



## China and the WTO

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**China and the WTO**  
中国与世贸组织

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## Abstract

The 'rise' of China stands as one of the most significant developments in global politics in the post-cold war era. Yet, China's rise has not been uniformly welcomed. For some, it has generated fears that the PRC's growing global prominence will inevitably be malignant; for others the rise of China has been largely 'system-preserving' in character. While a consensus has yet to emerge, the dominance of the debate has ensured that investigations into the factors shaping the PRC's international relations and, with regard to the subject of this paper, its behaviour in the World Trade Organisation (WTO) have been too bound up with, and as a result too distracted by, the search for proof of 'real' intentions and less concerned with clear analysis. We seek to move beyond the strictures of this debate to investigate more thoroughly the factors shaping China's trade diplomacy.

We argue that an examination of the factors shaping China's trade diplomacy must take into account the strong effects exerted on that diplomacy by its membership of the WTO. To substantiate our argument, we begin by setting out some conceptual markers on what we know about the peculiarities of international institutions as a framework for understanding how the WTO as an institution affects China. We then explore key developments in China's political economy to the point at which the PRC acceded to the organisation before considering how the pursuit of WTO membership has shaped Chinese development, its trade diplomacy, and impact on the WTO of China's membership. We conclude that while WTO accession may have altered the composition of the organisation's core decision-making group by placing China at its heart, it has been sufficiently, and perhaps uniquely costly to China in terms of concessions made, in closing down room for manoeuvre in the current Doha round and in constraining the PRC's capacity to switch from an export-led to a domestic consumption based model of development.

## 摘要

中国崛起已成为后冷战时期全球政治领域最引人关注的现象之一。然而,这一现象却尚未获得国际社会普遍欢迎和接受。一些观点担心,中华人民共和国日渐强大的全球影响力势必危及世界;另一些观点认为中国崛起本质上仍为“系统内聚”性特征。各方观点集中探讨中国国际关系形成机制的影响因素,以及本文主题所涉及的中国在世界贸易组织(WTO)中的行为特点,但种种观察研究过多局限于对真实意图证据的挖掘而非客观的逻辑分析,因而偏离了问题核心实质。本篇论文立意摆脱这种争论的局限性,对中国贸易外交政策的形成因素展开透彻剖析。

本文认为,研究中国贸易外交影响因素必须考虑中国世界贸易组织成员国身份的重要影响作用。为了使论述充分具体,本文从反映国际组织机构特殊性的概念切入,为深入理解世界贸易组织对中国的影响方式提供背景框架。文章随后探讨中国入世之际的关键政治经济政策考量,进而阐述世贸组织成员国身份争取过程对于中国发展模式和贸易政策制定的影响,以及这种身份对于世贸组织的反作用力。最终得出结论,中国入世可能由于其核心地位而改变世贸组织核心决策机制,同时就入世前的种种让步而言,中国必须承受独特的重大代价,比如目前多哈回合谈判中的有限回旋空间,以及出口导向型向内需导向型发展模式转变过程中所受的制约。

# China and the WTO

*James Scott and Rorden Wilkinson\**

Academic interest in China is at an all time high and the scholarly literature voluminous. Much of this interest has been sparked by China's 'rise' triggering debate over its significance for global security (Johnston, 2003; Buzan, 2010), international trade (Fordham and Kleinberg, 2011), global finance (Chin and Helleiner, 2008), international development (Taylor, 2009), systems of production (Henderson and Nadvi, 2011), the global environment (Bawa et al, 2010), models of development (Zhao, 2010) and whether China has indeed 'emerged' or 're-emerged' (see Turner, 2009; Keller, Li and Shiue 2010) among others.

Yet, for all its size, much of the literature on China and international politics has tended to focus on claims and counterclaims about China's 'intentions'. The more hyperbolic contributions to this literature have recycled cold war-esque zero-sum realist constructions of China as 'threat'. Robert Kaplan's (2005) account of 'How we would fight China' and John Mearsheimer's (2006) claims of 'China's unpeaceful rise' are indicative of this more pessimistic end of the spectrum as are the works of Michael Mandelbaum (2010), Bill Gertz (2002) and Richard Bernstein and Ross Munro (1997). Others have sought to allay concerns about China's rise and place its behaviour squarely within existing international norms, rules and modes of behaviour. Shogo Suzuki's examination of China's 'charm offensive' (Suzuki, 2009); Scott Kennedy's critique of the idea of a Beijing consensus (Kennedy, 2010); Chang-Fa Lo's account of China's 'Westphalian' international politics (Lo, 2010); Yongjin Zhang's exploration of pre-revolutionary China's entry into international society (Zhang, 1991); Peilin Li, Andong Zhu and David Kotz, and Piovani and Li's work on China's development problematique and the challenge of rising inequality (Li, 2011; Zhu and Kotz, 2011; Piovani and Li, 2011); Shaun Breslin's examination of China's global role and the question of soft power (Breslin, 2010; 2011); and Ian Bremmer's discussion of the 'threat' posed by China's military to the United States (Bremmer, 2011) are good examples of this genre.

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There have, however, been relatively few contributions that do not focus, or choose to speculate on, China's intentions. Yet, even works that do not focus explicitly on the intentions debate are more-often-than-not forced to take a position on the debate as either an entry or an exit point. Moreover, commentators frequently roll out what George Orwell referred to as 'hackneyed phrases' ([1946] 1962: 145) when China is mentioned that forward uncritical 'common sense' ideas worrying about the PRC's intentions. For instance, in a recent piece completely unrelated to China (about literature on the post 9/11 era) Pankaj Mishra saw fit to note in passing that: 'Rising faster than any country since the industrial revolution, China has unexpectedly emerged on the world stage, its intentions still largely unknown, its distance from western-style democracy and capitalism still considerable' (Mishra, 2011: 4). Such is the entrenchment of debate about China's intentions that a recent (September 2011) survey of International Relations scholars asked respondents for their views on the likelihood of war breaking out between the US and China in the next 10 to 30 years (<http://irththeoryandpractice.wm.edu/projects/trip/>).

These same tensions are manifest in the literature on China and the World Trade Organisation (WTO). As in the more general literature, worries about China predominate. In those instances when they do not, they more-often-than-not provide a frame within which debate unfolds. Amrita Narlikar's *New Powers: How to become one and how to manage them* (2010) is a good example of a more explicit focus on the intentions debate. Wei Liang's assessment of China's role in the international political economy is a half-way house, seeking to address short-term concerns that the PRC is a system challenging power while leaving the intentions debate wide open in the longer term (Liang, 2007: 148). And Chin Leng Lim and JiangYu Wang set out specifically to challenge recent assertions that 'China has 'broken cover' and ... become more 'assertive' in the Doha Round (Lim and Wang, 2010: 1309).

