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**Being in the WTO for Ten Years:
China's Experience of Learning and Growing Confidence in
Global Governance:
Institutional Transformation and Interdependence**

by

Wang Yong

Peking University School of International Studies
yowang@pku.edu.cn

**中国“入世”十年：规则的学习运用与对全球治理信心的
增强：体制变革与相互依赖的作用**

王勇

北京大学国际关系学院

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Abstract

China has been within WTO for ten years since its accession in 2001. Ten years experience with WTO has been a process of learning, for China to learn to use the WTO rules to safeguard its own industrial/export interests, and learn how to deal with political pressure from major trading partners like the US.

The WTO accession has greatly transformed Chinese society. Though the state remains powerful, it has become a public service provider, to serve the interests of domestic industries and exporters. On the other hand, China has become increasingly a diversified society, fragmented in perceiving China's WTO accession and international economic system.

In this context of great transformation, Chinese have developed a contradictory self-image about itself and the outside world: a strong power and a vulnerable country; a beneficiary and victim of international trading system; a defender and a critic of the international system.

The most important lesson China has learned from the impact of the global financial crisis, is this one: as Chinese economy has become inseparable part of the global economy, China doesn't have the other choice except continuing to work with WTO and rely on the WTO rules to protect itself.

China's experience of learning in the past ten years since the WTO accession has profound implication to the role of China in global governance and the future of global governance. It is clearly the consideration of the growing practical interests which would continue to make Chinese decision makers and the public to work with and would make great efforts to strengthen the multilateral trading system and contribute more to the international public good, though sometimes it would be reluctant to do.

摘要

2001年中国加入WTO，迄今已十个年头。对于中国来说，“入世”十年是一个不断学习的过程，包括学会利用WTO规则，维护自身的产业/出口利益，并处理好来自美国等主要贸易伙伴的政治压力。

加入世贸组织，大大改变了中国社会。虽然国家的作用依然强大，但是它已转变成为一个“公共服务提供者”，为维护国内产业与出口商的利益而工作。另一方面，中国已日益成为一个多元化的社会，在如何看待中国加入WTO和国际经济体系等问题上存在意见分歧。

在这个伟大变革的背景下，中国人在自身和外部世界方面形成了一种相互矛盾的自我形象：中国是一个既强大而又脆弱的大国，既是国际贸易体系的受益者又是体系的受害者，既是一个国际体系的捍卫者又是一个国际体系的批判者。教训，中国已经从全球金融危机的冲击中汲取的最重要的教训是：中国经济已成为全球经济不可分割的一部分，中国除了继续与世贸组织合作并依靠世贸规则来保护自身权益别无其他选择。

中国在“入世”十年中学习的经验对我们理解中国将在全球治理中扮演的角色以及全球治理的未来具有深刻的影响。显然，正是考虑到日益增长的实际利益，才使得中国决策者和公众努力加强多边贸易体制，提供更多的国际公共物品，尽管有些时候这样做并不总是十分情愿。

This paper is aimed to establish the relationship between China's learning curve and the confidence in WTO and multilateral institutions as a whole. The following questions would be asked:

What has China learned from the experience of dealing with WTO, through utilizing antidumping measures to reduce imports competing pressure to domestic manufacturers, and DSM (dispute settlement mechanism) to defend its growing international economic interests?

As an increasingly diversified country, how have different parts of the CCP, the bureaucracy and social interests perceived the experience with WTO, and how well does the learning curve go up gradually in the past decade? How do the different parts of decision making process interact with each other, and come to decisions related to WTO and the issues of global governance?

How and in what framework has the learning realized? As Wang Yong (1999, 2002), how has China's state -centered institutions helped the learning and adapting toward international trading system and international economic governance as a whole ?

How effectively has China relied on WTO rules to constrain the behaviors of protectionism of other trading partners, seen in the eyes of different parts of decision process?

What other factors work with this learning experience to strengthen China's confidence in WTO?

Finally, what implications can we draw from China's experience of participating in WTO to the country's participation in the global governance structure as a whole?

After ten years in WTO: restructuring of the state -market -society relationship in China

The most important change since China joined WTO , has taken place in the relationship among state, market and society. The WTO accession has ushered in a brand new era of China's reform and opening up, which still can be claimed as the continuation of reform and opening up before 2001. As some analysts (Chi Fulin, 2002; Wang Yong, 2003;

2006) predicted accurately at the moment of the accession, joining WTO would produce a mechanism of reversed direction of reform, which would reset the pace and agenda of China's reform. They argued, before WTO accession, the government was able to set the agenda and pace of reform and opening up based on its own interests, objectives and understanding of the conditions of China and the global economy; but after the WTO accession, China have to follow its commitments in the accession protocol and WTO rules when making decision. Generally, in this new context of WTO membership, Chinese government has to make great effort to meet these externally imposed demands and standards, to push forward comprehensive reforms. As a result, WTO accession has helped restructure the relationship between state, market and society. This "reversed direction" reform agenda setting, may have been the development concerned by some critics about the decision of joining WTO, some accusation about "losing sovereignty" to western developed countries(Han Deqiang, 2000).

