CHINA AND THE DOHA DEVELOPMENT AGENDA

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INTRODUCTION

China acceded to the WTO at the Doha Ministerial Meeting in 2001, just in time for the Doha Round. Although China has been active in the negotiations, it has not become “a leader of diplomacy, with a potential for coalition-seeking”. It has not sought to “rewrite some of the rules of the game in the international arena”. One assessment described China as “a constructive member working to pursue its interests which for the most part correspond to the organization’s goals of greater multilateral liberalization”.

If it has not sought leadership, China has largely avoided being labeled a troublemaker. However perceptions have changed following the collapse of the Geneva “mini-ministerial” Conference on 29 July 2008. The size of China’s trade and economy will always make China the focus of attention. But it is only in recent years that China has been urged by its major trading partners to “assume a level of global responsibility that matches the huge impact it is having on world trade, security and the environment”. Before the mini-ministerial, US Trade Representative Susan Schwab continued to express “guarded optimism” provided China led the developing countries in making concessions. During the mini-ministerial, China was included in the seven-member group (G-7) which replaced the “Quad” (i.e. US, EC, Japan and Canada), thereby turning China into a key decision-maker.

When the mini-ministerial collapsed because of sharp divisions between the US, India and China on market access in agricultural products, the US blamed China and India for having “thrown the entire Doha round into the gravest jeopardy of its nearly seven-year life” by “controlling a large group of even poorer nations”. Nations which had called for Chinese leadership now blamed China. Accompanying this was the perception that China’s behaviour had also changed:

China broke cover on Monday [28 July 2008], publicly accusing the US of hypocrisy for heavily subsidising its own cotton farmers – one of the Americans’ most sensitive and vulnerable points – while asking other countries to expose theirs to harsh competition. Beijing pointed out that it had already had to undertake rapid liberalisation as the price of joining the WTO in 2001, at the same meeting that launched the Doha round.

Because China had comfortably taken a back seat during much of the Doha negotiations, China’s apparently tougher stance came as a surprise.

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2 Jackson (2003), 28; Cf. Das (2001), 3; Gertler (2004), 26; Furst (2001), 139.
3 Furst (2001), 139.
4 Lawrence (2008), 152.
6 “China urged to play a bigger role”, AFP newswire, 7 November 2006.
8 Australia, Brazil, China, the EU, India, Japan and the US. See “WTO Mini-Ministerial Day Three: And Then There Were Seven”, Bridges Daily Update on WTO Mini-ministerial, 24 July 2008, available at http://ictsd.net/l/wto/englishupdates/14095/.
10 Beattie (2008).
11 Id.
China’s new-found status as troublemaker is further complicated by the onset of the global economic crisis. Against potential and actual losses in employment, foreign trade and incomes, some have accused China of turning to protectionism. Vice-Minister Jiang Zengwei replied: “Why should one be protectionist under the current circumstances?” However, he was responding to questions about whether China would adopt a “Buy China” policy, and his statement does not necessarily imply that China will be willing to make greater concessions. A more hopeful view is that China was only responding to rising protectionism in the US, EU, India and elsewhere. If so, China’s aim could still be to achieve real results in the Doha Round in order to curb protectionism.

This paper discusses China’s negotiating positions with a view to ascertaining the extent to which China is ready to accept a deal in order to close the Doha Development Round. It first examines, in Part II, China’s position until mid-2008 on various issues before turning to the likely immediate and wider impact of the 2008 crisis. Part III proceeds to analyze China’s reticence in taking a leadership role. Part IV seeks to explain the reasons behind China’s ambivalent negotiating stance, and looks at the lessons learnt by China since its accession in the context of China’s overall strategy and the current crisis.

I. IMPACT OF THE CURRENT GLOBAL ECONOMIC CRISIS

A. CHINA’S NEGOTIATING POSITIONS

1. Agriculture

China places a high emphasis on the agricultural negotiations. This is probably not because agricultural trade is crucial to the economy, but because of the importance of the political stability of the farming population to Chinese society.

China’s position was initially described in Minister Bo Xilai’s statement at the Hong Kong Ministerial Conference: (a) duty-free, quota-free treatment to products from the least developed countries; (b) “special products” and “special safeguard mechanism” treatment granted to developing countries; (c) flexibilities given to developing countries for them to better adapt to world trade liberalization in the form of meaningful special and differential treatment; (d) “early harvest” benefits offered to developing countries; and, most importantly, (e) elimination of all kinds of export subsidies and a significant reduction in trade-distorting domestic support by developed countries. These suggestions reflect ostensibly mixed positions. China wants a reduction of subsidies in developed countries, which brings China in line with many developing countries. On the other hand, as a major exporting country for agricultural products, China would also like to see lowered barriers in developing countries. Meanwhile, China insists on special and differential treatment for all developing countries.