While the tendency to relate in some way to discussions about China's intentions is an understandable response to pressures and tendencies in the literature as well as in international politics more generally, it nonetheless gets in the way of clear thinking about China's role in international relations and, in the context of this paper, in the WTO. Indeed, the need to draw attention to the intentions discourse as a feature of the literature in the opening paragraphs of this paper is itself a reflection of the dominance of the debate. But it is for us also an essential element of signalling our attempt to move away from it and focus on an area that we believe is under-appreciated in the literature: that is, the impact of the WTO *as an institution* on China's role therein. And to do this, we first need to clear the decks and draw attention to what we are not going to do – that is, pronounce on China's intentions within the trade system.

That said, we are not jettisoning the intentions debate entirely from our analysis. The debate itself (and many others like it), played out in the pages of academic journals as well as in public and official fora, has an impact on the way China, and other members, behave in the WTO. Indeed, China's embarkation on a 'charm offensive' designed to present the PRC in a better light is a well noted feature of its international

relations (see Suzuki, 2009; Breslin, 2011); and it is as manifest in the field of trade policy as it is in any other.

Our aim, then, is to explore an aspect of China's international relations that is less well noted in the literature – that is, the impact of WTO membership on China. We start from the premise that international institutions – by which we mean regularised rules, norms, practices and decision-making procedures affecting state (and non-state) behaviour whether manifest formally or informally – are important mediating variables in global politics.<sup>1</sup> They have an impact on state (and other actor) behaviour by shaping and constraining what states (and, again, other actors) do in given issue areas in ways that may or may not spill over into wider international politics. In the case of China, the WTO is a key mediating variable for a number of reasons:

- (i) trade has become a fundamental driver in China's economic growth;
- (ii) trade is a highly institutionalised realm of international relations with myriad bilateral, regional and global arrangements involved in its governance;
- (iii) these systems of governance are all anchored by the multilateral rules overseen by the WTO; and
- (iv) China is a relatively recent user of these systems ensuring that it has had to undergo a significant learning process, deal with countries and systems of regulation that were not favourable to state-managed enterprises and communist political systems, and lacked influence in the initial design and subsequent development of trade regimes.

As such, the WTO acts as a strong mediator of the PRC's international relations and one to which the Chinese government has acquiesced (a move, it should be noted, that is hardly system-challenging behaviour). Thus, a key component of understanding China's international relations has to be an examination of how the WTO as an institution affects and is affected by the PRC's involvement.

It is worth stressing that we are not privileging an institutionalist understanding of China's international relations, or suggesting that it stands out in the myriad factors that shape the PRC's, or, for that matter, any other state's behaviour. We acknowledge that China's role in the international system cannot be properly understood without an appreciation of Chinese development that takes in the post-1978 reform period and the remarkable growth that this engendered. Equally, it cannot omit an appreciation of the perceptions that Chinese people have about their past and the political uses to which discourses about the past are put (domestically and internationally); nor can such an account omit an appreciation of China's current development problematique, political contestations within the communist party structure nationally as well as regionally and locally, rapidly rising inequalities (in income, health and well-being,

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<sup>1</sup> We prefer the term 'mediating' rather than the more common 'intervening' as a descriptor as it better conveys the role of international institutions.

particularly between urban and rural areas), external perceptions of China and its intentions, the structure of the global political economy and of international politics, and the politics and political economies of those states that to significant degrees impact upon China. But it is also true that without a proper appreciation of the impact that the WTO has had on China (and conversely the effect of China's membership on the WTO and the other member states), aspects of its behaviour, and the forces shaping that behaviour, cannot be fully understood.

In pursuit of our aims, we begin by setting out some conceptual markers on what we know about the peculiarities of the trade institution (see Wilkinson, 2001; 2006; Scott, 2010 for more fulsome accounts) as a framework for understanding how the WTO affects China. The paper then utilises this framework in pursuit of a more complete understanding of how the institution has shaped China's capacity to act, what effects this has had on the WTO, as well as how China has sought to overcome this mediation over time. Thereafter, we offer our concluding comments.

### **Conceptualising (China and) the WTO**

The key to understanding how China is affected by and affects the WTO requires an appreciation of the fit between the organisation and the PRC. What is clear, which we explore in more detail in the following section, is that the structure of China's economy, the extent of its experience with the GATT, and its relative power capabilities vis-à-vis the leading industrial states, were all either lacking or had developed differently at the moment the PRC formally lodged its intention to begin accession negotiations.

It is equally true that the GATT was *not* designed to serve China's interests, and the balance of power globally (and as refracted throughout the institution) was such that serving China's interests would be peripheral to serving those of the dominant trading nations. Rather, the GATT was established to help secure, stabilise and perpetuate a US dominated post-Second World War order based around a loose ideological commitment to free trade that was heavily mercantilist in practice. The GATT was originally designed to kick-start a process of liberalisation that would enable the US to take advantage of the unique economic circumstances in which it found itself at the end of the Second World War as well as to assist the European powers with a measure of reconstruction. Importantly, this liberalisation was targeted at reducing barriers to trade in those goods in which the United States had a comparative and competitive advantage, and that Western Europe needed to assist with reconstruction – largely manufactures, semi-manufactured, industrial and capital goods. The GATT was not designed to liberalise trade in agriculture, as this was politically sensitive in both the United States and Europe; nor was it designed as a vehicle to facilitate trade-led growth for states outside of the Western Alliance. This original design locked in place a particular way of operating that over time perpetuated a bias towards Western interests in the subsequent liberalisation achieved and the rules and ways of operating that developed.

Liberalisation under the GATT/WTO was, and has been, conducted through a process of exchange between the most significant trading nations in rounds of negotiations. This process has, in turn, ensured that the largest trading states have dominated negotiations and have secured disproportionate advantages for themselves, while offering relatively few commercial advantages for smaller, less able and/or newer acceding parties. Moreover, because liberalisation occurred through a process of negotiating, areas that had not been liberalised but in which commercial advantage could be accrued could only be liberalised in exchange for new market openings. This requirement for exchange when added to the way power relations were embedded in the institution ensured that consecutive trade rounds produced ever greater asymmetries in economic opportunity.

