

# Looking Back 14 Years after Accession: Case of China

Intervention at Session 2 of Day 1: Transition from Accession to Membership—Maximizing the  
Benefits of WTO Membership and Global Economic Integration  
Third China Round Table on WTO Accessions

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Dushanbe, Tajikistan, June 2 2015

Honorable First Deputy Minister Nazriev,  
Honorable Director Chiedu Osakwe, Director General Zhao Hong,  
Counsellors,  
Colleagues and Friends,

Good afternoon! Let me start by joining the previous speakers in appreciating the considerate arrangements made by our host, the government of Tajikistan. It is my great honor to be invited by the WTO Secretariat to share some personal thoughts about transition, a highly relevant topic for recently acceded and acceding LDCs from the perspective of China. I would like to thank the first two speakers in this session, Counsellor Maika for providing an overview of LDC accession and First Deputy Minister Nazriev for providing the experience of Tajikistan, as good basis for our discussion this afternoon.

Well, this photo was taken in Doha at MC4, on the eve of November 11, 2001, one day after the WTO endorsed the Legal Instruments of China's Accession and right before the signing ceremony. And, yes, that lady was me, serving as the interpreter of then Minister Shi Guangsheng for Foreign Trade and Economic Cooperation and Head of the Chinese Delegation, when he presented the Instrument of Ratification from the then President Jiang Zemin of China to Mr. Mike Moore, WTO DG at the time. One month later, China became the full-fledged 143<sup>rd</sup> member of the WTO.

14 years passed and here I am. That's perhaps just a personal story of WTO-related career development, but I think that also represents a miniature of growth of China, of its trading partners, and of the WTO itself, a story of win-for-all ever since China joined the WTO, or more accurately, ever since China began to integrate into the global economy with its negotiation for resuming the GATT contracting party status, and later the WTO membership another 15 years earlier. And that's the context of my talk today.

Let's look at a set of data first.

In 2001 at its WTO accession, China's GDP stood at 1.33 trillion USD, ranking the world's 6<sup>th</sup>, while in 2014, it topped 10 trillion USD, increasing by nearly 8 times, and ranking the 2<sup>nd</sup> globally.

Still in 2001, China's trade in goods was valued at 0.51 trillion USD, ranking the 6<sup>th</sup> in the world, while in 2014, it reached 4.3 trillion USD, growing over 8 times, and ranking the world's first for the second consecutive year. China boasts the largest trading partner of over 120 WTO members today.

In 2014, China's export of goods registered 2.34 trillion USD, accounting for 12.4% of the world's total, making it the biggest exporting economy for 2 years in a row, and China's import of goods and services recorded 1.96 trillion USD and 382 billion USD respectively, taking up 10.3% and 8.1% of the global total. China now represents the world's second largest destination for all exports.

Also in 2014, the amount of FDI absorbed by China reached 128.5 billion USD, lifting its global ranking historically to the first. Outbound direct investment registered 102.9 billion USD, the closest equivalent ever to its FDI peer.

Obviously, China has benefited from its WTO membership by obtaining a stable and transparent institutional framework and external environment, and realized a great leap-forward in its economic development, industrial competitiveness and people's living standards.

Having said that, the benefits for China's trading partners in the process are equally evident. Implementation of China's WTO commitments, including but not limited to the reduction of tariffs for agricultural products and industrial goods by 8 and nearly 6 percentage points respectively, all of them bound tariffs, the elimination of non-tariff measures for products of 424 tariff headings, the opening of 100 out of the 160 service sectors categorized by the WTO, and more forceful IPR protection have all facilitated the access of foreign goods and services into the huge Chinese market. Jobs were created for China's trading partners, investment opportunities and profits generated for their companies, and more choices of value-for-money products provided to their consumers.

By upholding the WTO principles of non-discrimination, transparency and fair trade, as well as actively participating in the regular work of the WTO, multilateral and plurilateral negotiations, dispute settlement, trade policy monitoring, development related issues and council and committee meetings, you name it, China has made great contribution to the big family of the world trading system.

How did China make it? Why didn't the once worrisome "wolf is coming" scenario occur in China? And for the once noisy external doubt, e.g. would China become the sole winner taking it all, or could China live up to its commitments, how has it gone with the wind?

In my view, the Answer lies in 8 key words, pairing into 4 groups.