12 Johnson (2009).
14 Id.
15 Huang (2005), 37.
16 Agricultural trade accounts for approximately 5 percent of China’s total foreign trade. See Huang (2005), 38.
17 Bo (2005).
China joined the G20 in 2003 during the WTO’s Cancun Ministerial Conference, and has roughly subscribed to the G20 positions on domestic support, export competition, market access, and S&D for developing countries. As also a member of the G33, China has firmly supported the group’s mandate on the “special products” and “special safeguard mechanism” arrangements for developing countries.

Although China has shown flexibility in agricultural talks, it was fairly aggressive on one matter - special treatment for “recently acceded members” (RAMs). As one Chinese negotiator has observed, “As a newly acceded member of the WTO, China made extensive commitments in agriculture and is still in the phase of implementation of those commitments …. China is entitled to have its particular concerns effectively addressed through exemption of certain products from reduction commitments, less tariff cuts for other products, longer implementation periods and some grace period for implementation.”

During the 2008 WTO mini-ministerial, the US also attacked China for attempting to shield cotton, sugar, rice, and other commodities from tariff cuts. China argued that as a developing country it was “fully entitled” to exempt the said products from standard tariff reduction for subsistence and livelihood security reasons.

2. Non-Agricultural Market Access (NAMA)

On NAMA, China has sought the substantial reduction of tariff peaks, and the elimination of tariff escalation while maintaining special treatment for developing countries. In particular, China supported the Swiss formula with dual co-efficiencies from the beginning, provided that the distance between the two co-efficiencies is wide enough. China proposed a slight variation of the Swiss formula, taking into consideration the interests and needs of developing countries.

China seemed aggressive on two fronts. It joined a number of developing countries in asking for general flexibilities. It was also the most powerful member of a group of developing countries asking for differentiated treatment for RAMs. China’s justification was that “in the process of accession the RAMs assumed [an] extensive level of commitments in all WTO areas, distinguishing thereby the group from the rest of the membership”. To show its determination, the Chinese delegation threatened to “veto” the chair’s text at a NAMA meeting if the text failed to fulfill China’s minimum requirement on its RAM status, clashing dramatically with the EU.

3. Services

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18 Huang (2005), 39.
20 Lu (2003).
21 Bo (2005).
23 TN/MA/W/65, 8 November 2005.
25 Id, para. 3.
China has not been particularly active in the services negotiations. Its bottom-line seems to be that China has already made comprehensive commitments during its accession.27 In a communication submitted to the Council for Trade in Services shortly after joining the WTO, China indicated that its tertiary industry, especially small and medium sized enterprises, “found it difficult to develop their business facing fierce competition from big foreign competitors”. Given “some of China’s services industries are still at [their] infancy and…infrastructure is in an urgent need of strengthening”,28 the Chinese government would wish to have the following reform measures taken before it would be in a position to conduct further liberalization, namely (1) “strengthening” its “legal framework”; (2) “building up regulatory capacity”, and (3) “providing ‘breathing space’ for the reform of state-owned enterprises”.29 In conclusion, China stated that “the liberalization of trade in services should be progressive and managed”.30

Nonetheless, China has shown a particular interest in Mode 4 services. It joined a host of developing countries in asking for reductions in restrictions on the movement of natural persons at lower skill levels, and in areas in which developing countries have a comparative advantage.31 Referring to the half-day “signaling conference” held during the July 2008 mini-ministerial, Ambassador Sun Zhengyu also reiterated that:32

[I]n spite of our very extensive commitments in our services schedules, we are going to make new efforts, we are going to give signals to consider, on condition that others will reciprocate, some new sub-sectors, and some improved offers. Eventually the level of openness of our service markets will be roughly at the same level as some developed countries. So that will be our contribution.