From the outset the GATT comprised rules and procedures designed to preserve the institutional advantages of its creator states. As Robert Keohane puts it, 'significant advantages must accrue to institutional innovators, such as conferring on them control over future rules or creating barriers to entry to potential competitors. Otherwise, latecomers could free ride on the accomplishments of their predecessors' (Keohane, 2002: 253). It might also be added that the incentives to continue to participate in the GATT/WTO would erode if the advantages of institutional innovators were not somehow preserved. In the GATT/WTO we see these 'first mover advantages' manifest in two ways: first, through the implementation of a negotiating mechanism that favoured the interests of the most powerful trading states and resulted in consecutive trade deals that (as noted above) disproportionately favoured the leading industrial states (see Ostry, 1997; Wilkinson, 2006); and second, through the adoption and subsequent refinement of unfavourable accession procedures. With regard to the latter, throughout its development GATT/WTO accession procedures have become more, rather than less, demanding as threats to core institutional advantages have increased. This is not to say, however, that accession earlier in the institution's history was uniformly less complex and demanding (as is often inferred in the literature), merely that during the Uruguay round the GATT's accession procedures were refined and enhanced to such an extent that accession under WTO rules became much more costly (see UNCTAD, 2001; VanGrasstek, 2001; also Qin, 2003).

Supporting and cajoling forward movement in the development of the GATT/WTO has been a discourse and a set of ideological reference points about how trade ought to be conducted and the role of the institution therein. And it is clear that this way of talking about trade and the GATT/WTO has an effect on state behaviour in the WTO. Behaviour that is deemed to be at odds with the 'spirit' of free trade is widely lambasted by trade ministers, bureaucrats, academics and commentators alike despite the obvious mercantilist practices underpinning the trade regime; and at moments when negotiations hit an obstacle, forward momentum is encouraged by mythologised warnings of what might happen should a trade round be allowed to fail (Wilkinson, 2009). The consequence is a sharply contested political arena in which protagonists often engage in grandstanding tactics but also wherein underlying power relations



dominate. The results are often adjustments made – rhetorical and substantive – to the way states present themselves in negotiations.

Taken together the various facets of what we know about the GATT/WTO helps us understand why things happen in the way that they do and offer insights into the way Chinese diplomacy is shaped by its involvement in the institution. China was not involved in the creation of the GATT/WTO (though the Kuomintang government was a signatory to the GATT) and as such it had no influence in why and how the institution was created, what rules and practices were put in place, what accommodations were reached, and how the GATT developed through time. China sought access to the trade regime at a time when the membership was already well established and the shape and form of the governing institution well developed. Its economy was still very much in the throes of reform away from the collectivisation of the Maoist period. China was still relatively isolated, politically and economically. It had little experience of dealing with Western institutions and it was quite different in its diplomatic culture. What inevitably occurred then was an incongruous coming together in which China's continued economic development would take place shaped in part by its encounter with the WTO. To better understand this coming together we need now to turn briefly to the principal developments in China's recent political economy.

### **Reforming China, approaching entry to the WTO**

The nature of the reforms undertaken in China since 1978 (see, among many others, Lardy 1992; Dittmer and Liu 2006) shaped the manner of its accession to the WTO; and China's accession, in turn, has had a dramatic impact on the onward process of reform in the PRC. China's move toward a more open, market-driven economy is usually taken to have begun in 1978 and moved through three distinct phases. Initially, the process involved large-scale industrial expansion driven by the production of mass consumer products for the domestic market facilitated by a balanced pattern of growth that encouraged rising demand (Zhu and Kotz, 2011: 14; Lo and Zhang, 2011). Yasheng Huang (2008: 55-56) identifies the origins of this broad-based growth in the gradual releasing by the Chinese Communist Party (CCP) of controls over private activity in rural areas creating a burgeoning entrepreneurial non-farm rural sector that resulted in fast-rising incomes for some of the poorest sectors of the population. This was accompanied by state policies to raise agricultural prices, though these appear to have been of lesser importance. Whatever the combination of causes, the result was double digit annual growth in net real income for sections of the rural population from 1979 to 1984. Poverty was reduced on a massive scale, inequality fell (at least initially), and rising domestic demand facilitated high rates of industrialisation and associated improvements in productivity.

In the wake of the 1989 Tiananmen Square demonstrations China entered a second phase of reform. Many of the earlier rural reforms were reversed as the state clamped down on the private sector (though this was reversed following Deng Xiaping's 1992 'Southern Tour') and attention was diverted towards

urban areas. This new urban industrial strategy was financed by levying heavy taxes on the rural sector (Huang 2008: 109-110). Growth was still high over the 1990s, but it was increasingly driven by expansion of the urban sector and rising urban wages, coupled with high rates of investment (Zhu and Kotz 2011: 17-20). The outcome was that China moved away from its 1980s market-driven, small scale, and welfare-improving rural growth strategy, toward a different kind of market society. As Huang puts it 'whereas Chinese capitalism in the 1980s was a rags-to-riches capitalism, the capitalism of the 1990s led to sharp income inequalities, a reduction of social opportunities available to the rural population, slower income growth and an investment-heavy growth pattern' (Huang 2008: 112).

The third phase of China's reform process dates from the immediate post-accession period. This has been characterised by export- and investment-led growth, with household consumption (as a percentage of GDP) falling sharply, savings and investment rates increasing and rapidly growing inequalities. The decline of household consumption has made China's growth highly dependent on exports to the West, creating an unsustainable imbalance and placing long-term growth in jeopardy. Two principal reasons are identified for low rates of domestic consumption (that are around half that of the USA) (Zhu and Kotz 2011: 22) and associated high savings rates. First, Chinese workers face an increasing burden of privatised healthcare, education and housing as state provision has declined, increasing the need to save for future social costs. Second, growing inequalities, particularly between rural and urban areas, mean that an increasing amount of China's wealth is concentrated among the relatively rich, who tend to have higher savings rates (Li, 2011: 137-8). China's Gini-coefficient has risen at a staggering rate over the last 30 years, from a relatively egalitarian 0.2 to a highly unequal 0.5 – a rate of change that is unprecedented anywhere else in history (Li, 2011: 137). China is now in the process of surpassing the level of inequality seen in Latin America, traditionally the leader in global inequality (Huang 2008: 256).

It is worth reflecting briefly on the state of labour in China following the years of reform. While the first phase of reform saw welfare rising for all, this was not carried forward when the rural reform process was halted in the second phase. China has been faced with increasing illiteracy – rising from 85 to 114 million between 2000 and 2005 (Huang 2008: 244-5). Job creation has slowed significantly and has increasingly favoured the better-educated and young (i.e. those that are best placed to take advantage of China's entry to the global economy) while disadvantaging marginal rural areas, the old and the less-skilled (Solinger 2003; Wang 2000). And growth in personal incomes has moved from exceeding GDP growth to lagging significantly (Huang 2008: 238).

