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## **On the Complexities of China's WTO Accession**

**Kym Anderson**

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## **CIES Discussion Paper 9614**

# **On the Complexities of China's WTO Accession**

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# On the Complexities of China's WTO Accession

## Abstract

What are the reasons for and significance of not including China in the WTO? After recalling why the world has a WTO and what membership involves, this paper then examines why China wishes to join and the stumbling blocks that have caused the delay in China's WTO accession. A summary of some recent empirical estimates of the likely orders of magnitude of the economic effects of its accession, both to China and to the rest of the world, highlight the folly of delaying membership. The stumbling blocks concern whether China should be granted developing country status in the WTO, whether China would be a 'fair' competitor given the dominance of state-owned enterprises in that economy still, what the extent and conditions of market access into China would be, and whether China can deliver on its promise of stricter enforcement of intellectual property rights. Actions needed by China for getting over those stumbling blocks include building a stronger and broader domestic consensus based on the net benefits from WTO membership, providing greater trade policy transparency and market access, and working towards a compromise on the issue of China's developing country status in the WTO.

Keywords: China, WTO accession, multilateral trading system, GATT

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## NON-TECHNICAL SUMMARY

This paper explores the reasons for and significance of not including China in the WTO. It begins by recalling why the world has a WTO, and what membership involves. Then it examines why China wishes to join. A summary of some recent empirical estimates of the likely orders of magnitude of the economic effects of its accession, both to China and to the rest of the world, highlight the folly of delaying membership. There are as well other less-easily quantified but nonetheless important reasons for having China in rather than out of the WTO. Not the least of these is that it would reduce tensions between China and some of its major trading partners -- a peace dividend that may well overshadow the more-easily quantifiable direct economic benefits. These are discussed before the paper turns to the stumbling blocks that have caused the delay in China's WTO accession. The stumbling blocks concern whether China should be granted developing country status in the WTO, whether China would be a 'fair' competitor given the dominance of state-owned enterprises in that economy still, what the extent and conditions of market access into China would be, and whether China can deliver on its promise of stricter enforcement of intellectual property rights. The paper then concludes with some suggestions for getting over those stumbling blocks and speculates on how long that might take. Actions needed by China include building a stronger and broader domestic consensus based on the net benefits from WTO membership, providing greater trade policy transparency and market access, and working towards a compromise on the issue of China's developing country status in the WTO. But actions are needed also by WTO members. These include a standstill in the 'goal-posts' China should be aiming at to meet the minimum standards required for membership, and perhaps less emphasis on the degree of market access being demanded in the short run.

# On the Complexities of China's WTO Accession

*Kym Anderson*\*

## 1. INTRODUCTION

In 1996 China shared with Hong Kong the rank of fifth among the world's largest trading economies, after the EU, the US, Japan, and Canada (or eleventh if EU members are listed separately). Taiwan's trade is almost as large as China's, so together with Hong Kong (which returns to China in July 1997 and much of whose trade is re-exports of goods from or to China), these three Chinese economies' exports are larger than Japan's. It is therefore somewhat of a misnomer to speak of the World Trade Organization (WTO) when China and Taiwan are not members. China was a founding member of the GATT in 1948, but withdrew in 1950 after the formation of the People's Republic. It has been seeking to re-join the club since 1986 but, despite 18 accession meetings during the Uruguay Round and three since the WTO formed, as of mid-1997 it is still waiting. Meanwhile, it has insisted that Taiwan not be allowed to join before China accedes.

This paper explores the significance of excluding China from WTO membership. It begins by recalling why the world has a WTO, and what membership involves. Then it examines why China wishes to join. A summary of some recent empirical estimates of the likely orders of magnitude of the economic effects of its

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\* KYM ANDERSON is Professor of Economics and Director of the Centre for International Economic Studies at the University of Adelaide, and a CEPR Research Fellow. He is grateful for helpful comments from Will Martin, Anjali Kumar and referees, and for financial assistance from the

accession, both to China and to the rest of the world, highlight the folly of delaying membership. There are as well other less-easily quantified but nonetheless important reasons for having China in rather than out of the WTO. Not the least of these is that it would reduce tensions between China and some of its major trading partners -- a peace dividend that may well overshadow the more-easily quantifiable direct economic benefits. These are discussed before the paper turns to the stumbling blocks that are causing the delay in accession. These concern whether China should be granted developing country status in the WTO, whether China would be a 'fair' competitor given the dominance of state-owned manufacturing and trading enterprises there still, what the extent and conditions of market access into China would be, and whether China can deliver on its promise of stricter enforcement of intellectual property rights. The paper concludes with some suggestions for getting over these stumbling blocks. Actions needed by China include building a stronger and broader consensus based on the net benefits from WTO membership, providing greater trade policy transparency, and working towards a compromise on the issue of China's developing country status in the WTO. But actions are also needed by WTO members. These include a standstill in the 'goal-posts' China should be aiming at to meet the minimum standards required for membership, and perhaps less emphasis on the degree of market access being demanded in the immediate term as distinct from the longer run.

## **2. WHY THE WORLD HAS A WTO**

The WTO, like its predecessor the GATT, has four key objectives: to set and enforce rules for international trade, to provide a forum to negotiate and monitor trade liberalization, to settle trade disputes, and to improve policy transparency. But the WTO is much more comprehensive than the GATT. For example, GATT's product coverage in practice was confined mainly to manufactures (effectively not including textiles and clothing), whereas the WTO encompasses all goods, services, capital to some extent, and ideas (intellectual property). As well, following the conclusion of the Uruguay Round agreements, the interim GATT Secretariat has been converted to a permanent WTO with strengthened trade policy review and dispute settlement mechanisms.

*a. The Purposes of WTO Rules*

Rules to govern international trade serve at least three purposes. First, they protect the welfare of small and weak nations against discriminatory trade policy actions of large and powerful nations. GATT Articles I (most-favoured-nation) and III (national treatment) promise that all WTO members will be given the same conditions of access to a particular country's market as the most favoured member, and all foreign suppliers will be treated the same as domestic suppliers. These fairness rules are fundamental to instilling confidence in the world trading system. In particular, they lower the risk associated with a nation's producers and consumers becoming more interdependent with foreigners -- a risk that otherwise could be used by a country as an excuse for not fully opening its borders.

Second, large economies have the potential to exploit their monopoly power by taxing their trade, but we know from trade theory that the rest of the world and the world as a whole are made worse off by such trade taxes. Thus while each large

economy might be tempted to impose trade taxes, the effect of lots of them doing so simultaneously may well be to leave most if not all of them worse off -- not to mention the welfare reductions that would result in many smaller countries. Hence the value of agreeing not to raise trade barriers and instead to 'bind' them in a tariff schedule at specified ceiling levels. This rule is embodied in GATT Article II, whereby contracting parties are expected to limit trade only with tariffs and are obligated to continue to provide market access never less favourable than that agreed to in their tariff schedules. Again, the greater certainty which that rule brings to the world trading system adds to the preparedness of countries to become more interdependent.