4. Rules

China has been more active in the Rules negotiations, especially in anti-dumping. This is because China has been the single largest target of global anti-dumping actions. In addition, China, according to its accession terms, is classified as a non-market economy in dumping and subsidy cases for a period of 15 years after its entry into the WTO. As such, China seeks clarification and improvement of the rules in the existing agreement. China also belongs to the group of WTO members who want to bring a development dimension into the Rules negotiations, demanding S&D treatment for developing countries.33 The other two groups include the “Friends of Anti-Dumping”, consisting of exporting countries that are mainly developing countries captured frequently in anti-dumping investigations. The Friends would like to limit arbitrary practices on the part of investigating authorities by strengthening the rules. The third group comprises major developed countries such as the US, which are reluctant to discuss existing rules and practices.34

China has also lent support to the negotiations on trade facilitation by submitting proposals regarding GATT Articles VIII and X. It has asked WTO Members to take

28 Id.
29 Id.
30 Id.
32 Sun (2008).
33 Choi (2007), 27.
34 Id.
into consideration “economic diversities, different levels of development among Members” so that the results of the negotiations do not cause difficulties for members in implementation or increase members’ administrative or financial burdens. However, China is not interested in such assistance for itself.

5. Development and S&D

Although China supports strengthening the development dimension in the Doha round, “[i]t has not been a vociferous advocate of S&D treatment because it clearly has an important interest in seeing developing countries with large markets such as India and Brazil making meaningful liberalization commitments.” Instead, China has called upon developed Members to demonstrate “more political will and more substantive flexibilities”, especially on the proposals for Agreement-specific S&D provisions for LDCs. The only non-negotiable issue for China has been its status as a RAM.

China is in an awkward position. As one of the world’s leading importers and exporters, China is very different from almost all other developing countries. Its economic interests frequently align with those of the developed countries. It is also faced with the reality that major trading powers will never have the political will to treat China as a developing nation for S&D treatment. This recognition undermines China’s enthusiasm in fighting for S&D treatment for developing countries.

B. IMPACT OF THE GLOBAL CRISIS

In January 2009, China’s exports dropped by 17.5 percent, described as the “sharpest fall in 13 years”. As exports have contributed to about 20 percent of China’s economic growth since 2005, and foreign trade is related to the employment of over 80 million workers, the Chinese government has taken serious measures to allay the negative impact on China’s sharply declining foreign trade.

Two conflicting lessons may have emerged. On the one hand, the best medicine for rising protectionism is multilateral liberalization. Since China depends heavily on international export markets, it needs an active WTO to keep foreign markets open. China has said this. China’s Trade Minister, Chen Deming stated in an open editorial that “History tells us that the more serious a crisis becomes, the more committed we

35 Shi (2005), 27.
37 Lawrence (2009), 152.
38 TN/C/M/19, para. 272.
39 Id.
40 Moore (2009).
41 According to the PRC Ministry of Commerce (MOFCOM), 60% of the 80 million workers are migrant workers from the rural areas. 35 million of these workers are in the processing trade industry. See MOFCOM (2009a).
must be to openness and cooperation”. He proposed that the US and China should “take the lead” and work together to advance the Doha Round.

A different lesson, however, would question China’s over-reliance on foreign markets. Therefore, China should stimulate domestic consumption and reduce its dependency on international trade. In November 2008, China unveiled an aggressive US$ 585 billion economic plan, heralded as China’s “New Deal”. The spending package would inject funds into ten sectors, hoping to rescue domestic enterprises and create jobs. The effect, as Business Week reported, was that “Across China, steelmakers, cement producers, and construction companies are seeing sales soar as Beijing’s stimulus plan opens the spigot on funding for railways, airports, and power plants”. In April 2009, China also announced plans to build hospitals across the country and expand medical insurance to cover 90 percent of China’s population by 2011.

If such measures boost consumer confidence, the Chinese economy could eventually become driven by domestic consumption. China could become one of the world’s largest importing countries in the not-too-distant future, thereby moving it closer to the EU and US. This change, if it occurs, would have a profound impact on China’s international trade negotiations. This is since the balance of advantage in international economic relations rests mainly with importing countries, as opposed to exporting countries. Although China is both a leading exporting and importing country, it has not been recognized as a significant importing country in its bilateral relations with those countries where its exports are concentrated. At such time when China reduces its reliance on North America and Europe in foreign trade and increases imports from those regions, it would be able to (threaten to) cut off markets that are important for American and European producers and manufacturers, either as a defensive or offensive trade relations tool.

II. QUESTION OF CHINESE LEADERSHIP

“China’s behavior in the Round has been disappointingly reticent and has contributed to the poor state of play in the Doha Round.” The EU Trade Commissioner, Peter Mandelson, supports this sentiment.

