

CHINA'S ACCESSION TO THE WORLD TRADE ORGANIZATION: THE PROCESS AND THE EFFECTS**

The aim of the paper is to present and explain the changes that have arisen in China's trade and economy during the accession to the World Trade Organization (WTO) and during its membership in this organization. The article consists of four parts and a conclusion. At the beginning of the paper, China's negotiations with the GATT are briefly outlined, as well as the main obstacles for not accomplishing these negotiations successfully. The second part deals with the negotiations for the WTO membership and the most important changes China's economy has undergone to meet the membership requirements. This part of the paper also outlines the most important barriers to the membership, as well as economic reforms and the growth of the non-state economy in China. The third part explains how China, upon its accession to the WTO, has immediately involved in the Doha Development Round negotiations. This country became a member of several negotiating groups within the WTO and signed certain WTO agreements. Moreover, China has undergone a Trade Policy Review several times, which is a periodic obligation of every WTO member. The final section describes the most important changes in China's trade that have come out from full membership in the WTO. During the sixteen years of its membership in the WTO, China has achieved a never-before-seen rate of trade growth and took the leading position in the world trade. At the end of the paper, we conclude that China has fully integrated into the world economy and that becoming a member of the World Trade Organization has played a major role in this achievement.

Keywords: China, WTO, GATT, accession, economy, trade, Doha Development Agenda, negotiations.

* Institute of International Politics and Economics, Belgrade; sanja@diplomacy.bg.ac.rs

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1. China and the General Agreement on Tariffs and Trade (GATT)

China was one of the 23 original signatories of the General Agreement on Tariffs and Trade (GATT) in 1948. After China's revolution in 1949, the government in Taiwan announced that China would leave the GATT system. Although the government in Beijing has never recognized this withdrawal decision, nearly 40 years later, in 1986, China notified the GATT of its wish to resume its status as a GATT contracting party.¹ The General Agreement on Tariffs and Trade formally received China's application on July 10, 1986. The GATT Accession Working Party was established by the Council on March 4, 1987.² The tasks of the Working Party on China's Status as a Contracting Party were to:

- examine the foreign trade regime of the People's Republic of China,
- develop a draft Protocol setting out the respective rights and obligations,
- provide a forum for the negotiation,
- address as appropriate other issues concerning the People's Republic of China and the GATT, including procedures for decision-making by the contracting parties,
- make recommendations to the Council.³

The Working Party on China's Status as a Contracting Party met on 20 occasions between 1987 and 1995. The strongest point of difference between China and the major GATT trading partners, even several of the Third World contracting parties who supported Chinese entry, was concentrated around some 'special safeguards' (emergency protective actions that an importing country could take) in relation to Chinese exports. The major industrial countries wanted China to agree to the application of 'selective safeguards' against its exports. In other words, to agree to the importing markets applying restrictions solely directed against China, with the aim to prevent what the importing countries consider to be a threat to their domestic producers by subsidized exports from China. The European Community, for example, sought to introduce concepts like 'surge in imports,' 'market disruption,' etc. - the terms used in the Multifibre Arrangement which will become GATT illegal under the Uruguay Round

¹ WTO, *WTO successfully concludes negotiations on China's entry*, https://www.wto.org/english/news_e/pres01_e/pr243_e.htm. (21.08.2017.)

² The members of the Working Party on China's Status as a Contracting Party were: Argentina, Australia, Austria, Bangladesh, Bolivia, Brazil, Canada, Chile, Colombia, Cuba, Czech, Republic, European, Communities, and, member, States, Finland, Hong, Kong, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Kuwait, Malaysia, Mexico, Myanmar, New, Zealand, Norway, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Slovak, Republic, Sri, Lanka, Sweden, Switzerland, Thailand, Tunisia, Turkey, United, States, Uruguay, Zimbabwe.

³ GATT, "Working Party on China's Status as a Contracting Party", L/6191/Rev.7, <https://docs.wto.org/gattdocs/q/GG/L6199/6191R7.PDF> (01.07.2017.)

agreements. China also indicated its awareness of genuine concerns in some bilateral discussions, particularly from many of the developing countries, and expressed a desire to meet these concerns through other modalities rather than the 'selective safeguards' concepts. While China agreed that full market mechanisms did not operate in price formations of products on the domestic or export markets, they argued that considerable amount of changes and reforms were introduced and these would soon become effective. However, both the United States and the European Community advocated that the question of China acceptance to the GATT should be considered only after the Uruguay Round conclusion and establishment of its institutional arrangements.⁴

China has never formally completed its accession to the GATT. In the meantime, the 8th round (the last round) of multilateral trade negotiations, held under the auspices of GATT, ended in 1994. The Uruguay Round embraced 123 countries as "contracting parties." The Uruguay Round led to the creation of the World Trade Organization, with the GATT remaining an integral part of the WTO agreements.⁵ The broad mandate of the Uruguay Round was to extend the GATT trade rules to the areas previously exempted as too difficult to liberalize (agriculture, textiles) and to the increasingly important new areas previously not included (trade in services, intellectual property, investment policy, trade distortions).⁶