What we see then is that China has undertaken a near-35 year period of transforming its economy from a state-dominated to more market-led economy. However, we also see that this transition has orientated the economy to an over reliance on export markets and has resulted in increasing inequalities between urban and rural Chinese. The imperative to join the WTO was in part generated by the need to stabilise

market access, particularly through achieving permanent 'normalised' trade relations with the US, as well as securing further foreign market openings for Chinese exports. And with this structure in mind the PRC approached WTO accession. The problematique here, however, is that as the accession process unfolded, as well as over the course of China's first decade as a member of the WTO, its development priorities changed. Principal among its current concerns are the need to tackle inequalities and labour market inflexibilities as well as to shift towards a growth model based more on domestic consumption and less on export markets. Yet, the manner of China's accession to the WTO has further embedded it into a world economy and a form of governance that locks the PRC into a development trajectory that reflects earlier prerogatives rather than its current needs. We examine how this has been the case in the next section.

### **The accession process**

China had been one of the original contracting parties to the GATT, but the Kuomintang government in Taiwan withdrew in 1949 following the revolution. In 1986, the PRC gave formal notification of its intention to resume its membership of the institution. The government originally sought to rejoin the GATT by taking up its original seat rather than going through a formal accession process. However, this proved unacceptable to the major powers and China was forced to go through a full blown accession process during which it was required to make new and significant concessions to existing members, many of which resulted in dramatic changes to China's existing political economy.

The accession process proved to be by far the most protracted in GATT/WTO history, taking nearly fifteen years to complete (for more detailed discussion see Holbig and Ash, 2002). It was complicated by the transition in 1995 from GATT to WTO and the need to negotiate bilateral concessions on a new range of areas, notably services, non-tariff measures and intellectual property rights, particularly with the US and EU. Nonetheless, by the time it was complete some 60 per cent of goods entered China duty free as components to be assembled and re-exported as finished goods (Breslin, 2003: 214).

Inevitably over a 15 year period the negotiation process waxed and waned with negotiations intensifying from 1999 as the Chinese government sought to conclude discussions. A number of reasons, both external and internal, underpinned the shift in intensity in the negotiations from 1999 though the domestic factors are perhaps the most important (see Yong 2002; Feng 2006). China's leadership was divided between those seeking greater liberalisation and more conservative forces opposing greater global economic integration and the step-change in accession negotiations from 1999 onwards is best explained by the political dynamics between these factions. For the liberalising elements, it was hoped that accession would help reform State Owned Enterprises and raise confidence in China, thereby increasing foreign direct investment (FDI) in the wake of the Asian financial crisis. For others, liberalisation threatened to hand increasing influence in China's affairs to outside parties. In the end, it was the liberalising forces

that proved triumphant. Zhu Rongji's restructuring of central government saw internal blockages to trade liberalisation reduced and his powerbase strengthened (Yong 2002: 27). Moreover, he and his supporters sought to use WTO accession as a means of securing further reform. As Breslin argues, WTO accession was seen as 'an external tool to *enforce* marketization and reform [at home], brought about by international globalizing elites wishing to lock China into multilateral trade norms and aiming to promote domestic political and economic change within China' (Breslin 2003: 214, his emphasis).

The final accession protocols were highly onerous. Though in principle entitled to accede as a developing country, China's attempts to do so were blocked by the major trading powers. Instead, it was required to give concessions that far exceeded the obligations of previous developing country accessions. Indeed, in some areas (such as in agriculture) China's obligations went beyond those of developed countries, for example in being required to eliminate all agricultural export subsidies (Bergsten et al 2006: 36). China bound all of its tariff lines and did so at a lower average level than comparable developing countries. Tariffs on non-agricultural goods were reduced to an average of 9.2 per cent (from a pre-accession level of 42.9 per cent) and those on agricultural products to 15.7 per cent (from 54 per cent) (WTO 2005; WTO tariff profiles, 2010). This compares to India's 34.4 per cent (non-agricultural) and 113.1 per cent (agricultural), and Brazil's 30.7 per cent (non-agricultural) and 35.4 per cent (agricultural) (WTO tariff profiles, 2010). Tariff peaks were also eliminated. Key areas that had been heavily restricted were opened up, such as banking and insurance, and policies that had previously been applied to FDI to encourage the creation of domestic productive capacity, such as domestic content requirements, were banned through the requirement to apply the Agreement on Trade Related Investment Measures (TRIMs) without exceptions (Lawrence 2008: 148). Moreover, existing WTO members were allowed to discriminate against Chinese exports for a transition period following its accession (under paragraph 16 of the accession document, WTO 2001b).

Inevitably, the institutional design of the GATT/WTO shaped China's accession process. The lack of clear rules governing accession, particularly with regard to the concessions that can be extracted from acceding states, coupled with the asymmetries built into the rules that serve to enhance the power of the existing members (particularly the most powerful) at the expense of countries wishing to join, ensured that the dominant states were able to extract their 'pound of flesh'. A different institutional design incorporating a more formalised process, for example one in which the concessions expected of acceding states were specified in the rules rather than it being left to existing members to extract whatever they could, would have led to a different outcome. As it was, China's entry into the WTO occurred under a highly burdensome agreement. As President Clinton said of the accession protocols, China 'makes one-way concessions to open its markets to American goods, services, and farm products ... [while] the United States makes no new market access commitments' (Clinton, 2000).

There have been a number of legacies of this process for trade China's diplomacy. First, the burdensome requirements of accession were highly unpopular domestically, being seen by some (as well as manipulated by others) as reminiscent of the 'unequal treaties' forced on China by Britain in the nineteenth century (Loppacher and Kerr, 2005: 550), or the 'Twenty-One Demands' imposed by Japan in 1915 (Yong, 2002: 33). As a result, it has been important for the government to be seen to be protecting the interests of the people and not caving into Western pressure, protecting agricultural producers and industrial employment (Lim and Wang 2006: 1320; Narlikar, 2010: 96). This has, in turn, reduced the negotiating room the Chinese delegation has had in the DDA. Second, the large reductions in tariffs that were made at accession have also restricted its current negotiation space. China's bound rates (averaging 10 per cent) and applied rates (averaging 9.6 per cent) are very close, ensuring that any deal made in the DDA will immediately 'bite' into applied tariffs. This is unlike most other developing countries, which have a large amount of 'water' (that is, the extent of the gap between the rate of application and the bound tariff ceiling) in their tariff schedules. For these two reasons China has been left with little negotiation room. Unsurprisingly, it sought, in the early stages of the DDA, to carve out a new category of 'recently acceded members' (RAMs) in an effort to resist taking on further liberalisation; and this has been a feature of China's trade diplomacy ever since.

