

China's Multiple Personalities in Geneva: Constructing a Template for Future Research on Chinese Behavior in WTO

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Introduction

China's accession to the WTO in December 2001 has provided scholars of international relations behavior with a new crucible for examining the behavior of a major new entrant to a multilateral institution. Is China proving to be a "system maintainer," a "system reformer," or a "revisionist power"? The evidence presented in this chapter, drawing from the first eighteen months of China's participation, suggests that China is far from revisionist. Rather, in the early stages China for the most part has been a system maintainer. The exception is China's behavior on sovereignty-related issues of Taiwan and the Transitional Review Mechanism. These findings are largely consistent with earlier work on China's role in multilateral economic institutions, and with the conclusions of previous studies on PRC behavior in the United Nations that "...

Beijing became more interested in what the UN system could do for China's modernization, and less interested in what China could do to reform the UN."¹

Beneath this general conclusion, though, there is a complex pastiche of behaviors across the range of substantive, coalitional, and governance issues that this chapter considers. The complexity of China's behavior stems from a variety of sources: (a) the fact that China is in the early stages of determining its interests in this body; (b) China appears to be no great hurry to make a splash on the WTO stage (except where useful for domestic consumption); (c) the internal mechanisms for determining interests and converting them into positions within the WTO are relatively weak; and (d) China has a diverse set of economic interests (in terms of levels of development, sectors, export vs. import behavior), diverse political interests (regional vs. global, Third World vs. great power), and diverse domestic expectations (WTO as a positive vs. negative force).

This chapter proceeds in six parts. The first section presents some important background information about the WTO itself, about the PRC delegation, and about the domestic (PRC) political environment. The second section raises the "exceptional" sovereignty-regarding issues that are now the rule in China's international organization behavior: Taiwan and the Transitional Review Mechanism. The third section focuses on China's coalition-building behavior at the WTO, primarily through the lens of its relations with developing countries. The fourth section examines China's ambivalent

¹ On China's behavior in multilateral economic institutions, see Margaret M. Pearson, "China's Integration into the International Trade and Investment Regime," in *China Joins the World: Progress and Prospects*, edited by Elizabeth Economy and Michel Oksenberg (New York: Council on Foreign Relations Press, 1999), pp. 161-205. An effort to use past behavior in multilateral economic institutions to project to the future is Margaret M. Pearson, "China's Track Record in the Global Economy," in *The China Business Review* (January-February, 2001): 48-53. Samuel S. Kim, "China and the United Nations," in Economy and Oksenberg (1999). Kim is suggesting that China's behavior within the UN organization evolved over time, however, whereas this chapter contends that China begins its tenure in the WTO as predominantly a system-maintainer.

posture with regard to its own potential leadership position in the WTO. Together, the third and fourth sections raise the question of PRC attitudes toward the elitist structure of the WTO and its perception of its place in that structure. The fifth section turns to China's interests and coalitional behavior (much of still potential rather than realized) in two substantive areas that are core to China's economic interests – agriculture and textiles. It suggests where China's interests may be a force for, rather than a brake on, the trade liberalizing agenda of the WTO. The final section discusses what the evidence presented suggests about China's goals in the WTO, about the degree of “cooperative” behavior China exhibits in Geneva, and its continuing weak propensity for proactive leadership behavior in the organization.

This chapter is primarily empirical and its conclusions inductive. The data comes mainly from interviews with PRC officials knowledgeable about China's role in Geneva, and with foreign observers (mostly trade officials) of China's WTO behavior. The WTO, ironically -- given the mandate it presses on other countries -- is not a particularly transparent organization; some reporting is carried in trade weeklies, which are the major documentary basis for these findings. In addition to providing data, a key goal of the chapter is to lay a template for examining China's WTO behavior, and behavior in multilateral institutions more generally, in the longer term.

Although the question of China's behavior in the WTO examined in this chapter is an important one for the field of International Relations, it is definitively the secondary game from the point of view of most actors in the process, Chinese and foreign.² Rather,

² An interesting sidelight is that the U.S. trade bureaucracy that is responsible for China has devoted enormously more resources to the compliance track than the Doha track than has, for example, the EU. Part of this is perhaps a hangover from the days when the US did the heavy lifting in the negotiations, but it

the “big game” is the question of how China is changing its processes, rules and institutions at home to become “compliant” with its WTO commitments. The two games – domestic and international -- intersect at key points, and yet are quite distinct both in terms of behavior outcomes (compliance with rules vs. noncompliance), and the bureaucratic and political forces acting on each realm.

I. **Background Issues**

The subtext of questions about China’s behavior in the WTO is the question of whether China is a “cooperative” or status quo power. This is in fact not as clear cut a subject as it might first appear; more will be said about it in the conclusion. Key to understanding China’s behavior in the WTO, however, is an understanding of the WTO organizational dynamic, and an understanding that, as in other countries the source of much of China’s behavior is in domestic politics. These issues are expanded on in this section.

The Nature of the WTO as an Organization

It is useful to keep in mind that, behind broad agreements to liberalize trade is a series of multi-layered, highly detailed negotiating games, ultimately linked across topics. The internal dynamics of the WTO, and the Doha Round negotiations, are no different. In Geneva, trade negotiations are played out in a series of constantly shifting alliances; while there are some rather cohesive coalitions (such as the “Quad” and the Cairns

is also a matter of political priority – to make sure China did not “get away” with something rather than figure out how to build a relationship at Doha that might extend into the future.

Group³), these are sometimes fractious groups whose members do not always work in lock-step. (For example, US steel politics often pits the US against its European and Japanese “allies,” European agricultural subsidies often pits the EU against the US, Canada, etc.) The negotiations that occur within WTO are serious, and the stakes are high; nevertheless, because coalitions shift from issue to issue, there is often a certain “wink-and-a-nod” quality about disputes as well, i.e., it is well understood that narrow domestic purposes are always going to insert themselves into the negotiations.

Moreover, though WTO promotes a rules-driven regime, and although it has a formal structure of councils and committees for negotiation, consultation, dispute resolution, and other formal decision-making, it is in fact a “member-driven” organization that remains poorly institutionalized. Negotiations revolve in important ways around informal meetings.⁴ Some interactions occur in the context of the infamous “green room” meetings of the elite members plus a few invited participants. Other meetings take place informally and by invitation only, both in Geneva and outside. (The US trade negotiators, for example, routinely use what they term “friendlies” to try to build coalitions.⁵) Any party may choose to meet informally with those they might be in dispute with. Eventually, all members who have a significant interest in an issue will

³ The so-called “Quad” consists of the US, EU, Canada and Japan. The Cairns Group, a formal organization, is comprised of 17 agricultural exporting countries, both developed and developing, that are committed to a market-based trading system for agriculture. It includes as members: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

⁴ These perceptions of the dominance of informal measures were reflected in comments of both Chinese and US participants in the Geneva process. The criticism of poor institutionalization is reflected in the various essays in: Krueger (ed.) (1998); and Gary P. Sampson (ed.), *The Role of the World Trade Organization in Global Governance* (Tokyo: UN University Press, 2001). On the institutional culture of the WTO, see John Braithwaite and Peter Drahos, *Global Business Regulation*, (Cambridge: Cambridge University Press, 2000).

⁵ “Friendlies” are also at times used by the US to achieve another strategy (also common in APEC), which is to find another country to take the lead on an issue so that it does not immediately alienate those who might quickly oppose what they perceive to be a US initiative.

have a chance to be involved in meetings and the attempt at consensus-building that is the norm. But it is those who are most interested in an issue that initially structure the debate and frame an agreement. Only when a consensus is formed will a formal decision be taken in the appropriate council or committee. The consensus decision rule, which has the potential to threaten stalemate, is softened significantly by the practice of involving those with an interest in deliberations. Those who have no significant interest tend simply to “go along” with the decisions reached by interested parties to avoid being “spoilers.”

These informal qualities – which to some degree create a game of intrigue -- reflect, in part, the fact that the organization is new, that the WTO Secretariat staff is quite small, and the organization is underfunded. This informal nature also, despite some controversy over governance (discussed below), has complicity of the largest members, including China.⁶ The agenda-setting of WTO meetings is, not surprisingly, driven by the most powerful members. As will be discussed further below, China is a potentially important player but at this point has realized only a fraction of its potential power in the organization.

It is useful to note two further characteristics of the WTO process – characteristics that distinguish WTO from APEC and which pose new challenges to China. First, negotiations operate on a “request and offer” principle. Unless a member is prepared to offer a concession it cannot seriously request something in negotiations. It is not that a member cannot request a concession without an offer, but it is not considered credible as a formal negotiating stance. Second, negotiations are linked across issues – such as tying

agriculture to services. In the context of the Doha Round, this “Single Undertaking” means in essence that members will have to sign onto the whole package rather than accept or veto portions of it.⁷ The linkage across issues is a deliberate strategy to make the round more comprehensive and to force negotiations forward rather than allowing a country to be intransigent in one issue area.

China’s Delegation to the WTO

On a personal level, China’s interlocutors at the WTO, as at APEC, are uniformly complimentary about the quality of personnel in China’s delegations. The members of China’s WTO delegation, including Ambassador Sun Zhenyu are respected for their intellect and professionalism. Chinese members of the mission and involved trade officials, are the first to acknowledge, however, that they do not yet have the staff, expertise, budget, or deep enough comfort level with the organization to operate effectively as a major player on a wide variety of issues. Of a mission of 25, there are only 10 professionals. The delegation therefore relies heavily on personnel from Beijing, a number of whom traveled repeatedly to Geneva in the first year of membership.⁸ One MOFTEC official compared the Beijing delegation’s capabilities with that of India; whereas India has a professional staff of only five, its members are seen as “highly qualified” and “much more active.” In contrast, according to this official, only 3-5 of the professional staff in the PRC delegation are WTO “experts.” They are spread too thin,

⁶ Some observers find this informality to be highly functional and, indeed, warn about the “creeping legalism” of the WTO. See, e.g., Razeen Sally (2003), “Whither the WTO? A Progress Report on the Doha Round,” *Cato Institute Center for Trade Policy Studies No. 23* (Washington, D.C.: Cato Institute), p. 7.

⁷ Sally (2003) p. 10.

⁸ The mission of 25 includes, in addition to the 10 professionals, 2 drivers and 2 “servants.” On PRC officials’ perceptions of their WTO delegation, Interview with Chinese IPE scholar in Beijing, September

moreover; for example, the official sent to cover services negotiations also was detailed to the (very different) textiles area. This official estimated that it would take three or four years to build the delegation to capacity and effectiveness.⁹ Echoing these views, foreign observers regard the Chinese participants as “neophytes” in their ability to maneuver within WTO, and as “overwhelmed.” Despite having spent many years in Geneva negotiating China’s accession agreement, their focus during those years was not on what they would do once admitted.¹⁰ They are seen as aware of the complex rules of the game, but are not yet fully prepared to play it. As we shall see, the inability to operate at full capacity hinders the PRC delegation from playing the inside game. In particular, they are rendered less effective at the coalition-building process that is central to the WTO. They are characterized as having “no coattails,” moreover, so even if their voice is important it still amounts to only one vote; they cannot yet with any regularity bring others along.

