

The Interaction of China's Trade Policies with International Law under the WTO Framework

Haohao Wang, Molin Luo, Meng Lin, Chenyu Wang

South west University of Political Science & Law, 401120

ABSTRACT

This discussion explores China's trade policies and their interaction with international law, especially under the WTO. It examines China's policy evolution, WTO compliance challenges, and their global trade effects. Highlighting China's role in global trade norms and its strategic actions, the paper provides a thorough analysis of China's WTO engagement and its influence on international economic law.

KEYWORDS

WTO; international law; China's economy; China's policy evolution

1 Introduction

1.1 Research Background and Significance

The WTO is central to global trade, with China's 2001 accession deeply affecting trade patterns. This study examines how China's trade policies interact with international law, focusing on compliance and global trade governance.

1.2 Methodology

Using a mixed-methods approach, this research combines qualitative analysis of policies and literature with quantitative trade data. It compares China's trade laws to WTO standards and analyzes trade dispute case studies to gauge the practical effects of China's policies.

2 Historical Context of the WTO

The WTO emerged from the Uruguay Round of trade negotiations, succeeding the General Agreement on Tariffs and Trade (GATT). Its formation aimed to liberalize trade, enforce trade agreements, and provide a platform for resolving trade disputes. The WTO's objectives include promoting free trade, ensuring fair trade practices, and addressing trade imbalances through a rules-based system.

3 China's Trade Policies

3.1 Evolution of China's Trade Policies

3.1.1 Pre-WTO Accession Policies

Before joining the WTO, China's policies marked a transitional phase aimed at integrating with

the global trading system. These policies addressed domestic reforms and international trade standards, showing China's commitment to global engagement while protecting its interests. Extensive reforms were made, including trade liberalization and tariff reductions, strategically focusing on competitive sectors and shielding others. This led to increased foreign investment and export growth, vital for China's economy.

China's pre-WTO policies highlighted the importance of complying with international law and WTO norms. Active negotiations and commitments to reduce tariffs and open markets were made to gain international credibility, a key step towards WTO membership. China's strategic interactions with trade partners, such as using MFN status renewals for negotiations, influenced trade flows and demonstrated its active role in global trade.

China's accession set a precedent for other economies, showing the complexity of integrating into the WTO and the need for tailored approaches. Its commitment to reform and shaping trade rules impacted the global trading system. Overall, China's pre-WTO policies balanced domestic restructuring, international engagement, and legal compliance, influencing the WTO's evolution and emphasizing the importance of proactive policy-making in global trade.

3.1.2 Post-WTO Accession Adjustments

China's 2001 WTO accession necessitated major legal and regulatory reforms to align with global trade standards. Key reforms included aligning domestic laws with WTO obligations, reducing tariffs, and lowering trade barriers to open markets. China also strengthened intellectual property rights protection, opened service sectors to foreign investment, improved trade policy transparency, established international dispute settlement mechanisms, revised foreign investment laws to attract FDI, and adjusted agricultural policies to comply with WTO rules. These changes marked a transition to a market-oriented, globally integrated economy, allowing China to fully benefit from the WTO system and participate in the global economy.

3.2 Key Trade Policies and Regulations

3.2.1 Tariff and Non-Tariff Measures

Tariff and non-tariff measures are integral to global trade, regulated by the WTO to protect domestic industries and meet policy goals while adhering to international norms. Tariffs, as border taxes, are being reduced by countries like the U.S., EU, and Japan to foster freer trade, in line with WTO's GATT. Non-tariff measures, including quotas, technical barriers, and subsidies, have become more prominent, significantly impacting trade flows. They must be based on scientific principles, transparent, and notified to the WTO to avoid discrimination against foreign products. The WTO's dispute settlement system ensures compliance with these measures, allowing countries to challenge violations of WTO agreements.

China has been reducing tariffs to align with WTO principles and employing non-tariff measures to protect domestic industries and public interests, such as health and safety. These measures are subject to WTO review to ensure they comply with international trade law and do not distort trade. The balance between national interests and international trade obligations is crucial in global trade relations, and China's policies reflect this complex interplay, aiming to maintain a fair and rule-based global trading system.