In the transformation brought forth by WTO accession, we observe that the state or government changes its role from a manager of enterprises and a monopolizer of information toward a provider of public service to the market players (enterprises) and the society. The central and local government have set up service system to help Chinese enterprises to deal with industrial harm caused by imports, and trade remedy measures targeting Chinese exports abroad, reflected in the cases of Datong and Shenzhen, which will be discussed later. On the other hand, the government especially WTO affairs team with the Ministry of Commerce, in order to conduct a successful commercial diplomacy, needs Chinese enterprises to report their complaints about other countries' trade and investment environment. The government officials truly hope the enterprises can play an active role in this regard.

The society has become increasingly open and diversified, and the WTO accession has assisted this process.

China: a learner of WTO rules

The constraining power of WTO commitments has been evident, and during the decade Chinese government has continued to made great effort to meet the WTO rules which are regarded as standard to judge policy proposals compatible with international norms.

Modifying the old law and regulations to be compatible with the WTO rules was perceived as a part of learning new rules. And harmonizing Chinese laws and regulations with WTO rules and the accession protocol was regarded as a great success by government officials to meet China's commitment to the obligation of a responsible member of WTO. Through abolishing, revising and promulgating over 300 laws and regulations and the central government level and 190,000 laws at the local government level, China showed its commitment to integrate in the world economy and embrace WTO's principles of non-discrimination, transparency and rule of law (Yi Xiaozhun, 2011). In order to adapt to the accession commitments, Chinese government has modified the parts of the laws and regulations incompatible with WTO rules, and accelerated the pace of legislation to make new laws and regulations in the fields of trade, distribution and market disciplines.

Promoting knowledge of WTO rules among government officials and the general public has become important part of learning WTO rules. Ministry of Trade and Foreign Cooperation (Moftec) took a major role in official training and public education on WTO rules. For the purpose of public education, Moftec published the series explanatory volumes "the Knowledge of China's WTO accession Reader"; and from 2001 to 2006, it held 38 training classes aimed to help different level government officials to understand WTO rules and their implications to China's policy and practice, in which the total number of officials receiving such training were more than 6,400 ones, based on the data released by Moftec (2006).

According to another source, after joining the WTO , the central government organized a large number of training classes to major provincial and municipal leaders to disseminate

WTO related knowledge. Meanwhile, according to industry characteristics and the conditions of different parts of the country, the central and local governments provided more than 400 WTO training courses and seminars to local businesses and organization leaders. After this general knowledge education, China's WTO training has shifted focus on specific industries and local professionals, by offering seminars and training to backbone research institutes and experts to carry out special research projects.¹

In the initial learning process of getting familiar with WTO rules, international technical assistance programs have extended great help, which was obviously welcome by Chinese government. These assistances coming to China, in the name of strengthening China's capacity building related to WTO accession, include bilateral aid projects and the WTO Secretariat's technical expert resources assisting China in WTO multilateral negotiations. There were at least three important bilateral aid projects by 2006, including: 1) the Canadian Agricultural Project, implemented from 2003 to 2008, was aimed to improve the quality of China's agricultural products and to help build a food safety and standard system in line with the WTO agricultural rules; 2) EU Capacity-building Project, covering the period from 2004 to 2010, was aimed to offer training and technical support to trade-related government departments, intermediary organizations, enterprises and research institutions, to help them enhance understanding of WTO rules and market economy system and strengthen government capacity of managing a market economy in accordance with WTO rules; 3) US Long Distance Education and Training Project, implemented from 2003 to 2004, was aimed to provide a highly interactive WTO training courses to Chinese side.²

Generally speaking, the Chinese government has paid a great deal of efforts to ensure its regulatory system compatible with WTO rules, and to conduct wide-ranging education

¹ WTO Affairs Department, Ministry of Commerce, 2006, 'Zhongguo rushi hou kaizhan de yu WTO youguan de jishu yuanzhu gongzuo baokuo naxie fangmian de neirong?(After China entered the WTO, what WTO-related technical assistance works have been conducted?)' WTO jingji daokan(WTO Guide), 2006-05-22, see <http://chinawto.mofcom.gov.cn/column/print.shtml?/k/am/200605/20060502256945>.

² WTO Affairs Department, Ministry of Commerce, 2006, 'Zhongguo rushi hou kaizhan de yu WTO youguan de jishu yuanzhu gongzuo baokuo naxie fangmian de neirong?(After China entered the WTO, what WTO-related technical assistance works have been conducted?)' WTO jingji daokan(WTO Guide), 2006-05-22, see <http://chinawto.mofcom.gov.cn/column/print.shtml?/k/am/200605/20060502256945>.

among officials and public. To do this is aimed to meet the country's commitment to WTO to showcase China as a "responsible big power", but also to serve the government strategies to push forward market-oriented reforms which seemed to have lost momentum before the WTO accession.

The context of learning: a general confidence in WTO

The WTO accession ever caused debate in China. The most popular concern was to worry about the competitiveness of Chinese industries in face of the competition from multinational corporations (MNCs). Hence some comments was to perceive the WTO accession as "wolf coming", to do damage to the base of Chinese economy.

But the top leadership insisted on the necessities of WTO accession to China's reform and position in the global economy. Since mid-1990s, they promoted the new concept of "integrating with international norms", a strategy designed to take advantage of the accession negotiation to push forward the state-owned enterprises reform by meeting the membership obligations. The vision and the politically brave decision of the leadership has opened a decade of growth, prosperity, and a rising status in the global economy.

