

# The Implications of China's Full Membership in WTO

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# With China---A Step to be a Truly World Organization

- 15 years of negotiations, Protocol on China's Accession, & Report of working parties.
- 10 Nov. 2001, Approved by WTO members
- 11 Dec. 2001, China became the 143rd member of the WTO.
- With China's membership, the WTO will take a major step towards becoming a truly world organization.-- Mike Moore, formal WTO Director-General

# Favour One, Favour All

- **WTO Principles applicable**

- MFN**: non-discriminatory treatment to all WTO Members.

- National Treatment**

- **Implementation**

- In an effective and uniform manner by revising its existing domestic laws & enacting new legislation fully in compliance with the WTO Agreement

- **Transparency**

# 78% US Companies Report: China has done a good job implementing WTO commitments

- **Full WTO membership** implies China has full rights and obligations
- **Further Reform required**
  - political, economic, legal reform
- **Two Irrevocable Changes**
  - Further opening Chinese market
  - Transformation into a transparent & rule-based market economy

# Laws are getting better—even faster

- **Modify Laws**

- Foreign Trade Law

- Foreign Investment Law

- Equity JV Law / Contractual JV Law / WFOE Law

- Company Law & Securities Law

- Commercial Bank Law, Insurance Law

- Trade Mark Law, Patent Law, Copyright Law

- **Modify Rules & Regulations**

- **New Laws**

- Government Procurement Law

- Electronic Signature Law

- Enterprises Bankruptcy Law

- Property Law

- Enterprises Income Tax Law

# 81% US Co., 83% EU Co.: Making profits in China

- **Market Oriented Economy**
- **Open more markets to the World**
- **Investment Inflow**
  - Industries
  - Service Sectors
    - Bank, Insurance, Tours, Consultant, IT
- **Import Goods & Services**

# Nothing is impossible, even go overseas

- **Export**
- **“Go Overseas”**
  - agency/distribution
  - direct investment (JV, M&A)
  - indirect investment (Stock Market, Debt Market)
- **Cooperation**

# Another Way to facilitate Trade: Free Trade Agreements

- **Doha Round:** Agriculture, etc.  
3 big subsidisers (US, EU, Japn)
- S24 under GATT: SAT & Transparency  
---Customs Union & Regional trade agreement allowed
- **FTA /RTA:** twofold---preferential to parties, but discriminate against countries not included in the Agreement  
---Many members are looking for negotiations on FTA, USA, Australia, China  
---China's attempt to negotiate on FTA, ASEAN+, with Australia, etc.

# So cheap! Goods made in China

- 15 Years for Non-Market Economy Status until Dec.11 2016, under S15 POCA
- **Anti-dumping**: against “dumped” imports
  - Sales of products to importing country at “Export Prices” below the “Normal Value”;
  - After investigation, an anti-dumping measure may be applied:  
Where the dumped imports cause or threaten to cause **Material Injury** to an established domestic industry in the importing country.
  - Special rules for “**Non-Market Economy**”:  
using “Surrogate Normal Value” from a third country market economy. Generally more likely to lead to a finding of dumping or higher dumping margin
  - but: the dumping investigation is terminated against an exporter or a country’s producer where the dumping margin is insignificant.

# Help! Help, emergency!

- 12 Years/Transitional Safeguards for certain Products, S16 POCA
- **Safeguards:** “emergency” actions related to
  - rapidly increased imports of particular products:  
recent enough; sudden enough; sharp enough; significant enough
  - cause or threaten to cause serious injury to the importing Member’s domestic economy
- **Remedies:** ---increase of import duty
  - tariff quota; Or import quota
  - structural adjustment
  - compensation
- 8 Years/Special Safeguards for Textiles, S242 Working Party Report
  - 2005, remove limitation on Textile/ATC
  - Rise of Importing Textiles, and Consultations between China &EU, &USA

# Subsidies--Another trade measure

- **Subsidy:** a financial contribution by a Government or a public body that confers a benefit: grants; tax concessions; income or price support; loan guarantees; foregone revenue; equity infusions; provision of goods and services (other than general infrastructure)
- **Material Injury** to a domestic industry, “serious” or “substantial” declines in financial performance. **not “insignificant”**
- **Imposed Measures on the imports to counteract a subsidy**
- **Actionable Subsidy:** a subsidy is actionable if it is specific to a particular industry or enterprise or a limited number of enterprises (not generally available)
- **Outdoor Barbeques** (Canada against China)
- **Subsidies for Export Goods** (USA)

# Killing two birds with one stone

- **WTO Consultation by USA with China on the issue: Copyright Piracy contrary to TRIPs**

---IPR protection and enforcement measures

---market access requirements which are said to impermissibly require US copyright owners to distribute their products in China only through specially authorised, state-approved or state-run agencies

# Questions

Thanks