2. Economic changes during negotiations on the accession of China to the WTO

The Uruguay Round came into effect in 1995 with deadlines ending in 2000 (2004 in the case of developing country contracting parties) under the administrative direction of the newly created World Trade Organization. China decided to apply for the accession to the World Trade Organization under Article XII of the WTO Agreement. In a communication dated December 7, 1995, the Government of China applied for the accession to the Marrakesh Agreement establishing the World Trade Organization (WTO Agreement) pursuant to Article XII of the WTO Agreement. Following China's application and pursuant to the decision of the General Council on January 31, 1995, the existing Working Party on China's Status as a GATT 1947 Contracting Party was transformed into a WTO

⁴ GATT Working Party on China to resume in may (19 March 1993) <http://www.sunsonline.org/trade/process/during/03191093.htm>

⁵ Jelisavac Trošić Sanja (2015): *Pregovori u okviru GATT i STO*, Institut za međunarodnu politiku i privredu, Beograd, 31-32

⁶ Cline William (1995): "Evaluating the Uruguay Round", *The World Economy*, 18 (1): 1. doi:10.1111/j.1467-9701.1995.tb00198.x

Accession Working Party, effective from December 7, 1995.⁷ Finally, after almost 15 years of negotiations, China became a WTO member on December 11, 2001.

Initially, the Working Party on China's status was established under the GATT in 1987 and concerned only China's trade regime for goods. In 1995, it was converted to a WTO Working Party and its scope was broadened to include trade in services, new rules on non-tariff measures and rules relating to intellectual property rights. The chairperson of China's Accession Working Party was Ambassador Pierre-Louis Girard of Switzerland.⁸ The tasks of the Working Party were to examine the application of the People's Republic of China Government to accede to the World Trade Organization under Article XII and to submit to the General Council recommendations which may include a draft Protocol of Accession.⁹ The Working Party reviewed the foreign trade regime of China. The discussions and commitments resulting therefrom were contained in the Report of the Working Party on the Accession of China (paragraphs 15-342) and in the Draft Protocol of Accession (Draft Protocol), including the annexes.¹⁰ At the end of negotiations, the People's Republic of China acceded to the Marrakesh Agreement Establishing the World Trade Organization on the terms and conditions set out in the Draft Protocol on the Accession of the People's Republic of China.¹¹

Among other difficulties in the course of negotiations, the issue of customs valuation, for instance, came up during the accession process. The Report of the Working Party (November 1, 2001) reads: "Some members of the Working Party expressed concern regarding the methods used by China to determine the customs value of goods, in particular regarding the practice of using minimum or reference prices for certain goods, which would be inconsistent with the Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation Agreement)." In response, "The representative of China confirmed that, upon accession, China would apply fully the Customs Valuation Agreement

⁷ WTO, "Communication from China", WT/ACC/CHN/1, (07.12.1995), 1-2. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/CHN/2/Rev.11 and Corr.1.

⁸ The members of the Working Party on the Accession of China to the WTO were: Argentina, Australia, Bangladesh, Bolivia, Brazil, Canada, Chile, Colombia, Cuba, Czech, Republic, Ecuador, Egypt, European, Communities, and, Member, States, Hong, Kong, Hungary, India, Indonesia, Israel, Jamaica, Japan, Korea, Kuwait, Malaysia, Mexico, Myanmar, New, Zealand, Norway, Pakistan, Peru, Philippines, Poland, Romania, Singapore, Slovak, Republic, Slovenia, Sri, Lanka, Switzerland, Thailand, Tunisia, Turkey, United, States, Uruguay, Zimbabwe.

⁹ WTO, "Working Party on the Accession of China", WT/ACC/CHN/2, (2. April 1996.), 1

¹⁰ WTO, "Report of the Working party on the Accession of China", WT/MIN(01)/3, (10.11.2001.), Ministerial Conference Fourth Session, Doha, (9-13.11.2001.)

¹¹ Draft Protocol can be viewed on pages 155-176 of the Report of the Working party on the Accession of China.

(...).¹² This is just an example that illustrates the difficulties during China's negotiations on the WTO accession.

The admission of China to the WTO was preceded by a lengthy negotiation process and required significant changes in the Chinese economy. During the accession negotiations, China had to reform the trade regime in order to meet the WTO requirements. The pre-reform Chinese trade regime was dominated by between 10 and 16 Foreign Trade Corporations with effective monopolies in the import and export of their specified product ranges.¹³ The Chinese trade regime had the limited importance of conventional trade policy instruments such as tariffs, quotas and licenses that were absent or unimportant under the planning system. Price-based measures were unimportant since the imported quantities could be controlled through the monopoly trading corporations. The reform of China's trade regime during the WTO accession negotiations had four major dimensions: increasing the number and type of enterprises eligible to trade beyond the initial few centrally controlled foreign trade corporations; developing indirect trade policy instruments such as tariffs, licenses, quotas and duty exemption schemes; reducing and ultimately removing the exchange rate misalignments; and reforming prices so that they could play a role in guiding resource allocation. These reforms of the trading system were inextricably linked with the reform of the enterprise sector to allow indirect regulation through market-determined prices to replace direct regulation of enterprise outputs.¹⁴ The WTO accession process signified China's deeper integration into the contemporary world economy.