The picture that emerges is that the barriers to new entrants established within GATT/WTO rules served to shape China's accession process, which in turn had an impact on Chinese diplomacy within the DDA seriously constraining the capacity of China's negotiators (Lim and Wang, 2010: 1321) and this has, in turn, been refracted back into the PRC's domestic political economy. But it has also had serious international consequences, to which China has had to respond. China's stance, for instance, on the issue of RAMs has generated much negative commentary and has been deemed to be tantamount to a refusal to participate in the DDA (see, for example, Bergsten, 2008: 60); and this has ensured that the PRC has had to respond to such accusations (and the negative images upon which they feed). So, in addition to being better understood within the context of the institutional framework embodied by the WTO and the way in which this shapes the interaction among members, China's stance on new trade concessions also needs to be understood as encouraging a particular kind of diplomatic behaviour engendered by a complex of global political and institutional factors.

### **China's early WTO diplomacy**

China's participation in the WTO post-accession can be split into two periods. In the early years (2001-2008) China generally kept what looks at the outside to have been a 'low profile' – though this relative quiet belies much activity, including the building of the largest trade mission to the WTO with an accompanying large staff, and a steep process of learning. What looks like a 'low profile' phase comes from China's reticence to take a lead on any issue or attempt to rewrite the rules in anyway (Lim and Wang 2010: 1309). The only areas in which China stood out were over the issues of Taiwan and the

Transitional Review Mechanism (TRM), though it should also be noted that the Chinese delegation has pressed for a greater diversity in the staffing of the WTO Secretariat. With regard to Taiwan, pressure was put on the WTO secretariat to downgrade its membership status to ‘office of permanent representative’ rather than permanent mission’. Indeed, Supachai Panitchpakdi approached the Taiwanese delegation with this request but it was refused (Pearson 2006: 249; Lawrence 2008: 152). That said, while China initially refused to negotiate with Taiwan, in subsequent years this stance has softened a little and a number of official consultations between the two delegations have taken place (Pearson 2006: 248).

The second issue on which China has taken a particular stance was over the TRM put in place to review its progress in implementing the accession agreements. The TRM was highly unpopular within China and caused considerable resentment. As Pearson (2006: 250) argues, invoking ‘images of foreigners, especially the United States (which [drove] the TRM process), snooping into China’s affairs, even though China’s leaders have repeatedly vowed to comply with the accession terms’. The TRM also served as a nagging reminder of high price paid for accession (Lawrence 2008: 153). China resented the singling-out for special treatment embodied in the TRM process and other areas of the accession protocol and resisted its requirements, complying with the letter of the law on the TRM issue but no more. As a senior Chinese delegate said to us, China’s delegation used the ambiguities of the text to limit their obligations – a form of what might be termed passive resistance. For example, since the TRM articles were unclear about whether they needed to make formal written answers to questions, the Chinese delegation chose only to provide oral responses.

Inevitably, the TRM process proved at times to be acrimonious. As Pearson has noted (2006: 251), ‘[i]n one meeting, a senior member of the PRC delegation...reportedly “made a pounding-the-table type of speech,” directed at the United States, that linked the TRM process to “neo-imperialism” – an echo of speeches delivered in the Maoist era’. Though the TRM was greatly resented by China and seen by them as unnecessary as they had agreed to implement the accession requirements, the US and EU invested considerable resources in the process. By 2002, the US had 53 full-time staff for China WTO compliance serving in China, Geneva and Washington (Farah, 2006: 289). The final TRM review was undertaken in 2010, and China subsequently became part of the normal WTO Trade Policy Review Mechanism that applies to all members. The experience nonetheless generated ‘bad feelings’ among China’s trade delegation (Pearson, 2006: 251).

Beyond these issues, China did maintain a relatively low profile compared with other large developing countries (particularly India and Brazil) during the immediate post-accession years. It would be a mistake to assume that China was not actively engaged, however. In 2003 China made the third largest number of written submissions to the WTO. It joined the G20 coalition that was created around the Cancún

ministerial meeting to resist the agricultural deal that was being pushed by the US and EU, but has offered only support, rather than leadership, for the coalition. China was initially conciliatory as a defendant and reluctant as a complainant in the Dispute Settlement Mechanism (DSM) choosing to settle cases bilaterally rather than proceed to a panel (Harpaz, 2010), though this has subsequently changed, with China more becoming more active (Lim and Wang, 2010: 1324; Ji and Huang, 2011). For instance, in 2009 China initiated 3 of the 14 new WTO disputes and was the defendant in 4 others.

As noted above, institutions embody sets of formal and informal rules, practices and procedures. When joining an institution, a period of time will be necessary for the entrant to learn these behavioural customs and feel their way into the prevailing order. China's initial period of relative quietude within the WTO was expected given this necessary process of institutional learning and adaptation. As China became more familiar with WTO practices it could begin to take on a more active role. This should not be misconstrued, as it has been in some cases, as becoming more aggressive, though the preoccupation with attempt to spot the 'tipping point' in China's move to showing its 'intentions' more obviously in the literature inevitably results in suggestions otherwise.

#### **Post 2008: a more aggressive China?**

The obsession with China's 'intentions' has, inevitably, led to perceptions that a more confident PRC is no longer a passive and conciliatory player but a necessarily disruptive one. Indeed, perceptions of this change in Chinese diplomacy are seen by some to be a significant element in the inability of the members to find agreement in the DDA. As Bergsten (2008), a key proponent of this view, argues:

China's refusal to contribute positively to the Doha Round of international trade negotiations has all but ensured the talks' failure. Beijing has declared that it should have no liberalization obligations whatsoever and has invented a new category of WTO membership ("recently acceded members") to justify its recalcitrance. Such a stance by a major trading power is akin to abstention and has practically guaranteed that the Doha negotiations will go nowhere (Bergsten 2008: 60).

Though other countries have contributed to the impasse in negotiations, it is China, Bergsten argues, that has the greatest contrast between its objective interests and its revealed policy. Its refusal to agree to further trade liberalisation is, in this view, the roadblock that has brought the DDA to collapse. This position fits closely with the rhetoric from the US (and to a lesser extent the EU) trade missions. For the US, not only is greater liberalisation by China required to secure US agreement, it is the essence of the 'development' content of the round. Here, the institutional aspects of the WTO loom large for China. The position of a RAM is the consequence of its accession process, but the dynamic of a trade negotiation, particularly one that is at a critical juncture, are such that China is being pressured to concede. This, in turn, shapes China's diplomacy.