And the third key reason as to why multilateral rules disciplining trade policy are beneficial is that they can help governments ward off domestic interest groups seeking special favours. This comes about partly via Article II, which outlaws the raising of bound tariffs, as well as via numerous other articles aimed at ensuring that non-tariff measures are not used as substitutes for tariffs. This benefit of the system is sometimes referred to as the 'Ulyses effect': it helps prevent governments from being tempted, in this case to favour special interest group at the expense of the rest of their economy.

While no-one would argue that the GATT rules have been applied without exception, the fact that they are there ensures the worst excesses are avoided. They therefore bring greater certainty and predictability to international markets, enhancing economic welfare in and reducing political tensions between nations. More than that, by promoting interdependence the GATT/WTO indirectly has raised the price and hence reduced the likelihood of going to war.

*b. Why Countries Need the WTO to Negotiate Freer Trade*

One of the clearest lessons from trade theory is that an economy unable to influence its international terms of trade cannot maximize its national income without allowing free trade in all goods and services. Why, then, do countries restrict their trade, and why do they need to get together to agree to liberalize those protectionist trade regimes multilaterally, when it is in their interests to do so unilaterally?

Several reasons have been suggested as to why a country imposes trade barriers in the first place, but almost all of them are found wanting (Corden 1997). The most compelling explanation is a political economy one. It has to do with the national income re-distributive feature of trade policies: the gains are concentrated in the hands of a few who are prepared to support politicians who favour protection, while the losses are sufficiently small per capita and distributed sufficiently widely as to make it not worthwhile for losers to get together to provide a counter-lobby, particularly given their free-rider problem in acting collectively (Hillman 1989, Grossman and Helpman 1994, Anderson 1995). Thus the observed pattern of protection in a country at a point in time might be an equilibrium outcome in a national political market for policy intervention.

That political equilibrium in two or more countries might, however, be able to be altered for the better through an exchange of economic market access. If country A allows more imports it may well harm its import-competing producers if there are no compensation mechanisms; but if this liberalization is done at the same time as country A's trading partners lower their barriers to A's exports, the producers of those exports will benefit. The latter may benefit sufficiently more than the import-competing producers in A lose, such that A's liberalizing politicians too become net gainers in terms of electoral support -- and so too do the politicians in the countries

trading with A, for equal and opposite reasons. That is, a new opportunity for trade negotiations can stimulate trade liberalization by altering the political equilibrium in trading nations (Grossman and Helpman 1995, Hillman and Moser 1995).

Such gains from trade negotiations involving exchange of market access will tend to be greater, the larger the number of countries involved and the broader the product and issues coverage of the negotiations. Hence the wisdom in negotiating multilaterally with more than 100 countries over a wide range of sectors and issues, as in the Uruguay Round, despite the process being cumbersome. Now that there is so much more coverage under the WTO than under the GATT, the scope for exchange of market access has increased dramatically. That is especially true for exchanges between more- and less-developed countries now that agriculture, textiles and clothing are back in the GATT mainstream and services and trade-related intellectual property have been added, so that a wider range of intersectoral tradeoffs are possible.

*c. The WTO's Role in Dispute Resolution*

In the absence of a global government, another key contribution of the GATT has been to provide an avenue for resolving trade disputes. That role has been strengthened substantially under the WTO, whereby members are committed not to take unilateral action against a trading partner but rather to seek recourse through the WTO's Dispute Settlement Body and to abide by its rules and findings. The process and timetable for dispute resolution has been tightened up, made much more automatic, and otherwise greatly streamlined relative to what operated under the GATT before 1995. If both parties agree, the matter can be dealt with via mediation, conciliation or 'good offices'. Failing that, the complaining country may seek a legal ruling from a panel. The panel will submit its report privately to the parties involved

for comment, and may then revise the report before releasing it to the full WTO membership. Unless the losing party files a notice of appeal, or the WTO membership decides by consensus not to do so, the report is automatically adopted and made legally binding after 60 days. That whole process is to be completed in less than nine months. If an appeal is lodged, a new WTO Appellate Body will hear and rule on any claim of legal error within 60 days, and its ruling is automatically adopted too unless the WTO membership decides by consensus not to do so (Hudec 1995).

*d. The WTO's Role in Monitoring Trade Policies and Providing Information*

One of the reasons protectionist trade policies persist is that the losers from those policies (suppliers of imports from abroad as well as domestic producers of exportables and consumers) are poorly informed about the nature and extent of their loss. In so far as they underestimate the loss, so they under-invest in lobbying against such distortionary policies. There is clearly a social return from supplying information on the effects of interventionist policies. Yet many governments choose to under-supply such information, presumably at the request of those interest groups gaining from incomplete transparency (Rattigan and Carmichael 1996).

The shortfall in national transparency agencies can be offset somewhat at least by the WTO Secretariat providing that service. It now does so, in the form both of annual notification requirements and of the Trade Policy Review Mechanism (TPRM). Annual notices must be published and made accessible to a country's trading partners, which means they are also more accessible to groups within the protective country.

The TPRM reviews each country's policies once every four years (two years in the case of the major traders) and, after consultations in the national capital, publishes

its review together with a companion review by the government concerned. The process thus monitors the extent to which members are meeting their commitments and obligations, as well as providing information on newly opened market opportunities. It serves too as a firmer basis for subsequent trade negotiations and for resolving trade disputes. And since the TPRM requires each member government to file a companion review report for publication alongside the WTO Secretariat's, it increases domestic policy transparency.

Thus the notification and TPRM processes, begun on a trial basis during the Uruguay Round, are now making more information available not just to the international community but also -- and perhaps much more importantly -- to groups in the country concerned. The latter in turn can become more informed about the adverse effects of its government's policies, and thereby become more effective campaigners for trade reform.

*e. Emerging Issues for the WTO*

A huge amount of digestion is required as the Uruguay Round is implemented and the new WTO processes are explored. Even then there will still be considerable scope for further gains from traditional trade reform (Francois and McDonald 1996). Nonetheless, new issues are emerging that also will require the attention of member governments, businesses, and the WTO Secretariat. In part that is due to the very success of the GATT/WTO in reducing traditional barriers to trade. The lowering of those barriers, together with falling costs of transport and communication between countries, have raised the relative importance of domestic economic and social policies in determining the international competitiveness of different industries. For that reason, and because the outlawing of trade policies has encouraged groups to seek

government assistance by other (domestic policy) means, attention is focusing increasingly on trade-related domestic policy measures. We have already seen the entwining of trade and environment policies in the WTO work program, and there is pressure to address also the issues of trade and investment policies and trade and competition policies (not to mention trade and labour standards). There will also be more pressure put on WTO members to sign on to the plurilateral Government Procurement Agreement.