While China joined the G-20, pressing for significant cuts in developed countries’ agricultural subsidies, the principal spokesmen for the group are Brazil and India and

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43 Chen (2009).
44 Id.
45 “Race to Plug into Consumer Economy”, South China Morning Post, 9 February 2009.
46 Roberts (2009).
47 Id.
48 Jiang (2009) (one of the priorities of the MOFCOM is to shift the Chinese economy from international markets to domestic consumption). The author Jiang Zengwei is currently a Vice Minister of the MOFCOM. However, some analysts have suggested that instead of directing the economy towards domestic demand-led growth, Beijing’s current stimulus plans are intended to serve as a mere “stopgap” measure while awaiting the resumption of previously high levels of exports to resume. In other words, building-up domestic demand is only a second-best option; Wu (2009). Some even suggest that China may simply have to “live with” slower growth if exports fail to pick up; id.
50 “China urged to play a bigger role”, AFP, 7 November 2006.
China is happy to hide behind them.\textsuperscript{51} In addition, China is a member of the G-33, chaired by Indonesia, which eventually was dominated by India and China during the July 2008 mini-ministerial.

China’s membership of the G-20 and G-33 accords with its oft-stated position since 2001 in relation to the developing countries, and the treatment of RAMs. Since joining the Doha talks, China has been reserved in relation to further trade liberalization. Zhang Xiangchen, Director-General of the WTO Division of the PRC Ministry of Commerce, recently explained that the “bottom line” has been China’s request to be treated as a new WTO Member on the basis of the four “L”s, namely, “less” [requests], “lower” [obligations], “longer” [transition periods], and “later” [liberalization].\textsuperscript{52} At Cancun, Minister of Commerce Lu Fuyuan said:

We hold that the new Round should give full consideration to the huge pressure on the governments and industries of recently acceded Members including China, especially the huge pressure that their fragile industries are facing in restructuring. Important contributions made by recently acceded Members should be recognized and their particular concerns must be effectively addressed in the new Round. Only in this way can the WTO principles of equity and justice…be reflected.\textsuperscript{53}

A key negotiating \textit{strategy} for China has thus been to emphasise the “development” dimension of the Doha Round. At the Hong Kong Ministerial, Minister of Commerce Bo Xilai said that calling it the “Doha Development Agenda” reflects “a major step forward” in WTO history and “is also a wise and visionary choice”.\textsuperscript{54} He warned that if that is treated merely as an “empty slogan”, “the negotiations would become meaningless and lack momentum”.\textsuperscript{55} With respect to China’s own position, he remarked that:

China would support a balanced outcome of the Doha Round. To us, it does not mean a self-balance and trade-off between the offensive and defensive interests of a particular developed country itself. Rather, it must be conducive to the achievement of [an] overall balance for developing countries as a whole. As a matter of fact, there already exists a serious imbalance in terms of the general levels of development between the rich nations and the poor ones …. To address this imbalance, developed countries must do more in this Round and must be willing to consider sufficient policy space for developing countries.\textsuperscript{56}

In short, China has not actively taken a strong leadership position. It has been “a constructive but low-key participant” instead.\textsuperscript{57} Since its accession, China has made or jointly sponsored over a hundred submissions in connection with the Doha Round.\textsuperscript{58} In 2003, it was “the most active developing country and third most active WTO

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\textsuperscript{51} China’s Ambassador did speak before the informal meeting of the Special Session for Agriculture on 4 October 2004. See Sun (2004).
\textsuperscript{52} Zhang (2008), 30.
\textsuperscript{53} Lu Fuyuan (2003).
\textsuperscript{54} Bo (2005).
\textsuperscript{55} Id.
\textsuperscript{56} Id.
\textsuperscript{57} “China and Doha”, Beijing Review, No.40, 5 October 2006 (quoting Jeffrey J. Schott).
\textsuperscript{58} “Official: China has always played active role in WTO talks”, Xinhua newswire, 24 July 2008.
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9 Its total of 65 written submissions in that year was below those of the EU and the US, but greater than any other country. Notwithstanding that, few of the submissions proposed systemic changes to the current international trade system although many of these submissions emphasized the developmental dimension.

