China And The World Trade Organization Essay, Research Paper

“The China WTO agreement is good for the United States, it s good for China, it s good for the world economy.” – Bill Clinton (US, China reach , 2.)

China has negotiated membership into the World Trade Organization and its predecessor since 1986. It is the largest trading nation still outside the system, with trade last year worth more than 300 billion dollars and until it joins the World Trade Organization is not worthy of its name (China and the , 2.)

By looking at the history and the functions of the WTO, one can see that if China is accepted they would be bound by international rules and would be forced to open their markets. This is ideally to the benefit of the entire international community.

The World Trade Organization came into being in 1995. The multilateral trading system is one of youngest international organizations and is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War (WTO in brief, 1.) GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth in the world’s economy. The WTO’s system was developed through a series of trade negotiations, or rounds, held under GATT. The primary rounds dealt mainly with tariff reductions and anti dumping measures (1.) The Uruguay round (1986-94) led to the creation of the World Trade Organization. Since 1994, further agreements have been made in the telecommunications and financial services, information technology production, and on global electronic commerce issues. In less than a week, a new round of talks will start on agriculture, services, and a range of other issues. This rapidly approaching meeting is why it is imperative that China is accepted into the WTO.

The World Trade Organization’s Secretariat is located in Geneva, Switzerland. Its staff is over 500 and is currently led by Mike Moore, the Director-General. Its main duties are to supply technical and legal support to the members, and to explain WTO affairs to the media and the public. The budget of the secretariat is over 117 million Swiss francs. The primary functions of the WTO are to administer trade agreements, act as a forum for trade negotiations, settle trade disputes, review national trade policies, assist developing countries in trade policy issues, and to cooperate with other international organizations (2.) The decisions on these items are made by consensus. Majority vote has never been used in the WTO, and rarely with its predecessor, GATT (2.) The decision making body is a hierarchical. The top level is Ministerial Conference, then General Council, then Goods, Services, and Intellectual Property Councils, and at the bottom are specialized committees and working groups. . The WTO has more than 130 members, accounting for over ninety percent of world trade. Over thirty others are negotiating membership (2.) Over three-quarters of WTO members are developing or least developed nations. Special provisions for these members are included in all agreements. The special provisions include: longer time periods for implementing agreements, measures to increase trading opportunities for these countries, requirement of all members to safeguard the trade interests of the less developed, and to support to help developing countries handle disputes and implement technical standards (2.) If China is accepted they will be considered for these provisions.

Recently, China has been making huge steps in nuclear advancement. Its nuclear technology is second only to the United States. This is a severe area of conflict for the two countries. Washington has made accusations of espionage towards China, saying that all of the information that the country has was stolen from Los Alamos Nuclear Base in Arizona (Perlez, 2.) Wen Ho Lee, Taiwanese native and former employee of Los Alamos, has been pinned as the “leak” for the Chinese government. These believed accusations have led to a major anti-Chinese movement on Capitol Hill (China and the , 1.)

In March of this year, NATO accidentally dropped a bomb on the Chinese embassy in Belgrade, Yugoslavia. This resulted in deaths of three Chinese natives. Since NATO is highly influenced by the United States, terms such as “the evil empire” were used to describe the country (Eckholm-News , 1.)

These two factors led to an iced silence between China and the US until April 6 of this year when China’s Prime Minister and economic guru, Zhu Rongji, arrived in Washington (Ramsay, 1.) The trip’s aim was to discuss China’s acceptance into the World Trade Organization and hopefully to regain positive relations between the two countries. Several analysts predicted that the visit would be a disaster. What occurred was exactly the opposite. The two leaders were cordial and the talks looked promising. But, concessions were not suitable to the United State s standards. President Clinton declined the offer by the Chinese to liberalize their market and to give the US almost half of the control over telecommunications and financial services. Clinton did not believe that the offer would satisfy Congress nor convince them to give China normal trading relations status. The deal itself does not have to be passed by Congress, but the body must show that China is within most favored nation status by the US. Some of the factors that Congress is considering is the improvement of human rights, arms control, and the conflicts in the American Labor Unions. These are details that have been left out of the agreements. Besides the US, China must be approved by the European Union, the Latin Americas, and other key players in the WTO.

Since April, the situation has changed entirely. Clinton, with the help of Charlene Barshefsky, realized that the US should have taken the offer. If China does not get accepted into the WTO this year, it will be too late for several reasons. The first is that the Ministerial Conference is on November 30, 1999. This is when the “Millennium Round” begins as I had stated previously. Many important decisions are going to be made that will affect the entire global community and without China, almost one-third of the world s population will not be accounted for. Another factor is that Clinton is on his final term as president. If he doesn t help with the acceptance, Chinese-American relations would not be bettered, which was one of the goals for his administration (Eckholm-US team , 1.)

On November 15, 1999 Chinese and US negotiators signed a breakthrough that would remove trade barriers and clear the biggest hurdle to China s entry into the WTO. After six grueling days of talks, they agreed upon the following issues that will pave the way into the WTO. China agreed to cut its average tariff levels from 17 percent to 22.1 percent. The country will allow 49 percent investment by foreign telecommunication providers from the date of accession, with the figure increasing to 50 percent after two years. US companies will be allowed to invest in Chinese Internet content providers. China will cut its import tariff on automobiles to 25 percent by 2006. US financing will also be allowed in China. Foreign banks will be able to conduct local currency business with Chinese enterprises two years after China s WTO entry and retail business five years after entry. China also agreed to cut import tariffs on agricultural products to between 14.5 and 15 percent. It will eliminate export subsidies and allow distribution rights for US exporters. Lastly, China s industrial tariffs will fall from 24.6 percent to 9.4 by 2005 (US, China reach ,2.)

The most important benefit to China joining the World Trade Organization is that the country would be forced to make fundamental changes in the state-run economy by introducing fiercer competition from abroad. This open market will allow the global community to experience for the first time a vast new market of 1.2 billion consumers. For China, this new competition will lower prices for Chinese consumers.

Some of the drawbacks to this agreement are as follows: it will be more difficult for the WTO to draft rules protecting workers rights, human rights, and rights of the environment because China has not considered these in the accords. Unemployment is also a big concern. Lastly, the entire fact that China and the US may have possibly rushed into the deal.

In conclusion, despite these drawbacks there are several more advantages. Allowing China into the World Trade Organization will benefit it, but also the entire global community.