### **3. WHAT WTO MEMBERSHIP INVOLVES**

#### *a. Nondiscriminatory, Tariff-based Trade Policies*

Like most international agreements, the agreements signed when joining the WTO confer on members both rights and obligations. While the details are numerous,<sup>1</sup> the three key obligations are adhering to the non-discrimination rules mentioned above, limiting the use of non-tariff trade measures, and keeping applied tariff rates no higher than those bound in the country's tariff schedules.

What are one member's obligations are also other members' rights, and vice versa. Hence getting the balance right is a challenge, for the single-minded pursuit of a right to the neglect of one's obligations is likely to lead a member into dispute and litigation. Policy coherence across all sectors of the economy is therefore required of WTO members -- and much more so than was the case for GATT contracting parties prior to 1995 when the focus was confined mostly to just manufactures. That policy

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<sup>1</sup> The texts of the Uruguay Round agreements comprise more than 500 pages and the Analytical Index which records GATT case law and history contains over 1,000 pages of fine print. For a succinct summary of the provisions see Hoekman (1995), and for more details see Jackson (1997). An explanation of the political economy underlying the GATT and WTO is provided by Hoekman and Kostecki (1996).

coherence and consistency across sectors has to be not only in trade policy but also in trade-related domestic policies. As discussed in the previous section this is because, with the continuing reductions in border protection, domestic regulations are becoming ever-more significant as determinants of international competitiveness.

In addition to the three key obligations mentioned above, there are at least four sets of other WTO obligations pertinent to China that will need to be addressed, some of which will require institutional innovations. They have to do with periodic notification and policy review, the import licencing agreement, procedures for imposing contingent protection, and intellectual property.

*b. Periodic Notification and Policy Review*

A new members is required not only to notify the WTO of its policies at the time of accession, but also to inform the Secretariat each year if any significant policy changes occur, to provide statistical information annually in a set format, and to undertake with the Secretariat every four years a comprehensive TPRM review of the member's trade and trade-related policies, again in a set format. The information required for each TPRM review is substantial, ranging from the tariff schedule that is applied, recent trade flows on a tariff line item basis, and a complete description of the country's trade legislation, policies and implementing institutions.

There are other notification requirements as well. For example, all state trading enterprises must be notified to the WTO's Council on Goods, even those enterprises not engaged in international trade. Any trade restrictions imposed or changed for balance-of-payments reasons, or for sanitary or phytosanitary reasons, must be reported to the WTO. Technical standards different from accepted international standards, and conformity assessment procedures, also have to be notified. So too do

any trade-related investment measures and import licencing procedures that are not in conformity with the TRIMs and import licencing agreements, respectively, as do all subsidy programs and all GATT-inconsistent voluntary export restraints.

Clearly these notification and review requirements are non-trivial, and require considerable cooperation and coordination among the relevant agencies of government. Furthermore, an enquiry point must be created where other WTO members can find information about such things as technical regulations and conformity assessment procedures.

*c. Import Licencing Rules*

All rules and procedures for obtaining import licences must be published, procedures must be simple and prompt, the licences in principle should be administered through a 'one-stop shop' (or at most three), applicants have the right to ask for an explanation of non-approval and to appeal the decision, and a great deal of statistical information must be made available. Here again the WTO rules are designed to reduce non-transparency and thereby the preference on the part of protectionist interest groups for covert measures such as import licencing over simple tariffs.

*d. Procedures When Imposing Contingent Protection*

A large battery of GATT/WTO rules apply to the use of temporary or continuing safeguards, subsidies, and countervail measures. While the list is too long to detail here, it might be noted that former planned economies during their transitions can have through to 2002 to phase out their subsidies and not be subject to dispute settlement procedures (although they may be subjected to countervail).

*e. Intellectual Property Rules*

The TRIPs agreement is especially pertinent to China because IP issues have been at the heart of many trade disputes between China and OECD countries, especially the United States. WTO member countries are required not only to have IP laws that accord with the TRIPs agreement in place, but they must be enforced. Six categories of IP are covered by the agreement: trademarks, geographic indications, industrial designs, layout designs of integrated circuits, copyright, and patents. Some developing countries believed they would lose from the imposition of the TRIPs agreement because their consumers would have to pay more for items subject to copyright or patents. This ignores, though, the possibility that tighter IP law enforcement encourages innovation, trade and investment (especially from more-advanced economies) that in the long run may be welfare-enhancing rather than diminishing for developing countries.

#### **4. WHY CHINA'S WTO ACCESSION IS IMPORTANT TO CHINA**

China began seeking to resume its membership of GATT in 1986. The move was welcomed at first, with China being invited to take part in the Uruguay Round negotiations as an observer. But in many respects, including this one, the political unrest of 1989 dampened the enthusiasm of the West to embrace China. That unpopularity made China in the early 1990s even keener to join GATT, or at least to become a founding member of the WTO on its eventual formation in January 1995. Its keenness stemmed in part from the symbolism WTO membership would provide, in terms of restoring national respectability abroad; in part to secure Chinese exporters'

access to markets abroad and to WTO dispute settlement procedures; and especially to bring an end to the indignity of pleading its case every year for MFN access to such markets as the United States and to being subjected to unilateral actions such as under Section 301 of US trade law.

Ironically, China seems to attach little value to those aspects that provide potentially by far the most important economic benefits of WTO membership, namely the obligations to reduce and bind the country's own trade barriers and related government interventions and to bring more transparency to its trade and trade-related policies. Those actions would reinforce and add to the massive gains China is already enjoying from its unilateral economic reforms during the past 18 years. Binding tariffs and other market access measures, and making more transparent the remaining policy interventions, reduces the chances of reform reversals. In particular, it alters the imbalance of domestic political influence away from those seeking to maintain or increase protection from market forces and towards those export-oriented vested interest groups that are willing to embrace international standards of competition and thereby able to contribute more to the economy's development.

