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Keynote Address to the Conference on
“The 10th Anniversary of China’s WTO Accession: China’s Learning Curve”
Beijing, China
October 29, 2011

As prepared for delivery

Thank you, Vice President Zhang, Mr. Li and Professor Kennedy, for inviting me to speak at the conference. Minister Gao, it’s a pleasure to join you and your esteemed colleagues from the Ministry of Commerce.

It is indeed an honor – and a bit intimidating – to speak among the true experts gathered here. Many of you have personally shaped China’s historic integration with the global trading system. In particular, I’d like to acknowledge China’s chief WTO accession negotiator Vice Minister Long Yongtu, and one of China’s first representatives to the WTO, Ambassador Sun Zhenyu. You and your colleagues have led and implemented China’s accession brilliantly. I also see a number of the world’s top trade scholars and lawyers, and respected business leaders who worked hard to obtain China’s entry to the WTO.

In fact, it was also ten years ago this fall, when I arrived to head the Economic Section at the U.S. Embassy. At that time, China was just getting ready to enter the WTO, and I had the pleasure of getting to know some of you at that time. As you will all remember, we saw a lot of reports, from inside China and from the United States, expressing serious concerns about the possible consequences of China’s entry.

On the Chinese side, many critics resented and complained about the supposedly high price of admission China paid to enter the WTO. They forecast the collapse of domestic industries in the face of foreign competition. Some even argued this was a ploy by the west to constrain China’s rise and to bind China’s hands in the global trade arena. In the United States, some argued that China would never fulfill its commitments to the WTO, and we were foolish to relinquish the option of annually renewing China’s trading status and taking unilateral trade measures against China.

Now, ten years later, those skeptics in the United States and China would find it hard to argue that the past decade’s explosion of bilateral trade and investment has not contributed to both countries’ prosperity.

For America, our exports to China have grown faster than to any other major market during this period. China has shot up from our ninth largest export destination to our third largest, behind only our neighbors Canada and Mexico. During the deep recession of 2009, our goods exports to the world sank 18 percent, but our exports to China held steady. U.S. investors in China now produce largely for the Chinese market, and not for export back to America.

At the same time, however, I must note here that our overall merchandise trade deficit with China grew to \$273 billion in 2010 due primarily to the very rapid growth in Chinese exports to the United States. This is a major trade imbalance that has generated great frustration in America. This is a serious issue we need to address urgently.

But for China, there is absolutely no question that it has benefitted enormously from its entry into the WTO. China's exports to the world have surged since accession, from \$266 billion in 2001 to nearly \$1.6 trillion in 2010 according to China's data. China is now the number one global exporter and the world's second largest economy, surpassing Japan last year.

Joining the WTO provided a roadmap for China's reformers to reform and to restructure its economy. This boosted the competitiveness of Chinese firms while also building the foundations for rule of law, which will benefit China's development even more profoundly in the long term.

Some in China feared that sectors like the auto industry would wilt under foreign competition. But even as foreign brands increased sales, Chinese brands actually gained market share in China, which became the world's largest car market last year. China's automakers are now on their way to becoming serious players as exporters too. It seems competition only made them stronger and thus should not be feared. Meanwhile, U.S.-China joint venture auto companies have produced tens of millions of cars for the China market and created tens of thousands of jobs here in China.

China, the WTO, and U.S.-China Bilateral Trade Relations

Apart from contributing to the economic growth of both of our economies, China's WTO membership has also helped us effectively manage our bilateral trade relations.

It is difficult to conceive of the U.S. and China managing our increasingly complex trade relationship without reference to the WTO and the common "rule book" that it provides. Without this common "rule book" and an impartial body to help us resolve differences when dialogue fails, I think our trade relationship would have seen much more friction and turmoil than it has. This would have created great uncertainty among our businesses

and disrupted our trade and investment relations. This would have made it difficult to achieve what we have achieved over the past ten years.

People understandably pay much attention to the WTO dispute settlement system in connection to U.S.-China trade. From the U.S. perspective, this critical element of WTO governance has made an enormous difference in our ability to work successfully through difficult trade problems. We've also seen China, over time, embrace this mechanism and use it to vigorously protect its own interests. In fact, China has now become the third most active initiating party in the dispute process after the U.S. and EU.

Our ability to take thorny problems out of a strictly bilateral context and make them subject to an agreed and generally well-functioning arbitration mechanism has thus allowed us to defend our trade interests while minimizing political tension and fallout.