The biggest structural change in China's economy was the rapid growth of the non-state economy. Official figures, which are probably understated, show that employment in the non-state sector from 1989 to 1998, including individual entrepreneurs, private enterprises, foreign-invested enterprises, and enterprises established by investors from Taiwan, Hong Kong and Macao, have increased four-fold, from 21.51 million to 87.01 million, an average annual growth rate of just over 16% (see Table 1). Although the 17 million people added to the private sector between 1996 and 1998 cannot compensate completely for the 22 million workers dismissed from the state-owned enterprises in those years (much less than those dismissed from urban collectives, those newly added to the workforce and those switching from agricultural to non-agricultural employment), it

¹² Javorcika Beata S., Narciso Gaia (2017): "WTO accession and tariff evasion", *Journal of Development Economics* 125, 61-2.

¹³ Lardy Nicholas (1991): *Foreign Trade and Economic Reform in China, 1978-1990*, Cambridge: Cambridge University Press

¹⁴ Ianchovichina Elena, Will Martin (2001): "Trade liberalization in China's accession to WTO" *Journal of Economic Integration*, 424

nevertheless suggests the way China's economy is developing and where the new jobs will be created.¹⁵

Table 1. *Growth of the Non-State Economy, in million people*

Year	Private	Individual	Foreign	Taiwan, Hong Kong, Macao	Total	Percentage
1989	1.64	19.40	0.47	n/a	21.51	-
1990	1.70	21.00	0.66	n/a	23.35	8.60
1991	1.84	23.10	1.65	n/a	26.59	13.9
1992	2.23	24.70	2.21	n/a	29.14	9.60
1993	3.73	29.40	2.28	1.55	36.46	25.10
1994	6.48	37.80	4.06	2.11	50.45	38.40
1995	9.56	46.10	5.13	2.41	63.20	25.30
1996	11.70	50.20	5.40	2.65	69.95	10.70
1997	13.50	54.40	5.81	2.81	76.52	9.40
1998	17.10	61.10	5.87	2.94	87.01	13.70

Sources: Zhongguo siying qiye fazhan baogao (1999) (Beijing: Shehui kexue wenxian chubanshe, 2000), p. 33; and Zhongguo laodong tongji nianjian (Beijing: Zhongguo laodong chubanshe, various years); taken from Fewsmith Joseph (2001): "The political and social implications of China's accession to the WTO." *The China Quarterly* 167, p. 583.

During the negotiations, the most important and the most hotly debated topic in China was the anticipated accession to the World Trade Organization. After 13 years of efforts to achieve membership, the United States and China finally reached an agreement in November 1999. Shortly after that, the European Union and China came to an agreement. But as soon as a long-expected membership was on the verge of fulfillment, after years of presenting arguments with which the West kept trying to keep China out of the WTO, the prospect of actual joining set off a large number of speculations over the impact on China's economy. Many began questioning the benefits of membership. They were concerned that China's industries would be exposed to crippling competition, farmers would be hurt by the import of cheap and better quality foreign wheat and corn, while China as a nation would become entangled in a global capitalist network that would erode the country's sovereignty. In the worst-case scenario,

¹⁵ Fewsmith Joseph (2001): "The political and social implications of China's accession to the WTO" *The China Quarterly* 167, 582-3

China would become a servant to the United States.¹⁶ However, this scenario proved to be unrealistic.

The reforms in China during the negotiations (a 15-year period) included substantial tariff reductions and the dismantling of most nontariff barriers. Improved market access following the WTO accession was equally important. Few nations benefited from the participation in international trade as much as China did, or in such a brief period of time. In 1978, at the beginning of the reform era, China had about \$20 billion of foreign trade. In 2000 that figure rose to \$474 billion, which represented a 24-fold increase. This participation in global trade was critical for China's turning away from a pattern of nearly autarkic, capital-intensive growth to an export-led growth that exploits China's natural comparative advantage in cheap labor.¹⁷ However, the single most important impact of the WTO on China was the reinforcement of the directions in which China's economy and policy was moving during accession negotiations.

On November 11, 2001, the Government of the People's Republic of China accepted the Protocol on the accession of the People's Republic of China done at Doha on November 10, 2001. In terms of paragraph 2 of Part III of the Protocol, it entered into force on December 11, 2001.¹⁸ At the time of the accession, Chinese President Hu Jintao said that China's accession to the WTO was a milestone in China's reform and opening up, bringing them into a new era of further opening up. To join the WTO was a major strategic decision based on comprehensive analysis of the situation at home and abroad in order to push forward China's reform, opening up and socialist modernization drive.¹⁹ In the end, having undergone major structural reforms of her economy and becoming a member of the WTO, China made confident steps in the global marketplace, taking on one of the leading roles in the world trade.