Having been unable to accede in time to become a founding member of the WTO, interest in accession during the past year or so appears to have waned in China. One reason may be associated with the leadership struggle in Beijing: until it is clear who will take over from Deng Xiaoping, policy makers are unwilling to commit the country to international obligations, for fear it might subsequently cost them their jobs. Given this reason for not rushing now that the deadline for being a founding WTO member has passed, Chinese negotiators may also believe their bargaining position will improve if they appear less anxious about accession than the rest of the world and/or exaggerate the demands for continued protection from import-competing

firms. That would suggest the rest of the world should take care not to misinterpret the current Chinese reticence to make further concessions in the accession negotiations, for the reticence may be more apparent than real.

## **5. EMPIRICAL ESTIMATES OF EFFECTS OF CHINA'S WTO ACCESSION**

Both China and the rest of the world potentially have a great deal to gain from China joining the WTO, and more to lose the longer China is left out. Quantifying the magnitude of such gains is very difficult, however, even if one confines attention to just narrowly defined economic effects. The difficulties include modelling all the imperfections in competition in the Chinese economy, obtaining estimates of its demand and supply parameters and of its price distortions thanks to government price and trade policies, making assumptions about the degree of liberalization China, Taiwan, and their trading partners ultimately will make when China accedes to the WTO, and capturing the dynamic growth-inducing effects of reform. Yet even analysts confining themselves to a comparative static model which assumes perfect competition find huge welfare gains from WTO accession for China. The results from one such recent study are sufficient to make the point.

Anderson et al. (1997a,b) use a standard global computable general equilibrium model known as GTAP to provide lower-bound estimates of the effects by 2005 of Uruguay Round implementation without and then with China's accession to WTO. The expected impacts on international product prices, on global trade, and on country/regional export and import volumes and economic welfare are summarized in Table 1. The upper half of the table assumes China and hence Taiwan are kept out of the WTO over the next decade, and in particular that they are not allowed to enjoy the

improved access to OECD markets for textiles and clothing that WTO members have been promised under the Round. The lower half assumes China and hence Taiwan have joined the WTO, have implemented their accession commitments by 2005, and have shared with other developing countries the promised acceleration in access to OECD markets for textiles and clothing.

[Insert Table 1 about here]

Even without China and Taiwan participating, Table 1 suggests the Uruguay Round will boost global trade by 10 per cent in aggregate. Trade in all 13 product groups expands, with the biggest gainers being agriculture, textiles and clothing. Prices in international markets rise most for farm products but fall most for clothing. Developing Asian countries will enjoy by far the largest trade boost, but even OECD trade is boosted 8 per cent.

Economic welfare is projected to increase virtually everywhere because of the Round. The gains are especially large for Asia's developing countries, primarily because of reforms involving a phase-out of the Multifibre Arrangement (MFA). Welfare for the world as a whole is greater by \$179 billion per year by 2005 in this first scenario. This is less than earlier-estimated gains (see, eg, the modelling studies reported in Martin and Winters 1996 and Francois, McDonald and Nordstrom 1996). The reason for the lower number has to do with the way China and Taiwan are treated here: those earlier studies assume MFA quotas are eliminated for all countries including China and Taiwan, whereas in this study we assume China and Taiwan's quotas continue to expand only at the slow rates agreed previously under the MFA while ever those economies remain outside the WTO. Because of that discrimination, and because China is assumed not to undertake any further unilateral reform unless/until it accedes to WTO, it is estimated to

gain very little in terms of economic welfare from the Round while it remains outside WTO.

Should China and Taiwan be allowed to join the WTO, on the other hand, the Round's impact would be considerably larger, depending on the level of liberalization they commit to in their accession and the date they join. In the study reported in Table 1, the assumed degree of liberalization by China is based on what China had on offer in late 1994. That is presumably less than will eventually be agreed to, since that offer was considered unacceptable at the time -- which is another reason to treat the results as underestimates. The extent of reform in that offer is nonetheless considerable, involving a fall in the weighted average rate of import protection in China from 30 per cent in 1992 to 16 per cent by 2005.<sup>2</sup> This reduction would be complemented by a substantial reduction in the coverage of nontariff barriers. For Taiwan, in the absence of better information the study simply assumed that its non-agricultural tariffs would be cut by 36 per cent as for other Uruguay Round participants and that its agricultural cuts would be half as deep (18 per cent). The latter assumption is consistent with the tendency for trade-weighted protection cuts in the sensitive agricultural area to be relatively modest under the Round because of 'dirty' tariffication. Since China and Taiwan enjoy (conditional) MFN treatment in terms of access to most WTO members' markets for most products, that access is assumed not to change with China's accession.

Accession of these two economies to the WTO on those terms would accentuate many of the beneficial effects of the Uruguay Round. Specifically, it would boost not

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<sup>2</sup> The estimated changes in the weighted average nominal rates of China's import protection between 1992 and 2005, as calculated from the model's data base, are from 13 to 9 per cent for farm products, from 22 to 12 per cent for other primary products, from 57 to 25 per cent for light manufactures, and from 27 to 15 per cent for other manufactures (Anderson 1997b, Table 3). Services trade reforms are ignored. These weighted averages are not identical to the Chinese government's published numbers, quoted below, because the latter are simple unweighted averages of China's tariffs. See Bach, Martin and Yang (1996) for more details of China's trade policies.

only their trade but also that of many other countries, adding substantially to global world trade growth from the Round (a 14 instead of 10 per cent boost). But notice from Table 1 that the results suggest the trade boost to other Asian developing countries from the Round would be slightly lessened by China's accession. This result emerges partly because of two extreme assumptions made above, namely, that if China and Taiwan were kept out of the WTO (a) they would enjoy *none* of the benefits of MFA reform<sup>3</sup> and (b) their economies would grow no slower.

That same assumptions affect the welfare results reported in Table 1. The inclusion of China and Taiwan boosts the estimated global welfare gain from the Round by 40 per cent, from \$179 billion to \$230 billion. More than a third of that extra gain goes to China, but China's trading partners receive more than half if it. The small loss to Hong Kong from the Round without China participating is because of China's assumed exclusion from textile/clothing trade growth if it stays out of the WTO, an effect that is reversed when China joins. Some of East Asia's other developing countries, on the other hand, have their estimated welfare gains from the Round slightly reduced when the greater access to OECD markets for textiles has to be shared with a supplier as large as China. Even so, in terms of percentage boosts to national welfare, the ASEAN economies remain the largest gainers from the Round even if China accedes to WTO.

It needs to be reiterated that these welfare (and probably trade) results are very much lower-bound estimates for several reasons. One is that GTAP is not a dynamic model with endogenous growth built in. In so far as liberalization boosts investments and hence economic growth, so the effects reported would be underestimated.

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<sup>3</sup> Some may consider that it would be more realistic to assume that they would enjoy some but not a full share of the benefits of MFA reform, in which case the difference between the two scenarios in Table 1 would be smaller. Others, however, consider it possible that China will be given less increased market access than other developing countries on accession, to slow the increase in pressure on EU and US textile and clothing markets as the Agreement on Textiles and Clothing is being implemented.