The makeup of the PRC delegation reflects certain ministerial interests, and particularly the effort of MOFTEC – now incorporated into the new Ministry of Commerce – to control the mission. Most of the ten professionals in the delegation are from MOFTEC. One slot each has been reserved, apparently, for delegates from the Ministry of Agriculture, the Ministry of Finance, AQSIQ, Customs, and the Ministry of Foreign Affairs (MFA). Only the latter two slots have been filled, with the MFA person there to handle Taiwan-related issues.¹¹ SETC had been led to expect that it would be able to send a representative to Geneva, but this appears to have been blocked by

2002; interview with MOFTEC official, November 2002; Gong Wen, “Changes Take Place over the Past Half Year Since China WTO Entry,” *People’s Daily* (online edition) (July 12, 2002).

⁹ Interview with MOFTEC official, November 2002.

¹⁰ Moreover, a good portion of the PRC team in Geneva is new since the negotiations.

¹¹ Interview with MOFTEC official, November 2002. Interestingly, given the increased status in the past several years of the State Development and Planning Commission (as of March 2003 the State

MOFTEC.¹² As was the case at important times in China's accession negotiations, having an expanded set of interests on hand in Geneva potentially hamstrings China's actions by inserting narrow domestic interests directly into the WTO process rather than keeping it at arms length from bureaucratic interests.¹³ On the other hand— and as will become clear— the need to aggregate domestic interests and define a consistent negotiating position that can be operationalized by the delegation in Geneva is potentially disrupted by the bureaucratic infighting over representation on the delegation.

Moreover, as is not unusual for PRC missions in international organizations, the Chinese delegation to Geneva is on a short tether. The delegation is empowered to do little more than gather information and send it to Beijing for comment, where further negotiation tends to hinder a quick turnaround. This is in large part a function of the lack of institutional capacity, and may be solved in the future. But at the same time this comparatively great lack of autonomy for a PRC delegation to an international organization is standard procedure in China's international relations, and it will be unusual if the WTO is any different. Finally, the attempt by MOFTEC to keep a tight hold on the delegation is symptomatic of the evolving status of MOFTEC's bureaucratic status in Beijing. MOFTEC has lost much of whatever fragile status it acquired in the negotiations in the domestic uproar over the *post facto* disclosure of the WTO accession

Development and Reform Commission), there was no expectation expressed by this official that it would have a representative.

¹² Interview with SETC official (who had expected the posting), Beijing, October 2002. In contrast, a MOFTEC official said there was no plan for an SETC posting. (Interview with MOFTEC official, November 2002.) The incorporation of SETC into a new Ministry of Commerce (as of March 2003), along with MOFTEC, appears to render the SETC position moot. Yet the infighting over composition of the delegation is significant for understanding the dynamic of the delegation's relations with key members of its constituency in Beijing.

¹³ On the role of these dynamics in the negotiation process, and particularly the narrowing of the delegation toward the end of negotiations in order to close the deal, see Margaret M. Pearson, "The Case of

package. After accession, communications from the Geneva delegation to Beijing were still carried via MOFTEC in Beijing. But MOFTEC's authority was weakened. The impact on the authority of the Geneva-based delegation of MOFTEC's combination with SETC into the Ministry of Commerce remains to be seen.

Domestic Politics

Many of the difficulties faced by the PRC delegation in Geneva are a reflection of the domestic political atmosphere at home. Indeed, much about any country's trade policy can be explained by domestic politics.¹⁴ Partly a function of leadership transition surrounding the 16th Party Congress in November 2002, domestic politics dominated the political agenda during the first year of China's membership in WTO. The transition meant that, while the Geneva delegation was not allowed free rein, neither was anyone (including those who might be considered patrons, such as Wu Yi and Li Lanqing) giving it any substantive attention.

More significant in the longer term was the domestic political backlash to WTO accession, and the political need for leaders to respond to the idea that China had been sold out. It became *de rigueur* to respond that that China would not only incur obligations from WTO membership but also would "gain rights and benefits."¹⁵ As will be seen, the need to respond to domestic criticism about China's weakness in its WTO negotiations,

GATT/WTO," in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, edited by David M. Lampton (Stanford: Stanford University Press, 2001).

¹⁴ Obedience to the domestic political realities are part of the recognized political norm of how the WTO actually operates rather than a deviation from them. On the domestic political realities see: Judith Goldstein, "International Institutions and Domestic Politics: GATT, WTO, and the Liberalization of International Trade," in Anne O. Krueger, ed., *The WTO as an International Organization* (Chicago: University of Chicago Press, 1998), pp. 133-152; and I.M. Destler, *American Trade Politics*. 3rd edition (Washington, D.C.: Institute for International Economics, 1995).

¹⁵ See Shi Guangsheng's comments to this effect in Gong Wen (July 12, 2002).

the need to stand up to the US, and the need to use the “rights” afforded China by membership are key to many of the public positions China has taken at the WTO, including its response to US steel quotas, and its vigorous use of anti-dumping at home. Response to the domestic political backlash is also a subtext to China’s (rather weak) attempts to moderate the governance rules of the WTO and be a “bridge” with the Third World.

The organizational and political situation of the PRC delegation in Geneva in the first year can be summed up as follows: at the same time as it is politically weak and vulnerable at home, China’s representatives in Geneva face a complex and opaque new environment that requires significant negotiating skills and expertise. Especially poignant is the possibility that future efforts of the Geneva delegation’s to maneuver in China’s interest have been seriously hurt by the path of past negotiations – the ultimate failure to effectively engage other interests in the accession negotiations¹⁶ weakens the credibility and capacity of China’s representatives in Geneva to carry out the necessary interagency coordination at home that will allow them to work effectively in Geneva.

II. **The “Touchy” Exceptions: PRC-Taiwan Relations and the Transition Review Mechanism.**

Taiwan

Chinese behavior is most predictable as it pertains to sovereignty-regarding issues. With a couple of noteworthy exception, the PRC’s track record in Geneva bears

¹⁶ Pearson (2001). The necessary ingredient for securing China’s accession was intervention from Zhu Rongji and Jiang Zemin, and an end-run around other economic interests. The credibility lost in this maneuver is very likely to haunt both compliance at home and future negotiations. MFTC officials are aware of this (Interviews, Beijing, October 2002).

familiar hallmarks of China's behavior in other multilateral organizations. Many scholars and observers, including from Taiwan and PRC, have hoped that the WTO will provide a constructive framework for cooperation between Taiwan and the mainland. Our interest in this chapter, though, is the degree to which the institutional context of the WTO shapes China's behavior toward Taiwan. Indeed, PRC-Taiwan behavior presents the toughest test for the influence of membership in international institutions shapes PRC behavior. In the first 18 months of China's and Taiwan's respective memberships, China has adjusted some of its behavior in line with WTO norms, but at the same time has launched an effort to downgrade Taiwan's status and have the organization deny any sovereignty implications of Taiwan's membership. Some of these actions are attributable to the extreme level of tension between Beijing and the Chen Shui-bian administration in Taipei. But PRC sensitivity with regard to sovereignty-regarding issues is probably the greater cause. The underlying dynamic is similar to what is seen in other international organizations.

On the "accommodative" side of the ledger, behind-the-scenes contact has been taking place, with an apparent effort on the part of the top members of the Taiwan and PRC delegations to build personal relationships. This mirrors what goes on in the APEC process, particularly at social events that occur in tandem with sector-specific meetings.¹⁷ Until a final blow-up at the APEC Leader's Meeting in Shanghai in October 2001 over the acceptability of a representative for Chen Shui-bian, the two sides reportedly worked

¹⁷ On the informal contacts among top leaders of the delegations, personal communication from business association official, Washington D.C., May 2003. These informal meetings are said to outnumber the formal meetings, and to take place in Geneva but with communications in Chinese. This observer further related that progress was made toward the PRC-Taiwan "minilinks" in informal talks between PRC and Taiwanese transportation ministers at an APEC Transportation Minister's Meeting in Chile in 1994.

in a non-obstructionist manner.¹⁸ Given the fact that WTO-Geneva is a relatively small community, moreover, members of the two delegations see each other with frequency.

In addition to these informal interactions, there has been a modicum of high profile, formal interaction between the two delegations. Interactions on two types of issues – substantive negotiations on trade-related issues and symbolic issues of nomenclature and status -- are illustrative of the positive and the negative. The first substantive issue concerns contacts between Taiwan and PRC delegates over Taiwanese steel exports. Beijing imposed quotas and tariff barriers on imported Taiwanese steel in March 2002. The PRC invited the Taiwanese steel industry association to Beijing for informal consultations, established a new Cross-Straits Trade and Economic Promotion Association (*Liang An Jingmao Guanxi Chujing Xiehui*) to help coordinate such contacts, and suggested Taiwan do the same. Furthermore, Beijing informed Taiwan of its desire for association-level consultation in Chinese and using cross-straits channels rather than through formal procedures in Geneva. It hinted at the possibility that after the problem had been addressed at the level of industry associations, the issue might be brought to formal discussions at Geneva. Taiwan, seeing this as Beijing's strategy to avoid the sovereignty implications of Taiwan's WTO membership, and believing the offer of possible future WTO interaction to be disingenuous, refused to deal at the association level.¹⁹ Instead, in July 2002, Taiwan requested the PRC to hold formal consultations at

¹⁸ A senior US official who worked closely with the Shanghai meetings reported that the two sides worked very well together, and that the Taiwan officials who were allowed to come to the mainland, many for the first time, were visibly "giddy" and "thrilled." (Interview with APEC official, Washington, D.C., August 2002.)

¹⁹ The PRC also apparently hoped to rally Taiwan business pressure on the government to accept such informal, industry level channels of contact. More generally, the use of industry associations to handle business-to-business relations when the PRC business is a state-owned enterprise is a broader trend in China. For example, industry associations are increasingly encouraged to handle anti-dumping cases. (Communications from Scott Kennedy and Jamie Horseley.)

Geneva, complaining that the PRC's previous efforts were an attempt to subvert the formal process and violate Taiwan's rights as a WTO member. The PRC initially refused this request, reiterating through Long Yongtu that "Beijing will not hold trade and economic consultations with Taiwan under the WTO framework unless the 'one-China' issue is solved by both sides of the Taiwan Strait."²⁰

Beijing subsequently made some conciliatory moves. In July 2002 the PRC mission used WTO channels to inform Taiwan of its position on consultations – the July communication on steel consultation was presented directly to Taiwan's WTO chief delegate (Yen Ching-chang), as was a subsequent notification of an investigation into ethanol dumping. Still, these communications were in Chinese rather than in English, the official WTO language.²¹ More significantly, in December 2002 – and contrary to Long Yongtu's seemingly decisive statement precluding direct discussions at Geneva – members of the two delegations *did* conduct a direct three-hour bilateral consultation on steel in Geneva, albeit in a hotel rather than at WTO headquarters.²² For those hoping that the norms of WTO interaction would rapidly change China's behavior toward Taiwan, the direct meeting appeared significant. But if the meeting did break new ground, it was not permanent, as the PRC delegation cancelled several subsequently scheduled consultations (including one in May 2003), prompting the Taiwan delegation to write to the Secretariat to officially complain.²³

²⁰ "Taiwan Petitions Beijing to Respect WTO," Central News Agency (CNA) (Taipei, online), September 4, 2002 (online).

