

## **China, WTO and developing countries – A constructivist analysis**

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### **Summary**

China's recent accession to the World Trade Organisation (WTO) has raised both hopes and fears for developing countries. The hopes emanate from its economic clout and the desire for leadership. In many official statements, China has supported developing countries' struggle to survive in the global economy. On the other hand, the fears appear from an economic rationale. Developing countries' products, having similar export destinations and the same comparative advantage, mainly involving a cheap labour supply are in potential danger since China is now able to use WTO rules to entice foreign investment and ensure the access of its products to foreign markets. Against this backdrop, this paper argues that it is unlikely for China to assume leadership in the WTO along traditional 'north-south' or 'developing-developed' divisions. The 'developing country' status of China in the WTO would definitely offer other developing countries some structural advantages in participating and influencing the outcomes of global trade negotiations. In effect, there would probably be some institutional implications for the developing countries, spinning off their commonly shared interests. However, the argument is based on the theoretical underpinning of a constructivist approach, which incorporates assumptions on interests, identity and ideas in studying international regimes.

### **Introduction**

China's entry into the World Trade Organisation (WTO) as a fully-fledged member on 11 December 2001 has raised both hopes and fears among the developing countries. The hopes emanate from the fact that China has the 4<sup>th</sup> largest industrial economy in the world with its identity as a 'developing country' and also from official statements, delivered since or before joining the WTO, in favour of the developing countries. During the Third Ministerial Meeting, when China's accession to the WTO became imminent, Chinese Minister for Foreign Trade and Economic Cooperation, Shi Guangsheng

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submitted five proposals<sup>2</sup> in support of incorporating the developing countries' development objectives in trade negotiations.<sup>3</sup>

Also after China's admission to the WTO, its official newspaper, the *People's Daily* commented that China's participation in a new round of trade negotiations, as the largest developing country, will boost the developing countries' collective negotiating capability, thereby rendering it possible to change the balance of force between "North and South" and speed up the remedy for problems such as an imbalanced multilateral trading system, and the ineffective implementation of the Uruguay Round Accords.<sup>4</sup> All such statements have eventually given rise to an expectation that China's identity, as a 'developing country' member in the WTO would tilt the balance in favour of the developing countries. This is because, being an economic giant in the global economy, China would be influential in setting the agenda or influencing the outcome of various trade negotiations. As opposed to such optimism, there is corresponding pessimism as well. A fear looms large that the exports of the developing countries would face increased competition from China or could eventually be displaced by the latter due to similar comparative advantages and the same export destinations.

Hopes and fears involving China have raised two very pertinent questions -what implications would China's accession have on the developing countries during trade negotiations in the WTO? Would China be able to assume a leadership role to strengthen the position of the developing countries in the WTO? While addressing the stated questions, the paper argues that the role of the developing countries in a multilateral trade forum, has undergone a shift since the Uruguay Round Trade Negotiations (1986-94), making the prospect of China's leadership in terms of traditional 'north-south' division or

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<sup>2</sup> Five proposals were- a. economic development objectives of developing countries and corresponding pattern of gradual market opening should be fully respected; b. developed countries should meet their obligations stipulated in the agreements of the Uruguay Round, and improve the market access environment for developing countries; c. formulation of new trade rules must have the full involvement of developing countries; d. coordination among developing countries should be strengthened, and their collective negotiation ability in the multilateral trading system should be improved; e. new round of multilateral trade negotiations should focus on discussing issues related to trade. China also holds that those issues that are not related to the functions of the WTO, such as labour standards, should not be incorporated in the agenda.

<sup>3</sup> Embassy of the People's Republic of China in the United States, *China Raises Five Proposals for Next Round Trade Talks*, 1999. available at <<http://www.china-embassy.org/eng/7036.html>>.

<sup>4</sup> Quoted in *The Guardian*, 'China Admitted to WTO', 21 November 2001. <<http://www.cpa.org.au/garchve4/1072cwto.html>>.

‘developed’ versus ‘developing countries’ very complex. There would, however, be some institutional implications that would spin off from the commonly shared interests of developing countries and China involving WTO rules and regulations. This is because the identity of China as a ‘developing country’ offers some structural advantages in participating in and influencing the outcome in trade negotiations.

The argument of the paper follows the constructivist perspective on international regime analysis that basically concentrates on the role of identity and interests of countries in the multilateral trade regime.

The first part of this essay offers the theoretical underpinning upon which the argument is established. Then, on the basis of the theoretical premise, the second part analyses how the developing countries have assumed different identities in safeguarding their multiple interests in trade negotiations since the Uruguay Round. The objective of the second part of the essay is to introduce the changed context of trade negotiations, where China interacts as a member country of the WTO. The third part focuses on the commonly shared trade interests between China and the developing countries to demonstrate the potential implications of China’s membership in the WTO. Finally, the paper ends with concluding remarks.