It's important to understand, though, that the WTO has solidified U.S.-China trade relations in a way that extends beyond recourse to the formal dispute settlement mechanism of the institution. While assuming a lower public profile, our ability to work together through the WTO's ongoing, day-to-day activities is a significant stabilizing factor in our trade relationship.

For example, our engagement in specialized WTO committees dealing with issues like product standards, sanitary measures, intellectual property rights, and trade remedies helps us both to better understand each others' policies. This allows us to engage in practical problem-solving, and to find ways to resolve problems short of recourse to litigation and dispute settlement.

So again, without our common link to the WTO's system of rules and its structures for managing trade issues, the United States and China would be cast adrift into a world without a common frame of reference. In this world, politicization of trade conflicts could easily spiral out of control, severely undermining both of our economies and our important bilateral relationship. This gives both of our nations a huge stake in preserving the health of this system.

So looking back, we can say that both China and the United States have benefitted significantly in different ways and to different degrees from China's entry into the WTO ten years ago. But more important than taking stock of the benefits and progress made since China joined the WTO, we now need to look at China's position *today* in the global trading system and consider what this suggests about its role in the *next* ten years. And, frankly, we need to look at this in the context of a somewhat troubled institution and an increasingly uncertain world economy.

An Indispensible Actor at the WTO

Today, in the 10 years since its WTO accession, China has clearly become an indispensable actor in the world trading system. It has joined the ranks of the world's trading super heavyweights. And as I noted earlier, it has become the largest exporter and the second largest economy in the world. As evidenced in the recent global financial crisis, China's own market is now a major driver of global growth. China has evolved from merely a hot investment destination for multinationals to become a major investor itself in markets worldwide and home to its own leading global companies.

Never in its history has China's stake in the global economy or the world's stake in China's economy been so great. The cornerstone of this healthy interdependence is the rules-based international trading system organized under the WTO, and China is now a core participant.

As we have seen with particular clarity in the context of the Doha Round – but, in fact, throughout the functioning of the WTO system – China's prominence in global trade affairs is so great that it has created a new dimension to how WTO members, including the United States, must now analyze both the present activities and future direction of the multilateral trading system.

For many WTO Members, numerous discussions and decisions at the WTO now revolve (whether overtly or not) in whole or in part around the question: how does my position on a given issue affect my trade interest vis-à-vis those of China? Scholars suggest that developing and emerging economies such as Brazil, South Africa, and Indonesia have resisted opening their markets further to manufactured goods in multilateral negotiations out of fear that competition from China would decimate their industries.

It is thus important both for China's success and for the healthy functioning of the trading system, that China fully recognize the weight it assumes in the life of the WTO – and the preoccupation of many other members with that weight.

At this 10-year milestone, then, a critical question for China, the U.S., and all WTO members is: how will China exercise its enormous influence -- and equally its important responsibilities -- within the WTO system?

Looking to the Second Decade – China as a WTO “Leader”

As I noted earlier, accession to the WTO secured China's market access worldwide. It gave foreign investors the confidence and the incentive to introduce an unprecedented flow of technology, capital, and know-how into China. All of this plugged China firmly

into global supply chains, helping it to become the world's top exporter and the leading supplier in so many industries.

With this enormous success, we believe, come important responsibilities. As uncomfortable or unwilling as China may be to assume greater and broader responsibilities in the global trade arena, its role is now essential to the long-term relevance and health of the multilateral trading system and the global economy.

Success in trade – especially of the magnitude experienced by China in the past decade – cannot be separated from a discussion of China's responsibility within the WTO system. As one of its leading members, China has the responsibility for advancing the core WTO mission of progressive trade liberalization.

Although China still claims to be a developing country and continues to face many important economic challenges, it is not healthy for China or the multilateral trading system embodied in the WTO to pretend that China is simply a developing country just like any other developing country. The true picture is obviously more complex. As our trade negotiators are fond of saying, no doubt to the annoyance of their Chinese colleagues – “China is not Chad.” And the fact of China's astounding success as an exporting power means that China carries considerably more responsibility than was the case ten years ago with regard to the liberalizing mission of the WTO.

So, the bottom line is that China itself now needs to take the lead in this global effort. The notion that liberalization commitments made a decade ago for a very different China should continue to shield China from now participating meaningfully in further liberalization efforts is simply not convincing, particularly in light of the enormity of China's success as an exporter.