²¹ "Changes in Taipei, WTO Dealings (CNA), September 11, 2002. The steel and ethanol actions have been directed at several members, not just Taiwan.

²² Mure Dickey, "China and Taiwan Officials Discuss Trade," Financial Times, December 16, 2002. See also "China Accepts Talks with Taiwan over Steel Tariffs," Kyodo News Service, Dec. 4, 2002.

²³ Communication from trade association official, May 20, 2003.

Members of the two delegations had actually held their first face-to-face formal contact on a different substantive issue— the Transitional Review Mechanism (TRM), the forum within WTO for monitoring Chinese compliance to its concession agreement. (See below). In September 2002, the PRC delegation answered complaints from Taiwan about Chinese tariffs on beer and photographic equipment, as well as import licensing and Tariff Rate Quota (TRQ) administration. Consistent with China’s cantankerous attitude toward the TRM process as a whole, it indicated it would pursue some of these issues outside of the WTO setting.²⁴

The dance between PRC and Taiwan over substantive interactions is replicated – as in numerous other IGO arenas – with regard to issues of nomenclature and the status of the Taiwan mission.²⁵ These more symbolic issues may in fact be treated most rigidly by the PRC in that they represent the symbolism of Taiwanese (non)sovereignty. It thus appears that on functional trade issues the PRC may be more conciliatory in dealings with Taiwan, whereas on the symbolic issues they may be more rigid.

Specifically, the PRC has tried to insist that reference to Taiwan’s membership in the WTO and its organizations not imply sovereignty. With regard to Taiwan’s pursuit of membership in the WTO’s plurilateral Government Procurement Agreement (GPA), China has objected, not to Taiwan’s membership, but to the referring to the “central government” of the Republic of China. China, because it was not yet a GPA signatory, in early 2002 resorted to asking other GPA members to press for a footnote in Taiwan’s

²⁴ “China’s Refusal to Answer Quad Queries Shuts Down Compliance Review Session,” BNA (online) September 26, 2002.

²⁵ Despite the relatively positive atmosphere (until the end) at the Shanghai APEC meetings, a senior US official suggested that China had some constraints it could not overcome, particularly calling Taiwanese ministers “minister,” and giving invitations with “minister” the title. Members of the Taiwan delegation were said to be “very annoyed.” (Interview with US APEC official, Washington, D.C., August 2002.)

membership documents to the effect that use of the term “central government” has no sovereignty implications.²⁶

This dynamic was replicated on a grander scale in the spring of 2003. At that time, on the heels of disputes over Taiwan’s status in the World Health Organization at the time of the SARS outbreak, Taiwan made public that the WTO Director-General Supachai Panitchpakdi had approached the head of the Taiwan delegation in February 2002 with several issues. The essence of the requests was to downgrade Taiwan WTO status from “permanent mission,” which in diplomatic parlance most often implies an independent country, to “office of permanent representative,” and for Taiwan to “affirm that the actions regarding WTO representation of Taiwan have no implications for sovereignty.”²⁷ Another report noted that Supachai urged Taiwan to consider not listing its delegation as a “permanent mission” in the WTO’s internal telephone directory; when Taiwan failed to go along, the publication of the directory was put on hold.²⁸ Although these reports are framed as being at Supachai’s initiative, Supachai is said to have been acting at the request of the PRC. Indeed, it is inconceivable that he would take on this issue on his own, especially at a time when the whole success of the Doha Round was in doubt. The PRC apparently asked for a longer list of items, but this is what Supachai is said to have agreed to take to Taiwan.

²⁶ Interview, Office of the US Trade Representative, August, 2002.

²⁷ On February 12, 2003, Supachai is reported to have made five points to Taiwan: Taiwan should change diplomatic titles on name cards and letterheads; the WTO secretariat should use only “sovereignty-neutral terminology when referring to Taiwan,” avoiding the terms country’ and “state”; Supachai would reserve the right to change any terminology in documents that is not sovereignty-neutral; to alter Taiwan’s name in the official WTO directory to “office of permanent representative”; and “affirm that the actions regarding WTO representation of Taiwan have no implications for sovereignty.” Charles Snyder, “Supporters in US More Pessimistic,” *Taipei Times*, May 31, 2003, p. 3 [at <http://www.taipetimes.com/News/taiwan/archives/2003/15/31/20>.] Note that most reporting on this issue appeared in the Taiwan press.

²⁸ Observer, “Vexed Directory,” *Financial Times*, May 28, 2003.

Interestingly, the PRC mission had once previously tried to use a downgraded nomenclature for the Taiwan representative. In agreeing to the steel talks in December 2002, noted above, the Chinese originally had used the moniker “Taiwan Economic and Trade Office” (TECRO) to refer to Taiwan, something the Taiwanese claimed was an attempt to place the Taiwan office on a par with the status of Hong Kong and Macao. At the meetings themselves, however, China switched to the official terminology of the WTO, addressing Taiwan as the “Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.”²⁹ It appears that Supachai’s later requests were a continuation of China’s previous efforts, but using an institutional agent to help gain legitimacy.

Transitional Review Mechanism (TRM)

The TRM is a process established in China’s accession protocol. Although all members are subject to a periodic “Trade Policy Review” (TPR) of their trading practices, China in addition agreed to an annual review for the first eight years of membership, with a final transitional review in the tenth year.³⁰ The first review was to be completed within one year of China’s accession (i.e., by December 11, 2002). Moreover, each functional council is involved in China’s transitional review, in contrast to the TPR reviews that take place within the Secretariat office alone. This “WTO-plus” commitment was set up as a response to the fact that China was to be admitted *before* it was in full compliance with the terms of membership set for it.

²⁹ Dickey (2002).

³⁰ The PRC agreed to the TRM Paragraph 18 the accession protocol. After the first eight years, China will then be subject to a four year review cycle. The US and EU are subject to a two year trade policy review cycle due to its larger trade volume. See Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, D.C.: Brookings Institution Press, 2002), p. 104.

The TRM is widely unpopular in China. It invokes images of foreigners, especially the US (which drives the TRM process), snooping into China's affairs when leaders repeatedly have vowed in public to comply with the accession terms. It is a focus point for PRC concerns about national humiliation and sovereignty, all the more aggravating because Chinese leaders agreed to submit to the TRM. It is similar in all these dimensions to the special safeguard provisions China agreed to in its bilateral agreement with the US. It also is evocative of the annual MFN/NTR debate over China trade in the US, though the TRM cycle is likely to occur annually in summer/autumn rather than in spring/early-summer. However, unlike the MFN debate and enactment of safeguard provisions, China has a direct role in the TRM debate and is positioned to be much more defiant.³¹

The basic dynamic in the first year TRM review was characterized by US government efforts (with substantial EU and Japanese support) to initiate discussion of compliance problems in the various substantive subcommittees for several months prior to the formal review in December. Pressure from the US therefore came throughout the first year. The PRC's formal response was three-fold. It argued: that compliance issues should not be brought up significantly before the formal date of the one-year review; that China would respond to issues raised, but only to the letter of the law and as such would only provide oral answers; and that other discussions about compliance should take place in informal and/or bilateral settings. The delegation further communicated informally to US officials that to the extent that its responses require information forthcoming from

³¹ Another case where China has reacted strongly to a sovereignty-regarding issue, but was in an even stronger position than in the WTO, concerns the World Bank's Western Poverty Project. Portions of this project affecting relocation of citizens aroused disputes with the US over "sinicization" of the certain areas of the West. China pulled out of those portions of the project and funded them themselves.

ministries at home, it was having trouble getting that information, particularly from (in order, with worst “offender” first) SDPC, SETC, MII, Customs, and those responsible for agricultural inspection. Whether or not MOFTEC had the information is debatable, but it was clearly under pressure from ministries in Beijing not to provide it even if they had it.³² China also tried to mobilize some support for its position. A senior US trade official reported that the US delegation at WTO had been approached on the TRM issue by a “big power and neighbor of China” (presumably India) and was told that the US “cannot approach us on this.”

Despite China’s efforts to contain the TRM process, it required substantial resources and attention on the part of the PRC delegation. The TRM issue led to highly acrimonious behavior from the Chinese delegation. One senior member of the PRC delegation (not Sun Zhenyu) reportedly in one summer meeting “made a pounding-the-table type of speech,” directed at the US, that linked the TRM process to “neo-imperialism” – echoing back to the sorts of speeches heard in the 1970s. In late September the dispute continued as members of the “Quad” (joined for questioning by Australia and Taiwan) complained that China had not provided any written answers to questions they had posed in the context of the Market Access Committee on compliance. China, while complaining that “some countries” were being “troublemakers,” offered to discuss the issues with the Quad informally, but then later withdrew the offer after the US and Japan said this was not acceptable and reiterated the demand (not required in the agreement) for written answers. China then claimed the committee’s compliance review was over, a view that the committee’s chair (from Lesotho) concurred with by his

³² Interview, US trade official, Washington, D.C., August 2002. This official also characterized MOFTEC’s TRM response as quite difficult compared to MOFTECs normally “helpful” attitude.

comments that they could not force China to engage in discussion if China declined to do so, and that he would forward a factual summary to the superior General Council for its year-end review on December 11.³³

The Chinese delegation also bristled at the sense that the Quad was ganging up on it. A MOFTEC official deeply involved in the TRM process claimed that the process had left “a lot of bad feelings” among his colleagues, especially against the U.S. and Japan. He claimed they the process led to a desire to shun U.S. Embassy officials in Beijing.³⁴ This official also was concerned about the attention diverted from other substantive negotiations, and indicated that China would continue to try to contain the TRM process, particularly to a compressed timeframe.³⁵

III. The Politics of Coalition Building: China’s “Bridge” to the Developing World

The PRC used the occasion of Shi Guangsheng’s first speech upon admission to WTO to voice a commitment to be a “bridge” to the developing world. This commitment is usually dismissed as rhetoric, and that judgement appears thus far to be sound. Yet

³³ China also clashed with the US, Canada, and Japan in the Agriculture Committee TRM discussion, with China answering only part of the questions (orally) and saying it would follow up bilaterally. The dialogue in the Committee on Import Licensing (September 24, 2002) was similar to the market access talks, though China did supply some written answers in that venue. The review process went smoothly on intellectual property, a topic on which US government officials feel China is genuinely responding and making progress. Sources for this paragraph area: “China Rejects U.S. Push for More Review of Market Access Commitments,” *Inside US Trade*, September 27, 2002; “China's Refusal to Answer Quad Queries Shuts Down Compliance Review Session,” *BNA (online)*, September 26, 2002; Daniel Pruzin, “China Chafes at Dumping Panel Agenda for Excessive Focus on Accession Issues,” *BNA International Trade Reporter (online)*, April 26, 2002; “China Refuses the Discuss WTO Trade Review in Farm, SPS Committees,” *Inside US-China Trade*, July 3, 2002, p. 5; “China Agrees to Allow Trade Remedy Review; Balks on Procedures,” *Inside US-China Trade*, May 15, 2002, pp. 1, 4; Daniel Pruzin, “China Review Woes Continue in WTO as Agriculture Meeting Questions TRQs,” *BNA International Trade Reporter (online)*, October 3, 2002; and Interview, US trade official, Washington, D.C., August 2002.

