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Opportunities Provided by China's WTO Accession

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- **China's 15-year Long March to GATT/WTO**
- **Behind the Cost of WTO Membership**
- **Challenges of WTO**
- **Opportunities Provided by WTO**

China's 15-year Long March to GATT/WTO

- 1986** China applied for GATT membership as a natural development of the open-door policy.
- 1987** A working party on China's entry to GATT was established to negotiate the terms and conditions. Negotiations went on smoothly until Summer of 1989.
- 1989** Negotiation became subject of "punishment" by GATT major players for cracking down of students' activities. In the same year, Soviet Union collapsed.
- 1994** The Uruguay Round re-named the GATT as WTO. China failed to conclude bilateral market access negotiations with the major members.
- 1999 ~ 2001** Bilateral agreements with Japan, USA, and EU were concluded respectively. Sino-American talks dramatically developed. China was regarded as a powerful rival in world affairs in the next few decades.

Behind the Cost of WTO Membership

- ✓ **The aim of WTO and China's 3-step development target.**
- ✓ **To open the domestic market for exchange of the open world market.**
- ✓ **Capital, technology, management skills - external resources, indispensable for the improvement of ineffective domestic industries.**
- ✓ **China is longing for a fair mechanism for trade dispute settlement.**

Challenges of WTO

- ⇒ **The State-owned Enterprises**
- ⇒ **Unemployment**
- ⇒ **Function of Government**

Challenges of WTO

— The State-owned Enterprises

**Over a half of the state owned enterprises run in loss.
The state-owed sectors:**

- ❖ **turn out 28% of China's industrial products**
- ❖ **use over 50% of bank loans**
- ❖ **provide 65% of job opportunities in industrial sectors**
- ❖ **contribute 56% of the budget resources for the government.**

Challenges of WTO

— Unemployment

Official unemployment rates vary from 5% to 15%, an issue related to social stability.

3 factors contribute to the issue:

- According to Population Statistics, 10 million young people join the working force each year.**
- Per average estimation from past years' experiences, 12 - 15 million redundant labors laid off from state-owned enterprises each year.**
- 10 Million farmers leave countryside and hunt for jobs in cities each year.**

Challenges of WTO

— Function of Government

The Chinese government keeps 33 million civil servants, who are not only providing services to tax payers, but also in fact running the state-owned industrial enterprises, banks, telecommunication corporations and trading companies.

The government is requested by WTO obligations to bind import duty rates, phase out import quantitative restrictions, grant foreign products with national treatment, and let the market force to play its' role.

Opportunities Provided by WTO

- ★ Better Competition Environment in China Market**
- ★ Easier Access to the China Market**
- ★ More Convenient Services for Business in China**

Opportunities Provided by WTO

— Better Competition Environment in China Market

- Uniform Administration of the Trade Regime**
- Non-discrimination**
- Transparency**
- Liberalization of Price Control**

Opportunities Provided by WTO

— Better Competition Environment in China Market

Uniform Administration of Trade Regime

The provisions of WTO Agreement, and China's WTO Accession Protocol shall apply to the entire customs territory of China, including border trade regions, minority autonomous areas, and special economic zones.

China shall apply and administer in a uniform and impartial manner all its laws, regulations and other measures relating to trade in goods, services, TRIPS, or control of foreign exchange.

Opportunities Provided by WTO

— Better Competition Environment in China Market

Non-discrimination

Foreign individuals and enterprises shall be accorded treatment no less favorable than that accorded to domestic individuals and enterprises in respect of:

- the procurement of inputs and goods and services necessary for production;**
- the conditions under which goods are produced, marketed or sold in domestic market and for export; and**
- the prices and availability of goods and services supplied by national and sub-national authorities, and public or state enterprises in areas including transportation, energy, basic telecommunication, other utilities and factors of production.**

Opportunities Provided by WTO

— Better Competition Environment in China Market

Transparency

- * China undertakes that only those laws, regulations and other measures relating to trade in goods, services, TRIPS or control of foreign exchanges that are published shall be enforced.**
- * An official journal shall be established/designated. It would be dedicated to the publication of such laws, regulations and measures.**