3. China's sixteen years of WTO membership

The Working Party on the Accession of China to the WTO concluded almost 15 years of negotiations with China and agreed to forward some 900 pages of legal text for the formal acceptance by the 142 Member Governments

¹⁶ Fewsmith Joseph (2001): "The political and social implications of China's accession to the WTO" *The China Quarterly* 167, 573

¹⁷ Lardy Nicholas (1991). The figure for China's foreign trade in 2000 comes from Rongji Zhu (5. March 20001.): "Report on the outline of the Tenth Five-Year Plan for national economic and social development" at the Fourth session of the Ninth National People's Congress, China Central Television, trans, Foreign Broadcast Information Service, CPP20010305000112

¹⁸ WTO, "Protocol on accession of the People's Republic of China done at Doha" (10. November 2001), WLI/100, (20 November 2001.)

¹⁹ Permanent Mission of China to the WTO (2001): "China in the WTO: Past, Present and Future", The Tenth Anniversary of China's Accession to the WTO

of the WTO. Thirty days after China notified its acceptance of the agreement it legally became a member of the WTO.²⁰ China became the 143rd member of the World Trade Organization on December 11, 2001. Since 1995 China became the 15th economy that has joined the WTO pursuant to Article XII of the Marrakesh Agreement.

The World Trade Organization has a total of 164 members, of which 36 countries and customs territories became members in the period from 1996 to July 2016. Established in 1995, the World Trade Organization is the only global international organization that manages trade rules between countries. By providing a forum for governments to negotiate trade agreements and settle trade disputes, the organization aims to help governments solve their trade problems.

The Doha Development Round of negotiations began when China became a member of the WTO, so it actively participated in the negotiations from the first day. At the WTO Fourth Ministerial Conference held from November 9–13, 2001, ministers from all WTO members launched the Doha Development Agenda (DDA) and also approved China's accession to the WTO. Since the meeting took place just two months after the attack on the World Trade Center, some government officials called for greater political cohesion and saw the trade negotiations as a means to that end. Some even thought that a new round of multilateral trade negotiations could help the recovery of the world economy, which was weakened by recession and terrorism-related uncertainty.

The Doha Round was the first WTO trade round, which began in 2001 and remained unresolved after missing its official deadline of 2005. China was firmly devoted to the multilateral trading system and the successful conclusion of the Doha Round. China actively participated in all kinds of WTO activities, including regular Council and Committee activities and Doha Development Agenda negotiations. It also tried to help other developing countries, multilaterally, plurilaterally and bilaterally, in areas such as DDA and capacity building.²¹ Some viewpoints even suggest that China took over the leading role in WTO.²²

China is an observer to the Plurilateral Agreement on Government Procurement (GPA) and continues negotiating its accession thereto. It is also an observer to the Plurilateral Agreement on Trade in Civil Aircraft, and as a participant in the Information Technology Agreement (ITA) has agreed to its expansion. China submitted its notification of Category A commitments under the Agreement on Trade Facilitation and on November 4, 2015, it ratified the

²⁰ WTO, "Protocol on accession of the People's Republic of China done at Doha". More on China's negotiations to join the WTO can be found at https://www.wto.org/english/thewto_e/acc_e/a1_chine_e.htm.

²¹ Permanent Mission of China to the WTO (2001)

²² See Schlesinger Jacob M., (1 November 2017): "How China Swallowed the WTO", *The Wall Street Journal*, <https://www.wsj.com/articles/how-china-swallowed-the-wto-1509551308>

Agreement.²³ The Preferential trade arrangements (PTAs) that are being implemented by China as a WTO Member are the following ones:

- China is a provider of Duty-free treatment for the Least Developed Countries (LDC) (from July 1, 2010)
- China is a beneficiary of Generalized System of Preferences with Australia (from January 1, 1974), Japan (August 1, 1971), Kazakhstan (January 1, 2010), New Zealand (January 1, 1972), Norway (October 1, 1971), Russian Federation (January 1, 2010), Switzerland (March 1, 1972), Turkey (January 1, 2002).²⁴

Dispute cases initiated within the WTO dispute settlement mechanism involving China are as follows: 15 cases as a complainant, 39 cases as a respondent and 142 cases as the third party.²⁵

Regional Trade Agreements of China in force notified by the WTO are: ASEAN - China; Asia Pacific Trade Agreement (APTA); Asia Pacific Trade Agreement (APTA) - Accession of China; Australia - China; Chile - China; China - Costa Rica; China - Hong Kong, China; China - Republic of Korea; China - Macao, China; China - New Zealand; China - Singapore; Iceland - China; Pakistan - China; Peru - China; Switzerland - China.²⁶ Moreover, an early announcement has been made for two Regional Trade Agreements: The Cross-Straits Economic Cooperation Framework Agreement (ECFA) and China - Norway Bilateral Agreement.

