



From the “Margins” to the “Core”: Understanding China’s Engagement at the World Trade Organization

Speaker: Priyanka Pandit

Chair: M V Rappai

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ICS Seminar Room

Following a brief opening remark by the Chair, the speaker proceeded to provide some comments on the nature of China’s current role in the World Trade Organization (WTO). China’s endeavour has been to reinvigorate the WTO, which has been reeling from crises in the past two decades. The speaker noted that while China’s position varies across ministerials and is subject to much debate in internal policymaking circles prior to ratification, its role is now central to the WTO process and shapes it. The speaker illustrated this point by providing a historical background of China’s conduct in the WTO.

China did not wield a disproportionate degree of influence in the WTO at its accession. China’s accession to the WTO was an extremely complicated procedure involving a 1500 page long accession document and 13 years of market-oriented reform. While China’s reforms and accession was facilitated with assistance from the United States, its stance in the WTO upon succession was markedly that of a typical developing country. At the time of its accession in 2001, the structure of coalitions had morphed from being ideology-based to agenda-based, resulting in China extending support to the trade policy preferences of the ‘Global South.’ For instance, China reportedly supported India and Brazil in their defence of agricultural subsidies.

Over time, however, the speaker noted that China’s conduct in the WTO began reflecting its increasing economic clout. Gradually, China adopted a middle path, reducing outright support for the developing countries in the WTO without aligning with the developed world.

By 2007, it had become increasingly apparent that China was adopting a hard stance with respect to its domestic interests in the WTO as it began “aggressively” utilising the Dispute Settlement Mechanism to pursue its trade interests. It was also around this time, in the run up to the financial crisis of 2008, that China made appeals against the inconsistency of WTO rulings and alleged that Chinese interests were inadequately accounted for in the WTO process.

The speaker maintained that China’s assertiveness in the WTO is attributable to its rapid increase in foreign trade.

As such, Chinese interpretations of its accession requirements matter immensely to the WTO process and ironing these out will prove more of a task given China’s increased clout. According to the speaker, China fell short of WTO commitments in three main aspects: non-discrimination, transparency and monopoly. Of these the speaker emphasised the point of monopoly that has emerged as a major source of contention between the US and China. While China’s accession to the WTO demanded the cessation of anti-competitive practices, the Chinese interpreted this merely as breaking down monopolies than to mean the cessation of state-provided subsidies and incentives. Likewise, there is a substantial gap between WTO obligations and Chinese conduct in a number of domains. The dissonance generated by such differences of interpretation is the root cause of the ongoing economic tensions between China and the US.

The speaker also added that the fact that WTO stipulations call for incremental change in China is another source of disaffection in the US. Due to this reality, the USA wishes to circumvent the WTO in its trade negotiations with China and rely solely on bilateral channels to ensure quick enforcement. China, on the other hand, is trying to maintain activity in the WTO, arguably by supporting talks surrounding the issue of e-commerce trade. Moreover, China is also trying to become a party to the Agreement on Government Procurement (GPA), an agreement under the WTO that would allow the Chinese government to more easily acquire technological know-how from external sources. As such, while China is attempting to entrench itself in the WTO, contending with the USA’s newfound hostility for China’s trade and technology practices is another matter. According to the speaker, China does not have the social and political appetite to accept many of the USA’s demands which call for enormous structural change. Rather, China’s approach has been to identify low hanging fruit that can be offered to the US in a manner of damage control. China’s new foreign investment law that

will abandon joint venture requirements and forced technology transfer appears to be a gesture in this vein, even though the antecedents of the move lie in China's accession to the WTO. The speaker emphasised that most of today's problems between the USA and China can be attributed to discrepancies between China's WTO promises and its practice.

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