Opportunities Provided by WTO

— Better Competition Environment in China Market

Liberalization of Price Control

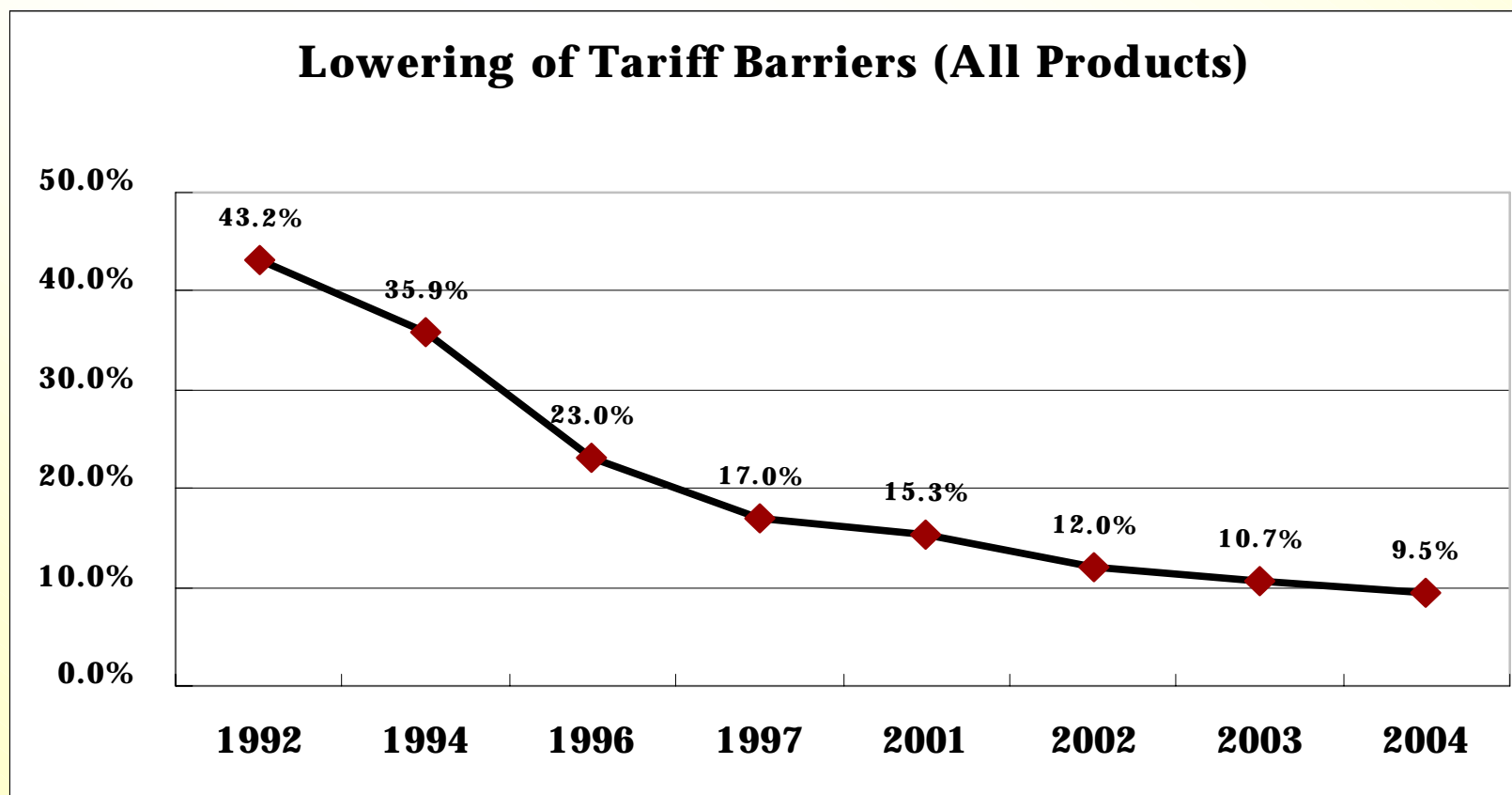
China shall allow prices for traded goods and services in every sector to be determined by market forces, and multi-tier pricing practices for such goods and services shall be eliminated, with the following limited exception for government price control.

- * Goods:** tobacco, edible salt, natural gas, pharmaceuticals.
- * Public utilities:** gas, tap water, electricity, heating power.
- * Services:** postal and telecommunication services charges, entrance fee for tour sites, education services charges.