The general public has been generally optimistic about the impact of WTO accession, to contrast the concerns of a small group of elites. At the doorway to the WTO membership, majority of Chinese public agreed to a positive view of the decision, according to one poll done by the Social Survey Institute of China (SSIC) in November 15, 1999. This poll showed that 98.9 percent of interviewees shared Premier Zhu Rongji's judgment that "China joining WTO is in favor of the interest of Chinese people as well." 80 percent people believed that after the WTO accession the tariff rate would be reduced, beneficial to raising the people's living standard.³ After China gained the WTO membership, SSIC conducted the same survey in 2004 and 2007. In December 2004, 74 percent of the people in the survey confirmed that the WTO accession had brought "positive" changes to China, reflected in more market

³ 'Diàochá xiǎnshì zhōngguó 99% mǐnzhòng zàntóng "rùshì" (Survey shows that 99% of people agree with China joining WTO), Huasheng Bao, November 18, 1999, see <http://www.sina.com.cn>.

oriented reforms undertaken, increasing export, improvement of government service and so on.⁴ In the survey of 2007, majority interviewees talked about cheaper goods (91%) , more job creation (69%), setting a more solid foundation to the international economic position(79%) and a strengthening international political position of China(72%).⁵

In 2011 events celebrating the tenth anniversary of China, Chinese government officials continue to give a positive hail the economic achievement since the country joined the WTO. During the past 10 years, “Chinese economy was growing fast and has injected strong impetus to the global economy”. For instance, China’s GDP growth rate averaged 10.5% annually; household income increased from about 800 to 3300USD; China has also grown from the sixth to the second largest trading country in the world (Yi Xiaozhun, 2011).

We can argue that the popular support of people and the realized potential of growth tapped by the WTO accession have mutually strengthened each other, which has created a generally positive environment where China’s “learning” about WTO rules and practices has taken place.

Learning process: restructuring the relationship between government and market

WTO accession has helped restructure the relationship between government and market. The central and local governments are transforming their role from a power monopolizer to a public service provider. Undoubtedly, the market oriented nature of WTO, working with China’s market reform policy, has made this transformation possible.

In a former study about the institutional politics of China’s WTO accession (Wang, 1999; 2002), the writer discloses the state-centered policy making process involving complicated and sometimes frustrated policy coordination among different government

⁴ Diàochá xiǎnshì duōshù gōngzhòng duì zhōngguó rùshì hòu sān nián de biànhuà gǎndào mǎnyì(Survey shows majority of the public satisfied with the changes three years after China's accession to the WTO), Zhongguowang(China Network), 2004-12-08.

⁵ Yǒuguān zhōngguó rùshì wǔ nián de mínyì diàochá bàogào(Public opinion on China's WTO accession: five years report,). Social Survey Institute of China, 2007-5-16, see http://www.jxstj.gov.cn/mydc3/news_view .asp?Newsid=231.

agencies and a needed top leadership intervention in order to push forward the pace of negotiation. Only in the late years before the accession , public and companies were consulted in the final negotiations, as some form of response to the rising complaints and skepticism about no policy transparency and possibly excessive concessions to foreign countries.

The public has paid a great attention to the potential changes the WTO accession to Chinese government behavior, and urged the government be more open and transparent in decision making. By setting up the WTO affairs department(Moftec, or later Mofcom) and local WTO affairs centers, the Chinese government promised to take the role of public service provider, to extend assistance to Chinese companies to deal with overseas trade remedy suitcases and resisting the impact of imports.

Emphasizing that the Chinese enterprises should become the subject of dealing with trade friction, Chinese officials tend to think a strong government is still needed, but different from its former role of strong intervention in economy, it should be a strong public service provider to serve the interests of enterprises. As Zhang Xiangchen(Zhang, 2007) director general of Moftec department of WTO affairs stated in 2007, Chinese enterprises were facing extremely complicated trade friction and trading environment which they were not familiar with and were not able to handle effectively. He cited REACH of Europe as an example, which involved thousands of products, and once implemented companies had to pay and register. In his view, the government had to extend assistance and service to them, by setting up service centers equipped with database. While building pressure on EU, the government had to help Chinese companies to adapt to the changing regulatory environment.⁶

We can attribute some reasons to the needed strong role of government in dealing with trade friction. The most important one is the underdevelopment of professional trading or industrial organizations in China, and the extremely weak ability of the companies to handle these challenges.

⁶ 张向晨, 2007, <http://guangdong.mofcom.gov.cn/aarticle/sjdxiansw/200712/20071205304383.html>.

In the position of public service provider, the WTO affairs centers sponsored by local government play a very important role. For example, the municipal governments of Datong(??) and Shenzhen (2010, 2011) are claimed to offer good experience and practice to other localities.

