



INSTITUTE OF
CHINESE STUDIES

‘China since its WTO Membership: An Exploration’

Chair: Ambassador Jayant Dasgupta

Speaker: Professor Biswajit Dhar

Date: 22nd May 2019

Venue: Conference Room II, IIC

The Chair started the seminar by giving the background of China’s rising clout in the world economy. China has become a huge industrial behemoth in a relatively short time, filling the technology gap that existed in the mid-2000s. The objective of “Made in China 2025”, aimed at making China the top industrial nation in the world, will be fully realized only by 2049. However, China has been accused by the United States of forcing foreign companies in China to transfer technology and engaging in industrial espionage. This set the ground for the ongoing US-China trade war. The Chair posed a question of whether India would be able to exploit the space left due to the ongoing spat between China and USA. Can India learn something from China’s World Trade Organization (WTO) experience?

The Speaker started his presentation by pointing out that the economic hegemony of the USA is being seriously challenged by China right now. The meteoric rise of China in the global economic stage can be traced to its accession to the WTO in 2001.

The United States had hoped that by allowing China to be a member of the WTO, the largest market in the world would be accessible to the world’s largest economy. However, China turned the tables instead, as the US’ trade deficit with China has increased. This is despite China accepting the most onerous terms and making greater commitments (such as much lower tariffs on products, binding of tariff rates, eliminating non-tariff restrictions, limiting domestic support etc.) than usual to gain the WTO membership.

In the ongoing trade war, the United States targeted China on a broad range of issues – export duties and quotas, agricultural subsidies and restrictions. On the other hand, China targeted the USA mainly on the contentious issue of the methodology used in the anti-dumping investigations. For the record, China has witnessed 926 anti-dumping dispute cases filed against it till 2017 at the WTO forum.

It is important to note that China's exports increased after it joined the WTO. In mid-1990s China had only 2.5% share in the export market. It exponentially increased to the current 14%. What's more, despite slapping of tariffs by the Trump administration, China's exports to the United States have actually increased.

The Speaker then covered the various policies undertaken by the Chinese Government to improve its manufacturing capacity and quality. Deng Xiaoping set an objective of achieving "Four Modernizations" in industry, agriculture, national defense and science and technology. Instead on leveraging its 'comparative advantage', China invested heavily on encouraging innovation and turning into a knowledge economy as well as the "factory of the world", with focus on the rejuvenation of the country, science and technology and sustainable development. It also pursued a carefully calibrated FDI policy. China made the MNCs contribute to the development process. The process of unleashing China's potential, as enunciated in "Made in China 2025", is not a single step, rather three steps: being ranked among the manufacturing powers by 2025; achieving a generally moderate level by 2035; and becoming a leading manufacturing power by 2049, at the centenary of the establishment of the People's Republic of China.

China has a share of over a quarter of the total manufacturing value added in the world. The Gross Domestic Expenditure on R&D stands greater than 2% of China's gross domestic product (GDP). Chinese nationals have filed 90% of the patent applications in China. China received 20.3% of the developing countries' inflows in 2017.

In his concluding remarks, the Speaker pointed out the various possible reasons for foreign countries flocking to China. The reasons behind the motivations of investors are still not clear. The United States has always targeted rising economic powers over the years, especially from Asia. There are serious lessons to be learnt by developing countries from China's WTO experience. And a question is rightfully raised, whether do we know enough about the processes behind China's success. China's ongoing journey towards a technology, economic and manufacturing powerhouse shows that development is an evolutionary process, and there are no quick fixes to it.

This report was prepared by Abhishek Giri, Research Intern, Institute of Chinese Studies, Delhi.

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