Opportunities Provided by WTO

— Easier Access to China Market

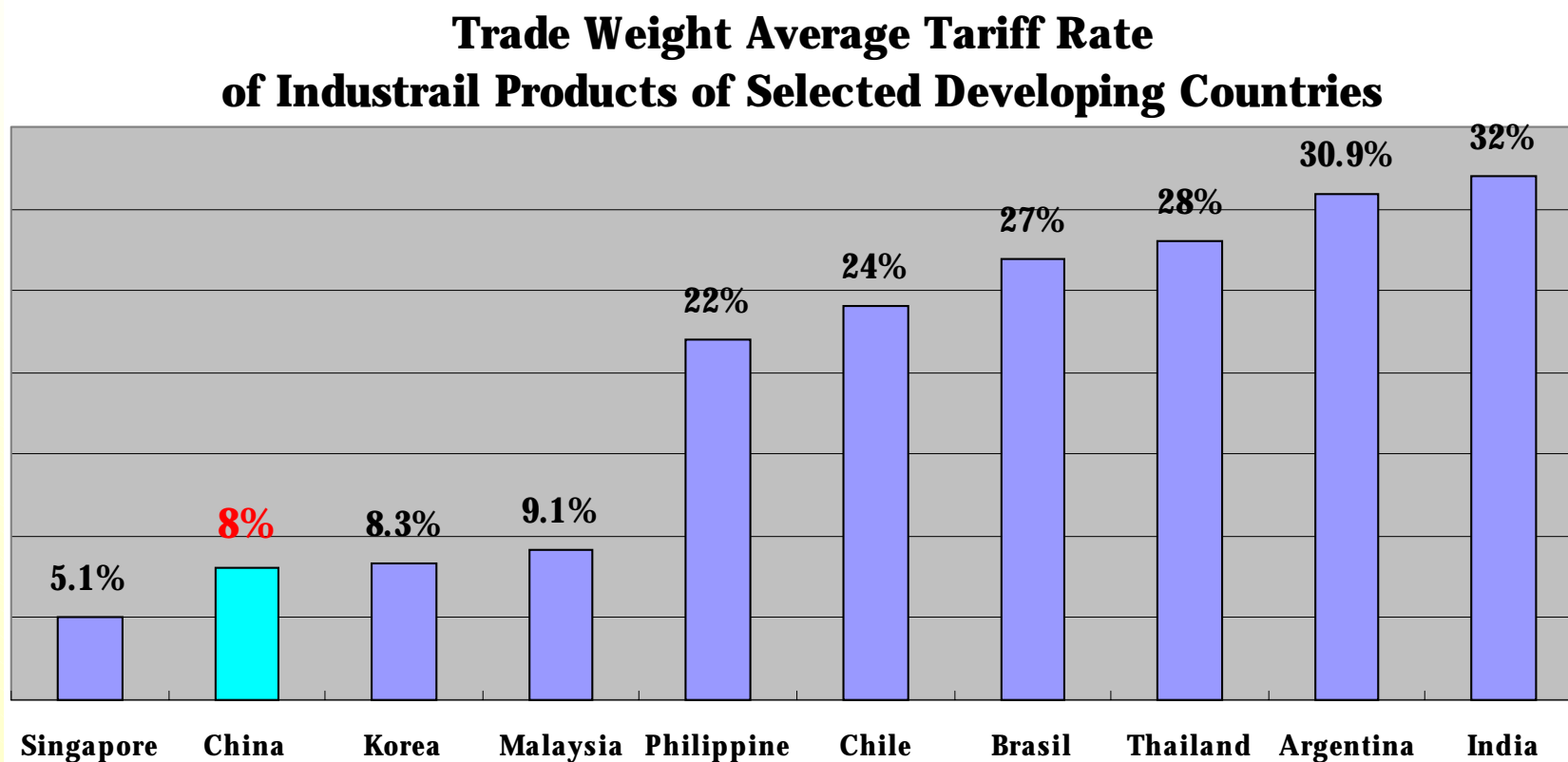
China commits to Lower Tariff Rates and Bind Them at 9.5% (Simple Average)



Opportunities Provided by WTO

— Easier Access to China Market

China will be a least Tariff-protected Developing Country



Opportunities Provided by WTO

— Arbitrary Customs Valuation to be Replaced by Transaction Value

The 1987 Customs Law was recently amended.