The changed relationship between state and market reflected in the expectation of the government about enterprises and local government to feed “shells” to the “cannon” run by the central government in WTO trade policy review. In whatever bilateral or multilateral negotiations, open-minded trade officials clearly tended to think that it is necessary and useful for Chinese companies to report their complaints about trade and investment barriers they face. For example, former trade vice minister Gu Yongjiang ever urged earlier in dealing with US trade pressure (Moftec, 2006; Zhang, 2007). WTO officials like Zhang Xiangchen and others made such appeals on different occasions. In preparing US trade policy review in WTO in 2006, the Moftec department of WTO affairs opened to the public to collect complaints and comments about US commercial environment. Though most Chinese enterprises did not yet recognize such a good chance to address their difficulties in access to US market, the trade officials did get a long list of about 400 questions complaining US export control on technology products, discriminatory treatment about investment from China, foreign exchange rate manipulation and so on (Moftec, 2006).

Learning to protect domestic industries with WTO rules

In the public education about the WTO accession negotiation, one benefit China could have is to take WTO rules against the discriminatory treatment on Chinese exporters imposed by foreign partners. For example, it was argued that China can use multilateral WTO rules to deter or replace the US unilateral rules, as imposed by the US in the prior trade disputes (Wang, 2007). In ten years, the value of WTO rules has become more evident in checking the rise of trade protectionism in the time of tremendous growth of Chinese exports and accordingly more trade friction.

From the beginning, Chinese trade officials urged to study the ways how to mobilize WTO norms to protect domestic industry and trade interests. For example, Minister of Moftec Shi Guangsheng urged for internalizing WTO rules in Chinese laws and regulations, and in the same time, make WTO compatible rules to “protect industry and market order”. As Shi states, WTO accession means other countries are committed to opening their markets to Chinese exports as well, and hence China has full right to demand them to abide by the WTO rules. He emphasized that China could mobilize the WTO rules to resist the new trade protection measures like misusing quarantine standards, safeguards, anti-dumping and other means.⁷

In the first stage after China joined the WTO, China was frequently involved in WTO DSM cases as third party in disputes. Ministry of Commerce has tried to attend the cases of WTO DSM as third party as many as it could, attempted to get first hand experience of handling the appeal, to have a more clarified interpretation of WTO laws, to accumulate experience for the future friction cases. For example, as released in one work report (Moftec department of law and regulation, 2006), the staff of the department of laws and regulation of the Ministry of Foreign Trade and Economic Cooperation, were actively and “substantially” involved in 15 WTO DSM cases investigation in 2005, including the cases of Used antidumping zeroing, Japan Seaweed trade, and US-European dispute over aircraft subsidy case. Based on the first hand experiences in third party position, they collected rich information and reported it to the relevant ministries of the state council, industrial association and related enterprises.⁸ According to Harsha V. Singh, the Deputy Director General of the WTO contends, “with the transformation of world economic power landscape, China has been evolved from a reticent player to a more active one by being the most

⁷ 保护国内产业利益, 石广生说要充分运用好世贸组织规则, 中国外经贸法律法规清理 6 月完成, Shi Guangsheng said, to protect the interests of domestic industry, China should make full use of WTO rules; China's foreign trade laws and regulations clean-up completed in June. In 中华工商时报 (China Business Times), April 1, 2002, see <http://finance.sina.com.cn/roll/20020401/187794.html>, accessed 10-18-2011.

⁸ 商务部条约法律司: 条约法律司 2005 年主要工作, 2006-04-30 10:34 <http://tfs.mofcom.gov.cn/aarticle/az/200605/20060502123175.html>.

frequent third party in WTO disputes.” (Singh, 2011; [ICTSD, 2011:5](#)). To appear as third party has proved to be an effective way of getting familiar with WTO rules and DSM practice, and learning to defend its interests.

In the same time China has become the largest exporter, the country has also boosted its status of importer to the ranking of the second largest importer. With increasing confidence after getting more familiar with WTO rules, and driven by rapid surge of imports and great impact to domestic interests, Chinese industries and enterprises began to file trade remedy cases with government. As *WTO Director-General Pascal Lamy*(Miller, 2011) noticed,

“China refrained from using trade remedies in the first few years of its WTO accession. In recent years, however, we have seen the frequency increase. China is among those countries that initiated the most antidumping investigations. In 2009, China ranked fifth among WTO members in the initiation of antidumping actions. In 2010, China ranked sixth, but the number of initiations in 2010 (8 cases) was much lower than in 2009 (17 cases). Of course, there is a distinction between cases initiated and final measures applied. It is clear that China has become a frequent user of trade remedy instruments.” (Miller, 2011)

On the other hand, Lamy points out the surging cases against Chinese exports. As he states, “(i)t is also clear that in 2009 and 2010 China was by far the biggest target of antidumping investigations (77 investigations in 2009 and 43 in 2010) and countervailing measures (13 measures in 2009 and 6 in 2010) applied to allegedly subsidized Chinese exports.” (Miller, 2011)

One could account for the more cases of trade remedy inside China to refer to factors such as a increasing confidence from the country’s newly gained power and influence, pressure for protection from domestic industries, and the tactical consideration to give a counterweight balance against the countries targeting China’s exports. Clearly, the Chinese government currently faces complaints and critics from the public and business about its

weak will and ability to use WTO rules to defend the legitimate interests of Chinese business and industry(?). Some public commentaries contend that only with tough countermeasures can China stop the surge of protectionism against Chinese exports.