### **International Regime Theories and the Relevance of Constructivism**

Structural theories involving neo-realist and neo-Marxist (including both Gramscian and world system theory) versions of hegemonic stability theory (HST) share a common view that multilateral trade regimes are ‘the instruments of state or class power’.<sup>5</sup> Thus, it is assumed in neo-realist theory that a hegemonic state forms international regimes for the purpose of preserving its economic and political interests and international regimes are premised on the anarchical structure of international relations, reflecting distribution of capabilities in the international system.<sup>6</sup> Similarly, according to neo-Marxist world system theory, the core industrial countries establish international trade regimes to secure unlimited access to the resources of the peripheral countries. Also for neo-Marxist Gramscian theorists, a hegemonic state exploits the norms of the regime ‘to infiltrate the markets of all other

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<sup>5</sup> Jane Ford, ‘A Social Theory of Trade Regime Change: GATT to WTO’, *International Studies Review*, Vol. 4, No. 3, 2002, p. 117.

<sup>6</sup> Jane Ford, *ibid*; Susan K. Sell, *Power and Ideas: North-South Politics of Intellectual Property and Anti-Trust*. Albany: State University of New York Press, 1998, pp. 16-17; Thomas Risse, *Rational Choice, Constructivism and the Study of International Relations*. Presented at the Annual Meeting of American Political Science Association, Washington, DC., held from 31 August - 3 September 2000, pp. 5-7.

countries and to maximise the profits of its bourgeoisie class at the expense of others under the guise of a universal benefit'.<sup>7</sup> Under the framework of these theories, GATT/WTO, therefore, can be seen as a multilateral trade regime that solely upholds the interests of the major developed industrial states such as the USA, the European Union, Japan, and Canada, to the disadvantage of the developing countries.

On the contrary, according to the neo-liberal approach of IPE, the regime comprises norms, which facilitate cooperation by offering information, a monitoring mechanism, and low transaction costs. It also tends to preserve the interests of the leading countries that establish the regime. This neo-liberal approach to international regimes, therefore, appears to be relevant in analysing China's accession to the WTO. This can be explained by the fact that China, before joining the WTO, was unable to influence or utilise the outcomes of trade negotiations and faced increasing obstacles in accessing its major export markets of the USA and the EU.

Having become a member of the WTO, China is now in a position to exploit the institutional mechanism of the WTO to its advantage, as the multilateral trade regime has explicit rules and regulations governing the conduct of international trade. These theoretical approaches to international regimes however, were criticised for treating identities and interests to be fixed and independent of interaction of the actors in a regime.<sup>8</sup> Therefore, the neo-liberal approach might not be adequate in analysing why China, relatively powerful both in economic and military terms, has preferred to enter the multilateral trade regime with a 'developing country' identity. Viewed solely from this perspective, it would not be possible to examine the potential implications of China's accession to the WTO.

The essay, therefore, in its argument, applies a constructivist approach, which is mainly 'characterised by an emphasis on the importance of normative as well as material structures, on the role of identity', interests or ideational factors in the study of international relations.<sup>9</sup> This approach holds that '...the specific identities of specific states shape their perceived interests and, thereby the pattern of international outcomes' and '... normative factors in addition to states' identities shape their interests or their behaviour...'.<sup>10</sup> It also stipulates that ideas and learning are the elements which help to form

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<sup>7</sup> Jane Ford, *op. cit.* p. 118.

<sup>8</sup> Jane Ford, *op. cit.* p. 117; Susan K. Sell, *op. cit.*, pp. 9-10; Thomas Risse, *ibid*; .

<sup>9</sup> Christian Reus-Smit, 'Constructivism' in Scott Burchill, Richard Devetak, Andrew Linklater, Matthew Paterson, Christian Reus-Smit and Jacqui True, *Theories of International Relations*, Palgrave: Basingstoke, 2001, p.209.

<sup>10</sup> John G. Ruggie, *Constructing the World Polity: Essays on International Institutionalisation*. London: Routledge, 1998, pp. 14-15.

identities with inter-subjective meaning.<sup>11</sup> For example, developing countries in the 1960s and 1970s under the banner of G-77 of United Nations Conference on Trade and Development (UNCTAD) formed a collective identity of ‘protectionist other’ by demanding exemptions from some GATT rules, which aimed at reducing tariffs on industrial goods.<sup>12</sup> This collective identity for demanding exemptions from GATT agreement emerged from the developing countries’ adoption of ‘state led industrialisation and import substitution industrialization (ISI)’ policy under the influence of ‘dependency theory’ and the idea of new international economic order (NIEO).<sup>13</sup> The constructivists themselves, however, disagree over the nature of theory and the methodology of theory building.<sup>14</sup> Ruggie even agreed that ‘constructivism is not itself a theory’ as for example, the ‘balance-of-power theory in international relations’.<sup>15</sup> Perhaps, the new thrust of constructivism is that it has placed sociological analysis of international relations back at the centre by focusing on causal significance of shared ideas, norms and values, identity and interest. In doing so, constructivism offers an analytical framework which is very much ‘inductive in orientation’.<sup>16</sup>

### **China’s accession to the WTO and constructivist assumptions**

On the basis of the assumptions and the elements of a constructivist approach, China’s ‘developing country’ identity can be seen from two perspectives.