Specifically, with endogenous growth it would be much less likely that ASEAN countries would be projected to lose from China's accession to WTO.

Secondly, the GTAP model assumes constant returns to scale and perfect competition in all sectors. Changing that to allow for increasing returns to scale and less than perfect competition in some sectors can raise very substantially the estimated impacts of liberalization (Martin and Winters 1996, Francois, McDonald and Nordstrom 1996).

And a third qualification of the results is that there are many positive effects of the Round that are not modelled here, including the strengthening of the multilateral trading system itself and the boost that has given to investor confidence. If all these considerations were able to be included, the projected net national benefits from not only the Round but also China's WTO accession may well be several orders of magnitude larger.

The study by Anderson et al. (1997b, Table 5) also reports projected changes in the composition of production in the world's economies over the projection period 1992-2005. Entries show the percentage change in the relative importance of each sector in the real GDP of each region between 1992 and 2005. The base case assumes no Uruguay Round implementation, case 2 assumes full UR implementation by current WTO members, and case 3 assumes that China and Taiwan also participate. It reports that the base case projection implies massive structural change in China over the coming decade. Agriculture's share of GDP is projected to decline by 42 per cent, in favour of growth in the relative importance of manufacturing and services. The GDP share for light manufactures would not grow much (8 per cent) while China is kept out of the WTO and excluded from growth in textile market access. In ASEAN, by contrast, light manufacturing booms, while in the NIEs and Japan output growth is concentrated in

more capital-intensive manufactures. Allowing China to join the WTO and thereby enjoy sharing greater access to OECD markets, especially for textiles and clothing, in return for liberalizing its own trade regime, would ensure that resources released from agriculture to the non-primary sectors are concentrated more in light manufactures, where China has its strongest comparative advantage. The GDP share for light manufactures would grow by 42 per cent instead of just 8 per cent between 1992 and 2005 in that case. That would mean, though, that fewer of the resources released from primary sectors in ASEAN would go into textiles and clothing. It would also mean an even larger contraction in shares of the latter sectors in OECD countries.

## **6. MORE ON WHY THE WORLD NEEDS CHINA IN THE WTO**

Apart from the above direct economic benefits of China's accession to the WTO, including the fact that it would allow Taiwan to then join, there are other considerations that may be much more important. One is that, given the political uncertainty at the highest levels in China at present pending the selection of Deng Xiaoping's successor, there is a risk that the reform process not only may not continue but may even reverse if China has not committed itself via WTO membership. Since China is a large participant in international markets for numerous products (food, fibres, fuel, textiles and clothing), and a large trading partner for its East Asian neighbours, a slowdown in industrial development in China would have serious consequences for many countries. By contrast, one could expect a handsome growth dividend to result from the further reform and opening up by China that would accompany its accession to WTO. Growth would be boosted by WTO membership not least because membership reduces policy uncertainty both at home and in its

export markets abroad, thereby raising the country's credit rating. That, together with liberalization of rules on direct foreign investment, would encourage further capital inflow and hence wages and income growth in China and its trade and investment partners.

To get some sense of how large that impact might be, Anderson et al.(1997a) explore a scenario in which China stays out of the WTO and total factor productivity growth in non-farm sectors slows down such that real GDP growth slows by 1.5 percentage points (6.3 instead of 7.8 per cent per year to 2005). This has several important consequences. One is that the volume of China's trade would be one-fifth lower than otherwise. Another is that fewer resources are attracted out of agriculture in this slower-growth case, hence China's net imports of farm products are less. As a consequence, farm product prices in international markets are estimated to be 2 to 5 per cent lower than they would otherwise be in 2005. The lower volume and value of farm trade translates into \$6 billion less exports of grains (and more than \$10 billion less exports of other products) from North America to China, and \$4 billion less exports of livestock products from Australia and New Zealand to China in 2005 (in 1992 US dollars).

What about welfare? Are there some regions which would benefit from a slowdown in China? One might think that those countries competing with China in the global marketplace might be pleased to see a slowdown in Chinese export growth. However, the simulation results suggest that all other regions would lose from slower growth in China. Hertel, *et al.* (1996) have examined this in considerable detail, and find that competitor countries, such as India and Indonesia, do indeed benefit from the changes in *average* world prices resulting from China's slower growth, but those gains are more than offset by increases in the prices of Chinese exports to them (relative to the

world average), and decreases in demand for their exports to China. For the world as a whole, welfare would be about \$200 billion lower in 2005 under the lower growth rate assumption in China.

These simulation results are consistent with a recent study by Garnaut (1996), which explored the extent to which India's attempts to adopt an export-oriented industrialization strategy might be thwarted by China's continuing export growth (or conversely helped by a slowdown in China). That careful study of relative resource endowments in the two economies both now and prospectively in a decade's time (including taking into account the very different age distributions of their populations) makes clear that China is much better endowed with physical and human capital per worker than India, (indeed increasingly so as the one-child policy in China impacts on its supply of labour next century). As a result, and because China is likely to continue to grow faster than India, the two economies will become increasingly complementary rather than competitive with each other in international markets -- in which case slower growth in China would impact adversely even on economies such as India's.

## **7. STUMBLING BLOCKS TO CHINA'S WTO ACCESSION**

If both China and its trading partners all stand to be better off economically if China joins the WTO, what is preventing its (and thereby Taiwan's) accession? To some extent the delay has had to do with broader foreign policy concerns, such as America wanting to see an improvement in human rights in China. But there are several other stumbling blocks. They have to do with (a) improving the WTO rules as they apply to formerly centrally planned economies (CPEs), (b) deciding on the extent to which China is to get developing country status in the WTO, (c) coming to terms

with the expected competition from China as it affects both import-competing firms abroad and third-country competing suppliers, especially of textiles and clothing, (d) extracting as much as possible in terms of the offered extent and conditions of market access into China, and (e) ensuring that there will be stricter enforcement of intellectual property rights in China. Consider each in turn.

*a. Improving WTO Rules Relevant for Former CPEs*

The fact that China has been a centrally planned economy is an important consideration. With many of the East European and former Soviet Union economies lining up for WTO membership, it is important that China's accession not set low standards, for example in not having adequate safeguards against excessive import licencing restrictions, export dumping and other forms of unfair competition from state-owned producing and trading enterprises. The GATT accession protocols in earlier times for Poland and Romania to some extent turned a blind eye to such matters, but that would be inappropriate now under the WTO and at a time when so many other formerly planned economies are seeking membership.

