

China's Trade and Development Policy under the WTO: An Evaluation of Law and Economics Aspect*

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China's economic success and trade expansion since the 1980s is one of the most important economic achievements, which lifted more populations out of extreme poverty than any other time and place in history. This achievement has been made possible by trade-led development policies successfully adopted by China. China also joined the WTO in 2001, after fifteen years of negotiations with its trade partners, and is subject to WTO legal disciplines requiring the transparency of its trade-related decisions and procedures. This article examines China's economic reform, which led to its accession into the WTO, and reviews China's trade and development policies under the WTO. In addition, this article discusses China's participation in the WTO Dispute Settlement Procedure. There has been a concern as to whether China will be compliant with the requirements under the Dispute Settlement Understanding (DSU). The article shows that China has become an active participant and has maintained well under the terms of the DSU.

Keywords: China, WTO, Economic Development, Trade Expansion, Trade and Development, Rule of Law

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1. Introduction

China's breathtaking economic development is one of the most fundamental changes in the postwar world economy. Through the remarkable economic growth, Chinese people could escape from absolute poverty within three decades. A World Bank report shows some 600 million Chinese were taken out of poverty between 1981 and 2004.¹ It was caused by the sustained economic development between 1978 and 2011 during which Chinese economy recorded an annual GDP growth rate of 9.89 percent in average.² Through successful economic development, China became the second-largest economy in 2010 and the largest trading nation by 2013.³ In terms of per capita income, China also has become a respectable upper-middle-income country, as classified by the World Bank,⁴ with the GNI per capita of USD 7,590 as of 2014.⁵

China owes much of its economic growth to the successful expansion of trade. From 1980 to 2012, China's annual trade increase was 15.6 percent, exceeding its annual economic growth rate.⁶ It shows the expansion in international trade was leading economic growth. China has also adopted the growth strategy of outward-orientation and expanded trade.⁷ As a result of sustained trade expansion, China became the world's largest exporter of merchandise goods and the second largest importer of merchandise goods and commercial services (excluding intra-EU trade) in 2013.⁸ China's trade is expected to keep expanding, which would, by 2030, account for 15 percent of world exports.⁹ China is indeed the factory and (more recently) the market of the world,¹⁰ an acclaim that such hegemonic countries as Britain and the US once had in history. This fast economic growth was, however, slowing down to 7.4 percent by 2014.¹¹ It was a little lower than the annual growth for the previous decades, but still very robust. Few economists expect that China will soon step down from its position as a major engine of world's economy and trade.¹²

This research will review and evaluate China's economic development and trade policies under the WTO. This paper is composed of four parts including a short introduction and conclusion. Part two will discuss China's economic reform prior to its accession into the WTO in 2001. That part will particularly examines China's commitments under the WTO and the resulting compliance issues. Part three will analyze the major characteristics of China's industrial and trade policies.