

Living up to WTO rules

Despite US claims to the contrary, China has fulfilled its commitments to the global trade body

By SU QINGYI

There is a big divergence of views between China and the United States on whether or not China has fulfilled its commitments to the World Trade Organization, which is both symptomatic of and pertaining to their trade dispute. In its report to Congress on China's WTO compliance in 2016, the US Trade Representative said it was a wrong decision for the US to support China's accession to the WTO. However, in June last year, China released a white paper, China and the World Trade Organization, stating that China has not only fulfilled its WTO entry commitments, it has gone much further in the scope and depth of its opening-up.

There is really no reason for the US or any other WTO member to question China's compliance with its WTO commitments. This is because the commitments China made on its WTO entry in 2001 are explicitly stated in three documents: the Protocol on the Accession of the People's Republic of China to the WTO and two reports from the working party on the accession of China to the WTO. The two reports specified China's promises to open up its services market and the protocol defined the country's other promises outside the realm of the services market.

There ought to be no disputing that China has met the time-tabled targets on time and made improvements in a number of fields. What it has done over the years since its accession to the WTO is clear.

Starting from 2006, the WTO has been conducting a biannual Trade Policy Review of China, in which every member of the international trade body can check China's fulfillment of its commitments within the WTO framework. If any member has complaints about China, the two sides can resolve the problem within the WTO review mechanism. In fact, the WTO's Dispute Settlement Mechanism can be employed to force China to make readjustments.

The US, however, holds a different opinion — although it is unable to specify which particular WTO rules China has violated. To illustrate my point, I would like to cite three examples from the latest report by the US Trade Representative (USTR) to Congress on China's WTO compliance.

The first is about industrial policy. The report accused China of limiting market access for the benefit of its domestic companies by means of policies such as forced technology transfers, indigenous



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innovation, investment restrictions, subsidies and export restraints. But the report failed to mention which policies the US believes breach WTO rules.

The second is the report said that inadequacies in China's intellectual property rights protection present serious barriers to US exports and investment. As a result, China was placed on the Priority Watch List in the USTR's 2017 Special 301 report. It is typical of the US to claim that the level of

IPR protection in China has a negative effect on the US, even though China has considerably improved and continues to strengthen its IPR protection.

The third is about the opening-up of the services sector. According to the report, the US maintains that the level of opening-up of China's services sector is not enough. The US share in China's services imports is also lower than its average global market share. Obviously, the report was written around US interests, aimed at broadening market access for its own service providers, and it criticized China mainly because the services sector in China is not yet as open to US companies as it wants.

And there is the crux of the matter: the report accused China of noncompliance mainly because China's current policies do not meet US demands.

The USTR report believes that China's trade practices are not market-driven and the WTO cannot put an end to what it calls China's market-distorting practices. It believes these are against US interests and inflict losses on its domestic industries. According to the US, although WTO rules constrain some of

China's behavior, the rules do not discipline the full range of China's behavior since they were not part of China's WTO pledges. Therefore, the US is resorting to other means to press China into making the corrections the US wants.

Obviously what the US is doing is unwarranted.

By trying to confuse WTO rules and its own interests, the US has resorted to smearing China when publicly passing judgment on China's level of opening-up and market practices. In doing so, the US has turned a blind eye to the enormous contribution China has brought to the world, including the US. Since most WTO members recognize China's efforts, it is an unwise and futile gambit.

It is not right for the US to require China to make changes only to serve its own interests. If the US believes that China's behavior is not disciplined by the WTO, it can work with other countries to push for WTO reform, instead of trying to circumvent its rules and procedures. The WTO's multilateral trading rules should be respected by all its members.

The US complaint that China is not honoring its WTO commit-

ments reflects its expectations that the WTO needs new rules to constrain China's competitiveness. China, on its part, is pushing for WTO reform to make it fairer and is taking it as an opportunity to further advance its own reform and opening-up.

To sum up, although the Sino-US trade frictions are a challenge to global trade governance, WTO members, including China and the US, can also take it as an opportunity to transform global trade governance, especially the WTO. During this process, the G20 can play a big role as its members are very representative. If G20 shares a unanimous view on various areas of WTO reform, then it will be much easier for all members to reach a consensus.

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