Regarding the acceptance of the WTO multilateral instruments, China accepted the Protocol Amending the TRIPS Agreement (2005) on November 11, 2007. On September 4, 2015, China accepted the Protocol concerning the Trade Facilitation Agreement (2014).

Many countries formed coalitions within the WTO. These groups often spoke with one voice using a single coordinator or negotiating team. During the Doha Round of negotiations, China became a member of several groups in the negotiations:

- Asian developing members
- APEC (Asia-Pacific Economic Cooperation forum)
- Article XII Members²⁷

²³ WTO, www.wto.org.

²⁴ Details about Preferential trade arrangements of China can be found at: <http://ptadb.wto.org/Country.aspx?code=156>.

²⁵ Details about all cases can be found at: https://www.wto.org/english/thewto_e/countries_e/china_e.htm.

²⁶ Details about Regional Trade Agreements of China can be found at: <http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=156&lang=1&redirect=1>

²⁷ Article XII Members, or Recently Acceded Members (RAMs), i.e., countries that negotiated and joined the WTO after 1995, seeking lesser commitments in the negotiations because of the liberalization they have undertaken as part of their membership agreements.

- G-20²⁸
- G-33²⁹
- Paragraph 6 countries³⁰
- FANs (Friends of A-D Negotiations)³¹
- “W52” sponsors.³²

Upon the WTO accession, China became a party to the Agreement on Textiles and Clothing and was the subject to its rights and obligations. For all WTO members, quotas on textiles ended at December 31, 2004, but there was a safeguard mechanism in place until the end of 2008 permitting the WTO Member Governments to take action to curb imports in case of market disruptions caused by Chinese exports of textile products. China agreed to limit its subsidies for agricultural production to 8.5% of the value of farm output (according to Article 6.4 of the Agriculture Agreement). China also agreed to apply the same limit to subsidies covered by Article 6.2 of the Agriculture Agreement.³³

Also mandated in the WTO Agreement are Trade Policy Reviews, in which a member country's trade and related policies are examined and evaluated at regular intervals.³⁴ Significant developments that may have an impact on the global trading system are also monitored. For each review, two documents are prepared: a policy statement by the government of the member under the review, and a detailed report written independently by the WTO Secretariat. These

Excludes least-developed countries because they will make no new commitments, and EU members.

²⁸ Coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries (not to be confused with the G-20 group of finance ministers and central bank governors, and its recent summit meetings).

²⁹ Also called “Friends of Special Products” in agriculture. Coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture.

³⁰ Group of countries with less than 35% of non-agricultural products covered by legally bound tariff ceilings. They have agreed to increase their binding coverage substantially, but want to exempt some products. (In paragraph 6 of the first version of the NAMA text, later paragraph 8.).

³¹ Coalition seeks more disciplines on the use of anti-dumping measures.

³² Sponsors of TN/C/W/52, a proposal for “modalities” in negotiations on geographical indications (the multilateral register for wines and spirits, and extending the higher level of protection beyond wines and spirits) and “disclosure” (patent applicants to disclose the origin of genetic resources and traditional knowledge used in the inventions). The list includes as groups: the EU, ACP and African Group.

³³ WTO, *WTO successfully concludes negotiations on China's entry*. More about mutually agreed terms and timetables for services, specified in an annex to the Protocol of Accession, can also be found on this page.

³⁴ For full access to reports and all communication regarding Trade Policy Reviews follow this path: www.wto.org > trade topics > trade policy reviews.

two documents are then discussed by the WTO's full membership in the Trade Policy Review Body. The last report prepared for the sixth Trade Policy Review of China was discussed during 2016.

According to the WTO rules, China is still considered a developing country. It is under opposed pressures – from outside to make larger contributions and from inside to protect and develop.³⁵ In the first ten years after the accession, China achieved a win-win outcome with the rest of the world. In terms of trade, China has been the largest destination for the export of LDCs since 2009. China is the only WTO member not requesting market access for LDC acceding countries and the largest trading partner for major economies. China has been a contributor to the Aid for Trade initiative since 2008 and the largest developing country in terms of outward FDI.³⁶ China's Protocol of Accession to the WTO allowed other country members to consider China as a Non-Market Economy (NME) until the end of 2016. The Chinese government has been straggling to gain Market Economy Status (MES) in order to reduce the number of antidumping investigations against Chinese products. One research article showed that 14 out of 16 countries in the sample that recognized Chinese MES reduced their antidumping investigations thereafter.³⁷ This trend will correspond with China's intentions because it does not want to be recognized as a country that enters into foreign markets through dumping measures. Sixteen years after China's entry into the World Trade Organization, the trade policy is still a major issue for China's relations with other countries. It is especially true when it comes to China-US bilateral relations. The USA President Donald Trump has called out China for its trade policies, accusing the country of conducting unfair trade with the USA. Also, other countries argue that China is the only country that has benefited from international trade.³⁸

