

China upholds multilateral trade rules

Nation fulfills WTO commitments through IP protection, lower tariffs and open markets

By ZHONG NAN, JING SHUIYU and REN XIAOJIN

Forced technology transfer? No, not that I have heard of in my profession," said businessman Wu Song at this year's China Refrigeration Exhibition in Beijing.

Wu is general manager of the Chinese branch of Johnson Controls, a global technology developer with a market value of about \$30 billion.

Showcasing the company's latest energy-saving systems and refrigeration products, while looking for more partners and clients in China, Wu is not worried about accusations of forced technology transfer. In his view, the allegations from Washington against China are not true.

Johnson Controls is not the only overseas company that feels comfortable with China's intellectual property (IP) protection policies. According to a recent survey by the European Union Chamber of Commerce in China, IP protection does not feature among the top 10 challenges European companies said they face when conducting business in China.

In 2001, China paid \$1.9 billion in royalties to other countries for use of IP. In 2017, the royalties it paid to the US alone stood at \$7.1 billion, according to data from the Ministry of Commerce.

IP protection is part of China's commitment to the World Trade Organization (WTO) since its accession in 2001.

For the past 17 years, the country has helped boost the world economy and support the multilateral trading system. To better fulfill its responsibility, the world's second-largest economy is on the cusp of a new round of economic opening-up.

To honor the commitments it made to the WTO, China released a white paper titled *China and the World Trade Organization* in late June. It said the country will pursue a mutually beneficial trade strategy and continue to open up in "a more comprehensive, profound and diversified way".

"China has made countless efforts since it joined the WTO in 2001, including removing a wide array of documents, policies and measures inconsistent with WTO rules," said

Wei Jianguo, former vice-minister of commerce.

The country has reduced tariffs to levels it had promised before joining the organization, and the reductions have exceeded the previous targets, Wei said.

No WTO member has suffered economically due to China's participation. On the contrary, all of its trading partners in various development stages have benefited greatly, said Wang Shouwen, vice-minister of commerce.

For example, US exports to China surged from \$26 billion in 2001 to nearly \$150 billion in 2017, as the country became the third-largest market for US exports, up from No 11 in 2001, according to data from the Ministry of Commerce.

According to *Effects of China on the Quantity and Quality of Jobs in Latin America and the Caribbean*, a report released by the International Labour Organization, China created 1.8 million jobs for the Latin American and Caribbean region from 1990 to 2016.

The country has applied zero tariff treatment on 97 percent of tariff lines to the least-developed nations that have diplomatic relations with China, according to Wang.

"The country has become the biggest export market for these least-developed countries, accounting for 20 percent of their total exports," the vice-minister said. "China has contributed nearly 30 percent on average per annum to global economic growth since 2002."

During the financial crisis, the country's efforts to stabilize the value of the yuan and promote foreign trade further demonstrated its role as a main stabilizer and powerhouse for the world's economy, he said.

"China's accession to the WTO enables the country to make full use of its advantages, and participate in and contribute to the global value chain. It has created goods and job opportunities for the world, and provided the world with more quality goods and services at a reasonable price," said Su Qingyi, a researcher at the Institute of World Economics and Politics at the Chinese Academy of Social Sciences.

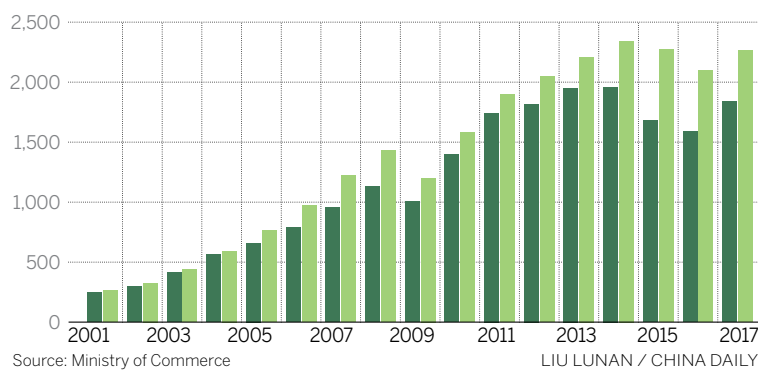
China firmly upholds WTO rules and supports the multilateral trading system. Its support for the multilateral trading mechanism will play