However, such rhetorical posturing is a normal part of WTO politics whenever negotiations reach a crisis point, as countries seek to shift blame for the collapse onto others.<sup>2</sup> It should not be taken as an attempt to reflect the situation accurately, but rather part of the ‘crisis discourse’ mentioned above (see Wilkinson 2009) that is used as a means of framing negotiations and shifting them in certain directions consistent with the interests of the dominant players. At times China is singled out as the most intransigent, for example in US Trade Representative Michael Punke’s remarks of June 2010, although Brazil and India were willing to negotiate ‘[w]hen it comes to China however we’re getting no engagement whatsoever, not even in terms of process’ (quoted in Lynn, 2010). At other times Brazil, India and China are lumped together by the US delegation as the problem (see for instance *Inside US Trade*, 2011). The use of blame as a discursive device during moments of deadlock is a means of disciplining members and pushing them towards concessions. The US and EU are at an advantage in this as most of the news agencies and other disseminators of trade information and ‘knowledge’ are to be found in these countries, are educated there, share ideological sympathies, or else look to dominant organic intellectuals (who happen to be based in the West) for leadership. The result is a manufacture of ‘common sense’ around what is holding up the DDA negotiations and the need for the rising powers to contribute more to the round (regardless of the negotiating mandates). This is tied to the wider discourse within the WTO surrounding developing countries and their purported unwillingness to participate in and contribute to the GATT (see Wilkinson and Scott 2008 for an alternative perspective). Through framing the debate within the DDA in this way, the rising powers are associated with the more general lack of liberalisation attributed to developing countries, and pressure is created for them to offer greater concessions.

This ‘blame game’ is played by all countries. Seeking the ‘truth’ about who is to blame for the paralysis of the DDA is inevitably as much a matter of opinion as a matter of any empirical fact. Nonetheless, the perception that China has failed to engage with the round and been an impediment to finding an agreement is not well supported by the pattern of negotiations. Rather, the available evidence, based on analysis of negotiating texts and on interviews with negotiators, suggests that China has consistently played a broadly concessional and positive role, and was apparently willing to accept the deal on offer when the negotiations came closest to conclusion in July 2008. Three key areas are explored here to illustrate this: (i) the concessions China made in the Committee on Special and Differential Treatment (SDT) and the G22; (ii) the issue of RAMs; and (iii) the role China played in July 2008.

#### *The Committee on SDT and the G22*

Since the DDA ostensibly placed development at the heart of the work programme, the committee on SDT has played a more important role than in previous GATT rounds. The committee was charged with

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<sup>2</sup> Members go to great lengths to avoid being in the spotlight of blame. For instance, it is widely thought (see for instance South Centre, 2008), including seemingly by Director General Lamy, that the US engineered a breakdown in negotiations at the 2008 mini-ministerial by taking a hard-line stance on the Special Safeguard Mechanism in order to prevent any discussion of cotton. Had the negotiations moved to cotton the US would have been isolated and unable to offer the concessions necessary to find agreement. Had this occurred, the US would have been the primary target of blame for the round’s collapse.



examining the 88 proposals that developing countries had made before the launching of the round to make SDT provisions in the WTO more operational (see Ismail 2007: 41-45). By the Cancún Ministerial Meeting (2003) the members had come to agreement on 28 of these proposals, though these were of little economic value. Subsequent discussions were confined to a set of around 10 issues that were considered to be most important, and on which agreement was possible (see WTO 2008). These include items such as providing duty-free quota-free market access for LDCs. In these negotiations, China was reported by the Chair of the committee to be the first to make concessions on these issues. This was in contrast to India, which was harder to negotiate with (though it should be noted that India now provides duty-free, quota-free market access to 18 LDCs, and is looking to expand this).

The SDT negotiations are a relatively small element of the DDA, but China's willingness to compromise is also evident in other areas of the negotiations, notably within the G22. Since its formation in 2003, the five core members of the group (Argentina, Brazil, China, India and South Africa) have met weekly to negotiate unified, compromise positions among its members on all areas of the DDA. Much of the resulting text has been included in the negotiating texts (as comprised by the July 2008 package). This is facilitated by the fact that the G22 contains representatives of almost all groups within the WTO. As such, although it is still a small group of members, it has been able to find a compromise position that almost all members find acceptable. Moreover, while it is the case that China is usually found to take less of a leadership role within the group than some other countries, particularly India and Brazil, it has nonetheless been at the centre of the weekly G22 negotiations from the outset and the success that the group has had in forging a compromise position runs contrary to the perception that China has been unwilling to contribute and has blocked progress in the round.

#### *The RAMs*

In the quote above, Bergsten sees China's destructive role in the round to be the result of its position on RAMs. Yet, once again this is not borne out by the pattern of the negotiations, nor does it fully take account of China's position. The 'pound of flesh' extracted from China upon accession was, as noted above, onerous. Furthermore, accession was formally completed at the Doha Ministerial itself – that is, simultaneously with the launching of the DDA. The DDA was given a completion date of 'no later than the 1<sup>st</sup> January 2005' (WTO 2001a: paragraph 45). As such, had the DDA proceeded to this timeline, China would have found itself required to implement DDA liberalisation while still implementing the later stages of the accession protocols (see WTO 2001b). Reflecting this, China's early position emphasised the importance of granting RAMs lesser commitments characterised by the 'four Ls': that the cuts expected of them should be 'lesser', 'longer', 'lower' and 'later' than other members.

China received little support for its position on RAMs, and the issue became less important as the negotiations dragged on, repeatedly missing deadlines. But rather than insisting on 'abstaining' from the

negotiations, China showed flexibility in its position. In effect, it dropped the lesser and lower from the four Ls. This entailed accepting that China would have to implement the full extent of agreed tariff cuts, though it will be have a longer implementation period. The latest DDA texts make this concession, allowing China and other RAMs a three-year extended implementation period for NAMA cuts (WTO 2011a: paragraphs 18-20).<sup>3</sup> Though some RAMs have been allowed to make no tariff reductions beyond their accession commitments in NAMA, China is excluded from this list. While the texts are ‘Chair’s texts’ and do not necessarily have the support of all members, China has indicated that it accepts them. As such, China’s position is that it will contribute tariff cuts to the round in line with all other developing countries, from bound tariff rates that are substantially lower than other developing countries, with only a three-year extended implementation period. This cannot be characterised as ‘abstention’ from the round, to use Bergsten’s phrase. Moreover, it is an area in which China has become *more* amenable to compromise in recent years rather than more aggressive.