Firstly, it offers China a normative shield to uphold its economic interests during multilateral trade negotiation as WTO agreements contain some provisions of preferential and non-reciprocal trade arrangements for developing countries.<sup>17</sup> For example, ‘Enabling Clauses’ of the WTO provide a permanent legal basis in making the General System of Preference (GSP) operative. Under GSP, developed industrial countries grant developing countries tariff preferences on a non-reciprocal basis. It also comprises principles, practices and procedures regarding the adoption of trade measures for the purpose of balance of payments. The enabling clauses also allow flexibility for the developing countries in applying trade laws and

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<sup>11</sup> Jane Ford, *op. cit.*, pp. 120-121; John G. Ruggie, *op. cit.* pp. 16-21; Susan K. Sell, *op. cit.*, p. 10

<sup>12</sup> Jane Ford, *ibid.*

<sup>13</sup> Jane Ford, *op. cit.* pp. 122-123

<sup>14</sup> Christian Reus-Smit, *op. cit.*, p. 220

<sup>15</sup> John G. Ruggie, *op. cit.*, p. 34

<sup>16</sup> Christian Reus-Smit, *op. cit.* pp. 225-226; John G. Ruggie, *ibid.*

<sup>17</sup> Gustavo Olivares, ‘The Case for Giving Effectiveness to GATT/WTO Rules on Developing Countries and LDCs’, *Journal of World Trade*, Vol. 35, No. 3, 2001, p. 546.

regulations.<sup>18</sup> The objective of such exemptions is to provide developing countries with the opportunity to create specific opportunities for their own economic development. It also leads to a probability that China as a ‘developing country’ would be able to ride on such exemptions in preserving its trade and economic interests, interests commonly shared by other developing countries in the WTO.

As a sequence to the first, another assumption is that China might assume a negative leadership role by capitalising on the quantitative influence of the developing countries in the consensus based multilateral trade regime.<sup>19</sup> Such a possibility seems to be remote. Incorporation of Trade in Services, Trade Related Intellectual Property Rights (TRIPS) and Trade Related Investment Measures (TRIMS), agricultural trade and textiles and clothing, within the scope of the WTO through a single undertaking during the Uruguay Round have led to a complex set of relationships between the developing and the developed countries. These relationships have also become more complex due to the process of economic globalisation. These complexities are described in detail in the following section.

### **Developing Countries in the Multilateral Trade Regime: Different interests, multiple identities.**

#### *Divergence of Interests*

The internationalisation of production, distribution and marketing of goods and services and the increasing flows of capital and investment have transformed international trade since the 1980s mainly due to the Structural Adjustment Programme of the World Bank (WB) and the International Monetary Fund (IMF). It was manifested in the trade policy of a large number of developing countries including Argentina, Brazil, India and Egypt which began liberalising their economies, dismantling trade barriers and domestic production subsidies.<sup>20</sup> In doing so, these countries adopted the idea of export-led growth for development, abandoning Import Substitution Industrial (ISI) policy.<sup>21</sup> As a result, the stake of developing countries in international trade

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<sup>18</sup> Bernard M. Hoekman and Michel M. Kostecki, *The Political Economy of the World Trading System: The WTO and Beyond*. New York: Oxford University Press, 2001, pp. 387-388

<sup>19</sup> Farzana Noshab, *China's Accession to the WTO: Global Implications*. Institute of Strategic Studies, Islamabad, 2002, p. 10, available at <<http://www.gdnet.org/fulltext/noshab.pdf>>

<sup>20</sup> Diana Tussie and Ngaire Woods, *Trade, Regionalism and the Threat to Multilateralism*, 2000, p. 9, available at <[http://168.83.61.132/areas/proyectos/areas/ri/esie/tussie/docs/tussie\\_woods.pdf](http://168.83.61.132/areas/proyectos/areas/ri/esie/tussie/docs/tussie_woods.pdf)>

<sup>21</sup> Rajiv Kumar, ‘Developing Country Coalitions in International Trade Negotiations,’ in Diana Tussie and David Glover, eds., *The Developing Countries in World Trade: Policies and Bargaining Strategies*, London: Lynne Rienner, 1993, p. 215.

increased to a significant extent. In addition, the emergence of Newly Industrialised Countries (NICs) in South-East Asia, the creation and consolidation of regional economic groupings and the collapse of centrally planned economies contributed to the increased difference and diversity in trade interests. This created a willingness among the developing countries to participate in reciprocal trade bargaining for market access during multilateral trade negotiation.<sup>22</sup>