Shenzhen and Datong Cases of defending China's interests

Under the coordination of WTO Affairs Center of Shenzhen, six Shenzhen multimeter manufacturers joined hands to deal with the US "Section 337" investigation. In the end, they succeeded in keeping their multimeter U.S. market share, but also enhancing the cohesion of the whole industry.

Shenzhen has kept its position of a forerunner in effectively handling trade frictions in the country. Its success is attributed to the establishment of "a practical and efficient public service system of the WTO affairs". Back to 2002, Shenzhen set up the city's special working system coordinated by the small WTO affairs leading group and conducting close coordination with member institutions and supported by different WTO affairs work stations. This system is claimed to be guided with the principle "serve industry and enterprises" (Zhang, 2009).

The good practices of Shenzhen include building early warning system about export friction. For example, in 2005 they developed the antidumping and industrial harm warning system, conducting the first comprehensive research of foreign antidumping regulations and cases including US "Section 337" investigation and the issue of alternative country in EU antidumping investigation. A database including import and export trade and trade dispute, was founded (Zhang, 2009).

On the other hand, the Shenzhen WTO affairs center has actively involved in WTO trade policy review process and bilateral policy consultation process channeling views and complaints about foreign trade and investment barriers faced by local enterprises abroad. In this regard, Shenzhen WTO affairs center has bridged the government and business

community (Zhang, 2009).

Shenzhen is a good example to show how the government-sponsored WTO affairs center in a coastal and developed area has organized and coordinated to help local enterprises and exporters defend their legitimate interests. In the hinterland province Shanxi, some successful cases of defending domestic industrial interests by applying trade remedy measures are seen. The successful case of the Oak Hill Group of Datong antidumping, reflects the transformation of the local government toward a role of public service provider, and cooperative relationship with domestic enterprises (Li, 2010).

Since 2003, the Oak Hill Group of Datong, Shanxi province, has continued to pick up the three antidumping cases against imported chloroprene rubber from Japan, U.S. and EU. Its accusations were verified and supported by the law, and succeeded imposing antidumping import tariff on these imports: First of all, the original antidumping investigation was won to levy 2-151% tariff on the dumping imported chloroprene rubber ; second, the Oak hill won midterm review investigation and adjusted the antidumping duties from 9.9-43.9%the on dumping imported neoprene ; third, winning “sunset” review investigation, which decided to continue imposition of import tariffs to the dumping neoprene.

In the report released by the Datong Business Bureau(Li, 2010), several points are perceived as important in ensuring the legitimacy and success of these three antidumping cases, including depth study of anti-dumping rules, strictly examining the key and details related to anti-dumping prosecution. For example, meeting the requirements about the qualification of applicant, petition content and evidence accompanied, well prepared to present for the final decision by the Ministry of Commerce on file.

On the other hand, the Datong municipal WTO affairs center report summarizes their practices encouraging Chinese enterprises to pick up WTO rules to safeguard its legitimate interests. As the report argues, the legal awareness of the city's foreign trade enterprises is generally low, and in case of international trade friction, their response is not positive,

but only intends to stay away and ultimately subject to sanctions and deep damage to their interests. The report cites one example, that is, the city's activated carbon companies were accused of dumping, but none of them stood up to take the case, and lost the market in the end. The report emphasizes the significance of promoting foreign trade law and WTO rules among Chinese business community, and the role of helping them to organize and go to collective suitcase.

As the Datong report argues, though the petitioners should be companies in anti-dumping cases, the local government trade agency should play a role of coordinating with Ministry of Commerce, municipal Foreign Law Society, Municipal Association of import and export enterprises and foreign-invested Enterprises Association and other organizations, to set up a smooth working environment ensuring the processing of cases. In the end of the report, it points out the direction of the future work, such as establishment of industrial harm early warning mechanism, and training more qualified trade law prosecution lawyers to support corporate litigation, which should be within the service function of the local government (Li, 2010).

The Shenzhen and Datong cases are important to showcase the deep transformation of the relationship between players of state and market, increasingly characterized with the self-definition of public service provider by the local government, and the will to work with enterprises to defend domestic interests. Though with this adjustment, it is interesting to recognize the "central" role of the local government sponsored WTO centers in assisting the corporate sector to fight for its own interest within the WTO legal framework.

The other side of learning: rising concerns about WTO rules

As expected, the WTO accession has not only brought forth growth and prosperity to China, but also has made an increasingly pluralistic and diversified society in existence. In the past decade, we heard reflection and criticism about China's trade-driven model, and on a more general term, the continuous debate about the cost and benefit of China's WTO

membership to the objectives of development of China. The 2008 financial crisis and the deep and unfolding impact thereof, has made this debate more complicated and relevant. The opinion of traditional and new media has been more widely and quickly disseminated, partly beyond government control, set a new policy environment largely different from the years before the WTO accession, and provide chance for interest groups to influence policy making.