*b. China and WTO Developing Country Status*

Mongolia's accession to WTO took less than 5 years, whereas China's will take more than twice that long. This suggests that being a socialist economy is only part of the perceived problem, and that size is another. No exporter or import-competing firm abroad is likely to be threatened by or benefit hugely from Mongolia's membership of the WTO, regardless of its accession conditions. That is certainly not the case for China, as the empirical results in Section 5 above make clear. This issue of size is related to the concerns over whether China is given developing-country

status in the WTO, as well as to concerns about competition and market access (discussed below).

China is insisting that it be able to join the WTO with developing country status, while several WTO members insist that status be denied it. The former's view is understandable, because not only does it reflect accurately the economy's current stage of development but also it would bestow in many respects more WTO rights and fewer obligations on China. One of the perceived 'benefits' would be longer transition periods both for meeting WTO accession demands and for complying with on-going liberalization commitments such as under the Uruguay Round. For example, under the Round's Agreement on Agriculture, developing countries have ten instead of six years to implement their promised reforms, and they are required to reduce their agricultural protection by only two-thirds that promised by developed countries.

Another 'benefit' of that status is that China would have access to the many other 'Special and Differential' provisions in the GATT and Uruguay Round agreements. Two of those that particularly worry some of China's trading partners are provided in GATT Articles XII and XVIII, which allow a developing country to restrict imports when it faces difficulties in its balance of payments or seeks to retain protection for a particular 'infant' industry (automobiles being the key candidate in China's case). While not often used by WTO members in the past, Article XII would give China the legal right to renege on its market access commitments following its accession as a developing country, should it be able to convince the IMF that it had a serious problem with its balance of payments that cannot be addressed better by other means such as a devaluation. Clearly, if China were to (ab-)use that legal right it could make meaningless its market-opening commitments, which is why some WTO

members are so loathe to grant China developing country status even though its per capita income level would suggest that status is appropriate.

*c. Coping With Competition From China*

Moreover, China's large share in world markets for some products ensures competitors in the rest of the world worry about China's emergence, and in particular its even faster market penetration following WTO membership. Textiles and especially clothing are the products of greatest concern. The Uruguay Round requires advanced economies to gradually expand textile and clothing import quotas for WTO members over the period to 2005 and then replace the MFA with a tariff-only regime. While China and Taiwan remain outside the WTO, members are not obliged to provide them expanded market access – indeed this access could well be curtailed to ease the adjustment to market opening to current WTO members. No doubt China will be expecting greater access once it joins WTO though. In so far as that is provided, their accession would add to structural adjustment pressures for these declining industries in advanced economies, and reduce the quota rents to other developing country suppliers (see the empirical results in Section 5 above). The least-competitive firms and workers in both sets of countries are unhappy about that prospect. Hence it is understandable that they oppose their government's efforts to get China into the WTO, including through arguing that China is an 'unfair' competitor because its state-owned enterprises are often subsidized. That means China's trading partners need assurances of greater access to China's market to compensate for the loss of political support from these adversely affected groups, for the reasons explained above in Section 2. Even then, it will be necessary to make sure China's accession is not used as an excuse for not completing the phase-out of the MFA by 2005 for, as Anderson et

al. (1997b) have shown, with an 'MFA snapback' scenario, a great deal of the benefit of both the Uruguay Round and China's accession would then be foregone.<sup>4</sup>

This underscores the importance of ensuring rules pertinent to formerly planned economies, such as those relating to state trading, are adequate to cope with China's accession. In the past, China's trade in many commodities has been subject to state monopoly. Recently there have been signs that China is willing to relax controls over the next three to five years to allow foreign companies to trade with China in, for example, timber, plywood, wool, acrylic, and steel. The more such state monopoly trading is removed, the more relaxed will be China's trading partners about trading with this reforming economy.

*d. Extent and Conditions of Access to Markets in China*

Perhaps the largest stumbling block to China's WTO accession is the extent and conditions of market access being offered by China. China admits that the tariffs in its schedules are rather high, although at the APEC Summit in Osaka a year ago it offered to (and has since) cut them from an unweighted average of around 35 per cent to 23 per cent in April 1996. It has since announced at the November 1996 APEC Heads of Government summit in the Philippines that it intends lowering the unweighted tariff average to 15 per cent by 2000. It also claims that its actual import duties are now only about 3 or 4 per cent (down from 10 per cent a decade ago) of the value of its imports, implying tariffs are not collected on many items (although it would not be surprising if some bribes were paid in lieu of tariffs). That apparently

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<sup>4</sup> If textile and clothing trade were allowed to grow only fast enough to ensure quota rents do not increase, then global welfare improvement from the Uruguay Round and China's WTO accession would be reduced by \$44 billion per year by 2005, almost completely eroding the \$50 billion per year gain from having China and Taiwan join the WTO (Anderson et al. 1997b, Table 9).

low average applied tariff reflects in part the fact that many imported parts that are used in export manufacturing are exempt from duties.

From the viewpoint of WTO members, however, the tariff that matters most is what China is prepared to bind in its schedules. Until it is prepared to bind its tariffs at significantly lower levels than those currently *scheduled* (as distinct from currently *applied*), many members are unprepared to welcome China into the WTO club. The European Union, for example, is asking China to commit itself to lowering its average bound tariff to no more than 10 per cent by 2000, which is about double the advanced economies' average bound tariff. Likewise, sizeable offers with respect to access to services markets in this under-serviced economy are being sought, especially by the United States in telecoms and financial services. Significantly, China offered at the APEC summit only relatively weak commitments to lowering non-tariff barriers to its goods and services imports, and offered no tariff bindings at all.<sup>5</sup>

In the case of agricultural products there is the additional complication that tariff rate quotas are permitted under the Uruguay Round Agreement on Agriculture. This measure allows imports in at a low (in some cases zero) duty up to a certain volume, but then above that quota a much higher and often prohibitive tariff rate applies. Again the latter is what gets bound in a country's tariff schedule and so is what WTO members focus on most. If the lower in-quota rate is the applied rate that trading partners have been paying, they expect sufficient access at the low duty rate to at least equal their current sales volumes. In many cases China has been unprepared to commit itself to that extent, which has added to some members' unpreparedness to admit China into the WTO yet.

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<sup>5</sup> See the *Individual Action Plan of the People's Republic of China on Trade and Investment Liberalization in APEC*, released in Manila in mid-November 1996.