A man examines wool products from Australia at an import fair in Shanghai on July 26. XINHUA

China's trade volume since joining WTO

Unit: \$1 billion ■ imports ■ exports



a crucial role in defending the WTO, especially when the international organization is facing threats from rising unilateralism, experts said.

One severe challenge is a member country taking restrictive measures against a trading partner based on Section 301 of the Trade Act of 1974 — a clause that violates the WTO rules, according to Wang, the vice-minister of commerce.

A research note from securities firm BOC International (China) said rising protectionism initiated by US President Donald Trump's administration violates the free trade principles of the WTO.

"China has an impeccable record in implementing the WTO rulings," said Xue Rongjiu, deputy director of the Beijing-based China Society for WTO Studies, noting that the country is by no means "unilateralist". Instead, the nation always seeks solutions to trade disputes via WTO.

By April 2018, China had submitted 17 disputes to the WTO, of which eight have been concluded. Meanwhile, the WTO had filed complaints in 27 disputes against China, of which 23 have been concluded, according to the white paper.

"None of the complainants have requested retaliation against China," said Hong Xiaodong, director of the Department of WTO Affairs at the Ministry of Commerce.

China was among the first group of WTO members that ratified the Trade Facilitation Agreement, which is a key instrument to lower costs related to global trade. China also submitted its Information Technology Agreement expansion commitment to the WTO in September 2016, and started to implement its tariff cuts on related goods immediately afterward.

"China and the multilateral trading system stand together through thick and thin," said the white paper. The country has fully participated in the WTO's Doha round of negotiations and submitted or cosponsored more than 100 negotiation proposals.

Amid growing concerns over isolationism and protectionism, China in late June unveiled two shortened negative lists for foreign investors, one for nationwide implementation and one for its 11 pilot free trade zones, to reinforce the government's earlier pledges to continue promoting economic opening-up.

The two lists further ease market access for foreign investment in the services, infrastructure, financial, agricultural and energy sectors.

A negative list is a list of sectors where investment is prohibited; all other areas are presumed to be open.

Li Guanghui, vice-president of the Chinese Academy of International Trade and Economic Cooperation in Beijing, said that removing restric-

tions in the services sector is one of the highlights of the new negative lists.

A number of foreign business leaders agreed that China, the world's largest consumer market, offers enormous opportunities to global trading partners.

"We have benefited significantly from China's membership of the WTO, and the country's reform and opening-up has also brought a lot of opportunities for us. China is the second-largest market globally for us," said Yin Zheng, executive vice-president of energy management specialist Schneider Electric.

"We have experienced different development stages of 'sales in China,' 'made in China' and 'R&D in China,'" he said. "Many of our global executive committee members are based in Hong Kong, enabling us to respond quickly to any changes happening here."

George Xu, CEO of Airbus China, said, looking forward, there is huge growth potential in China's civil aviation market in the next decade.

"In recent years, outbound tourism has grown rapidly, but only about 10 percent of people in China hold passports. If that number grows to 20 or 30 percent, it will be a massive market, and we can foresee that the market will grow robustly," he said.

China is the largest market for Airbus, and the European aircraft manufacturer has seen its highest growth rate in the country. It delivers about one-fourth of its planes to the Chinese market every year.

"Twenty years ago, most multinational companies simply wanted to manufacture in China, but the nature of demand is very different now. They are seeing China as an end market. That means they need to change dramatically," said Bill Winters, group CEO at Standard Chartered.

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