At the July 2008 mini-ministerial, however, China became a central player; during which its trade minister was also accused of “playing hardball”. China had been included in the G-7. The mini-ministerial eventually collapsed because of the US-India divide on the “Special Safeguard Mechanism” (SSM), especially on the percentage of import volume increase that would trigger the SSM. The US insisted that SSM remedies should be triggered when imports surged by an average of 40 percent over a three-year period, while India advocated a 15 percent threshold. China eventually indicated that it could accept something between 20 and 35 percent, but was not able to persuade the US and India to change their minds; both countries insisting that their positions were non-negotiable. In his statement immediately after the WTO Director-General had announced the failure of the mini-ministerial, PRC Minister of Commerce Chen Deming pointed out that the talks failed “[d]ue to the inability of two countries to bridge the gap between their positions on special safeguard triggering levels”, implying that it was not China’s fault. At the last minute, China had left this most difficult question to the US and India, indicating simply that it would accept a result reached by them. China sought “maximum flexibility” in its negotiating position in taking the view that “one who tied the knot has to untie it”. China is in all likelihood aware that it was being blamed for the failure of the 2008 Mini-Ministerial purely as a defensive move by the US, that the US and EU were aiming to distract attention from their own positions, and that even if the US-India deadlock had been broken, there would have been many unresolved issues still left on the table.

III. POST-ACCESSION POLICY EVOLUTION

At the General Council meeting on 15 October 2008, Ambassador Sun Zhenyu did say that “with the unprecedented financial turmoil, all Members should have” a “sense of urgency and show political will and flexibilities.” However, he immediately followed up by saying that “there should be no more artificial deadlines imposed on the process and all we need to do is to work hard through the multilateral process and try to make progress.” In other words, China is not in a hurry to conclude the Doha Round if the terms and conditions are not to China’s satisfaction.

In future trade talks, China is likely to take account of the following:

- The benefits of the multilateral trading system
- Domestic politics
- Regionalism as a backup

59 Lawrence (2009), 152 (citing Nordstrom).
60 Castle (2008).
61 Lei (2008), 22.
62 Chen (2008a).
64 Chen (2008b).
65 Sun (2008a).
WTO litigation as a possible alternative to negotiation
Relationship with the developing countries

A. The Benefits of the Multilateral Trading System for China

The multilateral system serves China’s foreign trade interests. China now automatically enjoys unconditional MFN treatment and can enforce its rights through the WTO’s dispute settlement system. Unlike the conditionalities imposed by MFN-granting countries previously, the WTO also allows China to “delink” politics from economics.66

However, since joining the WTO China’s enthusiasm for the multilateral trading system has been significantly eroded. The current economic crisis is only one possible factor amongst many.

B. Domestic Politics

1. Consequences of Over-committed Obligations during the Process of WTO Accession

Because of the terms of China’s WTO entry, its negotiators must now bear in mind the tremendous price which China paid for its accession. The scope and depth of China’s market access commitments were almost unprecedented, making it now difficult for China to offer further concessions. In his statement to the Hong Kong Ministerial Conference, Minister Bo Xilai pointed out that:

It had taken China 15 years to complete the negotiations of its accession to the WTO, which entailed extensive commitments and significant contributions…As a result, our average tariff level for industrial products has dropped to 9 per cent this year from the pre-accession level of 42.9 per cent, whereas our average tariff level for agricultural products now stands at only 15.3 per cent as compared to the pre-accession level of 54 per cent. However, the world average tariff for farm products now is as high as 62 per cent. Throughout the history of the WTO, no other [Member has made] such huge cuts during such a short period of time, not even any developed Member! In the area of services, our commitments for liberalization have covered 100 sectors and subsectors, pretty close to the rate of coverage for developed Members. However, China is still a genuine developing country, with a farming population of 740 million ….67

China’s commitments were impressive. China agreed to bind 100 percent of tariff lines, while the percentage of bound tariffs lines in India was about two-thirds. China agreed to reduce average bound tariffs for industrial goods to 8.9 percent. The comparable figures for Argentina, Brazil, India and Indonesia were 30.9, 27.0, 32.4, and 36.9 percent, respectively. For services, not only has China made concessions in all the sectors covered by the GATS, the depths of China’ commitments were clearly beyond those made by other countries.68

66 Lawrence (2009), 153.
67 Bo (2005).
Even more so were China’s trade remedies concessions which go far beyond those of the WTO founding members. China was forced to accept a unique, twelve-year Transitional Product-Specific Safeguard Mechanism (TPSSM) under Article 16 of its Accession Protocol. Article 16 allows other WTO Members to implement WTO-plus safeguard measures specifically against Chinese products more easily, and for potentially longer periods while curtailing China’s right to retaliate. On anti-dumping, China agreed under Article 15(a) & (d) to be treated by other WTO Members as a non-market economy for fifteen years in anti-dumping investigations. There is a similar provision on subsidies under Article 15(b), but no sunset period was stipulated. In theory, the subsidies regime which China agreed to during its accession could last indefinitely.