In effect, the shift in international trade policy from ISI to export led growth and the newly emerged global economy forced developing countries to assume different identities by forming separate coalitions during multilateral trade negotiations, going beyond their traditional collective identity of G-77. This change in the approach of the developing countries became evident when their informal group G-10<sup>23</sup>, which traditionally represented G-77 in the GATT forum, failed to mobilise the support of other developing countries in preventing the new round of trade negotiations taking place prior to the Uruguay round trade negotiation. Thus, when a postal ballot was arranged by the USA, the EC, Japan and two thirds of the contracting parties of GATT voted in favour of holding a special session. This action indicated their support for initiating a new round of trade negotiations.<sup>24</sup> As a result, when the special session of GATT started, developing countries formed some new, informal groups under different identities. The lack of unity of these new, informal groups was exposed by their failure to take a common stand over the incorporation of new issues such as Trade in services, TRIMS, TRIPS in the agenda of the new round of trade negotiations. While G-10 opposed the incorporation of new issues, another group, known as the Enthusiasts Group involving the Association of South-East Asian Nations (ASEAN), Colombia, Chile, Jamaica, South Korea and Zaire lent their support.<sup>25</sup> Previously, G-77 under the coordination of G-10, was sufficiently unified to insist that the incomplete business of the Tokyo Round Trade Negotiation and the existing deviations from GATT rules must be tackled before any new round of trade negotiations could be held.<sup>26</sup>

Once the Uruguay Round Trade Negotiation started, alliance building between developing countries surfaced as sectoral and issue based interests

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<sup>22</sup> Rajiv Kumar, *ibid*; Alejandro Jara, 'Bargaining of Developing Countries in the Uruguay Round,' in Diana Tussie and David Glover, eds., *op. cit.*, p. 11; Bernerd M. Hoeckman and Michel Kostecki, *op. cit.* 240)

<sup>23</sup> This group comprised Argentina, Brazil, Egypt, India, Yugoslavia, Chile, Jamaica, Pakistan, Peru and Uruguay. This group was mainly led by five countries Argentina, Brazil, Egypt, India, Yugoslavia, for their political clout and negotiation skill along with large economy.

<sup>24</sup> Rajiv Kumar, *op. cit.*, p. 207.

<sup>25</sup> Rajiv Kumar, *op. cit.*, p. 209)

<sup>26</sup> Rajiv Kumar, *op. cit.*, p. 206)

under separate identities, deviating from the traditional identity of ‘protectionist other’<sup>27</sup>. When negotiations on agriculture began, Brazil, the leader of the G-77 and some other major agricultural developing countries formed a formal coalition under the identity of the ‘Cairns group’<sup>28</sup> which also included some developed agricultural countries in its membership. This group with its more ‘rigid pro-liberalisation position’ was particularly active in preventing a EU-US-brokered settlement in 1990 on agricultural issues.<sup>29</sup> Some food importing developing countries such as Jamaica, Egypt, Mexico and Peru also banded together in the net food-importing group to side with the EC to oppose liberalization of agriculture.<sup>30</sup>

Similarly, on services, the developing countries as a group initially opposed the inclusion of services in GATT.

However, as these negotiations became more protracted, allowing time to look closely at all the issues, some developing countries began to realise the advantages of having a cheap labour force, and thus eventually supported the inclusion of services during the Uruguay Round. This support culminated in a formal proposal for the Agreement on Trade in Services made by the Latin American and Caribbean countries.<sup>31</sup> The US threat of using unilateral retaliatory trade sanctions (i.e. Section 301, Omnibus Trade and Tariff Act, promulgated in 1988) and GSP offer to a section of the developing countries also disrupted the unity of the G-77. China, Brazil, India, Taiwan and Thailand came under investigation by the US for alleged violations of Intellectual Property Regime under the US Trade Act. At the same time, Argentina and the Andean Group countries were repeatedly threatened with trade sanctions by the US in order to bring about changes in those countries Intellectual Property Rights regimes.

In addition, the emergence of a regional trading bloc in the form of the North American Free Trade Agreement (NAFTA) which involved developed and developing countries brought a change in the attitude of Mexico in upholding its interest as a developing country. Mexico became more receptive to supporting the inclusion of the new issues, submitted by the

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<sup>27</sup> It signifies the developing countries’ preference to protect the domestic industries to materialise ISI policy in the 1960s and 1970s.