3.2.2 Export and Import Regulations

China's trade regulation evolution is closely linked to its commitment to international law and

the WTO, aiming for a balanced trade profile. It has aligned its policies with WTO agreements like GATT and GATS, reducing trade barriers and promoting global economic integration. Shifting from an export-led strategy, China now encourages both exports and imports, adhering to WTO principles of trade liberalization. Legal reforms, influenced by TRIPS, have strengthened intellectual property rights protection, crucial for innovation and foreign investment. China has also streamlined customs procedures in accordance with the WTO's TFA, improving cross-border trade efficiency. Overall, China's trade regulations reflect its dedication to international legal principles, including trade liberalization and intellectual property rights protection.

4 Interaction between China's Trade Policies and WTO Rules

4.1 Compliance with WTO Obligations

4.1.1 Transparency and Notification Requirements

Transparency and notification are central to the WTO's mission, ensuring a stable and predictable global trade system. China, as a significant player in global trade, upholds these principles, demonstrating its commitment to the international trading system and its role as a responsible global economic power. By adhering to these requirements, China not only respects international law but also maintains its global trade relations and reputation. China's active participation in the WTO, including its support for the Trade Facilitation Agreement and its engagement in various negotiations, showcases its influence in shaping global trade rules. This adherence to transparency and notification requirements is crucial for fostering trust among trading partners, facilitating the smooth functioning of international trade, and contributing to a fair global trade environment. China's actions reinforce the importance of these principles in the modern international economic order, supporting the stability and predictability of global trade.

4.1.2 Dispute Settlement Mechanism

China's active role in the WTO's Dispute Settlement Mechanism (DSM) reflects its integration into the global trading system and its use of international law to protect trade interests. The DSM, underpinned by the WTO Agreement, ensures adherence to international trade rules and maintains the stability of the multilateral trading system. China's participation, both as a complainant and respondent, highlights the DSM's importance in addressing trade issues such as subsidies and intellectual property rights. The mechanism's quasi-judicial nature provides a structured approach to dispute resolution, with a panel system issuing binding rulings and an Appellate Body reviewing these for legal errors. China's engagement with the DSM not only showcases its commitment to the international trading system but also underscores the need for a rules-based approach to global trade.

4.2 Challenges and Conflicts

China's engagement with WTO trade remedies and safeguards, such as antidumping and countervailing duties, reflects its efforts to manage trade disputes and protect domestic industries while aligning with global standards. Despite contentious applications, China has established trade remedy laws and actively participates in global trade governance. Concurrently, China has made significant reforms in Intellectual Property Rights (IPR) protection in line with TRIPS and its WTO commitments since 2001, updating its Patent, Copyright, and Trademark laws and enhancing enforcement mechanisms. However, challenges in enforcing IPRs persist, and international concerns

about the consistency and transparency of China's actions remain. China's progress in IPR protection is crucial for fostering innovation, economic growth, and meeting international expectations, underscoring the need for continued enhancement of its IPR framework.

5 Case Studies of Trade Disputes

5.1 Overview of Notable Disputes

5.1.1 Case Study: U.S. vs. China on Steel Tariffs

The US-China trade conflict, spanning Trump to Biden, has significantly impacted global trade. Starting with US tariffs on steel and aluminum under Section 232, China retaliated, escalating the trade war. The US broadened tariffs, leading to WTO challenges and rulings against the US for violating trade rules. This conflict tests international trade law, emphasizing the need for a rules-based approach, respect for legal decisions, and the complexity of balancing national interests with global obligations. It highlights the negative effects of tariffs, such as trade diversion and increased costs, and the need for WTO reform for effective dispute resolution and a fair global trade system.

5.1.2 Case Study: EU vs. China on Solar Panels

The EU-China solar panel dispute started with EU-Prosun accusing Chinese manufacturers of dumping solar panels in the EU market with state subsidies. The European Commission investigated and proposed duties, prompting China to consider retaliatory measures. The conflict raised questions about the compatibility of WTO rules with climate change and renewable energy goals. The dispute was resolved through a negotiated price undertaking, avoiding a trade war and highlighting the need for international law to support climate efforts and renewable energy development.