These WTO-plus obligations have back-fired. They now limit the Chinese delegates’ negotiating space considerably. Long Yongtu, Chief Negotiator for China’s WTO accession, has constantly been called a “traitor” for his part in the accession. To avoid a political backlash, China must champion Chinese domestic industries abroad, and negotiators have to constantly show toughness in trade talks. For instance, at the Informal Trade Negotiations Committee Meeting, a few days after the collapse of the WTO mini-ministerial, Chinese Ambassador Sun Zhenyu angrily stated, in response to US accusations of China’s non-cooperation:

> It is a little bit surpris[ing] that at this time the US [has] started this finger pointing. I am surprised because they are now talking about [China’s] cotton, sugar, rice…[as if]…we are not going to make any efforts in the Round. Let me explain what China has contributed in the round. Because of our accession negotiations, our tariff in agriculture on average is 15.2% and now bound at this level, which is lower than the average of [the] European Union, lower than Canada, lower than Japan, lower than quite a number of other developed countries on average. But on that basis, we are committed in this round to cut further down our tariffs, the applied tariffs deeply. And in NAMA, our average is 9%, bound at that level. And in this round, we will cut about 30% in applied level. So we are making contributions of 50% of the total [cuts for] developing countries in terms of applied rate…So that is our contribution.

He added that for the developed countries: “they will cover all their sensitivities through various measures while…asking China to participate in sectors where we have great sensitivities, particularly in chemicals, in electronics, in machinery. We need some kind of protection in those sectors but they want to bring that down to zero or near zero”. His message was clear. China too will not now easily give up protection in sensitive industries.

2. **Difficulties in building domestic political momentum and consensus**

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69 Lardy (2002), 80.
71 Sun (2008).
72 Id.
There is a high concentration of power in the ruling party in China. Within the party, power is further concentrated in the top leaders. Yet even in China, political elites must be consulted and public opinion must be taken into consideration. As Long Yongtu also observed, compared with the pain of the negotiations, “an even tougher and therefore more significant process” was “consensus building among our own people at home”.

Key issues include China’s policy stance toward economic globalization, striking a balance between trade liberalization and economic development, and social issues such as rising unemployment as a result of economic restructuring.

The Chinese leadership needed WTO accession to push for domestic reform. Widely supported by China’s political elites, the accession led to more competition in domestic markets and allowed the leadership to transcend political barriers to government and enterprise reforms. The leadership also wished to use accession as an opportunity to improve relations with the West, and the US in particular during a critical period.

Joining the world’s most important economic organization became essential for China’s peaceful rise as a great power.

In contrast, China does not have the political will to take on a leadership role in the Doha negotiations. No strong political momentum at home now exists to support China “leading” the negotiations by offering substantial concessions. This is what the United States and Europe mean by “Chinese leadership”. As for leadership by playing the role of lead demandant instead, China’s position could also reflect its skepticism about the US and EU making any substantial concessions in agriculture and trade remedies, and is complicated by China’s unwillingness to betray the position of of developing countries. In short, the option of leading the Round by demanding concessions does not easily present itself either. the smoother option is to point to the significant concessions which China has laid on the table (i.e. in NAMA and agriculture), or which China is still prepared to make (e.g. in services). In any event, the top priorities on the agenda of the leadership currently include stimulating domestic consumption, creating jobs, shrinking the income gap between rich and poor, and eventually striking a balance between economic growth and social justice. Further trade liberalization is probably not viewed to be very helpful to this cause in the eyes of the Chinese leadership.

C. Regionalism as a Backup

China first proposed a free trade agreement (FTA) with the Association of South East Asian Nations (ASEAN) in 2001 - the ASEAN-China Free Trade Agreement (ACFTA). To date, it has concluded 9 FTAs with 16 countries and regions, including ASEAN, Chile, Pakistan, New Zealand, Peru, Singapore, Hong Kong, Macau, and Thailand, and is in negotiations with the Gulf Cooperation Council, Australia, Iceland, and Norway. Chinese Premier Wen Jiabao stated in his 2009 Work Report to the National People’s Congress (NPC) that “China would accelerate the implementation of the FTA strategy”. China considers that “an FTA can provide an institutional guarantee to the development of bilateral/regional trade and economic relations and benefit businesses and consumers…by helping expand trade, achieve market diversification, reduce consumer

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73 Long (2007), 179.
74 Id.
75 Fewsmith (1999).
76 Phoenix TV interview with Long Yongtu, 1 August 2002.
77 Batson (2008).
78 Pearson (2003), 10-11.
prices, and lower producer costs; and drive economic growth and create new job opportunities.” In a recent press release, the Ministry of Commerce advocated FTAs as a way to ensure the steady growth of foreign trade in China because they can (1) induce trading partners to recognize China’s market economy status; (2) reduce trade disputes and (3) restrict the use of technical barriers.