### **Group 1, Vision and Determination.**

If you take a close look at China's national policy over the past 3 decades and more, you will know that its decision to seek membership in the multilateral trading system didn't come from nowhere.

That decision was based on the vision cherished by several generations of Chinese leadership that as an inherent need of the country, reform and opening up are in the fundamental and long-term interest of China, so is integration in the global economy. Based on market economy, WTO rules serve China's own goal of building a socialist market economy set in 1992, therefore constitute what China's ready to embrace.

That vision also includes an understanding of the relationship between opening up and reform, two essential motivations behind China's development. As a starting point and component of reform, opening up promotes reform and development by providing reference of experience and source of vitality. On the other hand, reform creates the institutional basis and internal conditions for opening up, and improves one's ability to cooperate and compete globally. As an unswerving strategy and basic policy of China, these two factors have gone hand-in-hand throughout China's development. It was hence China's independent decision to pursue WTO membership and integrate in the global economy.

However, everything has a cost, let alone such an arduous task as transforming the world's most populous country from a decades-long planned economy to a market-oriented one. Lack of courage or resolve would prevent one from taking up risks and challenges and persevering for the ultimate success. But the Chinese leadership has made up their minds and successfully led their people through an unparalleled journey, and here's what they argued.

Deng Xiaoping: The more we reform and the wider we open up, the stronger our ability to stand risks.

Jiang Zemin: WTO membership has pros and cons, the opportunities it brings will

triumph over the challenges it imposes if we do our homework well.

Hu Jintao: Only by adhering to reform and opening up, can we make progress and address the thorny problems occurring in the process of our development.

Xi Jinping: The more we develop, the more open we are. China's door of opening up will never be closed. Reform and opening up have no end, and they will always be on their way.

History has proven the brilliance of that vision and the effect of that determination.

## **Group 2, Absorption and Perfection.**

WTO members observe multilateral rules and fulfill their obligations. But that's not all, and that's not enough for benefit-maximization. By drawing on the international prevailing practices and making corresponding arrangements, adjustments and reforms at home, some even before its accession, China managed to perfect its economic system, exercise its rights, honor its commitments, and go beyond that, thus obtaining the development dividend as a WTO member.

### **First, the legal basis has been cemented for the socialist market economy.**

The top priority for China after accession was to reflect the WTO principles and rules in its domestic law and make them applicable. Since 1999, two years ahead of accession, China has initiated an unprecedented legal clearance process. Over 2300 laws, regulations and departmental rules have been drafted, revised and revoked at the central government level, and above 190,000 local regulations, rules and other policy measures have been sorted out at lower-level government agencies. The scale and intensity of work was rarely seen among WTO members.

Procedures for formulating laws and regulations have been standardized, with the implementation of Legislation Law in 2003 for example. Foreign investment-related laws were systematically revised, deleting such non-compliant elements as foreign exchange balance, local content and export performance, and the corporate income tax for domestic and foreign companies was unified in 2008. Trade remedy system has been established with the inception of 3 Regulations of Anti-dumping, Countervailing and Safeguard Measures in 2002. Anti-monopoly Law came into force in 2007, making a big stride in competition legislation. Laws and regulations have been formulated for service sectors like securities, insurance, banking and telecom. IPR Protection has tremendously improved, with revisions made to the laws of patent, trademark, copyright and a series of regulations. Judicial review, uniform

implementation of law and opinion-seeking in legal drafting have all been enhanced. Just the other day, one of my Assistant Ministers held a meeting with FIEs in China, listening to their comment on the draft Foreign Investment Law made public early this year.

As a result of these efforts, China's economic development is equipped with a legal-level institutional guarantee, and the stability, transparency and predictability of China's trade and related policies have constantly improved.

I want to make a special mention of the milestone revision of 1994 Foreign Trade Law, whose implementation began on July 1, 2004. With the liberalization of trading right, China brought an end to its 50-year-long foreign trade examination and approval system and delivered its WTO commitment half a year in advance. The vitality and initiatives of market players were set free, and in less than two years, the number of foreign traders in China grew by nearly 100%, with the vast majority being private companies. In 2014, export by private companies accounted for 43.2% in China's total export, contributing to 71.8% of that year's national export increment. BTW, my Boss Director General Zhao Hong was one of the lead drafters of that revision which fully enshrined the WTO principles.