### *China and July 2008*

The third area of contention concerns China’s role in the July 2008 mini-ministerial. This marked the point at which the DDA came closest (though not very close) to an agreement, and realistically ended any prospect of a fully-fledged, substantive round being concluded. It took place over nine days, 21-29 July 2008. The meeting collapsed over the issue of the Special Safeguard Mechanism (SSM), which would, if agreed, provide developing countries with the capacity to raise agricultural tariffs if they are faced with a surge in imports that threaten the livelihoods of rural producers. The principal division was between the US (which wanted higher thresholds before the SSM could be used and lower permitted tariff increases) and India (which wanted a more generous mechanism). China was blamed for intransigence, bringing about the collapse. Towards the end of the meeting the US squarely blamed India and China for the lack of progress in finding an agreement (South Centre 2008: 9), and the press duly followed suit (*Associated Press*, 2008; *The Guardian*, 2008). However, our interviews with delegates from a number of countries involved during the meetings suggest that China had not simply supported India’s position. Rather, China attempted to broker a deal between the positions of India and the US. When these two would not make concessions, China made it known that it would accept any compromise made, and left the US and India to it. As such, the collapse is more attributable to India (indeed, Kamal Nath is reputed to have been highly pleased about India being blamed for the collapse as it would assist him in what were up-and-coming domestic elections) and the US, which as noted above, sought to engineer a collapse over the SSM to prevent the discussion moving to cotton. China’s role was, by contrast, more compromising over the SSM issue (that said, the mini-ministerial could have collapsed over a large number of issues, and China was perhaps more concerned with the demands made in NAMA).

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<sup>3</sup> The RAM measures in the agricultural texts do not apply to China, as they merely reduce the extent of cuts expected in Aggregate Measure of Support (AMS), while China has no AMS binding (WTO 2011b: paragraph 9). China’s current AMS is listed as zero (WTO 2010).

These three examples – the willingness of China to make concessions on SDT and within the G22, the issue of RAMs, and China’s role in the July 2008 mini-ministerial – illustrate that China has not played the intransigent, obstructive role many attribute to it. Rather, it has played an active and broadly constructive role while being unwilling to meet the demands made by the US and, to a lesser extent, the EU.<sup>4</sup> The early years of China’s membership of the WTO were characterised by relative quietude as it learnt the processes and procedures of the WTO. Inevitably, as this period came to an end China became more vocal and more active. It has done little, however, to warrant the perception that it has become intransigent and a major impediment to progress in the round. China has, nonetheless, suffered at the hands of analysts who have been quick, as Breslin (2011) argues, to ‘filter ... actual experiences of how China acts’ through the sieve of the intentions debate, rolling out stock phrases as Orwell ([1946] 1962: 145) puts it as ‘prefabricated sections of a hen house’, and project them as proof of a more assertive turn.

### **Other factors in the mix**

Several other factors are (or at least have been argued to be) pertinent to understanding China in the WTO and warrant mention. First, China is generally held to be becoming increasingly nationalistic. This is partly being pursued by the CCP as a strategy of filling the void left by the dilution of communist ideology. Nationalist sentiment serves to exacerbate the perception within China of its WTO accession and the demands subsequently made in the DDA negotiations being part of a continued foreign exploitation (Potter, 2001: 128). As noted above, this nationalist sentiment makes it highly critical for the CCP to be seen by the populace as defending China’s economic interests. It, nonetheless, shows how engagement in international institutions has domestic consequences and ensures that these become embroiled in international discourses and power struggles.

Second, China is often argued to have a unique negotiating style, drawing from Confucian roots. This places a premium on such things as social status, interpersonal harmony, holistic thinking and ‘face’ (Graham and Lam, 2003). This is a recurrent theme of the business literature, but is less noted, or potentially of less significance, in international negotiations. Nonetheless, elements may be pertinent, such as the tendency for China to favour making agreements through private, behind the scenes meetings rather than face-to-face, open and potentially confrontational negotiation. It may also be visible in a dislike of being singled out, or of feeling ‘ganged-up on’ by other countries, particularly by Western countries and Japan, none of which have happy histories with regard to China. Whether this is significant as a factor shaping Chinese diplomacy is unclear (our interviews proved inconclusive on this point). What is of significance is that if a Confucian style is evident then the bluster and confrontation of WTO politics directly challenges this way of negotiating.

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<sup>4</sup> The hypocrisy refers to the demand made that Brazil, China and India should make cuts into bound tariffs that bite into applied tariffs, while steadfastly refusing to make commitments on their own agricultural support that would reduce current levels of applied subsidies. This position led Kamal Nath to taunt the US in June 2008 that ‘they should [pledge to] reduce their subsidy by just one dollar and we have a deal... They say: forget about reducing the subsidy even by a single dollar, we want to have the right to double it in the next ten years’ (*Express India*, 2008).

Third, two elements of China's national economic circumstances are of importance. Policies that the national government decide upon are sometimes resisted strongly (and effectively) by local governments that have to implement them. This has had implications for trade agreements to which the national government has signed-up. There have been complaints from trading partners that they are not receiving the new market access that has been agreed. For example, Thailand complained that the expected new markets for vegetables and rice exports did not materialise, since local governments effectively ignored the trade agreement that the central government had made (Bello, 2010). Similarly, legal and transparency reforms that were instituted as part of the accession process often were not honoured at a local level (Fatah, 2006). The issue here is that local elites within the CCP owe their position in society to the services they can provide to local businesses, using their connections and power to grease the wheels of business. They are unwilling to end this arrangement to cater to exercises by the central government in instigating the rule of law. In addition, they are keen, if not obsessed, with maintaining local political stability, which will be severely strained by disruptions to job markets brought about by any sudden influx of foreign goods competing with local production. Here, there is clearly a subnational 'rub' on central government attempts to adhere to WTO rules.

It is also worth noting that there is almost a complete absence of social safety nets in China, the result of the abandoning of the 'iron rice bowl' system; and this affects the capacity to which the government can agree to further potentially socially disruptive trade liberalisation. The lack of social safety nets creates a low resilience to economic shocks. Fear of the potential consequences of such shocks led to China implementing the largest stimulation plan of any country (relative to the size of its economy) in response to the financial crisis of 2008, measuring 7 per cent of GDP (*New York Times*, 2008). Trade liberalisation inherently creates both winners and losers, displacing workers from less-competitive sectors of the economy. Though there is the assumption (if not a blind hope) that they will be re-employed in those areas of the economy that are more competitive and which therefore expand in response to new export opportunities, this takes time. The result, nonetheless, is workers in some sectors experiencing unemployment. The lack of social safety nets increases the social costs associated with this transition, and hence the potential political unrest generated. Again, we see that characteristics of China's domestic economy make further liberalisation harder.

### **China affects the WTO**

What we have seen so far is that the coming together of China's political economy at a particular moment with the mediating effects of WTO membership has had quite dramatic consequences not only for the PRC's trade diplomacy but also for its domestic politics. It is also the case, however, that China's membership in the WTO has significant effects on the institution. These are perhaps less significant for

the institution than they are for China, but they are nonetheless important given the size (and potential size) of China's economy and prevailing perceptions about China (and its intentions).