³⁴ Interview with MOFTEC official, November 2002, Beijing. This “cold shoulder treatment” was confirmed by a U.S. Embassy official in Beijing (Interview, Beijing, November 2002.)

China's verbal commitment to support developing countries' concerns, and the fascinating issues this commitment raises about China's goals and self-definition, make it useful to examine the developing country agenda, perceptions of China in the developing world, and China's concrete economic interests.

Consistent with its moniker as the "Doha *Development* Round," the Doha ministerial declaration makes a strong statement about the need to meet certain developing country demands.³⁶ Core substantive elements of the developing country agenda are: the maintenance of distinct categories ("special and differential treatment") for developing countries, especially those that are least-developed; guaranteed export markets for LDC products; special consideration of the impact of the intellectual property agreement (TRIPS) on prices, particularly of pharmaceuticals (HIV/AIDS drugs); and Trade Related Technical Assistance demands (including capacity building) in order to allow developing countries to trade more efficiently and to provide them financial support for costly elements of WTO implementation. There is also, secondarily, a governance agenda, i.e., opening up the structure of the WTO to be sure that developing countries are represented and have a chance to lead and set agendas.

Particularly, given the emphasis in the Doha Ministerial Declaration on meeting the "needs and interests" of developing countries, no country – including China -- openly opposes this agenda. Moreover, speeches by Shi Guangsheng, Sun Zhenyu and Long Yongtu have routinely supported substantive issues that they claim are at the heart of

³⁵ Interview with MOFTEC official, November 2002, Beijing.

³⁶ See preamble to the "Ministerial Declaration" (WT/MIN(01)/DEC/W/1, November 14, 2001, paragraphs 2 and 3, at www.wto.org. On the developing country agenda, see: Sally (2003), pp. 18-22; and Rubens Ricupero (Sec'y Gen, UNCTAD) (2001), "Rebuilding Confidence in the Multilateral Trading System: Closing the 'Legitimacy Gap,'" in Gary P. Sampson (ed.), *The Role of the World Trade Organization in Global Governance* (Tokyo: United Nations University Press): 37-58.

developing countries' interests. However, Shi Guangsheng's strong language about serving as a bridge, as noted previously, and subsequent support to developing countries on governance issues (see below), are said by those close to the process to have been a deliberate tactic to lay a foundation for future negotiating leverage.³⁷ Even more importantly, China has not been a forceful advocate of the development agenda. Most often, and not unexpectedly, China's "development" positions are closely linked to its own economic interests.

This is evident, for example, in a typical speech by China's Ambassador to the WTO, Sun Zhenyu. Sun listed the "developing country goals for the Doha Round" as, reduced agriculture tariffs and subsidies (China already has reduced tariffs, wishes to export to higher tariff areas, and says it cannot afford subsidies)³⁸, curbs on excessive use of anti-dumping (China is the most frequent target), opening of services to developing countries' labor and generally progress on movement of natural persons (China hopes to export labor), greater flexibility in services negotiations (so that developed countries can offer more without China having to "give" more), and additional concessions by industrialized countries in areas such as textiles and apparel (where China wishes to expand its exports, perhaps at the expense of other developing countries). The one area mentioned by Sun that *is* clearly on the developing agenda but *not* high on China's agenda is technical assistance and capacity building. Presumably China will not be asked to foot the bill for such technical assistance to developing countries. Its support in this area therefore is a low-cost way for China to publicly support the developing country

³⁷ Interviews with MOFTEC official who helped draft the speech, College Park, Maryland, May 2002; and Chinese IPE scholar, Beijing, September 2002.

³⁸ As will be discussed below, this is also the position of the U.S. Nobody would argue that the U.S. support here puts it in the development camp.

agenda.³⁹ Moreover, while China's problems with rural unemployment might suggest that it would lead the charge for an expansive definition of a "Development Box" in agriculture, it has been quite muted on the issue.⁴⁰

Another way to measure the discontinuity between China's agenda and the Doha development agenda is to note that China has not participated in coalitions of developing countries. For example, China has remained aloof from the "Like-Minded Group," an informal grouping of developing countries that has focused on the difficulties of developing country implementation.⁴¹ As will be seen below, and has been shown consistently in China's behavior in international organizations, China has been relatively aloof from *all* coalitions within WTO. The idea that it is a "bridge" is indeed a way to maintain maximum flexibility for maneuver between both the developed and developing agendas.

China has appeared more "development-minded" in its early efforts on governance issues within the WTO. Governance issues are intriguing because, as discussed further below, there is an expectation that China will be part of the WTO governing elite. Yet on two occasions, both occurring in the first month of membership, the PRC was outspoken on procedural reform proposals that would rein in the authority

³⁹ Sun's April 29, 2002, comments are quoted in *Inside US-China Trade*, May 1, 2002, pp. 3-4. See also the comments of Long Yongtu, quoted in "Speed Urged for International Trade Talks," China Daily (online) July 20, 2002 (<http://www1.chinadaily.com.cn/news/2002-07-20/787.15.html>); and in Robert Evans, "China, at first WTO Meeting as Member, Pleads for Poor," Reuters newswire (online), December 19, 2001. China also calls for technical assistance to developing countries at IMF Board meetings. Albert Keidel, "China in Multilateral Economic Organizations," Conference on China's Strategic Vision, US Department of State, Arlington, VA, August 20, 2002.

⁴⁰ Key among the developing country proposals for what should constitute "special and differential treatment" is the idea of adding a "Development Box" in agriculture, which would target low-income and resource poor farmers (particularly to ensure rural employment) and would provide exemptions for crops deemed necessary for secure "food security" in these countries. "WTO Members Split on 'Development Box' and S & D," *Bridges Weekly Trade News Digest*, February 12, 2002 (online at <http://www.ictsd.org/weekly02-02-12/story1.htm>.)

⁴¹ Sally (2003), p. 20.

of the secretariat and committee chairs and influence agenda setting. The first occasion was to join with a large group of developing countries to suggest that the chair of the Trade Negotiations Committee (TNC) for the Doha Round be a member government's ambassador (rotating) rather than the Director General (DG) of the WTO.⁴² Also in its first month of membership, China joined with a group of developing countries in advocating restricting the discretion of the chairs of the six TNC subcommittees to decide what alternative positions are included for consideration in draft proposals. The aim was to prevent compromise texts that do not reflect the positions of developing countries, and to bring a more open deliberation process to the choice of language.⁴³ Although we shall argue below that China generally has been a follower of others' initiatives, in this latter decision the PRC was apparently quite influential.⁴⁴ As actions on governance have subsided into the background in favor of substantive negotiations, China's early efforts on to re-jiggering the governance structure has not been further tested. It does appear, rather, that governance issues are marginal to China's overall agenda in WTO. China's support for these two rule changes appears to have been to gain easy and costless tactical wins rather than serious gambits to alter the power structure.

Deeper consideration of China's long term prospects for leadership of the Third World requires a sense of the developing world's views of China, and of China's

⁴² This effort in January, 2002, was pushed by a broad coalition, including most African countries and many in Central America and the Caribbean, plus Pakistan, and opposed by the Quad countries, Southeast Asian countries and India. A complicating twist that helped split developing countries was that the incoming DG, Supachai Panitchpakdi, who is Thai, was backed for the DG position by many developing countries. The proposal also was linked to a preference that the six TNC subcommittee chairs be from member countries. This proposal was adopted. See: D. Ravi Kanth, "China: The New and 'Pushy' Boy on the Block," *Asia Times* (online), February 7, 2002; Robert Evans, "WTO Chief Warns Trade Round Deadline Under Threat," Reuters (online), January 22, 2002; and *Inside US Trade*, January 25, 2002. The effort was not successful for the immediate term, but China indicated it was conceding only for this round.

⁴³ *Inside US Trade*, February 8, 2002, and Kanth (2002).

concrete economic interests. Both of these perspectives arouse further skepticism about the longer-range significance of China's early actions on governance. While a comprehensive treatment of this topic is beyond the scope of this chapter, several points are worth noting. In the WTO, "developing country" is a self-designated term. South Korea in many instances terms itself "developing," for example. China found it useful in its negotiations for WTO accession to claim to be a developing country, for this would suggest longer compliance schedules and other special treatment. Chinese negotiators were largely unsuccessful in leveraging this argument, however.

Developing countries in other specific situations have found China's weight useful, as in the governance issues discussed previously. And there may be complementarities in specific sectors or sub-sectors. But interviews have suggested that developing countries are more concerned with the threats China poses to their substantive issues, and feel their interests are more competitive with than complementary to China's. US officials involved in China's WTO negotiations frequently remarked in interviews that developing countries, while on the one hand making plaintive *public* comments that China's terms of accession "set the bar too high" for developing countries, were *privately* supportive of strict terms to restrain Chinese competition to their exports -- such as safeguards on textiles and the other inexpensive, labor-intensive goods.⁴⁵

The question of China's substantive interests is also complicated, and questions of complementarity with other economies depend on specific sectors and even products.

⁴⁴ "China Takes Lead Role in Shaping WTO Negotiating Procedures," *Inside US-China Trade*, February 6, 2002, pp. 1, 4.

⁴⁵ This view was repeated in interviews with various former and current US trade officials, Washington D.C. and Beijing, August-September 2002. Argentina was said to be an initiator of this competitive view. Some evidence of the wariness by East, Southeast, and South Asian countries toward China is presented in Alastair Iain Johnston and Robert Ross, *Engaging China: The Management of an Emerging Power*,

But what is clear is that China's extraordinarily diverse economic interests, taken as a whole, distance it from developing countries. It is useful to simplify this question into two dimensions. The first is the question of how open the Chinese economy is to trade and investment. Although economists debate precisely how open China's economy is, it is more open than the economies most developing countries. China's foreign interlocutors in WTO negotiations often commented that on many dimensions China's economy is more open than the economies of Japan, Korea, Mexico, Brazil and India.⁴⁶ Even though it maintains protectionism in important sectors, far more than most developing countries China has for many years been a "sink" for foreign investment. It is highly committed to trade as a central part of its economic growth strategy. Put differently, as the world's fourth largest exporting country (after the US, EU, and Japan – having recently displaced Canada), and the fourth largest trading partner of the US, China also has a strong interest in opening the economies of other countries for China's goods overseas. As will be discussed in more detail in Part V, China has an export interest in Asia (such as agricultural specialty goods), the US (notably in textiles), and the EU (such as on technical barriers to trade). It requires strong exports for continued growth and employment. Chinese trade officials also recognize that China's own post-WTO compliance tariffs are or will be below those of many countries, especially in Asia, to which it might export. Finally, particularly in agriculture, there is a recognition that it needs to diversify its trade networks so that it is not reliant upon the U.S.⁴⁷

(London: Routledge Press, 1999); and John Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (University of Washington Press, 2002).

⁴⁶ This is a core argument in Lardy (2002).