So far, China has fulfilled its WTO commitments. Continued implementation of the WTO commitments in the coming years will further facilitate China's ongoing integration with the global economy and generate benefits for most partner countries. However, it may also pose significant challenges to the authorities in China, and the extensive safeguard provisions under the WTO agreement represent a downside risk that could constrain China's export growth in the future.³⁹ In the 13th Five-Year Plan (2016-2020) China focused

³⁵ Permanent Mission of China to the WTO (2001)

³⁶ Permanent Mission of China to the WTO (2001)

³⁷ For more details look at the research: Urdinez Francisco, Masiero Gilmar (2015): "China and the WTO: Will the Market Economy Status Make Any Difference after 2016? ", *The Chinese Economy*, 48: 169

³⁸ See Zhang Yu, Zou Yun, "China Footprint: Who benefits from China's trade policy?", https://news.cgtn.com/news/3451444d34557a6333566d54/share_p.html (21.11.2017.)

³⁹ Rumbaugh Thomas, Blancher Nicolas (2004): "China: International Trade and WTO Accession", IMF Working Paper, No. 4-36, International Monetary Fund. 3

on continuing the process of structural economic reform, which includes the promotion of private sector participation in the economy, as well as the reform of state-owned enterprises. The Plan contains the promotion of competition, fiscal reform, financial sector reform to increase private capital participation in banking and expand the provision of financial services, and making the exchange rate and interest rate more market-oriented. How much of the planned will be achieved remains to be seen.

4. Trade changes China experienced after the WTO accession

China's experience as a WTO member is unique. Presumably, the WTO accession has not demonstrated such a profound impact on the economic, legal and political changes in any other country as it had in China.⁴⁰ For our research, we are focusing on the most important changes in the foreign trade. In 2000 China was the 7th leading exporter and the 8th largest importer of merchandise trade - exports 249.2 billion dollars (3.9% share), imports 225.1 billion dollars (3.4% share). For commercial services, China was the 12th leading exporter and the 10th largest importer - exports 29.7 billion dollars (2.1% share), imports 34.8 billion dollars (2.5% share).⁴¹ China's contribution to the international economy has grown since it has joined the WTO.

With the entry into the WTO China has been given the necessary impetus for accelerating the growth and development of its economy. In the first 6 years after joining the WTO, imports increased by over 30% each year, which is a 100-billion-dollar increase annually. Trade volume from 2001 to 2016 has jumped from 510 billion US dollars to 3686 billion US dollars. That is a more than seven-fold increase from 2001 to 2016 (see Table 2). These are unprecedented results of an economy on a world scale. China has also become the biggest export country moving up from the sixth-place ranking in 2001. China cut its import tariffs from an average of 15.3% in 2001 to 9.8% in 2010, in accordance with the WTO rules. For some products, tariffs have been dramatically dropping. For example, the car tariff used to be as high as 100% and now it is reduced to 25%. Average wine tariffs fell from 120% to 14%. China's commitment to promoting free and fair multilateral trade has never wavered since 2001.⁴² These results would be sufficient to conclude that China has made huge benefits from the WTO membership. An interesting research paper about a link between the reduction in trade policy uncertainty and companies' innovation incentives implies that trade

⁴⁰ More about economic, legal, and political change in: Halverson Karen (2004): "China's WTO accession: economic, legal, and political implications." *BC Int'l & Comp. L. Rev.* 27, 319

⁴¹ WTO, *WTO successfully concludes negotiations on China's entry*

⁴² Zhang Yu, Zou Yun, *China Footprint*

liberalization may promote economic growth by removing policy uncertainties and consequently encouraging innovation.⁴³ China is a successful example of this.

Table 2. China's Foreign Trade 2001-2016, in billion US dollars

Year	Export	Import	Balance
2001	266.10	243.55	22.55
2002	325.60	295.17	30.43
2003	438.23	412.76	25.47
2004	593.33	561.23	32.10
2005	761.95	659.95	102.00
2006	968.94	791.46	177.48
2007	1220.06	956.12	263.94
2008	1430.70	1132.56	298.14
2009	1201.65	1005.56	196.09
2010	1577.76	1396.00	181.76
2011	1898.39	1743.39	155.00
2012	2048.78	1818.20	230.58
2013	2209.01	1949.99	259.02
2014	2342.29	1959.23	383.06
2015	2273.47	1679.56	593.91
2016	2097.64	1587.92	509.72

Source: Compiled by the author using data from the Trade Map – International Trade Statistics, <http://www.trademap.org/>

In China, many expressed worries that its trade would face strong competition from developed countries, and that especially agricultural and infant industries would be vulnerable to the new conditions under the WTO. Others were hoping that accession would promote the rule of law in China and reduce the interference of the state. Also, there were hopes that China would accelerate trade and become the leading player in the world economy.⁴⁴ In one of the most interesting researches, the results show that “the major efficiency gains from WTO accession would accrue to China itself, but rest of the world, especially developed countries and Asian newly industrialized economies, as well

⁴³ Qing Liu, Hong Ma (2016): “Trade Policy Uncertainty and Innovation: Firm Level Evidence from China's WTO Accession”, <http://economics.ucdavis.edu/events/papers/1026Ma.pdf>, (8. June 2017.)

