationship. One of China's reasons could have possibly been its strive to gain a first-mover advantage against Japan in their competition for dominance.

In order to secure its trade positions, China has signed agreements for a broad economic cooperation with Hong Kong, Macao and Taiwan. These agreements were also followed by further agreements: at the end of 2016 China had 14 existing free trade agreements, 9 ongoing free trade negotiations and preparatory negotiations with 6 other partners. These agreements are not identical as China's trade diplomacy is mostly characterised by pragmatism in this respect: the content and the scope of each contract is in fact different. Agreements also incorporate dispositions as regard to the trade in products and services, investment protection, protection of origin and the avoidance of double taxation (this is the reason why the acronym RTA [Regional Trade Agreement] occurs more and more often in the literature, having a slightly different focus than the previously used FTA (Free Trade Agreement)). Hilpert (2014) believes that bilateral, regional cooperation cannot be regarded as an alternative to the world trade system (WTO), but should rather be perceived as a complement to this. I cannot completely agree with this view as changes on the global scene show that all world trade operators have turned to bilateralism. WTO is still functional as a global framework, but its members increasingly seek to use backdoors in order to improve their respective positions. Such bilateral agreements enable countries to increase the scope of the trade in products and services, maintain their market benefits in the region and secure their imports of raw material and energy carriers. China is doing the same: besides strengthening its economic position in the Asian cooperation, thanks to such bilateral agreements, it can also hope to strengthen its political impact, improve cooperation with its neighbours based on mutual trust and reduce the fear of China. It seems that China's competition with Japan for the leading economic position in the region is fait accompli, but Japan still seeks to improve its positions through signing bilateral agreements, this is why potential free trade agreements are currently being discussed with the EU and the US. During the first week of his presidency President Trump pulled out of the multilateral TPP and offered to several countries, including Japan, the possibility of a bilateral free trade agreement. China has not been idle: it has reiterated its previous initiative on a multilateral solution: the RCEP (Regional Comprehensive Economic Partnership) which would become an agreement between the ASEAN+6 countries (China, Japan, South Korea, Australia, New Zealand and India). This is a completely logical step from China: if free trade

negotiations between Japan and the EU, Japan and the US as well as between the EU and the US are successfully completed, this would necessarily reduce China's market share. These negotiations also put pressure on China's economic diplomacy to broaden its economic leeway through signing further bilateral or multilateral agreements.

Table 1.

China's free trade agreements

Domestic agreements ³	Multilateral agreement	Bilateral agreements	Preferential agreement	FTA projects (under negotiation)	FTA projects (under consideration)
China – Hong Kong CEPA (Closer Economic and Partnership Arrangement)	China – ASEAN FTA	Developed countries: China – Australia FTA China – New Zealand FTA China – Singapore FTA China – South Korea FTA China – Switzerland FTA China – Iceland FTA China – Chile FTA	APEC (Asian Pacific Economic Cooperation)	Multilateral projects: RCEP – Regional Comprehensive Economic Partnership, ASEAN+6 China – Japan – South Korea FTA China – GCC (The Gulf Cooperation Council) FTA	China – Colombia FTA China – Fiji FTA China – Nepal FTA China – Mauritius FTA China – Moldova FTA China – India RTA
		Developing countries: China – Peru FTA China – Pakistan FTA China – Costa Rica FTA		Developed countries China – Norway FTA China – Israel FTA	
				Developing countries: China – Maldives FTA China – Georgia FTA China – Sri Lanka FTA China – Pakistan FTA (second phase)	

Source: <http://big5.mofcom.gov.cn/gate/big5/fta.mofcom.gov.cn/>

³ Due to the 'one China' principle.