For example, in the decade we have seen a rising voice, criticizing the processing export policy too costly in terms of environment and labor right, and the policy of opening market for technology transfer from multinational corporations as too naïve. The critics call for the greater attention to cultivating the ability of “indigenous innovation” of Chinese companies. From the old veterans and newly produced private sector, these voices obviously succeeded in building pressure on leaders and decision makers of different government agencies. The Sanyi Heavy industry a Chinese-invested private company, for instance, played a big role in resisting the merge and acquisition case of Xuzhou construction machinery company (Xugong, in short term). Closely related to this development, the failed cases of Chinese investors purchasing oversea properties and US resource and technology companies in particular, remind the se people and the public of being careful about foreign protectionism. These failed cases included the CNOOC-UNICAL case, Haier-Maytag case, Huawei-3Com and Huawei-3Leaf. Since the global financial crisis took place, the new sense of being not secure has been strengthened, and more critical commentaries are seen about the US-led global economic order which is widely perceived unfair and sacrifice the weaker and the disadvantaged nations. The larger demand for self-strengthening and enhancing innovation and competitiveness, could be interpreted as the broad context of providing more subsidy and support to China-based companies.

On the question how to handle the relations between abiding WTO rules and self-innovation, safeguarding the national economic and cultural security, there are different opinions. This is some new challenge China currently faces when the country has entered a new stage of development which should be based on more value-added industrial sectors. In

this regard, some people though in minority group, tend to harbor a pessimistic about the role of WTO rules: as they contend, the current body of WTO rules actually blockades the industrial upgrading and the transformation of growth model of China, because these WTO rules coming out of the Uruguay Round were clearly designed to constrain the development space of developing nations and aimed to open and penetrate the markets of the Third World countries (Amin, 1999?; Wade, 2007). The critics draw lessons from the failed DSM cases of recent years(such as limits on market access of imported audio and video products and export quota imposed on export of Chinese minerals), to argue that the WTO has finally shown its “ugly face”, and without the WTO membership China can develop itself well, because China can earn market benefits by bilateral and regional trade arrangements(Shao, 2011).

Strict measures on technology transfer of developed countries are cited to push forward China’s indigenous innovation. Automobile industry is usually the hottest case in debate about influence of WTO. Xu Binjin (Ge and Zhang, 2011) criticizes that China has paid too much attention to be a model student of WTO, but WTO accession has not yet helped China much in terms of cultivating China’s own technology capability growth. As a former deputy minister of Moftec, Mr.Xu has been engaged in China’s machinery engineering and automobile industry for long time. A big lesson of the reforms of more than three decades, as he insists, we have not yet absorbed the imported technologies to strengthen China’s own innovation capability. The part of reasons lies in the evaluation system of performance of state-owned enterprises and local government, which put the value of GDP and tax revenue at the top priority, and does not pay attention to the technology progress. On the other hand, in Xu’s view, WTO obligations have restrained China’s innovation as well as the accession proto has only encouraged the joint ventures of automobile manufacturing. He complains that in the automobile sector negotiation over WTO accession, Chinese government made too much concession over the terms and length of transition period. Initially China demanded 15 years for the transition, but later reduced to ten years, eight year, and finally conceded to five years. Examining the current condition of China’s automobile industry, Xu Bingjin reached the conclusion that now is the right time to take China’s own way of indigenous innovation based on a better utilization of imported technology. To compare with the past when the

central government was not able to provide enough fund to sponsor the development of technology and key components, China nowadays has been able to give more support. The booming market of automobile would support the innovation plan as well (Ge and Zhang, 2011). Though Xu speaks for his own, he may have more sympathy in the public.

In a sum, the above debate reflects the new demand when China enters a new stage of growth. Though this strand of thinking is in minority and the official guideline is opposed to this argument, this development shows a more diversified but segmented public opinion environment.

Reflection on failed DSM cases: a problem with interagency policy coordination?

Since China's WTO accession in 2001, the trade officials repeatedly have emphasized the significance of conducting effective policy coordination and coordination among different government agencies. Preparing the WTO US trade policy review China attended for the first time in 2004 was perceived a good case of interagency coordination in collecting complaints addressing US trade policies which could be incompatible with WTO rules. Based on "the massive solid, adequate and effective preparation", the Chinese mission to the WTO listed 114 questions which covered the US macroeconomic and trade policies, trade remedy measures and trade policies of different sectors(Zhang, Xiangchen, 2007) . In dealing with anti-subsidy investigation launched by trading partners, interagency coordination is highly valued as well, because this kind of investigation involves different functions of Chinese government, such as taxation, customs, inspection and finance. As it is stated, it is very important to decide which agency plays the role of a major coordinator to draft a standard explanation, otherwise it may cause adverse effects to the final judgment about the case(Zhang, Xiangchen, 2007) .

As stated above, the relationship between state and market has experienced great transformation, in the process of the transition from planned economy toward market

economy. Though the state and government give up the power of directly running the enterprises, the government policies to sponsor Chinese companies especially the state-owned enterprises (SOEs) have been continued, and even strengthened in some period, based on the arising concerns over weak competitiveness in international marketplace. In past years, some new development of the state and market relationship has taken shape, mainly the incentive measures to encourage “indigenous innovation” and “SOEs crowding out privately owned enterprises (POEs)” as mass media discuss and cause criticism inside and outside China.