<sup>28</sup> This group now consists of Argentina, Australia, Bolivia, Brazil, Cambodia, Canada, Chile, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

<sup>29</sup> Bernerd M. Hoekman and Michel Kostecki, p. 241; Sheila Peg, *Developing Countries in GATT/WTO Negotiations*. Working Paper. 2001, p. 20 available at <[http://www.odi.org.uk/iedg/participation\\_in\\_negotiations/wto\\_gatt.pdf](http://www.odi.org.uk/iedg/participation_in_negotiations/wto_gatt.pdf)>

<sup>30</sup> Bernerd M. Hoekman and Michel Kostecki, *ibid*; Sheila Peg, *ibid*; Alejandro Jara, *op. cit.* p. 19.

<sup>31</sup> Alejandro Jara, *op. cit.* p. 25

USA and other developed countries, during the Uruguay Round Negotiation.<sup>32</sup> This trend of regional integration creates new regional identities, for which participating developing countries are required to adjust their interests. For example, during the Singapore Ministerial Meeting in 1996, a 'precooked deal', known as the 'brainchild' of major US and EU IT industries for the elimination of trade barriers on information technology products was put forward by the APEC countries and the EU to the utter surprise of the non-APEC developing countries.<sup>33</sup> Some African, Caribbean and Pacific (ACP) countries depend on the regional grouping of the EU for their representation in the WTO as they have preferential trading arrangements with the EU.<sup>34</sup> As a result, the institutionalisation of multilateral trade regimes with the establishment of the WTO has contributed to the emergence of some informal mixed membership group identities. Most notable are the so called "Invisible Group"<sup>35</sup> and the "Beau-Rivage Group". The former consists of officials from trade ministries of the "quad" group of Canada, the EC, Japan, the US, Brazil, India and South Korea. The latter group includes the Geneva based representatives of a number of smaller countries both developed and developing who are committed to active participation in a multilateral trading system.

The image of a 'developing country', contained in the text of the WTO agreements or in the Ministerial Declaration, provides a uniform picture of the developing countries with inter-subjective meaning in opposition to the developed member countries. So when these 'developing' countries oppose across the board incorporation of non-trade issues (i.e. environment, human rights, labour standards etc.) and trade issues (i.e. investment, competition policy, government procurement and trade facilitation) proposed by the developed countries, or insist on incorporation of 'implementation issues',<sup>37</sup>

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<sup>32</sup> Claudia Schatan, 'Out of the Crisis: Mexico,' in Diana Tussie and David Glover, eds., *op. cit.*, p. 87.

<sup>33</sup> Bernerd M. Hoeckman and Michel Kostecki, *op. cit.*, p. 105 and 233.

<sup>34</sup> Sheila Peg, *op. cit.*, p. 27.

<sup>35</sup> It meets in Geneva, perhaps twice a year, with the participation of the Director General to discuss, usually in general terms, up-coming issues of importance to the WTO.

<sup>37</sup> Heckman and Kostecki identifies three types of implementation concerns: a. confirming that high-income WTO members would act in terms of the obligations they undertake in the Uruguay Round agreements; b. capacity of the developing countries to implement Uruguay Round Agreements before the various transition period expired; c. whether the substantive disciplines of some the WTO agreements were compatible with national development priorities.

and ‘operationalisation’ of ‘special and differential treatment’, a split among the WTO members along ‘north-south’/‘developed-developing’ lines in the multilateral trade regime becomes visible.<sup>38</sup> This became evident during the third Seattle Ministerial Meeting held in 1999. The US President, Bill Clinton’s statement that trade sanctions for violating core labour standards would be applied brought about the premature death of the Seattle Meeting.<sup>39</sup>

The traditional ‘north-south’ division should not be blamed for the failure of the Seattle Ministerial. There were differences even within the Quad countries on various issues<sup>40</sup> and also within the developing countries, that overlapped this traditional demarcation of ‘north-south.’ For example, the USA demanded huge reductions of firm subsidies or reform of antidumping rules for agricultural products while the EU, Japan and even China with its ‘observer status’ in the WTO opposed a reduction of firm subsidy during the Seattle Meeting.<sup>41</sup> Moreover, prior to the Seattle Meeting, 60% of the total 200 written proposals submitted to the General Council of the WTO came from the developing countries. Many countries assembled together under regional trading arrangements such as Mercosur<sup>42</sup>, the Andean Community<sup>43</sup> or the African Group<sup>44, 45</sup>.

All the developments that took place prior to or during trade negotiations indicate that the developing countries do not seem to have a ‘monolithic position’ over contentious issues, since they themselves differ from each other in their priorities and interests, dictated much by their level of development, obligations under various regional integration projects and dependence on trade in agriculture and commodities, manufacturing, or services.<sup>46</sup> Therefore, when a Ministerial Declaration is made public, it becomes a document of compromise and accommodation of the interests of the various actors involved in the trade negotiation. For example, the Doha

<sup>38</sup> Jayashree Watal, ‘Developing Countries’ Interests in a ‘Development Round,’ in Jeffrey J. Schott, ed., *The WTO after Seattle*, Washington, DC: Institute of International Economics, 2000, p. 73; Bernerd Hoekman and Michel Kostecki, *op. cit.*, p. 398.