2. China's Free Trade Agreements

2.1. Domestic Agreements

After its accession to the WTO China was focusing on agreements with its so-called 'domestic' regions. Sovereignty was transferred to China in 1997 for Hong Kong and in 1999 for Macau. Both islands presently belong to the People's Republic of China while they have maintained their international legal subjectivity and their respective memberships in international organisations. Their unique situation based on the 'one country two systems' principle enabled them to sign an agreement with China as autonomous economic and commercial entities. These were the very first free trade agreements for China labelled as CEPA (Closer Economic Partnership Arrangement) and signed in 2003 with both territories. After a short transition period the arrangements guarantees exemption from customs duties for the trade of the so-called derivative products and partners undertake not to initiate anti-dumping procedures against each other. As to the trade in services, they mutually offer preferential benefits especially favourable to providers coming from Hong Kong. The agreement also guarantees the free movement of capital. Hong Kong and Mainland China are the most important trade partners for each other, furthermore, Hong Kong is the world's top capital exporter and importer as well. However, this latter status also raises the problem of round-tripping capital: capital makes a circle starting from China through Hong Kong, and gets finally back to China again, this time as foreign capital (this movement is generated by benefits granted to foreign owned companies). In the international statistics, it increases the related figures for China. But this agreement is beneficial for Macau too, and for its finance, services, tourism and gambling (casino) sectors in particular.

In 2010 China and Taiwan signed an ECFA (Economic Cooperation Framework Agreement), which essentially consists of a set of mutually preferential agreements: both partners undertake to lower their duty rates and remove trade barriers. The agreement is extended to trade in goods as well as to the service sector (financial and healthcare services, education etc.), and it also includes the free movement of capital. Besides its mutual economic benefits, through raising the dialogue between the two Chinas to a higher level, the agreement becomes of utmost political importance. The conclusion of the agreement also means that both sides approve the status quo through accepting existing borders. As a result of the agreement capital can flow directly from the island to China (while earlier it had to go through Hong Kong), and a big part of labour-intensive production was outsourced to the People's Republic of China. This plays an important role in the increase of Chinese exports.

2.2. China – ASEAN Agreement (CAFTA)

Chronologically this was the very first agreement and thus of utmost importance for China. In November 2002, the leaders of 11 states signed a Comprehensive Economic Cooperation Framework Agreement. The contract entering into force in 2005 also envisages the liberalization of trade between China and the ASEAN countries. Market opening and liberalization are the outcome of a process of many years which includes the following provisions:

- a process of reduction of customs duties and the progressive elimination of non-tariff barriers,
- the progressive elimination of barriers for trade in services,
- measures to guarantee the free movement of capital.
- special and differentiated treatment with regard to less developed ASEAN countries (as to non-WTO member states) China also ensured the most preferential treatment as well as enabled an asymmetrical dismantling of the customs duties – by 2010, with the exceptions of a few sensitive products, customs duties have been practically eliminated between the more developed ASEAN countries and China, while for less developed ASEAN states they have not been eliminated until 2015.

CAFTA was officially launched the 1st January 2010 guaranteeing the free movement for 90 percent of the products between China and six ASEAN countries (Brunei, Indonesia, Malaysia, Thailand and the Philippines). China's average customs tariffs for ASEAN products decreased from 9.8 to 0.1 percent, while the six ASEAN countries lowered their customs tariffs imposed on Chinese products from 12.8 to 0.6 percent. By 2015, Vietnam, Laos, Cambodia and Myanmar, that is the four new ASEAN member states, have completed the requirements for introducing an exemption from duties for 90 percent of Chinese products.

CAFTA currently encompasses 2 billion people. Behind the EU and the NAFTA, it is to become the third largest free trade area in the world (Lukács, 2012). This agreement is essential for China: it provides a huge market for Chinese products, plus ASEAN countries are also important providers of minerals and energy carriers. In the last 4 to 6 years ASEAN countries – the Southeast Asian region and the less developed countries in particular – have been an important regional destination for Chinese capital investment. Besides geographical proximity, this phenomenon can also be explained

by wage disparities between the countries. As wages keep growing in China, it is more and more difficult to channel new but skilled workforce into production. This is the reason why the outsourcing of highly labour-intensive production to countries with low wage levels (Vietnam, Laos, Cambodia, and Myanmar) has started. Besides cooperation between the countries concerned, products and producers of China and the ASEAN countries face fierce competition from each in third country markets.