In this broad context, the tense relationship has been developed among different departments and functions. On one hand, the group of central government agencies has strengthened their intervention in the growth of industries and technology, to boost the competitiveness of state-owned and private economies, as some studies label these incentives as “state capitalism”. On the other hand, the Ministry of Commerce represents the central government in international relations and takes care of the image of China as a “responsible power”. Obviously the Ministry of Commerce has faced a complicated and politically sensitive situation: while resisting protectionism abroad, it is obliged to push back the policies and practices of other central government agencies which may be incompatible with WTO rules. Not limited to the central government level, this tension of the relationship takes place among different agencies of local government as well. For example, the Shenzhen WTO Affairs Center has made such an argument.⁹

In exploring the causes of the failed DSM cases of recent years, trade and WTO affairs officials tend to attribute the failures to internal conflict of policy objectives and weakened interagency coordination. For example, Sun Zhenyu seems to allude to the stimulus packages and increasing government intervention in development of industries which may cause the problem of abiding by WTO rules (Liaowang, 2011). Furthermore, Sun expresses his concerns about the possible worsening of this situation. As he argues, in ten years after

⁹ 强化地方 WTO 职能维护产业安全, 文章来源: 深圳特区报, Mofcom website, 2010-12-15 20:37, see <http://chinawto.mofcom.gov.cn/aarticle/j/al/201012/20101207309041.html>.

joining WTO, new power-holders entering the policy circle may not be familiar with WTO rules as their precedents with a weak awareness of WTO rules (Liaowang, 2011). Obviously, he expects more cases of failure.

Learning and leading in WTO: China's policy choices and the future of global governance

Though a small group of people are talking about the great cost of joining WTO and being victimized by the US-led international system, a mainstream thinking seems to dominate the debate, that is, a better performance of Chinese economy in the global financial crisis has greatly strengthened China's power and influence in the global economy, and the existence of WTO has effectively resisted rising trade protectionism and China relies on the multilateral trading system to defend its newly gained economic interests stronger than ever. Despite some different argument, the deepest lesson learnt from this crisis is that for the practical interests, China should support the multilateral trading system.

Not as international commentators emphasize the growing power and influence of China after the global crisis, the Chinese leadership and the public tend to focus on the challenges of the crisis to the country and the institutional advantage of state-centered Chinese governance system. As Harsha V. Singh, the Deputy Director General of the WTO contends, "the emergence of a new global significance of China after the financial and economic crisis in 2009"(ICTSD,2011:5). But the leadership obviously noticed this analysis done by the outside, and some media has a skeptical eye on this and label them as the theory of "China responsibility", a new form of the theory of "China threat". But some clear-minded voices begin to echo to the above analysis and urge the leadership and the public to recognize the new reality in China has already become a big power (Zhou, Qiren, Qin, Xiao and et al, 2011).

To some extent, the views and concerns of Chinese leadership and public about the

country's fragile and vulnerability are justified. China's per capita GDP still ranks very low (around 100th), and the country would remain in the long period of transition and overcoming the problems this transition will bring. And the deepening interdependence between Chinese economy and the global economy has become the other source of China's fragility and vulnerability as well, evidenced in the great impact of the global financial crisis to Chinese export and the whole economy.

Facing the more challenging environment China has faced in the time and aftermath of the global financial crisis, the Chinese leadership and the public have rediscovered the value of WTO norms and rules in resisting trade protectionism. With more reliance on export and an open international market, China now throws more confidence on the multilateral trading system, believing the WTO rules are effective weapons for China to defend its own economic interests. Since the global financial crisis, China became the major target of launching trade protection measures, not only from the developed countries like the United States, but also from emerging economies like India. This development was confirmed in a report released by WTO early 2009 (WTO, 2009).

In a speech celebrating the tenth anniversary of China's WTO accession, Xu Kuangdi, vice chairman of the Tenth CPPCC National Committee and Honorary President of China World Trade Organization Studies argues that China's accession to the WTO has sped up the process of door opening, but also actively promote the deepening of the reform of the government management system and the opening up and reform, and on the other hand, has greatly promoted China's economic development. ¹⁰ Contrast to the initial concerns about the competition from big international business, as Wan Jifei(2011) the president of China International Chamber of Commerce(CICC) in other celebration points out, the ten years of China in WTO has integrated China's economy into the global economy, and has cultivated Chinese enterprises to become internationally competitive ones, to stand among top Fortune 500 companies after "Dancing with Wolves". As Wan argues on, in the past decade,

¹⁰ 纪念中国加入 WTO 十周年研讨会在京举行, 新华社, 2011-09-19 11:34
<http://cwto.mofcom.gov.cn/aarticle/p/201109/20110907745917.html?1251893037=3639458075>

Chinese enterprises have deepened their understanding of international rules, which has helped protect their own interests and serve the objective of resisting trade protectionism.¹¹

Chinese leaders highly value the principle of free trade and the role of multilateral trading system in promoting the growth and welfare of the world. In the time of the crisis in 2009, Minister of Commerce Chen Demin published commentary to give a comprehensive explanation of the China trade policies, and argue: “Free trade promotes the well-being of the people of the world . Free trade can expand markets, deepen division of labor and stimulate competition, thereby stimulating economic growth and improving the people's living standards. In the history, those which had efficient economic activity were often the countries advocating free trade .”