⁴⁴ Hasan Md Mehedi (2016): “China's WTO Accession: Impacts on Trade policy and Legal system”, *Quarterly Journal of Chinese Studies*; Xiamen 4(3), 54

as the least developed countries, also benefit. However, integrating China into the global trading system could induce more competition on labor-intensive products and reduce their prices. The expansion of labor-intensive sectors in China could increase its net imports on agricultural and capital-intensive products, drive up their price, thus improving industrial and land abundant countries' terms of trade. China also increases its land-intensive agricultural imports dramatically, and its share in total world imports more than doubled. However, its impact on food import least developed countries is very limited because of the expansion of agricultural production worldwide and the improvement of international terms of trade for those countries".⁴⁵ In any case, the impact of China on the world market and overall on the world economy is extremely large.

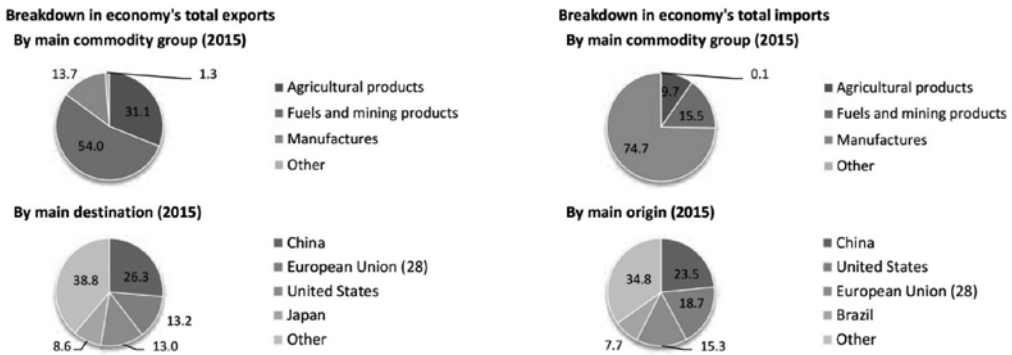
There has been much debate regarding the impact of China's economic rise on the world economy. The world economy has doubled in size since 1990. It is its biggest expansion in history, despite the post-2007 Great Recession. China, India and other emerging giants – representing one-third of humanity – are rapidly catching up with the developed world.⁴⁶ China's integration with the global economy has contributed to sustained growth in international trade. Both its exports and imports have grown faster than the world trade for more than twenty years. As China's trade with the rest of the world has deepened, its composition and geographical pattern have also shifted. Its overall share of exports to industrial economies has increased and become more diversified. China has also become increasingly important within the Asian regional economy. With vertical specialization of production within Asia, China is now among the most important export destinations for other Asian countries.⁴⁷

Today it is hard to find a place in the world that does not have "made in China (PRC)" products. China emerged as the new "workshop of the world." It could not have done that without the integration into global production networks. According to the WTO Trade Profiles data, China's GDP was 10.87 trillion US dollars in 2015 and GDP per capita was 7503 US dollars (2013-2015). China is the first world trade merchandise exporter and the second largest merchandise importer in the world. As regards Commercial services, China is the third largest exporter in the world and the second largest importer. Trade per capita was 1677 US dollars (2013-2015), accounting for 22.3 % of GDP (2013-2015). The breakdown in China economy's total merchandise exports and imports can be seen in Graph 1.

⁴⁵ Wang, Z. (2001): "The Impact of China's WTO Accession on the World Economy", GTAP Resource No.670 and Conference Paper, 18-9

⁴⁶ WTO, World Trade Report 2017 Trade Technology and Jobs

⁴⁷ Rumbaugh Thomas, Blancher Nicolas (2004): "China: International Trade and WTO Accession", IMF Working Paper, No. 4-36, International Monetary Fund. 3

Graph 1. Structure of China's Merchandise Trade (2015) in %

Source: WTO, Trade Profiles 2016, p. 78.

As recently as the 1980s, China's economy was still overwhelmingly comprised of poor agrarian workers. Today, agriculture accounts for just 28% of Chinese employment structure, while manufacturing accounts for 29% and services – its fastest growing sector – account for 43%.⁴⁸

China's current account surplus totaled 330.6 billion US dollars in 2015 and was equivalent to 3% of GDP. China's traditional external current account surplus reflects the excess of national savings over investment, which, after narrowing up to 2014, widened again in 2015 to 3.4% of GDP.⁴⁹ This high surplus mostly comes from a large increase in the merchandise trade surplus. The merchandise trade surplus increased sharply in 2014 and 2015 when it reached 567 billion US\$ or the equivalent of 5.2% of GDP. This mainly reflected the decline in imports. Imports as a share of GDP declined to 14.5% in 2015, down from 17.5% in 2014 and 21.1% in 2011. In 2015, both exports and imports of goods declined, with exports totaling 2.28 trillion US dollars, down from 2.34 trillion US dollars in 2014, and imports amounting to 1.68 trillion US dollars, down from 1.96 trillion US dollars in 2014. Import contraction in value terms reflects, first of all, lower oil and other commodity prices. Manufactured products remained the dominant component of exports, accounting for slightly over 94% of the total exports. Among manufactured products, office machines, telecommunication equipment, textiles and clothing continued to be China's main exports. The main destinations for Chinese merchandise exports are the United States, the EU, Hong Kong, Japan, the Republic of Korea, and ASEAN countries, which combined represent about 70% of exports. The main import countries are the EU, the Republic of Korea, the United States, Chinese Taipei, Japan, Australia and ASEAN countries.