It is also important to note that shortly after signing the agreement with China, ASEAN countries have also concluded a similar agreement with Japan and South Korea. In addition, they have also signed different agreements with Australia, India and New Zealand. Hence, ASEAN has become the part of a trade cooperation which encompasses close to one half of the global population. This demonstrates that ASEAN is the main engine of the integration in South East Asia.

2.3. Bilateral Agreements with Developed Countries

Chile was the first OECD country to conclude an agreement with China back in 2005 (it is interesting to note that official Chinese documents tend to refer to Chile as one of the developed countries). Customs agreement relates to the trade in services. From 2015 onwards 97 percent of the products move freely between the two countries. Negotiations on the movement of capital are under way.

A Regional Trade Agreement was signed with New Zealand in 2008. New Zealand has been the first developed country to approve China's economic system as a functional and competitive market economy. A free trade agreement was only signed with Australia in 2014. Besides the trade of products and services both agreements concern the free movement of capital as well. In this framework, particular attention is paid to the trade of agricultural and fisheries products.

Iceland was the first ever European country to grant recognition to China as a functional free-market country. A free trade agreement between the two countries was signed in 2013 which concerned products, services, protection of origin, intellectual property rights and movements of capital. In the very same year an agreement, basically similar to that between China and Island, was concluded with Switzerland. It is worthwhile to note that Switzerland is the only European country to have a marked trade surplus against China (owing to Swiss luxury goods exported to China). Both countries are EFTA members. Negotiations with Norway, also an EFTA member, are under way.

Singapore was the first Asian country to sign a bilateral free-trade agreement with China. The particularity of this agreement stems from the fact that Singapore is also a member of the ASEAN, which means that it also has links with China through a multilateral agreement. Yet, bilateral agreements urged both countries to eliminate customs duties and speed up the liberalisation process as to trade in services and the movement of capital. Bilateral negotiations with South Korea started in 2012 and were successfully concluded in 2016. This agreement shares many common traits with the EU – South Korea free trade agreement (2011), and it also concerns the trade in products and services and the free movement of capital. China encourages the importation of advanced technology and services, preferentially involving FDI from South Korea.

2.4. Bilateral Agreements with Developing Countries

China signed an FTA agreement with Pakistan in 2005, focusing on the trade in products, but it also concerned trade in services and the movement of capital. The importance of the latter stems from the fact that Pakistan has recently become a key destination country for Chinese capital investments. Negotiations on investment protection and the avoidance of double taxation are still under way (second phase of FTA negotiations).

A free trade agreement was successfully concluded with Peru in 2009 with the objective to realise the free movement of products and the progressive elimination of customs duties. Negotiations on trade in products and the free movement of capital are under way.

Costa Rica was the first Central American country to conclude a bilateral agreement with China. As the country has a marked trade deficit against China, its most important trading partner, it urged China to lift barriers for its products (mostly agricultural products, coffee and banana). The agreement also concerns several areas of trade in services.

2.5. Preferential Agreement: China – APEC

APEC was founded in 1989 as a cooperation between 12 – presently, it has 21 members, which are: the US and Canada; the two North American members of NAFTA; Chile and Peru from South America; Australia and New Zealand; Japan, South Korea,

Russia and the 7 ASEAN countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam); and Papua New Guinea from Oceania. The three Chinas (the People's Republic of China, the Republic of China /better known as Taiwan/ and Hong Kong) joined this loose coalition of countries in 1991, which rather was a preferential area, a loose forum for consultations. The free movement of goods and capital was set as an objective in 1994, later reaffirmed in 2014. This integration is a typical example of new regionalism: its 30-year-old history is characterised by the cross-border economic cooperation of developed and developing countries (with no particular interest in politics and human rights). From our point of view it is worth noting that APEC is home to several functional regional integrations (NAFTA, AFTA, the bilateral agreements of ASEAN and the free trade agreements of Australia and New Zealand included). Raising the existing bilateral and multilateral agreements to a regional/plurilateral level could further the formation of a free trade area, yet we have to take into account that Russia and Papua New Guinea are not involved in regional co-operations.