5.2 Analysis of Outcomes and Implications

China's trade policies, significantly influenced by WTO dispute settlements and international law, have evolved since joining the WTO in 2001, with increased scrutiny leading to policy adjustments to comply with global trade rules, including TRIPS, and affecting intellectual property rights. The WTO's dispute mechanism has prompted China to revise policies based on rulings to avoid sanctions and maintain trade credibility, deepening its engagement with international legal principles and impacting its legal framework and trade negotiation strategies. However, unilateral trade measures and the paralysis of the WTO Appellate Body present challenges, affecting dispute resolution reliability and WTO ruling enforcement. Trade disputes outcomes, involving complex legal processes and international law, have broader implications for international trade relations, the stability of the global trading system, and China's relationships with its trading partners. These outcomes are shaped by the interplay between international law, economic interests, and the political activities of multinational corporations, including their growing accountability for human rights and influence on trade policy.

6 Future Trends in China's Trade Policies

6.1 Anticipated Changes in Global Trade Environment

Geopolitical changes, including protectionism and trade wars, will mold China's trade policies to

preserve its global economic position. Economic trends, tensions, and agreements like RCEP will continue to influence China's approach to balancing protectionism with free trade. The growth of emerging economies impacts China by offering new export markets and increasing competition, necessitating innovation and stronger trade ties. China must also manage resource imports and geopolitical relations with these economies as their influence shifts global alliances. Overall, China's trade policies will adapt to these evolving market dynamics and geopolitical intricacies.

6.2 Strategic Directions for China

Against the backdrop of economic globalization, political multipolarity, and global integration, China, as the world's second-largest economy and the largest socialist country, has significant influence on the international community through its foreign trade policies and the formulation of global trade rules. China's strategic direction not only concerns domestic economic development but also has a profound impact on the global trade landscape. Therefore, China needs to actively participate in the formulation of global trade rules based on compliance with international norms to achieve a more equitable and reasonable international economic order.

China's strategic direction in global trade is first reflected in its enhanced compliance with international norms. Since joining the WTO in 2001, China has been actively reducing tariffs to meet WTO requirements. For example, China's simple average import tariff has been reduced from around 15% to about 10% by 2006, export tariffs from 21.4% to 10.27%, export tariffs for manufacturing enterprises from 15.57% to 7.46%, and tariffs for intermediate goods from 15.73% to 7.71%. This demonstrates China's efforts to reduce trade barriers and promote the liberalization of global trade. Compared with the United States, China has shown a relatively more proactive attitude in complying with international norms. The U.S. has been pointed out for regulations that contravene international consensus in areas such as agricultural product tariff quotas, environmental policies, and import bans on waste and recyclable materials. In the future, China will more strictly follow WTO rules and other international economic legal frameworks in its trade policies and practices. In this way, China can not only protect its legitimate rights and interests but also contribute to the stability and development of global trade. Moreover, compliance with international norms is an important way for China to enhance its international image and increase its international influence.

China's role in shaping global trade rules is growing stronger. By actively participating in WTO negotiations, China is not only directly involved in the formulation of global trade rules but also contributes Chinese wisdom and solutions to the formation of these rules. This has been reflected in various aspects, for example, China played a significant role in promoting the Trade Facilitation Agreement (2015), which not only helps protect China's national interests but also promotes fairer and more reasonable global trade rules. In addition, China actively participates in and promotes negotiations within the WTO on fisheries subsidies, domestic regulations on services, and e-commerce, demonstrating a proactive stance in international rule-making. In terms of cross-border data flows, China has also shown its influence in shaping global trade rules. China has strengthened its legal and regulatory framework by enacting the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China, laying a legal foundation for cross-border data flows. At the same time, China has participated in the construction of related international rules, such as joining the Regional Comprehensive Economic Partnership (RCEP) and actively aligning with high-standard international economic and trade rules like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA). These actions not only promote China's connection with the global market but also provide Chinese solutions for the formulation of global trade rules. Through these efforts, China's role in

shaping global trade rules continues to grow stronger, making a positive contribution to the fairness and rationality of global trade.