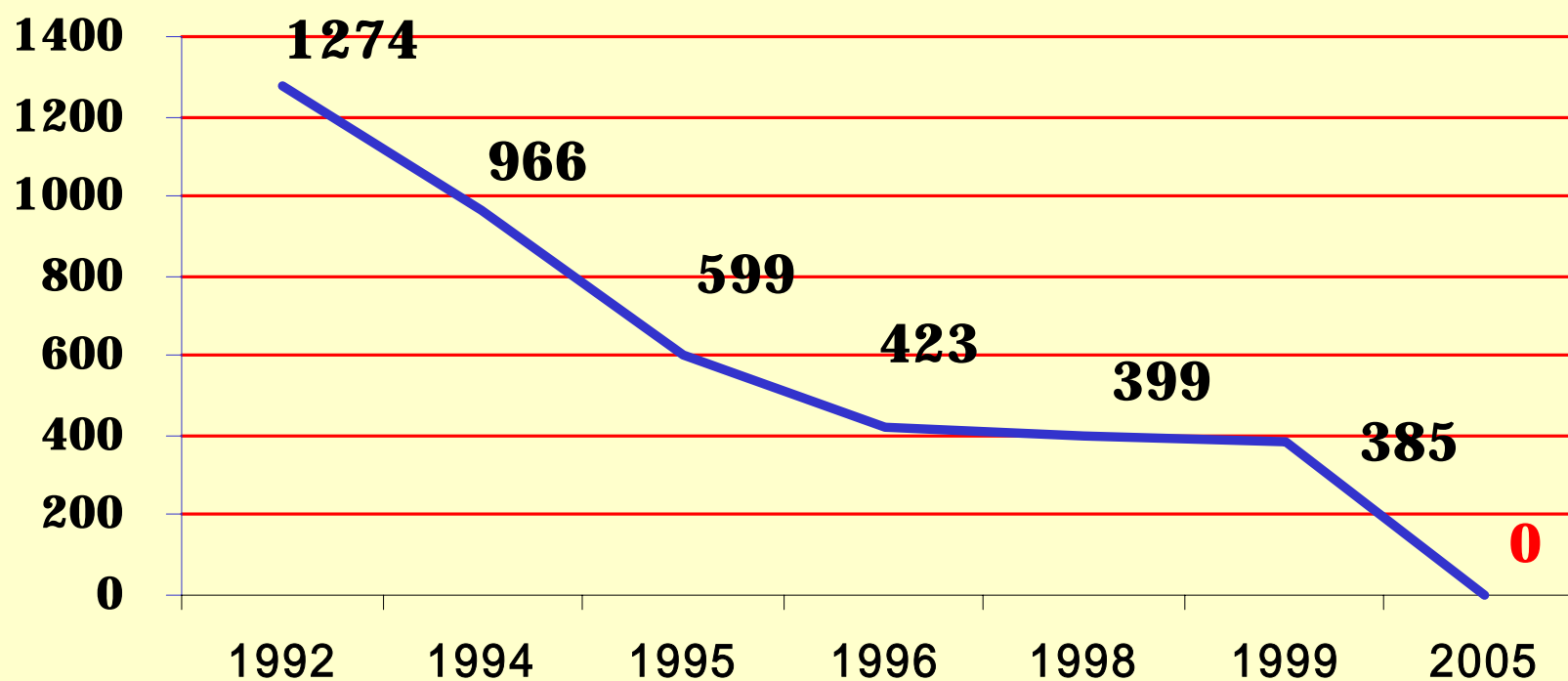
By the amendment, arbitrary and fictitious value has been replaced by transaction value, as required by provision of the WTO Customs Valuation Agreement. China exercises less price interference than she did on the border.

Opportunities Provided by WTO

— Easier Access to China Market

All WTO-incompatible Quantitative Restrictions (QRs) to be Phased out by Year 2005.

Reduced Number of Products Subject to QRs



Opportunities Provided by WTO

— More Convenient Services for Business in China

- ✧ **Telecomm** - Foreign services providers are establishing JVC in China.
- ✧ **Banking** - Foreign financial institutions are expanding business with Chinese enterprises and citizens.
- ✧ **Trading Companies** - **Full trading right** will be granted to foreign invested enterprises.

Opportunities Provided by WTO

— More Convenient Services for Business in China

(continued)

Full Trading Right

- **Foreign invested enterprises are currently granted trading right, but of a limited nature. In 3 years of China's WTO accession, they will have the full right to trade in all goods (except for those goods subjected to state trading).**
- **Foreign traders will be allowed to register their companies in China freely without going through difficult endorsing procedures.**

Questions & Answers

THANK YOU