



PIIE PETERSON INSTITUTE FOR
INTERNATIONAL ECONOMICS

China in the WTO

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Overview – China, Trade and Technology

- **While all Members benefit from the WTO, China's record of success in trade is extraordinary.**
 - Going from under 3% of world trade to over 13% despite special safeguards (AD, safeguards, IP/TRM)
- **Made possible at scale BRI and five-year plans targeting:**
 - Information technology, semiconductors, quantum computing, robotics, advanced machinery and rail and deep sea technologies, and new materials.

To Join the WTO

- China changed perhaps 10,000 laws and regulations
- Joined the ITA
- Was crucial to ITA expansion in 2015
- Gave SOE commitment

For the Fifteen Years

- Toed the black line
 - 2004 case
- Its economy did become more market-oriented
- Maintained a low profile (but peers underinvesting then too)
- For IP, backed indigenous patenting, registering abroad
- In TRIPS council, is at neither pole – defender of innovation v. critics

Foreign Reaction

- Investors and exporters generally pleased.
- Competing industries and workers were not
 - Autor study
 - Political impact in the U.S.

More Active Phase

- **Buenos Aires Joint Statement Initiatives –**
 - Investment facilitation for development
 - E-commerce -
 - Booster after joining
 - Focus on facilitating trade in goods – e pay, e sign, trading, e contracts
 - Hard issues not confronted yet
- **Moratorium on Customs Tariffs on Electronic Transmissions**
- **Plastic pollution initiative**

Sources of Friction

- State-influence
- Market oriented principle
- Developing country status
 - AI and ag. Small-holders

Sources of Friction

- DS 542 – forced tech transfer
- Industrial subsidies (ag too)
- Transparency (counter notifications)

Trilateral and Other Proposals

- Transparency
- Disciplines on Industrial Subsidies
- Categories of developing countries
- Market oriented principles.
- Environmental dumping

Extra-muros

- Unilateral salvos of tariffs
- U.S. Phase I Agreement
- EU CAI (Comprehensive Agreement on Investment)

Relevance of the WTO

- Bring bilaterals in if of broad interest
- Some issues may be more easily addressed with a multilateral approach
 - Industrial and
 - Ag subsidies

The Great Fracture – to date

- **UN Secretary General Guterres' view: risk of dystopia**
 - Geopolitical tensions
- **WTO was able to have problems without great power strategic rivalry**
 - But a complicating factor contributing to Appellate Body impasse ("public body" interpretation)
 - A reason for reluctance by others to continue to liberalize

The Great Fracture – a continuing risk

- Relationships are still being shaped –
with EU, US, Japan and India
- 5G, rare earths, Australia and Covid, Xinjiang, Hong Kong
- Spill-overs are to be anticipated

The Bottom Line

- It would have been gross error to exclude China
- With hindsight, would have negotiated a different deal
- The failure: not to take fully into account the importance of the CCCP, and its need to control the Chinese economy.
- The unfulfilled hope of some: economic liberalization would bring along political liberalization.
- Rather: political needs define the extent of market liberalization.

The Bottom Line

- The challenge for China's major trading partners is to deal with what is (divergence) rather than what might have been (convergence).
- It is more productive to focus on how to bridge differences rather than trying to change China.
- It serves the interest of the WTO and the global trading system to keep China engaged and enmeshed in the multilateral trading system. This is true for all countries.

The Bottom Line

- A central challenge for China at the WTO is to make sure that the multilateral trading stays healthy.
- China is certainly not seeking to kill the goose that laid golden eggs for it, but China has not paid enough attention to offering it nourishment either.

Thank you.

I look forward to today's program