Earlier, I offered the automotive industry as an example of a sector that thrived in a market invigorated by competition following China's WTO accession. Across the board, China's industries are much stronger today, a decade later. In fact, many are now operating worldwide, not just in China. I remember when I was working here 10 years ago how the typical college graduate's dream was to work for a multinational company. Now, according to recent surveys, he or she aspires to work at a Chinese state-owned enterprise. China has little reason to fear the competition that comes with liberalization.

Similarly, as China seeks and begins to move up the technology and services ladder today, I believe that its industries in these new sectors can and will also benefit from greater openness and from cooperation and competition with foreign firms. Like the critics of China's entry to the WTO ten years ago, many in China today continue to

express concerns about foreign competition and domination. They continue to argue that further opening would limit China's growth in these new areas.

But I think they are wrong again! China needs to embrace renewed openness and liberalization because this is the key mechanism by which China has and will achieve its economic and development goals. The new five-year plan recognizes China's need to replace an economic growth model based on low-cost exports to the rest of the world and investment in resource-intensive industries with a model centered on expanding domestic consumption, innovation in new industries, and reduced energy and carbon intensity.

There are many opportunities for China to tap the vibrancy that greater openness brings to achieve these goals. Allowing greater participation in China's economy by foreign services suppliers, from financial services, to legal services, to logistics, is just one example. This would create jobs in China and help rebalance the economy more toward domestic demand and lower energy intensity. This would help China's own industries become more competitive globally.

Another example is liberalization in the trade of environmental goods and services to help China meet its environmental challenges and boost its own exports. Greater liberalization here would also deliver benefits to China's economy, and temper trade frictions with China's trading partners.

Beyond specific measures that will directly benefit China, I believe China needs to lead the global liberalization effort because it is now fully integrated with the international trading system and very much dependent on the world economy. Sometimes, as its officials often like to point out, it seems that everyone's number one trading partner is China. While it may not be true the other way around for China's trade relationship with each of these countries, it is true that China is extraordinarily dependent on all of them as a whole. Exports now make up about one-third of China's GDP, as compared to slightly over ten percent for the United States. Moreover, China's investments abroad are now increasing just as rapidly. Chinese workers are fanning out all over the world, as we saw vividly in the recent case where China had to evacuate over 30,000 of its citizens from Libya. So it is now abundantly clear that China's continued economic growth and development is and will be inextricably tied to the health of the world's economy.

And we all know that the health of that economy is not doing so well these days! While there are many internal factors specific to different countries or regions, many of these factors are related to international trade and constraints in the global trading system. "Beggars thy neighbor" trade policies simply cannot work especially when you beggar the customers you rely on for your own survival and growth. So China now has an enormous

stake in the health and vibrancy of the world economy, not to mention the continued stability of the political system.

We realize, of course, that many major initiatives will need to occur in the multilateral context, such as the struggling Doha Round. For the United States, it is simply not feasible to try to conclude a final Doha deal without taking into account the fundamental shifts in global economic reality that have taken place since the Round was launched ten years ago. Any final deal would require that China and other major emerging economies contribute meaningfully to market access liberalization for goods, services, and agriculture, in a manner that results in new trade flows. Otherwise, it would not be a deal that makes sense for the 21st century economy.

With regard to Doha, we must continue to work with China as the indispensable partner it has become. We also remain convinced that success in this negotiation continues to depend on *all* major emerging economies. Here, I refer not only to China but to other successful exporting powers as well. We must all shoulder our share of the burden to create meaningful new market access opportunities. China, after all, would be one of the largest beneficiaries of greater openness and new trade flows – particularly among major emerging economies.

As China moves into its second decade as a WTO Member, then, we all expect China to adapt more quickly to the reality that it is, indeed, one of the *leaders* in the WTO system – a major player by virtue of its weight in global commerce.

The sophistication and skill of China's representatives in Geneva, supported by their equally impressive colleagues here in Beijing, can and should be dedicated to exerting this leadership. This is also a responsibility that reflects the enormous benefits China derives from the WTO and the high profile China holds in its trade relationships with individual WTO members, both among developed and developing countries.

China will, in other words, need to increasingly “stick its neck out” in debates over the future direction of the WTO, particularly as regards trade liberalization and rule-making. Only then can China play its part in preserving the health of the system in which it has so much at stake.

The United States is committed to a full and constructive partnership with China in the WTO – one in which we approach our responsibilities as leaders and work together in that constructive spirit.

I again salute the leaders and experts here today who have contributed so much and will continue to contribute to this important work. Our partnership can help the global trading

system meet the challenges of the next decade and beyond. It can help to preserve and nurture the healthy interdependence that is so vital to the prosperity of all our nations.

Thank you.