<sup>39</sup> T. N. Srinivasan, *Developing Countries and the Multilateral Trading System after Doha*. Economic Growth Center Discussion Paper No. 842, 2002, p. 4, available at <<http://www.publicpolicies.org/Research/TN%C2%A0Srinivasan-pres.pdf> .

<sup>40</sup> Canada, the EU, Japan, the USA

<sup>41</sup> Jeffrey J. Schott, ‘The WTO after Seattle,’ in Jeffrey J. Schott, ed., *op. cit.*, p. 7.

<sup>42</sup> This regional grouping of South America Common Market was established in 1991 involving Brazil, Argentina, Paraguay and Uruguay. Bolivia and Chile are two associate members.

<sup>43</sup> The five Andean Community members are —Bolivia, Colombia, Ecuador, Peru, and Venezuela—under the name Andean Community. It was established in 1969.

<sup>44</sup> This group was led by Kenya.

<sup>45</sup> Jayashree Watal, *op. cit.*, p. 73.

<sup>46</sup> Jeffrey J. Schott, *op. cit.*, p. 15.

Ministerial Declaration had to accommodate the agenda of both the developing and developed countries.

It should be noted that for the first time, the Doha Ministerial Meeting resulted in three principle documents: the main Ministerial Declaration, a separate Declaration on the TRIPS Agreement and Public Health, and a Decision on Implementation-Related Issues and Concerns. Moreover, in separate negotiations, the participating Ministers also agreed on a Decision on a Waiver for the EU-ACP partnership agreement and a Decision on EU transitional regime for banana imports. The Doha Ministerial Meeting, therefore, appeared to prioritise the need of the developing countries by taking their concerns into account. The objective was to instil some confidence among the developing countries and rebuild the image, which had been damaged during the Seattle Ministerial Meeting, of the WTO for initiating a new round of trade negotiations. In this regard, UNCTAD stated that the gains of the developing countries from the Uruguay Round liberalization had proved to be limited, and insisted that any new round should be a "Development Round", committed to issues which were relevant to the developing countries. Joseph Stiglitz, the former Chief Economist and Senior Vice President of the World Bank also supported the idea of a "Development Round".<sup>47</sup> In his view, the next round of trade negotiations had to be fair to developing countries and also had to be comprehensive enough to include such issues of vital importance to developed countries, as financial market liberalization and information technology, but also those, such as construction and maritime services, which are important to developing countries. The World Bank also approved a "Development Round".<sup>48</sup> Therefore, the new round of trade negotiations was given a distinct name the 'Doha Development Round'. This signalled the willingness to accommodate the interests of both the developed and developing countries, in contrast to previous WTO Ministerial Meetings, which were usually named after the places where the meetings were held.

### ***The Emergence of Complex Realities and Multiple Identities***

All of these events imply that a complex set of relationships emerged and evolved throughout the four Ministerial Meetings, held under the WTO since the Uruguay Round Trade Negotiation. Clear trade-offs can be observed in some issues between the developing and developed countries and in many instances, there is a difficult bargaining position between the countries, irrespective of their 'developed and developing' identity, defending some sectoral interests at the expense of others and of the national economy as a

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<sup>47</sup> T. N. Srinivasan, *op. cit.* p. 25.

<sup>48</sup> *ibid.*

whole. There is a clear common interest over some issues.<sup>49</sup> Developing countries have become more open in promoting and achieving self-interest than they have been in the past.<sup>50</sup> These divergences of interest are, therefore, being expressed via multiple identities, blurring traditional divisions along the lines of developed free trading countries versus protectionist developing countries or free trading north versus protectionist south during multilateral trade negotiations. In the light of these complexities, the next section of the essay highlights the possible implications of China's accession to the WTO.

### **China's 'Developing Country' Identity and WTO Membership: Implications for the Developing Countries**

Despite not being a member of the GATT/WTO, China's achievement in trade was remarkable. In 1998, China became the 9th largest trading economy in the world, occupying 3.4% of the world's total trade.<sup>51</sup> The question to ask therefore, is why China wanted to join the WTO

China's joining of the WTO was largely motivated by the suspicion that due to the gradual expansion of the EU and the formation of NAFTA, its access to Western markets could shrink in the future. Besides, access of Chinese goods in the US market was conditional and China had to seek renewal of the Most Favoured Nations (MFN) status every year. Getting MFN from the US was always a tough battle for China as it was contingent on China's human rights record and other foreign policy considerations, particularly its relationship with Taiwan.<sup>52</sup> China's growing trade surplus in its trade with the USA, the EU and Japan, which accounted for about 50% of its exports, witnessed increasing use of non-tariff measures (NTM) by its major export partners.<sup>53</sup> The Chinese authorities calculated that the NTMs contributed to an annual loss of approximately US\$ 30-50 billion, which is between 15% to 25% of the value of China's annual exports.<sup>54</sup> China also saw regional blocs in the West as the creation of 'fortress economies', aimed at protecting their members from globalising forces.<sup>55</sup> So, it was expected that its

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<sup>49</sup> Sheila Peg, *op. cit.*, p. 45.