⁴⁷ The desire to diversify away from the U.S. in grain is particularly acute in some quarters. Interview, Australian Embassy economic officer, November 2002. The desire to diversify its agricultural trade, for economic, security, and political reasons, is also a key reason for China's pursuit in recent years of free trade agreements outside of the WTO framework, particularly with South American and SE Asia.

The second (and less commented on) dimension of China's economic interests is their great breadth. Its *offensive* interests in opening markets for its exports have been noted. China also has *defensive interests* in protecting its own markets – this is the main focus of US compliance monitoring and the TRM. The point to be emphasized is that the great diversity of China's defensive and offensive interests distinguishes China from other huge developing countries. India, for example, has trade interests that are quite asymmetric. China does not have one dominant, overriding interest, such as Argentina does with agriculture, or Bangladesh does with textiles. In terms of level of development, it is more on a par with advanced developing economies (such as Mexico and Brazil). But in the *range* of interests China is more like the US and the EU, and has even broader interests than Australia, and the newly industrialized economies of East and Southeast Asia.

A detailed discussion of China's true and perceived trade interests, and the balance of complementarity versus competitiveness with other developing countries, is beyond the scope of this chapter.⁴⁸ The fundamental point, however, is that one must be skeptical China will find in developing countries strong complementary interests that can form the basis of substantial alliances. Rather, it is likely that China will carefully choose where it can take low-stakes stands on issues it attributes to the “developing countries,” but that its deeper self-interests are (a) more complex to pin down and (b) may not align with those of developing countries as much as is often commonly perceived. Chinese trade officials also recognize the fractious nature of the developing country group; as one

⁴⁸ One assessment of China's trade interests from the developing country perspective is S.M. Shafaeddin (UNCTAD Secretariat), “The Impact of China's Accession to WTO on the Exports of Developing Countries,” UNCTAD Discussion Paper No. 160, June 2002 (www.unctd.org/en/pub/a160-02.en.htm.)

Chinese trade official commented, it is a group that, because of its divergent interests, “cannot be led.”⁴⁹

Ironically, the direction of influence across China’s “bridge” may not be north from the developing world to the industrialized world, but south. During the summer of 2002, China’s former chief negotiator Long Yongtu reappeared on the scene in Geneva (surprising his former interlocutors who had presumed him to have been removed from the picture). Long attended a TNC discussion of agriculture issues, and made what US officials considered a very helpful intervention; while portraying China as a leader of the developing world, he made statements about the value of further liberalization of agricultural export markets. This hearkens of USTR Robert Zoellick’s attribution of credit to the Chinese for using the Shanghai APEC meetings to launch the Doha Round itself, including its successful efforts to bring along reluctant Southeast Asian nations – particularly Malaysia. Chinese trade officials, too, have expressed pride in China’s help to the U.S. on this matter.⁵⁰

A trend to watch in China’s “development-oriented” behavior concerns its relations to Southeast Asia. Many observers have noted the growing strength and efficacy of China’s “charm offensive” in Southeast Asia, and the potential training ground of this venue for WTO.⁵¹ China is widely seen as engaged in a strategy to

The paper argues that the prospective picture for competitive exports from China is mixed, and shows that it must be discussed on a sector- and country-specific basis. See also Lardy (2002), esp. pp. 126-7.

⁴⁹ Interview with Chinese trade official, Washington, D.C., August 2002.

⁵⁰ Interviews with US and PRC trade officials, Washington, D.C. and Beijing, August and September, 2002. China’s efforts on Doha in Shanghai can be seen in the context of Beijing’s willingness to channel the most significant portion of the agenda to security issues raised after September 11, 2001.

⁵¹ Interview with Chinese commercial official, Washington, D.C., August 2002; and interviews with two senior US APEC officials, Washington, D.C., August 2002. On the PRC’s “periphery policy” (*zhoubian zhengce*), see Suisheng Zhao, “China’s Periphery Policy and Changing Security Environment in the Asia-Pacific Region,” *Prospect Quarterly* (October 2001), pp. 57-99; and Bates Gill, *China and Multilateralism* (unpublished book manuscript).

upgrade the quality of its diplomatic attention to Southeast Asia, in part through unusually proactive cooperative behavior. This is seen in the initiative for the ASEAN Free Trade Agreement, which is notable for excluding the US and ANZ countries. China is also cited as showing substantial sensitivity to concerns from within the region about Chinese economic competition.⁵²

IV. China in the Orbit of the Power Center: China as an “Insider”?

What does the discussion of China’s concrete economic interests, and the probable limits on coalitional activity vis a vis the Third World, suggest about China’s posture toward the WTO’s power center – the US and EU? Chinese support for mild revisions on governance have the potential to shift power slightly toward developing countries. But despite the mild revisionism implicit in these moves, China is not seriously rejecting the status quo power structure of the WTO. Rather, its post-accession behavior suggests that it wishes to join the power center without wishing to wrest control of it. In turn, representatives of the countries that dominate the WTO assume that China is a necessary player, and believe that the idea that China might be excluded is ludicrous. For example, no non-Chinese interviewee indicated that China should be excluded from “green room” discussions, though some added the qualification that China’s purposes in such settings should be serious and tractable. There are striking parallels with China’s participation in the UN Security Council.

⁵² China is acutely aware of this sensitivity and often acts to downplay actions that might further deepen the notion that China’s economic growth will come at the expense of its Southeast Asian neighbors. In APEC, in contrast, China is seen as avoiding coalitions and does not engage in or form alternatives to the Buick Group (the US-led coalition involving the ANZ, Hong Kong, Singapore, Canada and Chile).

There is, in other words, no substantial evidence that the Chinese reject the dominant rules and operative norms of the organization. They do not yet feel comfortable in it, but Chinese officials who have spent time in Geneva in the past make it clear that they are busy learning about it. They take note of when Chinese participants are not included in informal meetings, and have been pleased to be invited when they are, including to a small number of Quad meetings. More generally, Chinese trade officials agree that there is a need for the WTO's ubiquitous informal meetings that allow the most interested parties to work out disagreements before bringing issues to a more formal setting. One Chinese trade official described in positive terms the US and EU discussions (which excluded China) about differences in their approaches to agricultural talks, for example. This same official contended that China "would not support any major overhaul of the decision-making structure" in Geneva.⁵³

The question of style of behavior also came up frequently in discussions with Chinese trade officials. They often attempted to distance themselves from India, expressing annoyance at India's grandstanding and "uncooperative" behavior in Geneva. (Non-Chinese trade officials also noted the difference between China's style and that of India.) Style also translates into deeper behavioral characteristics. US and EU trade officials observe that China does not like to be ostracized from the majority. Rather, the Chinese delegation tends to watch to see where coalitions are forming, and then lend verbal support to the coalitions after they have taken basic shape.⁵⁴ A major example of this pattern was where China joined the steel complaint launched the EU and Japan against the US, but only after the basic coalition was in place. China's move came after

⁵³ Interview, Washington DC, August 2002.

most of the international attention to the steel complaint had died down, but still allowed China to gain substantial domestic publicity for its (popular) move.

The US delegation commonly tries to leverage China's tendency to follow rather than lead. In an attempt to quiet anticipated Chinese reticence on a position, US delegates try to present a coalition from the beginning of a discussion, or have other more "neutral" countries voice their pro-US views on an issue before the US delegate says anything. They expect this strategy to continue to be successful unless or until China's own skills at coalition formation improve substantially.

With regard to China's potential for leadership as an "insider," Chinese delegates have on most issues adopted a learning posture. Thus far, Chinese attempts at leadership are primarily exhibited as a desire to serve as "host" for major meetings, much as they will do for the Olympics in 2008. They received strong praise for successfully hosting the APEC Shanghai year, culminating in the 2001 Leader's Meeting in Shanghai. Though the Chinese APEC planners were not proactive on the substantive side, they were organizationally extremely adept.⁵⁴ With Shanghai in their pocket and, undoubtedly, the 2008 Olympics in mind, they have continued their offers to host. For example, China became a full member of the G-20 in 2001, and immediately wanted to sit in the chair and host. India was chosen instead. China also quietly offered to host the mid-term review of the Doha Round in the fall of 2003. There was, however, little enthusiasm for China's offer, and Mexico stepped in and was given the job.

⁵⁴ Various interviewees noted this not only in WTO (such as on some of the governance issues noted previously), but also in APEC and at the International Telecommunications Union (ITU).

⁵⁵ Interviews with US officials involved at both the Leaders level and various sectoral Ministers meetings, Washington, DC, July and August, 2002. Interestingly, on substantive trade issues the Chinese planners were reportedly quite reluctant to put forth their own proposals in meetings in the first half of the year. They eventually accepted the US government's proposal for and substance of the "Shanghai Accord" that became the main work product of the meeting.

There is substantial consensus among outside observers that China is still too early in its tenure to have any expectations of leadership within the WTO. (The fact that the Doha agenda was set before China was a member is also relevant.) In the longer term, though, China's effectiveness as a "great power" will be measured in terms of its vision for future WTO rounds and its ability to build coalitions and bring others along. To do this, trade policy leaders need to have a strong sense of its country's offensive interests, to work actively to build consensus between interested parties at home and in Geneva, and to move an agenda ahead in the WTO. Domestic politics that hamper the identification of offensive interests on multiple trade areas, as well as the Geneva delegation's weakness as a satellite decision-maker, constrain China greatly. The willingness China exhibits now to acquiesce in consensus is long way from working proactively to build consensus around home-grown visions.⁵⁶

If China is not a deal broker, is it likely to be a deal breaker? Once again, there is little information on this question given that serious negotiations on the Doha agenda are only beginning; the answer will depend on concrete interests subject at specific times. As noted previously, any major participant can block any major move by the WTO that is not in its interest. China's behaviors, as observed by those involved in the accession process and the first year, suggest that China will, in the words of one interviewee, "go along to get along." Others have opined that China will tend to be consensual, meaning not breaking a deal despite its ability to do, if the deal is not disastrous for China (such as

⁵⁶ Some of the agency problems between Beijing and its trade negotiators that were evident in China's WTO accession negotiations continue to be relevant. In those negotiations, the inability of China's trade officials to gain consensus (both at home and with foreign interlocutors) meant that the Chinese timing was often "off." By the time Chinese negotiators were ready to address and resolve an issue, the negotiators on the other side had already moved on to something else. (Interviews with U.S. and the EU trade negotiators, Washington and Beijing, August and September 2002.)

contravening China's interests in Taiwan). Observers point to numerous examples where, such as the steel case noted previously, China has offered support to a move where the basic consensus has already formed.⁵⁷

V. The Substance of Doha: Liberalization

As noted previously, it is a truism of the trade policy literature that China's concrete economic (and occasionally political) interests, as mediated through its domestic political process, will be the primary determinant of China's WTO behavior. The WTO process assumes this. But there is insight to be gained from thinking systematically about what constitutes China's trade policy interests, as these interests will shape behavior in ways that are not fully realized in policy or academic circles. Two major conclusions about China's trade interests have emerged from the previous discussion. First, China cannot afford for its support for developing countries' agenda to be deep, China's interests are fundamentally different. Second, China's interests do not permit it to be a major obstructionist power in terms of further liberalization in key areas on the Doha agenda. This is not to suggest that China will be a major liberalizing force; it cannot be expected to pursue liberalization for liberalization's sake. The details of each issue area (and their cross-linkages) will be important, and the implicit coalitions China forms with other countries will constantly need to shift. Overall, however, it is mistaken to presume that China will be consistently on the opposite side of the US, EU, Japan, Canada,

⁵⁷ This is different from staying on the sidelines or abstaining (as at the UN) – it is voicing an opinion but not generally one outside a substantial consensus. A conflicting conclusion to the one offered here – whereby China is seen as manipulating APEC for its own intentions in the period after the Asian Financial

Australia, etc. Rather, often it will find partners from among the developed nations, and often these interests will be in favor of further liberalization of trade barriers.

