

US-China Bilateral Issues and the WTO

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China-US Relations and the Global Economic System

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Tariffs:

Creating a crisis/leverage

Trump administration in 2018

- New tariffs on about 12% of US imports
 - China (Section 301), steel/aluminum (Section 232), solar/washers (Section 201)
- All tariffs (with exception of washers) were “about China”
- New foreign investment review, export controls in pipeline

Trading partner response

- Retaliatory tariffs on about 8% of US exports
- China made up most (7 p.p.) of that



What else is going on: WTO dispute settlement

“New” WTO disputes with China

- *China — Intellectual Property Rights II (US, EU)*
- *China — Technology Transfer (EU) – just updated in December*

“Old” WTO disputes with China

- *US, EU – China’s market economy status (antidumping), US – Countervailing duties (“public body”)*
- *China – TRQs and domestic support for rice, wheat, corn (US)*

WTO non-disputes

- *China – Most all of the issues in the US Section 301 report (US)*
- *China — Primary aluminum subsidies (US, 2017, idle)*

Reform of the WTO system: The “Trilateral Process”



When?

- December 2017 kickoff, WTO Ministerial at Buenos Aires
- March 2018 (Brussels), May 2018 (Paris), September 2018 (New York), January 2019 (Washington), ...

What? **Draft new rules on...**

- Industrial subsidies and state-owned enterprises
- Foreign investment, forced technology transfer, export controls
- Transparency and notifications (“WTO reform”)
- Digital trade and e-commerce

How? ...

Reform of the WTO system: The “Trilateral Process”



How?

Step 1: US, EU, Japan draft new text between themselves

Step 2: Present to “other key WTO members”

Step 3: Negotiate a set of plurilateral, critical mass agreements?

Progress to date:

- November 2018: Transparency proposal tabled at Goods Council
- By Spring 2019: “On industrial subsidies, Ministers instructed their staff to finalize trilateral **text-based work** in this area by spring in order to engage other key WTO Members after that, as appropriate.”
- Other areas seem less far along

Reform of the WTO system: The “Trilateral Process”



Big open questions:

1. On industrial subsidies/SOEs

- New “carrots” to benchmark Chinese market-oriented reform?
- Or “sticks” that give US/EU easier access to trade remedies (e.g., “public body”) in the event of China’s continued non-market evolution?

2. How would new agreements be enforced?

- Existing WTO dispute settlement system under threat (WTO Appellate Body)
- If existing WTO system was not sufficient to discipline China, what would replace it?

3. How do these countries get to an agreement **with China**?

- Would these separate issues be packaged into one agreement?
- What is in it for China to make it win-win?
- What happens to the tariffs?