**Second, the government regulatory system was perfected based on administration by law.**

Another priority for China was to properly handle the market-government relationship, let the former play a basic role in resource allocation while the latter act as a public service provider, market regulator and macro-control exerciser.

To that end, China has steadily transformed its government function and reformed its administrative system by delegation of power, streamlining of procedures and elimination of projects subject to government examination and approval. In 2004, the Administrative Licensing Law came into force. And regulations on Information Disclosure and Rule of Law by the Government were implemented in 2008 and 2010 successively.

So far, nearly 5000 projects have been either removed from the review list or transferred to lower level government agencies by the competent State Council departments. The number of items in the 2013 Catalogue of Investment Projects subject to government ratification was cut by 60% from the 2004 version. Projects outside the Catalogue are decided by companies and only need to be filed with the government. Nearly all central government agencies and local authorities have launched official websites and the website of my Ministry has been the most visited

for over 10 years.

If you log on [english.gov.cn](http://english.gov.cn), i.e. the website of central government of China, you can get real-time update of national policies and business functions of the State Council leaders, and you may be interested in the cartoon image of Premier Li Keqiang on the webpage.

**Thirdly, market access has constantly expanded and an open economic system forged.**

For China, WTO accession is not an end, but a fresh start of its opening up process. Profound reforms were conducted in the trade and investment related fields, even after 2008, when China fully delivered its WTO commitments.

Trade wise, import and export administration measures are in line with WTO rules. With a view to balancing growth of import and export, a proactive import policy has been adopted with import administration procedures further streamlined. At its 100<sup>th</sup> session in 2006, the world renowned Canton Fair changed its full name from Chinese Export Commodities Fair to Chinese Import and Export Commodities Fair. And China Import Promotion Website went on line at the end of 2013.

Investment wise, an open investment regime has been established and the Industrial Catalogue for Foreign Investment was revised in 2007, 2011 and 2014, with new entries added to the encouraged category, prohibited entries cut to 39, limit on foreign equity ratio lifted and new opening up measures introduced in certain areas, foreign access to medical treatment, the aged caring, commerce and logistics as well as e-commerce further liberalized, and a new FDI regulatory approach featuring pre-establishment national treatment plus negative list gone on trial. A Foreign Investment Law is expected to replace the three investment-related laws formulated around China' WTO accession. The OFDI regulatory modality of filing was established in the 2014 revision to the 1999 Regulations of Outbound Investment, only exceptional investment projects in sensitive countries or sectors remain subject to ratification.

Price, taxation and foreign exchange rate have all undergone in-depth reforms since China's WTO membership. An open economic system compliant with both the WTO rules and its national situation has taken shape in China.

**Group 3, reservation and adaptation.**

While opening up is generally beneficial, its pace and extent has to be properly

handled to avoid unduly high external shock, in particular in the early phase of one's economic integration. Therefore, instead of complete transfer of one's national economic sovereignty, an economy should negotiate for necessary reservations and flexibilities on bottom lines and sensitivities that can't be compromised. And its government, industries and people need to be well informed and prepared regarding its commitments and agreed terms, so as to survive the difficulties and challenges incurred from the WTO membership and thrive through capacity building.

That's exactly what China did.

It secured 7 years as the longest transition period for certain tariff reduction, non-tariff measures were eliminated gradually and services sectors opened in a step by step manner. Such pragmatic arrangements helped avoid counterproductive results domestically and proved beneficial to China's trading partners.

It launched a nationwide education campaign among Ministerial-level officials, economic desk officers, county and township chiefs, entrepreneurs, scholars and ordinary people, turning market economy, transparency, fair competition and rule of law from strange terminologies to household terms. WTO became one of the most well-know English acronyms in China.

It set up a Department of WTO Affairs in the Ministry of Commerce, to handle negotiation, policy review, dispute settlement, compliance and rules-related issues, conduct inter-agency coordination, and safeguard industries' rights and interests by applying WTO rules. Learning by doing proves the most effective way of China's engagement with the WTO. It tabled 100 odd proposals in the Doha Round as a staunch supporter of the multilateral trading system, and has been active in ITA 2, EGA and GPA talks. It organized some 70 departments and business associations at home for 5 trade policy reviews of China and provided written replies to nearly 7000 questions from members, and made 2405 notifications to the WTO. It participated in over 100 dispute settlements in different capacity, and upheld the solemnity of WTO law by implementing DSB rulings for won and lost cases alike, where it secured justice by urging the other parties to revise their domestic law or non-compliant practices, and pushed relevant domestic reforms by amending improper legal provisions and policies of its own. A Permanent Mission at Vice Ministerial level was posted in Geneva.