With respect to both textiles/clothing and agriculture, there is an additional complication. It is that China's accession in a sense could upset the balance achieved in the hard-fought outcome of negotiations under the Uruguay Round. In both product groups, member countries have been allocated valuable market access quotas into some countries. If China were to be allowed to provide additional product into those protected markets once it joins the WTO, that would depress the product's price in those and other markets and thereby impair other countries' trading rights. Thus for these products at least, bilateral negotiations with China may need to be supplemented with bilateral re-negotiations with some third countries. The best-case scenario in terms of liberalization would be one involving more access for China without any diminution of access for other members. If not managed carefully, however, there is the potential for an eruption of trade disputes which could erode substantially the benefits from China's accession.

*e. Stricter Enforcement of Intellectual Property Rights*

Finally, a big issue for the United States and to a lesser extent the European Union is the lax enforcement still of intellectual property laws in China. The theft involved in ignoring copyright and patents is already very sizeable, so these members are unwilling to let this opportunity of China's WTO accession pass without obtaining a much stronger commitment to intellectual property rights than has been evident in the past. The crackdown in mid-June 1996 was a helpful step in this direction, whereby China promised the United States to close 15 factories producing CDs, laser disks and CD-ROMs, ban new CD piracy factories, be more vigilant in policing the distribution and export of counterfeit products, and provide increased access for US

recording companies and film studios.<sup>6</sup> Only when such commitments are firmly embedded in China's WTO accession package will countries such as the United States be prepared to allow accession to proceed. Once China is a WTO member, then but only then will any future TRIPs violations be actionable through the WTO's dispute settlement mechanism.

## 8. THE WAY FORWARD

Progressing China's accession requires simultaneous action on two fronts: multilateral activity to improve the rules pertinent to the structural and policy settings in formerly planned economies (such as those relating to state trading), and bilateral activity to sort out the issues discussed in the previous section. It needs to be understood by China that in the absence of sensible WTO rules and reasonable access to the Chinese market, there is little point in the more enthusiastic members encouraging accession to proceed. One important reason is that those who become frustrated at the outcome may simply invoke GATT Article XXXV, as was done against Japan in the 1950s. In that case the WTO agreements would not apply to the particular bilateral trade involved. It is telling that as of early 1997 the United States had not begun *formal* bilateral market access negotiations with China, so as to ensure that it still has the freedom to choose to make use of Article XXXV. That Article then allows the United States to revert to unilateral actions such as those available under Section 301 of its trade law if it so chooses. An example of when the US might

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<sup>6</sup> According to a USIS report on 1 May 1997, China in the preceding seven months had shut down 39 factories producing CDs and VCRs (29 in Guangdong Province) and arrested more than 250 people on whom prison terms of up to 15 years had been imposed.

choose to do so is if China were to invoke Article XVIII to renege on its WTO obligations for ostensibly balance of payments reasons.

Given these problems and possibilities, what is needed by each side to ensure China accedes with the blessing of all members and makes a smooth transition to full membership? Consider first the actions needed by China, and then those needed by current WTO members.

*a. Actions Needed by China*

First, China cannot expect to successfully negotiate its accession to WTO unless and until there is a broad consensus at home that the country is prepared to accept the obligations that come with membership, in return for the rights and benefits. In particular, there needs to be a move away from the merchantilist view that only imports of capital equipment and technology required for modernization will be tolerated, and that certain sectors (e.g., agriculture) can be insulated from international markets. Leadership at the top needs to be committed to WTO-consistent openness, which involves all sectors including agriculture and services. The message concerning the net benefits to society from WTO membership needs to be spread wider so that sufficient market access can be offered over a broad-enough range of sectors to secure accession. And this needs to be done sooner rather than later, for the longer the delay the more vested interests will learn of ways to argue for anti-liberal policies.

An important part of that task of ‘selling’ the virtues of membership involves convincing governments at various levels that liberalization does not need to be accompanied by large-scale unemployment. Certainly some job losses may occur in uncompetitive firms, including state-owned enterprises. But new job opportunities also spring from reform, as Corden (1985) explains clearly and succinctly in a paper

entitled ‘Tell us where the new jobs will come from’. One of the reasons to be confident that there will be a net increase in demand for labour is because of the growth dividend that results from reform. Growth is boosted by WTO membership not least because membership reduces policy uncertainty at home and in export markets, thereby raising the country’s credit rating and hence domestic savings and foreign capital inflows.<sup>7</sup>

Another important part of the task of explaining why WTO membership is in China’s interest involves allaying the fear that it would exacerbate regional inequalities. It is true that the economies of the Eastern seaboard provinces have grown much faster than inland provinces since the opening up of China began in the late 1970s. But that is not a consequence of opening up per se as much as a result of the strategy of reform that has been chosen. As Naughton (1996) points out, China has adopted a dualistic strategy involving the trade of a series of special import-processing export zones on the one hand alongside ordinary trade on the other. The latter is dominated by state-owned enterprises (SOEs) and, while that part of the national economy is more open than it was prior to the 1980s, it is nowhere near as open as the special economic zones. However, as the spectacular success of the experiments on the Eastern seaboard become more evident, so the degree of openness elsewhere is being expanded, not least to slow the migration of labour from the hinterland to the Eastern cities – induced by the now-considerable wage differential between the coastal and inland provinces. The difference in capital/labour ratios which that wage differential reflects, though, provides the hinterland with a strong comparative advantage in unskilled labour intensive production within the national economy. As and when the government allows more specialization and international trade

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<sup>7</sup> Such growth dividends, incidentally, are not included in the estimates provided in Table 1.

according to comparative advantage outside the special economic zones, so those other regions will enjoy faster economic growth. Indeed it would not be surprising if living standards there started catching up with those in the East, especially if subsidies to SOEs were to be phased out (as WTO rules seek to ensure) to allow the township and village enterprises to compete on a more level playing field.

Second, the experience from the 1950s with Japan's accession to GATT, and in particular the continued 'Japan bashing' that still characterizes trade policy debate at times in the United States and elsewhere, suggests it would be in China's interest not only to meet its prospective obligations under the WTO but also to *be seen abroad* to have met those obligations. One way to help do that is to set up institutional arrangements to ensure an adequate degree of policy transparency. The recent book by Rattigan and Carmichael (1996) provides plenty of guidance on ways to do that successfully. The payoff would be not only fewer disputes with trading partners but also, and perhaps much more importantly, a better balance of domestic political pressures on the government between forces for protective trade restrictions and forces for liberal growth-promoting policies. China's offer (in August 1996) to abolish all import licencing within five years after acceding to WTO is an important step towards offering greater trade policy transparency.

