

ECIPE Press Release, February 1, 2011

NEW STUDY:

China's Trade Policy After (Almost) Ten Years in the WTO: A Post-crisis Stocktake

China's trade policy is getting more complicated – and is increasingly the subject of harsh criticism by other countries. In a new study, Razeen Sally interprets China's overall trade policy since its accession to the World Trade Organisation (WTO) almost a decade ago, and more recently in the wake of the global economic crisis.

China has a mixed record on WTO implementation; a flurry of litigation has followed several years of diplomatic reconciliation in dispute settlement; and China has been passive in the Doha Round. In contrast, it has been very active with PTAs, setting off a “domino effect” in east Asia. But its PTAs are “trade light”, driven more by foreign policy than commercial considerations. Finally, unilateral liberalisation – the driving force of external opening in the 1990s – has stalled. There has been very little “WTO-plus” liberalisation, while measures of selective protection, especially related to foreign investment and industrial-policy targeting, have increased. China's response to the global economic crisis has reinforced these trends, but it does not represent a dramatic increase in protection or fundamentally reverse China's opening to the world economy.

Overall, China's policy terms of trade have shifted in the near-decade since it joined the WTO. It behaves more like a very large, complex economy and less like a small-to-medium-sized open economy. It acts more often like a price-setter than a price-taker – witness its export restrictions on rare-earth metals. It is less comfortable as a willing rule-taker in the WTO. It inclines less to unilateral liberalisation and more to hard-bargaining reciprocity. But it has yet to make the transition to proactive rule-setting and system-shaping – to co-leadership of the world trading system. That creates systemic tensions and a leadership vacuum, especially when the system's traditional leader, the USA, is down and diminished.

China's short-term challenge is to contain protection at home. That will send positive signals to contain protectionism worldwide. Beyond that, China's challenge is to stimulate further unilateral liberalisation related to domestic structural reforms. That means tackling non-border, but still trade-related, regulatory barriers, especially in investment and services. Cleaning up PTAs and strengthening participation in the WTO are important auxiliary objectives. This should be seen in the context of further liberalising the Chinese economy and “rebalancing growth”. But this does

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www.ecipe.org
info@ecipe.org • Rue Belliard 4-6, 1040 Brussels, Belgium



not appear to be Beijing's agenda today. Not least, such "second-generation" reforms strike much closer to vested interests at the heart of the Party State in China. Nevertheless, pro-market reformers should work to make it tomorrow's, or the day-after-tomorrow's, agenda. Finally, two-way "constructive engagement" in China's key bilateral and regional trade relationships is vital to contain protectionism and smooth China's further integration into the global economy. The US obsession with RMB undervaluation and China's current-account surplus is not an exercise in constructive engagement – indeed quite the opposite.

Publication details:

China's Trade Policy After (Almost) Ten Years in the WTO: A Post-crisis Stocktake
By Razeen Sally, Director of ECIPE

ECIPE Occasional Paper No. 2/2011

The paper can be downloaded [here](#)

Media enquires:

For comments and further information, please contact Razeen Sally (razeen.sally@ecipe.org) at +44 7769 706359