China wants recognition as a market economy by its trading partners. It also wishes to secure access to energy and important raw materials through its FTAs. The FTA strategy also serves to solidify China’s influence in Asia, aiming at possibly a Pan-Asian FTA influenced by China. Finally, the most basic goal of the FTAs is “to gain improved market access for its exports which as labor-intensive manufactured and agricultural goods are often subject to high tariff protection”. In any event, FTAs provide an exit if the multilateral trade talks fail.

MOFCOM has consistently stressed the point that China’s FTAs have played a significant role in arresting the decline of China’s foreign trade caused by the current global crisis.

D. Trade Litigation as an Additional Policy Device

China has been involved in five WTO disputes as a complainant and 16 as a defendant. It has served as a third party in 62 cases. These figures mask a recent shift in China’s litigation policy around 2006/2007. Beginning with the Auto Parts case, China began to actively defend itself against WTO litigation, marking a change from its previous policy of settling disputes. In 2009, this shift has seen China take an even more active part in initiating litigation as sole plaintiff, challenging US anti-dumping and countervailing duties in the Pipes, Tyres and Laminated Woven Sacks case, US import restrictions on chicken, and EC anti-dumping measures on iron or steel fasteners. They follow China’s discontinuation of an earlier challenge to US import restrictions on coated paper. Previously China had engaged in “bandwagoning” behaviour instead. Initially joining as third-party, China ultimately became a co-complainant most famously in the US-Steel Safeguards Case. Other cases in which China appeared as third-party was a suit brought by the US against the EC concerning the classification

79 WTO (2008), para. 38.
80 MOFCOM (2009).
82 MOFCOM (2009b), (2009c) (noting that, in the first half of 2009, China’s exports to FTA partners had grown much faster than that for global markets on average).
87 WT/DS379/1, 22 September 2008 (Consultations). The panel was established on 20 January 2009.
88 WT/DS392/1, 21 April 2009 (Consultations).
89 WT/DS397/1, 4 August 2009 (Consultations).
90 WT/DS368/1, 18 Sept. 2007 (Consultations).
and valuation of products for customs purposes,\textsuperscript{92} and a challenge brought by Japan to US “zeroing” policy in anti-dumping investigations.\textsuperscript{93}

China’s attention is now also inevitably drawn to the fact that it faces increasing action to block its imports. That is why it has initiated three WTO cases this year, while it is also faces an attempt by the EU and US to block China from restricting exports of raw materials by initiating a WTO dispute against China.\textsuperscript{94} China is undoubtedly aware that these recent disputes show that the US and EU in particular wish to compel China to export about 20 items of raw materials (bauxite, fluorspar, copper, tungsten, coke, yellow phosphorous, zinc and silicon etc.) affecting the production of aluminium, steel, aircraft, semiconductors, and detergents;\textsuperscript{95} whereas China is keen to increase its exports of finished products instead.\textsuperscript{96} The arena for all these issues currently lie in the WTO dispute settlement system, not multilateral negotiations.

Without going so far as to conclude that China’s new-found ease with litigation will loosen its dependence on trade talks, China is nonetheless now free of its non-litigation policy. As such, a carefully managed litigation programme could expand China’s trade policy space beyond its previous focus on negotiations, and add to China’s dexterity.

\textbf{E. Relationship with Developing Countries}

While China has been increasingly called upon – by the US and others - to offer greater “leadership”,\textsuperscript{97} it will likely wish to adopt a “two-hands” policy – i.e. play the role of intermediary in light of its position as both a leading importer and exporter.\textsuperscript{98}

China came under criticism from developing countries during the July 2008 mini-ministerial in trying to exclude key manufacturing sectors such as chemicals and machinery.\textsuperscript{99} But for China, its membership of developing country coalitions does not mean “leadership” of the developing countries. It was China’s membership of the G-7 during the mini-ministerial which put pressure on China to exercise such a role (i.e. as a counter-weight to Brazil and India).

In its public diplomacy, China has nonetheless continued to champion developing country concerns:\textsuperscript{100}

[The] Doha Round is a development round. We should bear in mind all the time that development is our priority and has to be placed at the centre of all negotiations.