Before discussing concrete issues areas, it is important to recall the presence of the “request and offer” system, and the Single Undertaking components of the round. For China, as for all countries, the “request and offer” format and the “Single Undertaking” built into the Doha Round mean that narrow, tit-for-tat negotiations will not be productive. Although PRC officials have frequently claimed that the depth of China’s accession commitments means it has no more to “offer,” foreign observers counter that “no one is maxed out.”⁵⁸ While both these positions reflect negotiating tactics, the foreign position is undergirded by the “request and offer” modality. All members are forced to take a broad view and formulate a comprehensive strategy across many different issue areas. The need for interagency coordination and consultation at home is very important, and remains a major weakness in China’s trade policy. Nevertheless, the Chinese delegation has put forth some requests in major areas, notably agriculture and services.⁵⁹ (The latter have not been publicly disclosed.) Although the Chinese delegation clearly recognizes that the “request and offer” system is the basis for credible negotiation, thus far there is much request and little offer. This is, to non-Chinese

Crisis – is in Thomas G. Moore and Dixia Yang, “China, APEC, and Economic Regionalism in the Asia-Pacific,” *Journal of East Asian Affairs*, Vol. 13, No. 2 (1999), pp. 361-411.

⁵⁸ “China’s WTO Entry Could Hurt Developing Country Interests,” *Inside US-China Trade*, November 7, 2001, p. 5. One argument made by both US and EU trade officials is that, because most of China’s commitments will be phased in as of 2005, and because the Doha Round is not expected to conclude before that, it will be in a position to offer more.

⁵⁹ One way to conceive of this dispute over what China has to offer is that, overall, China’s trade barriers still remain higher than those of the US, EU, Canada, etc., and in areas of keen interest to these countries and the EU. So despite the fact that its barriers have been coming down fast and are lower than many other developing countries (two points China emphasizes), they still exist (the point developed economies emphasize). In services, for example, the US is likely to request China to establish an independent regulator in postal services and railway – two sectors left out of China’s accession agreement (Section 309 of the Working Party Report) on independent regulators. Although services are central to the Doha Round

participants, not surprising given China's domestic political need to be seen as "reaping the benefits" of WTO membership, and given the fact that the Doha Round is still in the early stages rather than the end-game of negotiation.

It is noteworthy that China's proposals, while request-heavy, are nevertheless said to be detailed and fairly well thought through. This can be contrasted to India's strategy. With regard to the temporary movement of workers, for example, India has made requests that (according to European trade diplomats) it knows Europe cannot meet.⁶⁰ China, in contrast, while not offering concessions, is putting forth solid, credible requests that can be put on the table.

The remainder of this section discusses the unfolding Chinese position on two issues that are central to China's trade and domestic agendas and which are poised to form the core of its offensive position in the Doha Round: agriculture and textiles. These two areas reflect major export interests for China. Indeed, agriculture was mentioned as one of the two priority areas for China to address in the Doha Round, with the second being anti-dumping.⁶¹ In all three areas – agriculture and textiles, addressed here, plus anti-dumping -- the stakes are high, not in the least because they are highly politicized domestically.

Agriculture

The ongoing Doha Round negotiations on the WTO Agreement on Agriculture (AoA) are extremely complex and contentious; indeed, they are so contentious that –

and a huge interest of other developed nations, China's position is yet unformulated (as is true for many other countries) and so this area is only mentioned in passing.

⁶⁰ Interview with EU delegation representative, Beijing, October 2002.

⁶¹ Interview, MOFTEC official, Beijing, November 2003.

under the rules of a Single Undertaking – their failure threatens the success of the whole round.⁶² The contention is, broadly speaking, between three somewhat well-defined coalitions. The US and the Cairns Group have, since the Uruguay Round negotiations (1986-1994) tended to favor fundamental liberalization of agriculture markets.⁶³ (Note that the Cairns Group is made up of both developed and developing countries.) The EU, Japan, Korea, Norway and Switzerland have opposed drastic reductions in domestic supports, and seeks to protect the “multifunctionality” of agriculture (e.g., environmental concerns). The third major grouping, developing countries (often represented by NGOs), seeks to open developed country markets to their commodity exports, to end price-suppressing domestic supports in developed countries, and protect food security and enhance rural development through “special and differential treatment” that allows slower trade liberalization in developing countries.⁶⁴ During the summer of 2002, China offered a broad proposal calling for agricultural liberalization (see below). This occurred at about the same time the US tabled an ambitious proposal. The EU offered its own, much less ambitious proposal in December 2002. The differences between these three loose coalitions – especially the U.S./Cairns Group and the EU – are huge. Indeed, the

⁶² It is useful to note that the issue of PRC compliance with its agricultural agreement has been one of the three or four issues dominating the US agenda on PRC compliance – particularly the allocation of tariff rate quotas (TRQs) and what the US and others term technical barriers to trade (TBTs), especially regulations on genetically modified organisms (GMOs). These issues are relevant primarily to the domestic agenda rather than Doha. An exception, however, and an area where US and PRC agricultural interests may increasingly divide and suggest a realignment between China and the EU, is on GMOs. China’s own restrictions on domestic development of GMOs may be an effort to protect its export markets into Europe. Joseph Kahn, “The Science and Politics of Super Rice,” *New York Times*, October 22, 2002 (online).

⁶³ US agricultural production has, of course, relied heavily on domestic supports for agriculture, a fact that seriously undermines trust in the US as an agricultural liberalizer. Nevertheless, compared to the EU-based coalition, and particularly in the Doha Round, US trade policy has increasingly favored restricting the special exemption that agricultural trade has had in GATT. An account that categorizes the main players in two camps – a development perspective and a trade-liberalizer perspective – is: David Orden, Rashid S. Kaukab, and Eugenio Diaz-Bonilla (March 2003), “Liberalizing Agricultural Trade and Developing Countries,” publication of the Trade, Equity and Development Project, Carnegie Endowment for International Peace, Issue 6.

first major deadline of the talks (March 31, 2003), by which point interested parties were to have agreed on negotiating modalities, passed without the parties coming even close to agreement.⁶⁵

China is unlikely to play a major role in the success or failure of the agricultural negotiations, both because the negotiating space is dominated by the other coalitions, and because of resource constraints and the absence of an authoritative mandate from Beijing.⁶⁶ However, China's position in these talks suggests how it is defining its trade interests, and offers further insight into its coalitional behavior. As expected, China's proposal does not contain any offers of substantive concessions on China's part. It is framed as a call on behalf of developing countries, and carries as a major goal the reduction of European and US domestic subsidies and other trade distorting supports. Yet in substance China's proposal is not unlike recent Cairns Group proposals. China has left quite a bit of room for cooperation with other agricultural exporting countries, particularly the Cairns Group, and the US – and a coalition against the EU, Japan and Korea. Indeed, China has quietly indicated at least some support for the US initiatives, which serve as the main stake in the ground for the liberalizing coalition.⁶⁷

Moreover, over the course of several months of early Doha Round agricultural talks (which began formally in April 2002), China increasingly moved away from its rhetorical position of support for developing country interests to a more explicit congruence with the US and Cairns Group. On the issue of export subsidies, which

⁶⁴ Many demands of the developing country agenda are summed up in the call for a "Development Box."

⁶⁵ Elizabeth Becker, "Negotiators Fail to Agree on Agricultural Subsidies," *New York Times*, April 1, 2003, p. C1.

⁶⁶ China's proposal was written by the Ministry of Agriculture, but appears to be derivative of work by the OECD. Interview, Canadian trade official, October 2002, Beijing.

⁶⁷ Interview, USTR official, August 2002. Recall also Long Yongtu's comment, noted above, that developing countries should go along with agricultural liberalization.

China committed to reduce to zero in its own accession agreement, it has taken on the mantle of liberalizer, particularly against the EU and Japan. This of course can be seen as helping developing countries – and China. But it is significant that China does not feel it necessary to frame its argument as in opposition to the US. Moreover, a key MOFTEC official involved in framing China’s position on agriculture indicated that the basic argument was between a Cairns/US coalition – which he asserted China’s position was most like – versus the EU, Switzerland, Japan and Korea. He did not mention a “developing country” interest.⁶⁸

The following discussion outlines the three agreed upon areas (“pillars”) for AoA negotiations in the Doha Round, and China’s basic position on them.⁶⁹

- Agricultural import tariff liberalization (market access). These negotiations revolve around lowering tariffs and tariff quotas on agricultural goods. China agreed in its WTO accession to reduce average tariffs on agricultural imports of 15% by January 2004, far lower than nearly all developing countries, including in Asia. (Korea and Japan’s are about 50-60%.)⁷⁰ China already exports many fruits and vegetables, and has a trade surplus in vegetables (most of which are to Asian countries – Chinese agricultural production in specialty items is too small-scale to be competitive with that of Europe or

⁶⁸ Interview, MOFTEC official, Beijing, November 2003. This official did note that on GMO labeling, China’s position is closer to that of the EU, and that there are some reasonable positions articulated from Switzerland regarding a formula for tariff reduction.

⁶⁹ On the Doha positions, see Daniel Pruzin, “Harbison Calls on WTO Members to ‘Change Gears’ in Agricultural Talks,” *International Trade Reporter* (BNA), October 3, 2002 (online). The agricultural goals of the Doha Round are expressed in the “Ministerial Declaration” (2001). In addition to these main pillars, the developing countries are to be provided “special and differential treatment” to take account of food security issues and needs of rural development. “Non-trade concerns,” such as animal welfare and consumer protection, also are to be considered, largely at the behest of the EU. Sally (2003), p. 15.

the US.) It has large export-oriented fish and shrimp processing industries. PRC agricultural officials understand that China stands to gain export markets if other countries' barriers come down, and that exports could have a positive employment effect in the countryside. A US proposal in July, 2002, called for further lowering of the average tariff level to 15% (from 62%). This new level would be slightly below that to which China has committed; the Chinese have quietly seemed to accept this proposal. The PRC, US, and Cairns Group proposals are generally consistent in calling for a phased-in lowering of tariffs, with longer periods for the developing countries (6 years in the PRC proposal) than in the developed (3 years). Disagreement among them is likely to arise over China's own poor record of reducing tariffs and implementing tariff-rate quota commitments in its own accession protocol. The EU proposal, in contrast, calls for a 36% cut on existing tariffs. The EU position is supported by a coalition called "Friends of Multifunctionality," and includes Japan, Korea, Norway and Switzerland.⁷¹

- Domestic supports. These negotiations focus on domestic subsidies linked to production, and thereby considered trade distorting. In meetings in the fall of 2002, the US, China, India and Cairns Group – all agricultural exporters – called for the eventual elimination of trade distorting domestic subsidies ("amber box"⁷²), while the EU, Japan,

⁷⁰ Lardy (2002), pp. 75-6. The TRQ commitments lower quotas to below this for in quota imports on designated agricultural products. Global food and agricultural tariffs average about 62%. US average agricultural tariffs are about 12%.

