

**China's Interests and Position in WTO Reform:  
A Review of Different Opinions and Personal Suggestions**

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**1 State of the Affairs**

WTO played an important role in the development of post-war global trade. Not only does it make all parties involved in trade abide by the same rules, and avoid the situation of “beggar-thy-neighbour” and mutually destructive situations, which have promoted trade development and global prosperity, but it also plays a positive role in promoting the new member countries to better understand market rules and form a legal environment. In the mid and late 1990s, as a key member of the Expert Group of the Chinese Ministry of Commerce, I participated in the negotiations of China's accession to WTO and some of the related work at home, so I have a deep understanding of this point. During the negotiations, in order to meet relevant standards, such as transparency, Chinese governments at all levels conducted the largest “document cleaning” in history to identify and standardize government regulations that did not conform to WTO rules. For example, at that time, in some places, various incentives (formally called subsidies) were offered to exportations, such as 0.5 RMB yuan given as a reward for everyone dollar's worth of exports, and enterprises with outstanding export performances having better access to loans, planned resources, import quotas and other concessions. Those priority incentives were all cancelled or set a time limit for cancelation during the “document cleaning”.

In my opinion, China has benefited a lot from its accession to WTO. Compared with the growth of trade, what's more important lies in the improvement in the institutions about reform and opening-up system and the legal systems. Although China was subjected to the most rigorous review of the subsequent trade policy deliberations, China has always been actively cooperative and gained high praise.

Nowadays, WTO is playing an active role in managing agreements, organizing negotiations, resolving trade disputes and reviewing trade policies.

However, it's also true that WTO is faced with new challenges, which is also predictable. With the growth of the number of member states as well as trade volumes, the rising share of horizontal trade, and the perennial and common problem of “all easy things are done, the rest are hard bone”, coupled with the disregard of rules by some individual members, it's pretty safe to say that WTO has been trapped in a very difficult situation to some extent.

It has been highly agreed upon by people from different sides that WTO needs a reform, at least on the following aspects:

---The inefficient decision-making mechanism. The “consensus” decision-making

mechanism of WTO means that any member can veto important decisions of WTO, which leads to repeated consultations on any decision. The Doha negotiations has been trapped in a predicament due to such decision-making mechanism.

How should it be reformed? There are different views. Some people believe that the principle of consensus should be adhered to, at least we should work in that direction. A number of people have also proposed the concept of "plurilateral", in which a number of countries first reach an agreement under the precondition of opening to all member states and adherence to MFN treatment.

---The dispute settlement mechanism that lacks efficiency and transparency. The dispute settlement mechanism has always been regarded as the "tooth" in the WTO system. In recent years, the rule that any appeal should be given an adjudication within 90 days has been difficult to enforce because of the large number of appeals and complexities of the cases. Due to the obstruction of the United States, the WTO Dispute Settlement Body was unable to fill three vacancies, which made the problem worse. The United States also questioned the opaque operation of the dispute settlement mechanism.

How should it be reformed? It is a consensus to fully improve the efficiency of the Appellate Body. In the short term, to ease the pressure, the United States need to agree to fill the vacancies in the dispute settlement body as soon as possible to make it work. In the long run, it is suggested that the dispute report should be made shorter, the Appellate Body should be given more members, become more independent and the term of the members should be longer, and appropriate mechanisms should be established to help more members find solutions to their problems before the litigation so as to reduce the number of appeals.

--- The United States and the European Union accuse that WTO's differentiated treatments with different countries hurt their interests; or that "the treatment with developing countries" is not keeping pace with the times. For example, several high-income countries also consider themselves to be developing countries, such as Qatar and Singapore.

How should it be reformed? The views of developing and developed countries vary widely. Developing countries believe that the differences between the two types of countries do exist and cannot be negated by just a handful of countries. It is appropriate to assume obligations differently. However, the United States and the European Union believe that the result of such a distinction is that only a few countries assume full obligations, and most countries can be exceptional, and that an organization like this cannot function effectively and fairly. There is no consensus on how to solve this problem. The United States seems to have no constructive opinions on it. The EU believes that the WTO needs to adjust its current standard of distinction between developing countries and developed countries. It also recommends that its members gradually withdraw from the "special and differential treatment" under the WTO framework, choosing a way of withdrawal that is both timely and flexible. Most developing countries, however, keep silent about this issue.

---- The United States, the European Union and some other countries argue that WTO is not sufficiently binding on member states. For example, in some countries, trade-related

policies are not transparent enough and information on industrial subsidies and related operations of state-owned enterprises are not open enough.

How should it be reformed? The United States suggest that more binding provisions are needed, and the European Union proposed to improve transparency, disclose information on industrial subsidies, establish rules related to state-owned enterprises, and promote fair competition. There was no consensus among developing countries, but China has made it clear that it would not be fair if these issues were raised against China, since China has kept improving in recent years, and state-owned enterprises have already been competing fairly with other companies in the market.

## 2. China's position: a review of unofficial views

In China, both the authorities and academics believe that China's accession to the WTO is in Chinese interests, and supporting the operations of the WTO and maintaining its authority are in line with the interests of both China and the international community. In the meantime, however, China also agree that WTO needs a reform.