\textsuperscript{92} WT/DS315/AB/R, 13 November 2006.
\textsuperscript{94} WT/DS394/395/1, 25 June 2009 (Consultations).
\textsuperscript{95} Braithwaite (2009); Anderlini (2009); Holland (2009), Ellis (2009).
\textsuperscript{97} See “China and Doha”, 14 December 2006, \textit{available at bjreview.com.cn/world/\texttt{txt/2006-12/14/content_50751.htm}} (reporting on Lamy’s and Schwab’s Beijing visits).
\textsuperscript{98} Huang (2008), 28.
\textsuperscript{99} Elliott (2008).
Yet even here China has been nuanced. In 2005, Zhao Zhenyu outlined China’s approach to Doha, on the basis of a requirement that “consideration” be given to “the interests and reasonable requirements of developing countries”.\(^{101}\) In 2007, during APEC’s 15\(^{th}\) Economic Leaders Meeting, President Hu Jintao affirmed that China is ready “to work with other members to play a constructive role and move the Doha Round negotiations toward a comprehensive and balanced outcome at an early date”.\(^{102}\)

Because it had sought a compromise between the US and India during the 2008 Mini-Ministerial, China was also accused by USTR Susan Schwab of seeking “unconscionably” to roll-back the global trading system,\(^{103}\) and siding with India.\(^{104}\) The British press dubbed China a “stick in the mud”.\(^{105}\) For China, it was a politically astute move, not because of developing country alliances, but because of China’s “rural problem” at home. Supporting the SSM sent a signal to Chinese farmers that they had not been forgotten.\(^{106}\)

China responded in kind to the US accusation, but care should be taken not to confuse China’s outspokenness at the July mini-ministerial for a more outspoken attitude on developing country issues. China’s strongest statements were in direct response to the allegation that it was not offering enough concessions (i.e. in relation to its own status as a RAM). The reasons are related not so much to coalition building amongst developing countries, or for that matter a search for leadership prestige, but indicate the limits within which China is likely to offer further trade concessions.

**V. CONCLUSION**

While China has been severely affected by the current crisis, both in terms of a fall in exports as well as increasing litigation over access to foreign markets for its finished products and demand for its raw materials, a primary concern has been its accession concessions. This is more important than China’s alignment with developing countries in relation to which China is content to take a back-seat. Thus despite its G-7 membership during the mini-ministerial, China essentially plays the role of demandeur and is likely to take a middle-position, using its existing offers and its status as a RAM as a shield against pressure and criticism. China’s demands in the agricultural sector must take account of its own farmers, its attempt to have the position of the RAMs taken more seriously, and its need to maintain fidelity with the position of developing country Members. A recent study shows that under the current Doha negotiating draft, China’s bound tariffs will already be cut by about one sixth (from an initial average of 15% to 13%) despite current rates being already one quarter of the average world agricultural tariff level. China is already one of the least protected developing country

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\(^{101}\) Zhao (2005) (emphasis added).


\(^{103}\) Stewart (2008).

\(^{104}\) Elms (2008).

\(^{105}\) Elliott (2008).

\(^{106}\) Zheng & Kong (2009), 13.
agricultural markets. Likewise in NAMA, China adheres to the position of dual co-efficiencies (i.e. giving developing country Members enough space) while advocating the defensive needs of the RAMs. In services, China believes that it should liberalize gradually in light of its extensive accession commitments, while pushing for liberalization of mode-4 services in keeping with the developing country Members’ position. China has said explicitly that it will not give more if others do not reciprocate, and aims eventually to keep liberalization in pace with some developed country Members. China is also prevented from playing the role of lead demandant insofar as this could complicate its relationship with developing country nations, notwithstanding China’s export interests.

In pointing to rising protectionism abroad and the importance of the multilateral talks, China has given hope that it would play a “leadership” role (i.e. as a fully-committed free trader). However, unless China stands to genuinely benefit from this Round, it is likely to do what is simply sufficient to avoid blame. In terms of negotiating style, it seems China will not accept a front-line role in advocating either developing or developed country positions, in order to maintain flexibility. China is also likely to assess closely attempts to blame China in mid-2008. China believes it has offered enough – in agriculture and NAMA - to avoid such criticism, not to mention its status as a RAM. Moreover, China’s attention has increasingly focused on WTO litigation. Unlike its defensive negotiating position, the three recent, pending cases China has brought as sole plaintiff allows China to occupy an offensive role. China’s FTA programme also provides a further back-up in the event that multilateral talks fail. As for the current crisis, it is likely to consolidate China’s conservatism, and direct China’s focus, if not its longer-term development strategy towards building up domestic consumption. If this occurs, China’s influence in foreign trade relations could increase as it shifts towards becoming a major importer in its relations with the US and Europe.

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