<sup>50</sup> Bernerd M. Hoekman and Michel Kostecki, *op. cit.*, p. 241.

<sup>51</sup> Thomas M. H Chan, *Economic implications of China's accession to the WTO, 1999* available at <[http://www.future.china.org.tw/csipf/activity/19991106/mt9911\\_03e.htm](http://www.future.china.org.tw/csipf/activity/19991106/mt9911_03e.htm) .

<sup>52</sup> Bernerd M. Hoekman and Michel Kostecki, *op. cit.*, p. 404.

<sup>53</sup> Economic and Social Commission for Asia and the Pacific (ESCAP), *Non-Market Measures with Potentially Restrictive Market Access Implications Emerging in a Post-Uruguay Round Context*. Studies in Trade and Investment: 40. New York: United Nations, 2000, pp. 79-91.

<sup>54</sup> ESCAP, *op. cit.*, p. 103.

<sup>55</sup> Thomas G. Moore 'China and Globalization' in Samuel S. Kim, ed., *East Asia and Globalization*. Lanham: Rowman & Littlefield Publishers, 2000, p. 109.

membership in the WTO would stabilise and formalise its access to markets in the developed countries by guaranteeing automatic MFN status from the US and all other member states, and exploit the institutional mechanism of the WTO for resolving bilateral trade disputes with its trade partners.

The post-Uruguay Round trade environment also witnessed an increase in the use of the various NTMs by the developed trading partners (i.e. the USA and the EU) against the developing countries. For example, 50.9% of India's exports to the EU were subjected to NTMs during 1996-1997.<sup>56</sup> This indicates that China's trade interests, in terms of the difficulties it confronted in accessing the markets of Western countries were similar to those of many developing countries. The developing countries were dissatisfied over the implementation of the Uruguay Round Agreements. This sometimes contributes to the belief held by developing countries that international trade is not fairly regulated.

In analysing the interests which motivated China to join the WTO, one will find that those same interests correspond to the interests of the developing countries, incorporated in the Doha Ministerial Declaration. For example, Chinese officials identified nine reasons<sup>57</sup>, which motivated China to seek entry into the WTO. Of these, at least four are complimentary to the interests of the developing countries: a. to contain international protectionism; b. to gain non-discriminatory access to the markets of the developed countries under unconditional MFN treatment; c. to safeguard China's position in prospective negotiations on new areas of trade such as trade in services, trade in investment and intellectual property rights; d. to exploit the dispute settlement mechanism of the WTO.<sup>58</sup> From this perspective, it can be argued that the convergence of China's trade interests with those of other developing countries in the WTO would have positive implications for developing countries. This is because the huge consumer market of 1.2 billion in China and increasing investment from the developed countries has put China in an advantageous position in trade bargaining. Its huge economic leverage is in fact an added advantage, if it seeks to offset other countries' protectionist behaviour.

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<sup>56</sup> Thomas G. Moore, *op. cit.*, p. 119.

<sup>57</sup> Other benefits are: a. expanding Chinese markets; b. gaining the treatment that developing countries get such as preferential trade arrangements; encouraging Chinese industry to become more competitive internationally; increasing the transparency of China's economy; increasing confidence among China's trade, investment and technology.

<sup>58</sup> S.Harris, 'China's Role in the WTO and APEC,' in David S. G. Goodman, and G. Segal, eds., *China Rising - Nationalism and Interdependence*. London: Routledge, 1997, p. 164.

From the game-theory perspective, China has ample capacity<sup>59</sup> to wage a trade war against any major economic power like the United States and the EU.<sup>60</sup> It has exploited this advantage to a significant extent in the past when obtaining renewal of its MFN status from the US, even though the US had, on various occasions, expressed concerns about its human rights record. China's economic character is also similar to that of many developing countries whose exports are dominated by labour intensive cheap goods with export destinations in developed countries. So the incorporation of 'trade and issues' i.e. labour standards, human rights etc, is of as much concern to China as it is to other developing countries. Therefore, it is more likely that China, in opposing such issues, will deploy its 'developing country' identity to raise a common voice with other developing countries in the WTO, where decision-making is consensus based. Similarly, the developing countries could seek to exploit the clout of China, derived from its economic weight in trade negotiation.

Yet the present alliance building along 'developed-developing' lines might not be as permanent as it was among the developing countries during the 1960s and 1970s when developing countries could, arbitrarily, be identified as 'protectionist other'. The post-Uruguay multilateral trade regime demonstrated that developing countries had assumed many identities reflecting the diversity in their trade interests.