Chen highly evaluates the critical role of multilateral trading system in the past 60 years, and states that through years, the WTO (including its predecessor GATT) has become a more universal organization and formed a set of international trade rules, which effectively safeguarding the free trade order. The majority of countries have achieved rapid development in the time of free trade and economic globalization. He emphasizes that China is a good case to show the positive role of foreign trade in stimulating China’s development in last three decades. The WTO rules, as he stresses, are conducive to avoiding the world re-embark on the road toward trade protectionism of the 1930s (Chen, 2009). Former trade officials like Long Yongtu support this positive judgment about the role of WTO in helping preventing the global economy from repeating the protectionist period of the Great Depression in early 1930s. As former trade negotiator Long Yongtu argues, WTO has set up dispute settlement mechanism, which is extremely strict and make wide spreading of trade protection measures impossible. So his judgment is that with the help of WTO, the world would not repeat the mistake of heavy trade protectionism in 1930s (Long, 2010).

¹¹ Some others raise critical assessment of the international competitiveness of big Chinese companies in the celebration with Mr.Wan. For example, Yu Xiaosong (2011) former trade minister and WTO accession negotiator contends that among China’s Top 500 has not yet there any single multinational corporation in the real standard of MNCs.

Such voices can be heard from the public as well. For example, Chu Zhaogen a grass root current affairs commentator contends that Chinese should not always blame the WTO for the failed DSM cases; Chinese should make self-reflection on their own problems leading to these frustration. Chu argues that in 2009 while China's export account for 9.6 percent of the global export, China accounts for 40 percent of the total cases of antidumping and 75 percent of the total number of countervailing duty cases. He attributes high ratio of cases involving Chinese exports to poor experience of abiding rules or violating trade rules, and to the country's "twin surplus" policy. As the over-export cost China labor rights and environment, he calls for policy adjustment to slow down export and going global. In the end, Chu cites the comment of the World Trade Organization General Director Pascal Lamy , as saying in this way, WTO needs China which should be a leading responsible member. If a big country like China takes the lead or deliberately violate the WTO rules, the injury will be great to the WTO (Chu, 2011).

From the perspective of China joining the global governance, official media like Guoji Shangbao (Internationa Business News) highly confirms the positive role of China's WTO accession in boosting the country's position in the structure of global governance. The commentary hails the WTO accession opening for an important platform to take part in making international economic and trade rules. As one of three pillars of the world economic system, it argues WTO is the single international organization regulating global trade currently with 153 members and accounting for over 97 percent of the whole world trade. Since China's WTO accession, China has attended the all level ministerial and senior official level negotiations and consultation as well as negotiation groups such as G20 and G33, submitting more than 100 proposals on the different issues of Doha Round negotiation. Gradually, China has increased its leading role in WTO, reflected inWTO mini-ministerial conference held in Dalian, China in 2005, and made great contribution to the WTO ministerial conference in Hong Kong in the end of 2005. In the mini-ministerial conference held in July 2008, China for the first time attended the G7 meeting, symbolizing China "entering the core of rule making in WTO". (Guoji Shangbao, 2011) .

The recently concluded Seventh session of the Sixth Plenary Session of CPC may disclose more constructive signs about the future of China's policy about its relations with the global economy. As in other fields, in cultural matters, China has faced profound challenges from opening up the markets to international cultural products. The competition is fierce, and only keeping opening up and strengthening reform and competitiveness of China's cultural industry and enterprises, the country is able to compete with international culture and entertainment industries and to boost its position in international community. As the commentary of People's Daily argues, "to marketize culture is meant to promote market competition to force the growth and strengthening of China-based cultural enterprises in the broad context of international competition. In the context of the stronger Western culture, only by winning the market can the socialist value system can win the right to speak and win the initiative. This is exactly the challenge a socialist culture must face." (People's Daily, 2011)

Obviously, the official policy is not to close the door of the cultural markets, but to grow up and compete with western cultural enterprises under the same rules of WTO. This positive mentality would be seen in other fields, and to be a quick learner, and boost the learning curve is the only way in fierce international competition.

Conclusion

The ten years of WTO accession has brought forth tremendous changes to China. Most important, the country is experiencing restructuring the relations between state, market and society. The state is still powerful, but has largely reshaped its role to a public service provider to the market and the society. The Chinese society has been much more open and diversified than before.

In this context of great transformation, Chinese have developed a contradictory self-image about itself and the outside world: a strong power and a vulnerable country; a beneficiary and victim of international trading system; a defender and a critic of the

international system.

As a new member, still in learning, China is not familiar with the system and the rules as old members are. The elites and public of China have developed a mixed feeling about WTO, some sense of achievement with some sense of frustration.

Though the size of Chinese economy and the number of trading have become very impression to the world—China is also proud of it as well, the cost and benefit of being part of the WTO has become a debatable topic, for the reasons showing in the debate: China may be trading too much to sacrifice its environment and labor; China faces difficulties in pushing forward industrial upgrading because of the increasingly strict measures on technology transfer to China imposed by multinational corporations, and so on. These are the reasons for

The most important lesson China has learned from the impact of the global financial crisis, is this one: as Chinese economy has become inseparable part of the global economy, China doesn't have the other choice except continuing to work with WTO and rely on the WTO rules to protect itself.

China's experience of learning in the past ten years since the WTO accession has profound implication to the role of China in global governance and the future of global governance. It is clearly the consideration of the growing practical interests which would continue to make Chinese decision makers and the public to work with and would make great efforts to strengthen the multilateral trading system and contribute more to the international public good, though sometimes it would be reluctant to do.

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