It listened to business appeals and offered help in article interpretation, registration simplification and restructuring facilitation. Non-public sector was encouraged, SMEs were supported, and the reform, reorganization and transformation of SOEs have been in full pace. After painful adjustments and adaptation, China's industries not only

have withstood the severe test of challenges, but are steadily moving up the ladder of global value chain, as the development modality of Chinese economy continues to be optimized.

China's transition was not short of challenges and headaches, fortunately it managed and addressed them relatively well through hard work.

But we all know that negotiation is an art of give and take. As part of a grand bargaining, China unwillingly accepted some provisions that exceeded the ordinary obligations for WTO members. Product-specific safeguard measures, special safeguard for textiles, transitional review, just to name a few.

Despite the discriminatory nature and special historic backdrop of these articles, China means what it says and has taken them and corresponding foreign actions professionally. The only valid clause of this kind in Article 15 of China's Accession Protocol shall expire 1 and a half years from now. Since honoring treaty obligations is a basic principle of international law and no contracting party has the right to circumvent such obligations on the pretext of its domestic law, China will observe that important clause with all in the WTO family and will firmly defend its rights.

#### **Group 4, Innovation and Cooperation.**

Now, new challenges have arisen in China with the New Normal, featuring transformation from high-speed to moderate-speed economic growth, from scale and pace to quality and benefit of economic development, and from investment-driven to innovation-driven economy, where China's traditional comparative advantages like labor cost need to be replaced by new competitive edges. But the Chinese leadership and its people are determined and confident enough to launch another round of higher-level and more proactive opening up as a response.

The 3<sup>rd</sup> Plenary Session of the 18<sup>th</sup> Party Congress formulated the most ambitious reform plan over the past 30 odd years, setting the goal of constructing a new system for the open economy and calling for the market's decisive role in resource allocation. As opening up is viewed as an internal impetus now instead of an external driving force for China's reform, more innovative moves on China's own initiatives have been taken.

Shanghai Pilot Free Trade Zone launched in September 2013 is a case in point. As a unilateral opening step to promote development and reform, it focuses on institutional innovation and serves as a test field for establishing new administrative mechanism, especially for foreign investment, and expanding market access to foreign services.



Based on 1 and a half years' experiment, 28 of its reform measures have been spread across China and 6 copied to special customs surveillance zones. At the end of 2014, 3 new FTZs were approved to be established in Guangdong, Tianjin and Fujian.

Meanwhile, China has cooperated closely with other economies on various platforms in the reformulation of international economic and trade rules. At multilateral level, it spares no emphasis on WTO's role as the main channel for trade and investment liberalization and on development as the Doha Round mandate. It is working hard for a successful MC10 and strengthening South-South cooperation by providing duty free treatment to LDCs and demanding no market access from acceding ones, and supporting the WTO Aid for Trade initiative through the China Program including activities like this roundtable. At global economic governance level, it has made positive contributions to the mechanisms of APEC, G20 and BRICS by yielding rich fruits on GVC and the new concept of FTAAP during the 2014 APEC China Year, and by meticulously designing economic deliverables as the G20 host next year. At regional level, it continues to build FTAs with interested partners and calls for transparency and complementarity of FTAs with the multilateral trading system. At bilateral level, it proposes a new pattern of relationship between major economies and constantly strengthens friendly ties with other countries.

Ladies and gentlemen,

China joined the WTO as an Article XII member 14 years ago, and despite its economic progress since then, it remains a developing country of RAM status today, with a big number of impoverished people, level of per capita GDP far below those of other major economies, and many new daunting challenges. China fully understands the difficulties faced by LDCs in their accession and always stands ready to offer help to the best of its capacity. And I am happy to do my part in my first Accession Roundtable. There is no size fit for all, the level of my happiness will be elevated if any of the above points happen to sound useful to my LDC colleagues, and if at the year-end MC10, more LDCs could accede to the WTO, and more good news of transition shared by those already in this big family. Let's work together for that, and for a stronger multilateral trading system of the members, by the members and for the members.

Thanks for your attention.