⁷¹ On the US proposal's average tariff level and the EU proposed cut of tariffs, see Sally (2003), p. 15. Technically, the US proposal calls for the use of a harmonizing formula for reducing all agricultural tariffs that will cut high tariffs more than low tariffs, ensuring that no individual tariff exceeds 25% after a five-year phase-in period. It also calls for the expansion of all tariff-rate quotas (TRQs) by 20% and elimination of in-quota duties, phased in over a five-year period.

⁷² Domestic supports are classified into three "boxes": amber box (trade-distorting, and subject to reduction commitments), green box (non-trade distorting, exempt from reduction commitments), and blue box (production-limiting support also exempted from WTO reduction commitments) subsidies. There is much contention over the exemption of "blue box" and "green box" supports, the latter because their sheer volume is said by some, including the Cairns Group, to be distorting. On the proposals for a

South Korea, Switzerland and Taiwan argued that elimination of these subsidies – which amount for about 40% of all domestic subsidies -- was too ambitious. The EU called for a 55% reduction in domestic production-linked subsidies.⁷³

- Export subsidies. China committed to reduce export subsidies to zero upon WTO entry, a liberalization substantially beyond the current US and EC levels.⁷⁴ The government claims it cannot afford subsidies anyway. Sun Zhenyu's call for "fair trade," and press statements from Shi Guangsheng are explicitly aimed at developed countries, namely the US and, especially, the EU.⁷⁵ However, the formal PRC proposal is for a three-year phase in for developed countries and six years for developing countries.⁷⁶ The US in Geneva proposed multilateral elimination of all export subsidies by 2010. There is thus some chance of Sino-Cairns-US cooperation on this issue, but the US and the Cairns Group are expected to drive the negotiations. There has been resistance from the EU, which has proposed instead a 45% reduction in export subsidies.

"Development Box," see above fn. 40. There has been disagreement on the issue of whether reductions on trade-distorting support should be made on an aggregate (across the board, generally supported by China, the US, and Canada) or disaggregate (product-by-product) basis. See Pruzin (October 3, 2002). Under the US proposal, the US can maintain certain domestic supports (such as direct payments to farmers to not grow crops or income insurance) because they are "green boxed," and therefore exempt. While comments by Sun and Shi suggest that such green boxed subsidies are not "fair trade," China has not yet chosen to attack these subsidies directly.

⁷³ The US position unveiled in the summer of 2002 called for simplification of trade-distorting domestic subsidies (phased in over a five year period) to 5% of a country's total value of agricultural production (i.e., equalizing this for all countries), and then moving to eventual elimination. At present, according to the US Department of Agriculture, Europe is at 25%, Japan at 40%, and US at 10%. (Ann Veneman, July 29, 2002 press conference.) China agreed in its WTO accession, after much last-minute dispute, to domestic supports of no greater than 8.5%. Lardy (2002, p. 92).

⁷⁴ Lardy (2002), p. 94. Developed countries previously agreed to reduce the value of their agricultural export subsidies by 36% by 2005, and developing countries by 24%.

⁷⁵ See Shi Guangsheng's comments in Gong Wen (July 12, 2002). These comments were echoed by Long Yongtu (*China Daily*, July 20, 2002). More than 80% of all agricultural export subsidies are accounted for by the EU, whereas only 25 of the 134 WTO members (as of February 1999) were entitled to use export subsidies – and most of these were developed countries. Cairns Group Papers, "Developing Countries and Agricultural Trade Liberalization" (February 1999), www.cairnsgroup.org/papers.

⁷⁶ *Inside US Trade*, June 21, 2002. This was in fact quite similar to an earlier Cairns Group proposal.

As this discussion indicates, there are several key issues on which China has significant complementary interests with US-led liberalizing countries. In part because China's WTO accession commits it to terms more stringent than apply to other developing countries as well as, in some cases, to the US and Europe, it clearly has identified an interest in liberalization of agriculture by others. US officials hope that China will be an ally in further liberalization on the subsidies and tariffs issues.⁷⁷ Arguing against the durability of such a coalition is the fact that the US can be expected to attempt to keep some form of export supports off the table, both by manipulating the "box" categories and trying to avoid export credits (which it relies upon heavily) to be included; these are supports that China simply cannot afford.⁷⁸ What will be key to observe as the negotiations progress is whether China makes offers, or will attempt to free ride on the negotiating position of the US or Cairns Group.⁷⁹

Textiles

The Chinese position on textiles will be extremely interesting to watch in the future, and – in contrast to the potential cooperation with the U.S. on some elements of agricultural liberalization -- is likely to be a major source of conflict with the US, with China this time potentially gaining sympathy (if not support) from the EU and Australia. There are several dimensions of this problem worth noting. First, China is the world's dominant market power in textiles and apparel. In 1996, even while restricted by quotas (and including Hong Kong re-exports), China accounted for 12.5% of the world's

⁷⁷ Various interviews with US trade officials, Washington and Beijing, August to October, 2002.

⁷⁸ On the US attitude toward export credits, see "Doha Round Briefing Series," International Centre for Trade and Sustainable Development, Vol. 1, No. 2 (February 2003), p. 1 (at www.itcsd.org).

exports, and was the world's largest producer of these goods.⁸⁰ In the US, in contrast, the textile industry fills a few niche markets, and has much political power, but has not been able to sustain competition from lower cost producers such as China, India, Pakistan, Mexico, and Bangladesh. The WTO Agreement on Textiles and Clothing (ATC) provides that restrictions on the growth of China's market share be lifted through the phasing out of all quantitative restrictions on textile and clothing by the end of 2004.

Second, China is subject to two conflicting international agreements, both signed by the US as well. One is the ATC. The other is the 1999 Sino-US bilateral agreement with China, which provides the US government with two tools – the textiles safeguards mechanism (until 2008) and the product specific safeguards mechanism (for 12 years after accession) -- to protect the US textile and apparel market.⁸¹ Whether the US will abide by its ATC commitment is questionable, but even if the US does ultimately abide by the agreement, it launched safeguard actions against China in June of 2003.

Third, although China would like to gain political leverage at the WTO by claiming that it is upholding international rules, it is unlikely to be able to form a strong coalition with other developing countries on this issue, as most developing countries worry about competition from China's textiles. There is disagreement about what the exact impact of China's ability to expand its exports will be for other textile-producing developing countries, such as India, Pakistan and Bangladesh. But the bigger issue is the *perception* of those countries that the reduction of quotas for China might harm their textile exports industries. Although MFA quotas originally had the effect of curbing

⁷⁹ Even though China's subsidies are zero, US Embassy analysts (Beijing, September 2002) suggest that China could offer, for example, to cap its out-of-quota tariffs.

⁸⁰ Lardy (2002), p. 123.

⁸¹ The basics are detailed in Lardy (2002), pp. 123-5.

imports to developed countries, these quotas also gave many developing countries a share of the large US and EU markets they would not have gotten had market share been determined by competitive market forces. In other words, the quotas may have protected not only US producers but other low cost developing country textile exporters as well. US trade officials involved in China's accession negotiations contend that developing countries, except for India, never strenuously objected to the US inclusion of safeguards in its bilateral agreement. Even India's objections were considered merely rhetorical, as it has also indicated privately a desire to see US safeguards in place.⁸² Non-US trade officials see some potential for cooperation between China, Pakistan, Indonesia and India, and against smaller developing countries that export textiles, such as Bangladesh, Mauritius, and Latin American countries. Other countries such as Australia and the EU that are theoretically opposed to quotas, because they hinder the credibility of a rules-based system, are unlikely to become active and use up political capital on issues that do not directly affect them.⁸³

Finally, the textile issue is of such importance – symbolic and substantive – that Chinese trade officials have suggested that China will attempt to link it to other issues in order to get what it wants in textiles and apparel. As one official said, “if the US is difficult on this issue after 2005, it will unravel everything.”⁸⁴

Thus far, China's specific WTO textile-related activities have focused in a couple of areas. China's delegation has complained formally (to the Textiles Monitoring Body) about the US interpretation of its obligations to phase out quotas. (A specific complaint made in February 2002 was the first major complaint China has launched at Geneva.)

⁸² Interviews with former US trade officials involved in China's WTO accession agreements, July 2002.

⁸³ Interview with non-US trade official, Beijing, October 2002.

China phrased this complaint as a developing country issue (which in part it is, subject to the above caveats), but it also clearly affects China's core interests. One issue is whether the US should calculate increases in China's quotas, due China under the ATC, on a pro-rated basis from the time China joined late in 2001 (which the US has done), or should retroactively apply the phase-ins to the time covered by the agreement but prior to China's membership.⁸⁵ In May 2002 China followed up its initial complaint with a call, along with other textile exporters including India and Brazil, for the Council on Trade in Goods (CTG) to endorse language allowing favorable methodology for the calculation of ATC quota phase-ins.⁸⁶ One portion of this request would not help China (rather, it would only help small suppliers), while the other would help China. In this case, China is cooperating with textile exporters against importers (such as the EU and US).

China is in a position to think creatively on this issue, and to use it to challenge the US, with backing from the ATC. In other words, China has the opportunity to play the role of an upholder of liberalizing agreements. – against the US. It is also showing evidence of some coalitional activity, including with India – despite some indications that after 2005 India and China are likely to become competitors.

VI. Conclusion

⁸⁴ Interview, Chinese trade official, Washington, D.C., August 2002.

⁸⁵ "China Prompts TMB Examination into U.S. Limits on Chinese Textiles," *Inside US-China Trade*, April 24, 2002, pp. 1, 4. This dispute applies to the second stage increase in growth quotas, and expands China's quotas by 1.4% instead of 25% under phase two. China joined with only 3 weeks left in phase two. Canada, in contrast, gave China the full 25%, as has been standard practice. China's complaint also covered several other detailed issues. See also "US Defends its Approach to Chinese Textile Quotas at TMB," *Inside US-China Trade*, June 5, 2002.

Many conclusions can be drawn from the information presented above about China's behavior in the WTO. While they are only preliminary conclusions, given China's relatively brief membership in WTO, they offer a template for examining future behavior. In this final section, I focus on the broader implications of the observed behaviors, framed around three questions often asked in the field of international relations about multilateral organizations and China's behavior in them. This section addresses what can we learn about (1) Chinese goals in the WTO, (2) China's propensity for leadership of (and proactive behavior in) the organization, and (3) China's "cooperative" – as opposed to "revisionist" – behavior in Geneva proceedings.

What are China's Priorities in WTO?