China has signed free trade agreements with 14 out of the 20 other APEC countries (the ASEAN members, Taiwan, Hong Kong, Australia, New Zealand, Chile, Peru and South Korea), and similar negotiations are under way with Japan. China has no such agreement with the three NAFTA countries, Russia and Papua New Guinea.

2.6. FTA Projects

2.6.1. FTAs under Negotiation

Multilateral projects are of utmost importance. The importance of the Gulf Countries (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, United Arab Emirates) lies in particular in the fact that they are major oil exporting countries, important suppliers to China which has a trade deficit against most of them. In return for its opening-up policy, China expects from these countries to show similar signs of openness. Nevertheless, it has to be stated that this relation between China and the Gulf Countries is based on an asymmetric dependence as it is more important to China than vice versa.

China – Japan – South Korea FTA: multilateral negotiations started between the three economically most dominant countries in East Asia, which, besides trade and economy related issues, also concern political matters. Relations between China and South Korea, just as those between Japan and South Korea, seem to be more or less in

order.⁴ However, crucial issues tend to occur time to time between China and Japan: historical debates after World War II are far from being completely settled; island disputes (Spratly Islands, Senkaku Islands); construction of artificial islands in South China Sea; and in addition to this, it is also worth noting that Japan has a massive and constant trade surplus against China. Negotiations have been recently revolving around more political than trade related issues, as Japan has been improving its free trade network in diverging directions. TTP negotiations initiated by the US (to which Japan had already committed itself) have had rather negative impact on the economic dimension of the trilateral negotiations.

As it was already mentioned, President Trump had pulled out of the multilateral TPP. Now all countries are making calculations to find the best possible solution for each and one of them from an economic as well as a political point of view: either they engage in bilateral agreements with the US, or they rather opt for the RCEP – Regional Comprehensive Economic Partnership encouraged by China, which latter would result in an ASEAN+6 integration (the 10 ASEAN countries + China, Japan, South Korea, India, Australia and New Zealand). It goes without saying that China, being excluded from the TTP, argues in favour of this latter option through which it could increase its political influence in the region. All ASEAN countries have already signed mutual bilateral free trade agreements, while besides the 10 ASEAN countries China already has agreements in force with Australia, New Zealand and South Korea. The country also has ongoing negotiations with Japan, and preparatory measures are being taken for further negotiations with India. We will await further developments with interest.

Among developed (OECD) countries China has ongoing negotiations with EFTA-member Norway. China has already successfully concluded free trade agreements with two other EFTA countries: Switzerland and Iceland. Experts believe that the agreement between China and Norway will be concluded as soon as they reach an agreement with regard to fishing and trade in fisheries products.

Free trade negotiations between China and Israel are under way, which besides issues related to trade in products and services also concerns the movement of capital and particular attention is paid to the rules of origin. Among developing countries China has ongoing negotiations with the Republic of Maldives, Georgia and Sri Lanka.

⁴ However, disputes over deployment of the Terminal High Altitude Area Defense (THAAD) on Korean soil between China and South Korea has led to damages in the trade relations of the two countries in recent months. (Editor)

2.6.2. FTAs under Consideration

China is currently undertaking preparatory measures (ex. feasibility studies) for free trade negotiations with several countries. The case with India is of utmost importance: it is the world's second most populous country, it is a neighbouring country as well, and it has a 3rd position in global production adjusted for purchasing power (ahead of Japan). India's situation is far from being similarly ideal in nominal value terms, but it still is one of the top 10 countries. From an economic point of view, India is an important partner for China, as wage level is probably even lower than in Southeast Asian countries, which means that it potentially is a preferred outsourcing destination for China. In order for negotiations to start, border issues (in the Tibet region) between the two countries should be successfully settled. The same applies to Nepal between China and India, however from an economic point of view, this country has no particular significance.

Other small developing countries of limited economic importance are: Fiji (Oceania), Mauritius (Indian Ocean), Columbia (South America) and Moldova (Europe).