⁴⁸ WTO, World Trade Report 2017 Trade Technology and Jobs, 15

⁴⁹ WTO, www.wto.org.

The latest data show the weakness of trade in 2015 was due to a number of factors, including an economic slowdown in China. Also, the appreciation of the yuan may have contributed to the economic slowdown in China to the extent that it made Chinese exports more expensive in foreign markets. Meanwhile, even though output slowed in China, indicators of business and consumer sentiment suggested that growth would remain stable at a lower but more sustainable rate.⁵⁰

In recent years China has also been a very active player in the global economy, a country that is leading in economic policy and brings new trends in the world market. It became the one that makes important decisions affecting a large number of countries. Since that suits its goals, China now firmly supports globalization and is against trade protectionism. On the other hand, China has been an important member of the BRICS emerging economies mechanism. Also, the “One Belt, One Road” Initiative is the latest in China’s global integration efforts. More than 60 countries have signed up to be part of the development strategy in the three continents: Asia, Africa and Europe. Opening new trade routes should help China with overcapacity in sectors like manufacturing. The slowing down of China’s economy could simultaneously give a boost to it. If this effort becomes a success story, China will consolidate its position as a global power.

5. Conclusion

China was one of the 23 original signatories of the GATT. After withdrawal, China wanted to resume its position and applied to the GATT but never completed the accession. China applied and finally become a WTO member in 2001, after 15 years of negotiation. Trade reforms and accepted commitments as part of China’s accession to the WTO have been crucial in promoting its integration with the global trading system. The integration into the global production networks made Chinese products accessible worldwide. During the accession negotiations, as well as during its membership in the WTO, China has undergone major structural changes in its economy. The largest of them is accelerated growth of the non-state economy, substantial tariff reductions and the elimination of most nontariff barriers.

China’s integration with the global economy has contributed to sustained growth in international trade. Both its exports and imports have grown faster than world trade for more than twenty years. China is now the first world trade merchandise exporter and the second largest merchandise importer in the world. Besides, China becomes a very active player in the World Trade Organization. China actively supports the Doha Development Agenda and participates in the negotiations rounds, especially in the goods negotiations, agriculture and non-agricultural market access negotiations and in the services and rules negotiations.

⁵⁰ WTO, World Trade Statistical Review 2016

However, despite some expectations, China has not taken a leading role in the Doha negotiations and in the WTO as a whole.

There is a firm belief that in the future China will continue its breakthrough and integration into the world trade relying on an already accomplished strong role in the world economy.

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PRISTUPANJE KINE SVETSKOJ TRGOVINSKOJ ORGANIZACIJI: PROCES I EFEKTI

Cilj rada je da predstavi i pokuša da objasni promene koje su nastale u trgovini i privredi Kine tokom pristupanja i tokom članstva u Svetskoj trgovinskoj organizaciji. Rad čine četiri celine i zaključak. Na početku su ukratko predstavljene pregovori Kine sa GATT, kao i glavne prepreke zbog kojih ovi pregovori nisu dovedeni do kraja. Drugi deo je posvećen pregovorima za članstvo u STO i najvažnijim promenama kroz koje je privreda Kine prošla da bi ispunila uslove za članstvo. Ovde su pomenute najvažnije prepreke članstvu kao i privredne reforme i porast privatnog sektora u Kini. Treći deo je posvećen tome kako se Kina po pristupanju u STO uključila odmah i u Doha razvojnu rundu pregovora. Ova zemlja je postala i članica više pregovaračkih grupa u okviru STO, a u međuvremenu potpisala i pojedine STO sporazume. Takođe, Kina je i više puta prošla kroz reviziju svoje trgovinske politike, što je periodična obaveza svake članice STO. U poslednjem delu su opisane najvažnije promene u trgovini Kine koje su nastupile po punopravnom članstvu u STO koristeći sve prednosti ovoga članstva. Kina je tokom šesnaest godina svoga članstva u STO postigla nikada do tada viđenu brzinu trgovinskog rasta, što ju je dovelo po vodećih pozicija u svetskoj trgovini. Na kraju zaključujemo da se Kina u potpunosti integrisala u svetku privredu i da je pristupanje Svetskoj trgovinskoj organizaciji imalo veliku ulogu u tome.

Ključne reči: Kina, STO, GATT, pristupanje, ekonomija, trgovina, Doha razvojna agenda, pregovori.