To achieve the aforementioned strategic direction, China must deepen policy reforms to adapt to new trends and challenges in the global economy. These reform measures should include the optimization and adjustment of trade policies to reduce trade barriers and improve efficiency; further expansion of market access to attract more foreign investment and promote market competition; and the strengthening of intellectual property rights protection to encourage innovation and protect the legitimate rights and interests of enterprises. These measures will solidify China's position in the global economic system and enhance its competitiveness and influence in global trade.

Active participation in WTO negotiations is a key part of China's strategic layout. Through these negotiations, China can not only discuss and resolve trade disputes with global partners but also promote the development of the global trade system towards greater liberalization and facilitation. In addition, China can use this platform to showcase its image as a responsible trade power, promote its trade philosophy and policy propositions, and thus have a greater say in the formulation of global trade rules. This not only helps protect China's national interests but also enhances China's position in global governance, contributing Chinese wisdom and strength to the construction of a more just and reasonable international economic order.

In summary, China's strategic direction is to further promote policy reform and actively participate in WTO negotiations by enhancing compliance with international norms and strengthening its role in shaping global trade rules. This will not only aid China's own development but also help build a more just and reasonable international economic order. In the future, China should continue to work in this direction to make a greater contribution to the prosperity and stability of global trade.

7 Conclusion and Outlook

This article delves into China's trade policies in the context of the WTO, examining their evolution, challenges in complying with WTO obligations, and global trade impacts. It underscores the need for China to enhance compliance with international norms and sustainable trade practices. The paper reviews China's policy adjustments post-WTO accession, including tariff reductions, IP protection, and dispute resolution. It also discusses China's active role in WTO mechanisms and predicts future policy trends influenced by global trade shifts and emerging economies.

Policymakers in China and globally should work towards enhancing cooperation within the WTO framework, addressing trade disputes through dialogue, and promoting a rules-based international trading system that benefits all members.

Firstly, China should continue to demonstrate its commitment to multilateralism by actively participating in WTO negotiations and supporting the organization's core principles of free trade and non-discrimination. This includes advocating for fair and transparent dispute resolution mechanisms within the WTO framework.

Secondly, China could further open its markets to foreign investment and goods, consistent with its WTO obligations. Reducing tariffs and eliminating non-tariff barriers would not only benefit international traders but also stimulate domestic economic growth by fostering competition and innovation.

Thirdly, China should strengthen its domestic legal and regulatory frameworks to align more closely with international trade standards. This involves improving intellectual property rights protection, enhancing the rule of law, and ensuring a level playing field for all market participants.

Fourthly, China can play a more proactive role in addressing global trade challenges through the WTO platform. By engaging in constructive dialogue on issues such as e-commerce, digital trade, and environmental sustainability, China can contribute to shaping future trade rules that reflect the interests of both developed and developing countries.

Lastly, China should enhance transparency and communication regarding its trade policies and practices. Providing timely notifications and justifications for any new measures or regulations will help build trust among WTO members and reduce misunderstandings or perceptions of unfair trade practices.

In summary, by embracing these suggestions, China can strengthen its partnership with the WTO, promote a more balanced and inclusive global trading system, and solidify its position as a responsible stakeholder in the international economy.

About the Author

Haohao Wang: Hailing from Henan, Wang Haohao is a freshman Law student at Southwest University of Political Science and Law. With a keen interest in constitutional law, she is committed to advancing human rights and constitutional development.

Molin Luo: From Fujian, Luo Molin is a Law major and debate team member at Southwest University of Political Science and Law. Her interest in international law drives her to explore global legal frameworks for cooperation and peace.

Meng Lin: Originating from Sichuan, Lin Meng is a Law student with a focus on criminal law and legal education. Her dedication to legal awareness among youth sets her apart.

Chenyu Wang: a Law freshman with a passion for corporate law and intellectual property. Her practical experience and commitment to pro bono services reflect her dedication to public service.

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