3. Motives behind Building Bilateral Relations

3.1. China's Negotiation Strategy

Since its accession to the WTO China has engaged in bilateral integrational negotiations. The first negotiations were carried out with two domestic regions: Hong Kong and Macau. From a political point of view, this was a particular situation: different parts of the same country engaged in negotiations with each other. Further agreements were signed with similarly small countries. These negotiations served as a learning process as well: the circle of issues addressed has been enlarged as besides concrete trade-related issues negotiations also concerned the rules of origin, the trade in services and the movement of capital. It is worth noting that China has always taken into consideration its partners' interests, even though these countries, being incomparably smaller than China, all lacked sufficient bargaining power. China does not use uniform template agreements (as opposed to the EU for its Europe Agreements) and seeks to conclude mutually beneficial agreements (win-win strategy). As a result of this pragmatic approach, the content and the scope of the contracts vary in each case. Agreements were signed with the developed countries as a result of such a learning process.

3.2. China's Motives

3.2.1. International and World Economic Factors

From the perspective of the export-oriented Chinese economy, a favourable world economic environment, which accepts China's opening-up policy and is not afraid of China's continuously growing economic power, is of utmost importance. However, in the last two decades, the multilateral rules for international trade (WTO) have barely changed, and the proliferation of bilateral free trade agreements also provoked deterioration in China's world market positions. Yet, this is a dual process. Confining the movement of multinational companies within certain limits as well as China's growing presence in the world economy plays a significant part in the formation of bilateralism, moreover, bilateral efforts of the EU and the US also served as examples for China. China found itself in such a situation as a result of the rule of action-counteraction: it has to react to the strengthening tendency of regional co-operations and also has to engage in the development of bilateral relations. The results are impressive: according to the WTO there are about 300 free trade agreements in force in the world, 5 percent of which China is also involved in. 90 percent of these bilateral (more rarely multilateral) agreements refer to a free trade area of sorts, while the remaining 10 percent is realised in the framework of customs unions (Kruppa, 2016). This non-transparent web of agreements is often referred to as a 'spaghetti bowl' in the literature.

The 1997-98 Asian Economic Crisis challenged the countries of the region which all struggled to keep up their previously high GDP growth rates. First the creation of the AFTA (ASEAN Free Trade Area), then China's strive for integration forced the other countries of the region to join (out of fear of being left out) this process (Kawai & Wignaraja, 2011).

In the early years of the new millennium, the world economy has witnessed the rapid economic growth of the so-called BRIC countries (Brazil, Russia, India and China) and the improvement of their positions in the world market. These countries seek to take part in shaping world economy and politics with the emphasis their economic weight deserves. However, the international institutional framework along with the system of decision-making were formed after World War II in the era of a bipolar world order. This latter collapsed in the early 1990s, but the institutional framework has remained the same. The new unipolar world order (US), and later on the few timid steps in the direction of a multipolar world aimed at creating a new institutional framework and a new system for decision-making on the level of global politics and economy with the

participation of the BRIC countries. China's free trade agreements (and the continuing global expansion of Chinese capital) also point in this direction.

3.2.2. Economic Factors

Supporting market access for products of labour-intensive sectors plays a crucial role in China due to the growing number of competitors. Subsidising the exports of high tech products manufactured by foreign-owned companies is also a priority. Through agreements China can secure the increase of its export markets.

It is important to highlight that a significant part of the agreements (projects) were concluded with countries having trade surplus against China. This means that China pays particular attention to these countries in its foreign trade policy, and it also hopes to improve its market positions through signing free trade agreements.

With the help of such agreements China can diversify its imports of raw material and energy carriers. Rapid growth requires the production of a lot of steel and energy (oil and gas). Free trade agreements support the achievement of such objectives.

Signing agreements with developed countries can be motivated by the access to advanced technology and the potential increase of cutting edge technology exports.

Agreements also broaden the horizon for the movement of capital. On the one hand, companies from partner countries tend to install factories in China as trade barriers are removed from exports (not to mention the opportunities a large and expanding market has to offer). On the other hand, agreements bring new investment opportunities for Chinese capital as well: production is outsourced to countries with low wage level, Chinese actors can participate in the exploitation of raw material and energy carriers and take over companies in developed countries, which is the only way for them to obtain their technological innovations.