And third, to remove one of the fears associated with the thought of China being given developing country status in the WTO, China could forego its right to invoke Article XVIII (particularly the balance of payments provision). It might also make commitments to phase out within a specified number of years any rights to Special and Differential (S&D) treatment. If that were not sufficient, it may have to accept that it will not get all the S&D treatment accorded other developing country members. However, this is not as much of a concession as it may seem at first glance,

for at least four reasons. First, China may be able to achieve one of the 'benefits', namely the longer transition periods provided under the Uruguay Round, during its accession negotiations. Second, the other S&D 'benefits' were tightened up somewhat during the Uruguay Round anyway, and are likely to come under even more scrutiny in subsequent multilateral trade rounds. Third, China's economy is growing so rapidly that by the time it completes its transition following its admission to membership, it will be a middle-income country and hence probably not eligible for S&D at that time. And fourth, those so-called 'benefits' are in fact simply opportunities to avoid adopting good trade policy practice. It is far easier for a government to resist the calls of protectionists to intervene for their benefit but at the expense of the rest of the community if S&D is not available.

*b. Actions Needed by WTO Members*

One of the difficulties China has had to put up with during its accession negotiation is 'moving goal-posts'. This necessarily had to be the case during the Uruguay Round, but now that the Round is over and the WTO is established, it would be helpful if members laid down clearly what it was that China must achieve in order to become a member, and not change that list (nor members' trade policies affecting China's trade with them) for a specified period, to give China a reasonable chance to meet those demands. During such a period it would not be unreasonable to ask China not to alter its policies affecting trade with members also, as a *quid pro quo*.

Members with commitments to phase out their import restrictions under the MFA by 2005 might also reduce the anxiety of third-country suppliers of textiles and clothing by issuing an assurance that those commitments would not be impaired by China's accession. Apart from anything else, that would ensure there would be no

need for re-negotiations of those arrangements at the same time as trying to finalize bilateral negotiations with China.

The special safeguard provision that the US and EU want to include in China's Protocol of Accession to WTO also is a stumbling block. That provision would give China's trading partners the right to impose quantitative restrictions on imports from China should they surge and seriously damage or threaten to damage industries in the importing countries (similar to the concept of market disruption contained in the MFA). Since that proposal suggests China's rights under the WTO may well be curtailed, it is understandable that China is offended by it. China also worries that the US may invoke the non-application clause (Article XIII) of the Agreement Establishing the WTO, thereby potentially perpetuating the tension associated with the annual renewal of its MFN status in the US market. It would be much better if reliance could be made on standard rules, including standard anti-dumping and countervail provisions (using China's own costs and prices instead of third-country or reference prices as at present), rather than adding new country-specific safeguard provisions.

And finally, members might take a longer-term view with respect to market access. China's accession will boost not only China's growth but also Taiwan's (through allowing immediately Taiwan's accession to WTO) and Hong Kong's, plus its other East Asian neighbours with whom these three Chinese economies trade very intensively. Moreover, China's membership of WTO is likely to yield a peace dividend both in terms of trade skirmishes and possibly even in a military sense. Hence commitments to enlarge market access in the short term may in retrospect seem of minor significance by the time the transition period ends, before which time the next comprehensive round of multilateral trade negotiations might well have begun in any case, allowing the possibility of further access being secured then.

*c. How Much Longer Will Accession Take?*

The gap between China and its WTO member trading partners as of mid-1997 on desired accession protocols was still large. Membership is not likely before 1998 at the earliest unless there is a significant change in political will at the highest levels in at least China and the United States. Even with the November 1996 US elections now over, the leadership uncertainty at the top in China following Deng's death remains a delaying factor. And the amount of detailed negotiation still required with respect both to rules and to market access and conditions of competition makes it in any case difficult to envisage accession before 1998. How much later than that will it take? That still remains very much an open question, and one that has much more to do with politics than economics.

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TABLE 1  
Impact of the Uruguay Round (without and then with China/Taiwan accession to WTO) on International Prices, Trade Volumes, and Welfare (equivalent variations in income), 2005

(percentage changes)

**(a) Without China and Taiwan in the WTO**

Commodity	World Trade		Region	Reg.Trade Volume		Regional Welfare	
	Price	Volume		Exports	Imports	% change	US \$
							(1992 bill.)
Rice	2.6	146	China	3	2	0.2	1.3
Wheat	5.6	8	Indonesia	42	33	5.5	13.5
CoarseGrains	2.6	32	Philippines	31	21	2.5	1.8
OtherCrops	2.8	13	Thailand	24	20	4.4	10.2
LstkProducts	4.2	26	Malaysia	23	19	7.9	11.4
ProcessFood	-0.2	51	Rep. of Korea	24	21	2.0	11.3
NatResources	0.8	0	Taiwan	3	4	0.9	3.5
Textiles	-3.4	34	HK/Singapore	2	1	0.4	0.8
WearApparel	-12.0	109	Japan	7	8	0.4	18.9
OLightMnfc	0.7	6	Australia/NZ	8	8	0.4	1.9
TransMechEq	0.6	6	North America	7	9	0.4	34.3
OHeavyMnfc	0.7	7	Western Europe	7	9	0.5	44.3
Services	0.8	4	Former Soviet Union	1	1	-0.1	-0.3
TOTAL	<b>0.0</b>	<b>10</b>	India	80	60	2.4	9.2
			Rest of the World	17	15	0.5	16.8
			<b>WORLD</b>	<b>10</b>	<b>10</b>		<b>179.1</b>

**(b) With China and Taiwan in the WTO**

Commodity	World Trade		Region	RegTrade Volume		Regional Welfare	
	Price	Volume		Exports	Imports	% change	US \$
							(1992 bill.)
Rice	2.5	147	China	61	47	3.0	26.6
Wheat	5.6	7	Indonesia	33	24	3.7	9.1
CoarseGrains	2.7	33	Philippines	26	17	1.7	1.3
OtherCrops	2.9	16	Thailand	21	18	3.2	7.4
LstkProducts	4.4	38	Malaysia	20	16	6.6	9.5
ProcessFood	-0.1	57	Rep. of Korea	24	22	2.1	11.9
NatResources	1.2	1	Taiwan	9	11	1.3	5.0
Textiles	-4.4	45	HK/Singapore	3	4	3.0	5.6
WearApparel	-13.9	127	Japan	10	12	0.6	27.7
OLightMnfc	0.8	11	Australia/NZ	8	8	0.5	2.1
TransMechEq	0.9	8	North America	8	10	0.5	42.2
OHeavyMnfc	1.0	8	Western Europe	8	10	0.6	57.0
Services	1.1	7	Former Soviet Union	3	3	0.0	0.2
TOTAL	<b>0.0</b>	<b>14</b>	India	73	53	1.7	6.6
			Rest of the World	17	15	0.5	17.5
			<b>WORLD</b>	<b>14</b>	<b>14</b>		<b>229.6</b>

Source: Anderson et al. (1997b).

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