Regarding WTO's reform, it seems that Chinese authorities have no systematic proposals. However, many officials who have successively participated in WTO negotiations and some scholars who have been deeply involved in relevant work for a long time have expressed their views. I have sorted out 15 of the representative views, as shown below. Some of them, including some heavyweights with a very "official" status who claim their opinions are personal, such as Mr. Zhang Xiangchen, Chinese ambassador to the WTO, are open to the possibility of considering "plurilateral" under the multilateral principle. Or Mr. Huo Jianguo, who is here today, he is the vice president of the China World Trade Organization Research Association. He has a clear view on this issue, and he will speak later.

<b>Some points about the Reform</b>	<b>Agree</b>	<b>Disagree</b>	<b>Not stated or not clear</b>
The WTO should continue to play its role and uphold its authority	15		
WTO should reform pretty substantially	15		
Reform the dispute settlement mechanism with the aim of improving efficiency	9		6
Consider the possibility of "plurilateral" under the principle of openness and most-favored-nation	8	1	6
Adhere to the rule of consensus	4		11
Increase transparency, open the information about subsidies and state-owned enterprises	4		11
Retain but improve differentiated treatment	3	3	9
America's unilateral actions and propositions at present		12	3

### 3. My Personal opinions

**First of all, WTO should be given strong support.** I believe that efforts should be made to maintain the effectiveness of the WTO, and China should also continue to abide by the relevant rules of the WTO. The changes brought about by China's accession to the WTO and the continuous improvement after it show that it is in China's interest to go along with the WTO rules. At the same time, China has also given strong support to the WTO with practical actions.

Let me give you an example. In the first half of 2003, I participated in the working group of the Chinese Ministry of Foreign Trade and Economic Cooperation as an expert and visited eight European countries to seek their support for China's market economy status. The team leader is Wang Shouwen, now the Chinese representative of the Sino-US vice-ministerial consultation mechanism and the deputy minister of the Ministry of Commerce. He was then the deputy director of the World Trade Department at that time. The meeting and exchanges were very fruitful. The officials and scholars of the other side had a more understanding of China's situation. For example, almost all commodities had been priced by the market, and China had cancelled subsidies for export performance. At the same time, we also understood more requirements for further development and improvement of the market system, such as that the productive factor market should be equally open to all enterprises, and that enterprises with different systems of ownership should have equal market position. Later, at the end of 2003, the 3<sup>rd</sup> Plenary Session of the 16th Central Committee of the Communist Party of China clearly stated that "enterprises with various ownership should have equal access to production factors, compete on an equal footing in the market, and be equally protected by law". This is an important reform direction in the past decade, which has further improved the efficiency of resource allocation and guaranteed all-round and fair competition among all types of enterprises. From the perspective of export performance, the share of state-owned enterprises' exports in total exports had fallen from 45% at the time of accession to the WTO to 16% in 2017.

#### **After China's accession to the WTO, the export share of state-owned enterprises has dropped significantly (%)**

	<b>State-owned enterprises</b>	<b>Foreign-invested enterprises</b>	<b>Other enterprises</b>
2000	<b>45.407 (Highest after China's accession to the WTO)</b>	49.907	4.686
2005	25.737	<b>58.485</b>	15.778
2006	23.66	58.866(Highest)	17.474
2010	20.931	53.82	25.249
2015	15.116	46.003	38.88
2016	15.647	45.788	38.565
2017	16.291	44.808	<b>38.901</b>

**Second, I agree with the reforms that are agreed upon by most Chinese scholars.** Since more than half of the 15 Chinese scholars whose opinions I've reviewed agree with the first four reforms, I think I should agree too. In particular, considering the possibility of "the plurilateral" under the principle of openness and adherence to most-favored-nation should be the main direction of reform. The fact that Doha Round has been talked for years without agreement indicates that unanimity has become an obstacle to reaching a new agreement. A goal that looks beautiful but cannot be achieved is not a realistic option. It is not only about reaching new agreements. In an environment where a number of subjects have strong operational capabilities and the relevant factors are changing rapidly, if they are unable to act for a long time, the speed of leaving the center and even exiting may be faster than expected. Therefore, maintaining principles and demonstrating flexibility to the fullest are both indispensable

**Third, we must work hard to find a realistic way to reform.** As for the status of developing countries, transparency and other issues, although only a few Chinese scholars seem to agree with them, I still believe that it can be discussed under the principle of proper balance of obligations and rights. There are many technical details to discuss in the specific method. I would like to present a reform of the Chinese drug consistency evaluation system to illustrate what I mean. This evaluation is to prove that a generic drug is consistent with the quality and efficacy of the original drug. According to the policy, the first batch of more than 18,000 drugs in 289 categories needs to be evaluated. The evaluation process for each drug is time consuming and cost prohibitive. And it is reasonable to deduce that there should be a considerable proportion of drugs that cannot pass the consistency evaluation. If the government evaluates one by one, it is almost impossible to operate, and the cost is too high. Therefore, a method has been devised to allow enterprises to decide whether they need to declare an evaluation. If the declarations are approved, the evaluation fee can be reduced. These drugs can improve reputation, gain hospital and patient trust, improve product competitiveness and expand the market size. The expectation of designing this policy is that only those companies knowing they can pass will apply for evaluation, and their active participation in the review will also have a considerable return. That's the truth. In short, the proper balance of obligations and powers is an idea that can accommodate diversity and demonstrate flexibility. For example, countries that seriously participate in and pass trade policy review can enjoy some sort of simplification and prioritization in the dispute settlement mechanism.