Supporting the emerging co-operations in production. Kruppa (2016: 26) argues that in Asia co-operations in production will provide the framework for regionalism. I agree with this position. Capital movements in Asia follow the so-called 'flying geese model', which means that a multi-layered supplier and cooperation structure have emerged in the countries concerned (where ownership concentrations are frequent). This model shares common traits with value chains created by the multinationals in developed countries. Both methods are present in China. Chinese foreign trade policy makers have recognised that the expansion of foreign-owned large multinationals

can also serve their purposes, therefore China supports them through concluding bilateral free trade agreements with the countries concerned, while it is still trying to channel them (towards partners and from partners to China).

Last but not least, it is crucial for China to be globally approved as a competitive, functional market economy. According to the WTO treaty of accession China will obtain the full market economy status in 2016, it being understood that formal proceeding can still be initiated against China in case of market disruption. Free trade agreements approve China's market economy status (Mingtai, 2009).

3.2.3. Political Motives

It is in fact essential for China to include Chinese diaspora living in the surrounding countries in its economic relations. Most Chinese people living abroad have been members of a so-called 'trading minority' forming middle classes in their respective host countries, which has been liable to trigger envy from the ethnically different local majority. 'Economic nationalism' present in South East Asian countries considered local Chinese populations as foreigners most often loyal to their country of origin, therefore these countries were seeking to impose different restrictions on their economic activities. The positive effect of free trade agreements is the release of these tensions. As to the economic benefits, Chinese products will thus find their way more easily to local Chinese retailers who, in turn, will occasionally act as foreign investors in China (Szép, 2012).

It is also important to underline China's geopolitical interests. It seeks to gain a dominant (but not monopolistic) position in the region. This is why its first few free trade agreements were signed with regional countries which helped China to overtake its regional competitors (Japan, South Korea) and narrow countries' political leeway on other continents.

One of the main objectives is to head off the threat imposed by China. The conclusion of agreements suggest that China is in fact the number one trading power in the region, yet still wants to avoid abusing its economic and negotiating power. China presents itself as the 'benevolent neighbour' suggesting that there is no need to be afraid of the trading giant. (Hilpert, 2014). The basis of the institutional integration theory is that good economic and trade relations are accompanied by correct political relations. In other words, China's aspiration is to improve the political stability of the region and to maintain peaceful relations between the neighbouring countries. "

One of China's most important strategic goals is to enhance regional peace and stability" (Lukács, 2012. p. 72.).

Free trade agreements are also destined to further enhance competition between China and Japan. Although the economic and political rivalry between the two economic powers fosters the enlargement of the integrations, this competition is in fact liable to hinder the development of a formal regional economic structure (Völgyi, 2009, p. 5).

4. Instead of a Conclusion: China and the Integration Process

Free trade agreements have become important parts of China's foreign trade policy. According to Zhang's researches, these agreements have had a significant impact on foreign trade performance, in addition, most of the companies he analysed were aware and took advantage of the fact that FTAs contribute to the promotion of trade. (Early Harvest Programs for example have significantly contributed to the expansion of agricultural trade.) In the past few years, China's external trade has expanded significantly.

China is one of the late comers: China has several bilateral agreements, however, China's accession to the WTO is of utmost importance. The changes in the world economy in the 19th century, the increasing role of global value chains and the beginning of the 4th industrial revolution suggest that the answer to the transformation process in the global economy will be an increase in regionalisation trends. The WTO should upgrade or modernise itself to be able to respond to new challenges and to help countries that do not participate in integrations to avoid the negative impacts.

China intends to encourage regional consolidation of peaceful coexistence. Its political and economic objectives are not in conflict. The advanced countries however, have been watching China's movements with concern. They attempt to cooperate but without abandoning their own aims. Now in March 2017, the world turns its attention to the US: the economic strategy of the new President may be decisive everywhere in the world (obviously in China as well).

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