Beijing's greatest challenge in effectively maneuvering within the WTO process in Geneva is to set clear priorities and to give its agents in Geneva the resources and authority to be nimble. This challenge is dictated in large part by the complexity of trade negotiations and vastness of the trade agenda, the Single Undertaking, and the reality of shifting coalitions. The multiplicity of China's goals is itself dictated by the diversity of its economic interests, combined with its security/sovereignty goals, and image concerns. Thus, not even accounting for the domestic game of WTO compliance, China is trying to pursue multiple goals related to:

- sovereignty (Taiwan, TRM)
- its revealed development strategy as that strategy relates to trade (develop export markets, reduce reliance upon the US)

⁸⁶ "China, Others Push for Better Implementation of WTO Textiles Deal," *Inside US-China Trade*, May 8, 2002, pp. 1, 6; "China, Other Textile Exporters To Request Greater ATC Oversight," *Inside US-China*

- substantive sector-by-sector economic interests
- international relations with Third World and, especially, Southeast Asia
- global image – a player at the table with significant leverage, but not a troublemaker (except on sovereignty related issues) – distinct from India.

China's public strategy has been to pursue all of these goals without giving up any of them. But with the exception of its proposal on agriculture, China has spent much more time on the sovereignty-regarding issues, and (Taiwan relations aside) on guarding its international image (through rhetoric about the Third World bridge and by following the lead of other countries). China is no different from other countries in which domestic politics is the primary driver of trade policy. Hence, attention to the agricultural negotiations is driven by the domestic political attention now focused on problems in the rural sector and links to social stability, plus the common popular feeling that China was "duped" on its agricultural commitments. Attention to reform of anti-dumping rules, a second major substantive priority, is driven largely by the need to show that China is taking advantage of its "rights" in WTO. Attention to Taiwan's status, much as in other international organizations where Taiwan has a presence, is attributable to the regimes continuing sensitivity to denying any potential implications of Taiwanese sovereignty.

But though domestic politics sets China's priorities, it is not yet an effective process for China. There is an absence of clear and effective processes to parse its economic interests and prioritize them such that they are actionable by the negotiators. For China to identify clearly, prioritize, and then operationalize its trade policy issues is a complicated undertaking that requires effective leadership at home. Thus far, neither the

domestic interest aggregation process nor the empowering of the negotiators has occurred.

China's Leadership and Coalitional Behavior

Might China in the future take on a proactive leadership role on particular issues, much as the US or Cairns Group (or even Australia) has done on in agriculture? Here, the answer is “no,” not yet, and not for some time⁸⁷ – except in defense of its own singular sovereignty-regarding interests. Interviewees with long experience in the WTO routinely say it would be bizarre for China to try to assert leadership at this point – it is simply too early. There is a more fundamental problem to China's leadership potential at this early stage, however. Politically, China is only prepared to act as a leader of the Third World, and even the “bridge” moniker is devoid of implications of true leadership. But China's core economic interests increasingly lie as much if not more with the developed world (or with specific developed countries on specific issues, especially as concern export). It cannot lead what it is not.

Moreover, in the WTO context, to be proactive also means aggressively engaging in the game of shifting coalitions on an issue specific basis, and actively pursuing coalitions. China has shown itself willing to work on general statements with other countries, especially developing countries, or to suggest quiet support (such as to Cairns and US agricultural initiatives). But for the most part it seems to either go it alone, or to react to already formed coalitions (such as on the steel complaint against the US). Deep

⁸⁷ This contrasts with recent findings by Bates Gill on Chinese support for and greater proactivity in multilateral security institutions in Asia. See Bates Gill (forthcoming, Brookings Institution Press). Gill's work, though, could suggest what China might try to achieve in the future, as it gains greater experience in the WTO and as domestic interests become more clearly defined.

and enduring coalitions are not part of WTO, but the ability to use coalitions to serve domestic interests is important, and China – once again -- has not yet grown into this role. It will need to learn this behavior with nimbleness, and apply it across multiple and linked issue areas, to be effective in WTO.⁸⁸

Is China a “Cooperative” Power in the WTO?

There are several fundamental difficulties with the question of whether a nation is a “cooperative” member of an international organization.⁸⁹ Too often, the metric for “cooperation” is “agreement with the US.” In the WTO, the measure of “cooperative” behavior must be specifically tied to the formal and informal norms and rules of the organization.

At the level of participation in the institution in Geneva, the answer to the question of whether China is a “cooperative” power in WTO is, by and large, “yes.” It is most useful to look at this question through two different lenses. First, how can we characterize China’s support for pursuing the Doha trade agenda – which is mainly designed to liberalize trade and investment flows, but also contains a number of commitments to developing countries? Beijing could in theory coalesce with and even

⁸⁸ How can this criticism be squared with the common belief that China is an excellent negotiator? What is lacking in the WTO context is not only resources but the ability to link the issues across many areas. China’s delegates to Geneva are likely to continue to be hamstrung in its external negotiations by the difficulty of building effective coalitions domestically – something made difficult by the lack of trust in MOFTEC resulting from the WTO accession negotiations.

⁸⁹ A relevant distinction to be drawn is between *whose* definition of the norms of the WTO are to be used: those standards of intellectuals (primarily liberal trade economists) and their counterparts in IGOs and NGOs, on the one hand, or member states as evidenced in their actual behavior, on the other hand. I would argue that despite the existence of a well-thought-out free trade paradigm and, in the late 20th and early 21st century, probably the most theoretically robust underpinning for cooperative behavior to exist anywhere in the international arena, the fact that the WTO itself is driven by member states with interests that only sometimes support free trade is the more significant marker of the true norms. Examples of the intellectual paradigm abound in NGO documents (such as the IMF and World Bank), and academic discourse. Those

lead a more extreme NIEO-type southern agenda against the more status quo agenda. But China is not “revisionist” in this dimension. The developing country agenda at Doha is itself hardly revisionist of the whole trading system, though it challenges aspects of it at the edges. Moreover, China has spent much more energy launching the Doha round and pressing it forward as it has criticizing it. US officials, as noted previously, were appreciative of China’s help at APEC in 2001 to gain Southeast Asian support for launching a new round at Doha. Since the beginning of the Doha Round negotiations, moreover, China has consistently called for talks to move forward according to the existing agenda.

Second, and more significantly, does China uphold the formal and informal norms and rules of the organization, namely consulting with other members both formally and informally, avoiding throwing up obstacles to consensus reached by others (unless it is a core interest), understanding that it is a game of shifting coalitions, etc? Put another way, does China adhere to the “rules about rules” of the organization? A country that clearly violates rules about how an organization is to be governed cannot be considered “cooperative.”⁹⁰ Again, the answer when posed this way is basically positive – with the obvious exception of China’s behavior on Taiwan. At the level of day-to-day negotiations, “cooperation” cannot be defined by an absence of conflict with other nations, since conflict over trade interests is assumed and built into the process. Indeed, patterns of disputes in the WTO suggests that conflict between trading nations is more a function of trade volume than fundamental opposition. Thus, the huge volume of trade

who routinely deal with the WTO, as bureaucrats or negotiators, suggest the great power of the interest-driven paradigm.

the US carries out with Canada and Europe means the US routinely conflicts with these “allies.” Moreover, coalitions shift from issue to issue. China cannot therefore be considered “uncooperative” because it has warmed up somewhat to the US on agricultural negotiations but also enters the steel safeguard complaint against the US (a complaint the US lost in the dispute resolution mechanism⁹¹). If so, then the EU and Japan are also “uncooperative.” Obviously, at the level of specific issues, the notion of cooperation is quite fluid. China may be hindered in its ability to maneuver nimbly in this system, but it does not challenge this fundamental structure.

Moreover, China has made no effort to change – and in interviews trade officials have noted they support for – the conservative consensus rules of WTO. The informal processes to which the consensus rules give life also are accepted by China. China’s acceptance of the consensus-related norm of non-interference in issues where core interests are not involved is also evident. In this, China is often contrasted (and contrasts itself) to India, which is the WTO’s resident “troublemaker,” and is often criticized for taking ideological positions rather than interest-based ones. Chinese trade officials recognize that India is often marginalized by its behavior, and wish to avoid this.

Where China has routinely come closest to breaching the “rules about rules” is on the sovereignty-regarding issues of Taiwan and the TRM; these are perhaps the most interesting cases to watch – precisely because they pose the toughest challenges for the idea that institutions shape member interests and behaviors. Both entered as full participants in the organization, and even as a “Customs Territory” it has been broadly

⁹⁰ A classic statement about cooperation with rules and norms of an organization is Abram Chayes and Antonia Handler Chayes (1993), “On Compliance,” *International Organization*, Vol. 47, Issue 2 (Spring), pp. 175-205.

assumed that Taiwan possesses the “right” to be treated as a full member, even if it is not recognized internationally as a sovereign nation. Yet subordinating Taiwan’s membership in global forums has been important to China’s claim to sovereignty over Taiwan. Beijing’s efforts, using the Director General as an agent, to downgrade Taiwan’s status to that of Hong Kong contrary to the understanding of members who admitted both parties are an attempt to change some basic terms of the organization. The promise that China would continue to resist the TRM process in future years further suggests that China will continue to rub up against the edges of the rules the organization on sovereignty-regarding issues.

Where it does not fully embrace the rules, is there evidence that China is being socialized into the behaviors the dominate WTO? Precisely because China is rather “far out” on the issue of Taiwan, it may also be a fruitful place to watch in the future for socialization by China into the norms of the organization.⁹² Recall some of China’s conciliatory behaviors towards the Taiwan delegation, namely, the willingness – after initial resistance -- to hold official meetings with Taiwan over steel, and the greater propensity to use English in its interactions. Although at this point these accommodative signs appear to be more tactical to WTO than a result of any genuine “persuasion,” and while these issues are likely to be a significant source of friction in the future, this could change. These sorts of behaviors are irritants to other members and may produce social

⁹¹ Elizabeth Becker, “W.T.O. Rules Against U.S. on Steel Tariff,” *New York Times*, March 27, 2003, p. C1.

⁹² China’s WTO membership might change its behavior toward interactions with Taiwan in IGOs by changing material incentives facing China, by altering the distribution of power among the relevant constellation of actors at home (in the PRC), or by socializing China to more cooperative behavior. (Alastair Iain Johnston, “Treating International Institutions as Social Environments,” *International Studies Quarterly* (2001) 45, pp. 487-515.) There is not at this point any evidence that the first two processes are relevant. Thus, socialization into acceptable norms of behavior and the processes by which socialization

opprobrium, perhaps providing a feedback loop for a socialization process that image-conscious China will find difficult to resist. Indeed, the move to use the Director General as an agent – and itself remain silent – suggests this is a reaction by Beijing to try to gain its political goals but preserve its image.

With the (not insignificant) exception of these sovereignty-regarding areas, though, China has not challenged the rules and norms of the WTO organization. China lent support to a minor re-emphasis in the WTO power structure toward developing countries, but this is not central to China's agenda and appears more to have been a small bone to toss to the idea of China as a "bridge" to the Third World. Rather, it is emerging as a "bridge" to the status quo in some areas – those that help its interest. As with the UN, then, it appears that China's stake in the organization's legitimacy is high. This makes sense given all China conceded to in order to be admitted, the political costs paid at home, and the domestic understanding of these costs. And it makes sense in light of the concrete interests China brings to the organization – especially opening the export markets of developing countries.