The most obvious impact Chinese membership has had on the WTO has been its quick admission into a *de facto* decision-making core. As is well recognised, the WTO operates primarily through small-group, so called Green Room meetings, in which the core group of most powerful countries negotiate a mutually satisfactory deal before driving it through, with minor concessions, to expanding groups of the other members. This process has variously been called the 'concentric circle' (Kwa, 2003: 36) or 'pyramidal' (Winham, 1986: 174-5) system. Thus, despite a formal adherence to a principle of unanimity, decision-making occurs in reality within small groups. Previously rounds saw this core group consist mainly of the Quad (US, EU, Japan, Canada). In the DDA various groups have emerged, with early negotiations taking place variously among the 'New Quad' (US, EU, India, Brazil) and the 'Five Interested Parties' (the New Quad plus Australia). China was initially excluded, or chose to exclude itself, from these negotiating groups but as the negotiations have progressed it has come to assume its place among the core groups, reflecting its importance in global trade. It is now impossible to exclude China's voice from the centre of the negotiation process.

Second, as was the case with Japan 30 years ago, discord and politics between the US and China have come, and are likely to continue, to dominate WTO politics. This not only frames the way all other issues are understood it displaces the discord between the US and India (and to a lesser extent Brazil) that had come, momentarily, to dominate what Thomas G. Weiss calls the 'North-South Theater' (Weiss, 2012). Third, the structural challenges of the Chinese economy, as is the case with the US and EU economies, will increasingly become structural challenges for the global economy and will force a reorientation around these issues in the WTO. No longer will we talk solely of US agribusiness or the strength of the EU agricultural lobby, for instance, as key dynamics and forces in trade politics. We will also talk, for example, of the problems of (the lack of) rural demand and structural inequality in China as key features of, and challenges for, the global trade regime. This will inevitably further complicate the WTO negotiation process making the completion of comprehensive trade rounds more difficult than it has been in the past.

Finally, debate about China's intentions is set to continue to dominate discussions of international politics. Trade politics will be no different. This will be particularly the case as recession bites for a second time in the industrial North and fears of relative decline are exacerbated. We (as a community) will thus worry more, rather than less, about China despite the self-evident fact that the more the PRC becomes embedded in a system the less likely it is to challenge (or indeed be able to challenge) it. What is more likely to happen is the completion of a process of socialisation wherein the trade regime absorbs China albeit slightly altered by that process to account for China's involvement and interaction therein.

## **Conclusion**

What we see, then, is that the WTO's institutional practices, procedures and culture influence China's diplomatic style. The WTO grew out of the GATT and adopted all the GATT's practices and procedures. When China acceded in 2001, the WTO, though only six years old, had in effect over 50 years of institutional history that structures how diplomacy takes place therein. China's ability to influence these practices and procedures was, and is, highly circumscribed. The early years following accession constituted a period in which China sought to learn the rules of the game and integrate itself into WTO processes. In certain regards, it resisted some of the WTO's negotiating practices. For example, in the early years following accession China resisted the established process of small-group, 'green room' meetings. At the Doha Ministerial, China witnessed (as an observer) the marathon green room discussions taking place, in which developing country resistance to the new round was slowly ground down through a process of attrition (developing countries' relatively small delegations struggle to maintain a presence in green room sessions that can extend for eight hours without breaks) and cajolery. Seeing this process, China decided that when it joined the WTO it would not engage in the green room process. When it was subsequently asked to attend small group meetings initially it refused. However, this stance was subsequently reviewed, particularly following other developing countries asking China to attend, in order to increase the representation of the developing world in the core of the DDA negotiations.

During this period of 'learning the WTO ropes' China was understandably relatively quiet, though there were a few issues on which it was more forthright. The first was the issue of Taiwan and ensuring that it was not referred to as an independent country within official WTO literature. This, of course, is a standard feature of China's foreign policy. Second, China initially resisted the demands for further liberalisation in the DDA, using the concept of the RAM, though it subsequently changed this position. We also see that China's diplomacy is affected by the broader global political economy setting, and its own economic rise therein. China's spectacular economic growth has propelled it rapidly into a more prominent position within global politics, and has led to a nervous and at times hostile reaction from other nations, particularly elements in the US; but it has also reinforced adherence to a path of economic reform and development that is now approaching its limits.

China's negotiation position within the DDA has been affected by a number of domestic factors. First, the accession process itself has had an effect on attitudes to the WTO. Though the WTO is popular among significant sections of the Chinese people, particularly those who have benefited from the process of reform and who associate the reform process with requirements for WTO accession, for others the onerous conditions attached to accession and the discriminatory elements they contained were inequitable and humiliating. This dual, dichotomised reaction to accession perhaps reflects the dichotomised effect of reform, in which some segments of society have benefited enormously while others have seen little gain or

are indeed left worse off. The CCP is responding to this, cognisant of the implications for social order, for example through the introduction of a greater social safety net. Nonetheless, with the reform process linked in many people's minds to WTO accession and increasing levels of inequality and 'losers' from opening, the Chinese government has to be mindful of the domestic audience and needs to be seen to be protecting China's interests strongly against the demands of the West.

The accession also placed China in an almost unique position among developing countries in having almost no water in its tariffs. Any likely DDA package will bring about little real liberalisation into the markets of India or Brazil, for instance, because of the large disparity between bound and applied rates. For China, by contrast, any deal will immediately bite into applied rates. This has played a role in China's initial reluctance to accept any further liberalisation on top of that already brought about by accession. Somewhat paradoxically, the high degree of liberalisation demanded by the EU and US as payment for entering the WTO may have helped to prevent further market openings and lead the DDA to an impasse.

The oft-used phrase that 'all trade politics is domestic politics' is clearly at work with regard to China's relationship with the WTO. Yet this phrase portrays an overly one-directional interaction in which domestic politics constrains and shapes behaviour and diplomacy within the WTO. This paper has highlighted the complex, reciprocal relationship between domestic factors affecting the WTO, and the WTO as an institution in turn affecting its member states. China's current economic path, its domestic politics and national diplomacy have all been affected by WTO accession and subsequent membership. Moreover, this has occurred as a product of the peculiarities and unique characteristics of the WTO. This is not to privilege, nor exaggerate, the impact of the WTO – ultimately China's political economy is driven by its domestic political and economic circumstances, US politics and the exigencies of global capital. However, to understand China's behaviour, for example the perceived shift around 2008 in its diplomacy from passive to more assertive, an appreciation of how the institutional character of the WTO impacts on its member states is necessary. China's continued economic development and the politics surrounding its trade relations, particularly with the US, will impact strongly on global economic fortunes over coming decades. It is therefore critical that the role played by the WTO in mediating these processes continues to be explored.

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