China is likely however to rely more on the rule based institutional mechanism of the WTO by exploiting the provisions, which offer some structural advantages for the developing countries.

The WTO might not encourage China to assume leadership because as a part of the Accession Protocol, China's WTO accession is conditional, depending on the nature of bilateral agreements it signed with its major trading partners, the US and the EU. Under the bilateral agreement, the US still holds the right to treat China as a 'non-market economy' country. This indicates that China is still vulnerable to anti-dumping measures by the US.<sup>61</sup> China's desire to assume leadership of, or counter the US in the WTO, might therefore invite unilateral action from the US.

China also has other obligations as a member of APEC and as a result of its efforts to establish ties with regional alliances such as ASEAN. It does not see its membership in the WTO as counterbalancing the dominance of the developed countries in world trade. Rather, China sees its membership as a part of its effort to create pressure for 'managed globalisation', to ensure

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<sup>59</sup> According to WTO statistics for 2000, excluding Hong Kong, China ranks eighth for world trade, after US, Germany, Japan, UK, France, Canada, Italy

<sup>60</sup> Youngjin, Jung 'China's Aggressive Legalism: China's First Safeguard Measures', *Journal of World Trade*, Vol. 36, No. 6, 2002, p. 1046.

<sup>61</sup> Yang Yongzheng, 'China's WTO Accession: The Economics and Politics', *Journal of World Politics*, Vol. 34, 2000, p. 80.

'controlled' opening of the country to the outside world.<sup>62</sup> For example, in a disputed procedural issue between the developed and the developing countries, over the appointment of the Head of the Trade Negotiating Committee of the WTO, China did not publicly take an antagonistic position towards the US or the EU on the issue.<sup>63</sup>

The role played by China in other international organisations like the United Nations, the World Bank (WB) and the International Monetary Fund (IMF) has so far earned it the reputation of a 'system maintainer'.<sup>64</sup> The World Bank even sometimes quotes China as a model member.<sup>65</sup> It is therefore likely that China's role in the WTO will be determined more by its own interests, than by the interests of other developing countries. In this regard, China would exploit the institutional means available within the WTO. The Dispute Settlement Mechanism (DSM) in resolving international trade disputes holds the best prospect for China in this regard.<sup>66</sup> It implies that the WTO appellate body's decision in resolving trade disputes between China and the US or the EU will have implications for other developing countries which face similar difficulties in conducting trade with developed industrial countries.

### Conclusion

The accession of China to the WTO has obviously made the rule based international trade regime a truly global forum for trade negotiation, this was not the case before China joined the organisation. However, apart from the impact of China's membership on the WTO, Jackson identifies two other major impacts (a) impact on China's trade and economic policy, its governmental structure and its society; (b) China's relationship with the rest of the world and the consequent effect on geopolitical structures and alignments.<sup>67</sup>

Moreover, the essay for its commitment to analyse the impact of China's entry into the WTO on the developing countries from a theoretical point of view, focuses on the changed context of international trade negotiation under the influence of neo-liberal policy and economic

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<sup>62</sup> Thomas G. Moore, *op. cit.*, p. 112.

<sup>63</sup> 'WTO Talks Stumble Out of Gate', *The Herald Tribune*, 30 January 2002.

<sup>64</sup> Qingjiang, Kong, *China and the World Organization: A Legal Perspective*, New Jersey: World Scientific, 2002, pp. 39-40.

<sup>65</sup> *ibid.*

<sup>66</sup> Farzana Noshab, *op. cit.* p.10.

<sup>67</sup> John J. Jackson, 'The Impact of China's Accession on the WTO,' in Deborah Z. Cass, Brett G Williams and George Barker, eds., *China and the World Trading System: Entering the New Millennium*, Cambridge: Cambridge University Press, 2003, p. 19.

globalisation and on the role of identity and image in constructing the normative structure of the multilateral trade regime. However, the constructive approach offers certain advantages in analysing the impact of China's accession to the WTO. For example, the constructivist assumptions investigate the role of identity, ideas, and image in preserving states' interests unlike neo-realism and neo-liberalism, which highlight the role of military or political power and also the 'interdependence' among states.

The present context of the global economy shows that developing countries have been endorsing the importance of barrier free trade to pursue development since the 1980s and thus the interests of these countries in trade have assumed multiple dimensions. In effect, 'developing country' identity only becomes exposed when developing countries commonly share certain issues and concerns over international trade. These identities are not fixed, since economic interests now vary from country to country, region to region. As a result, lately found ideological conformity among the developing countries over trade liberalisation and economic issues on the one hand and the absence of alternative ideas on the other, have transformed the trade liberalisation process into a 'managed trade' syndrome which surfaces during multilateral trade negotiations.

Moreover, although China has the economic and even political clout to lead the developing countries in preserving their interests in the WTO, its role would be more like that of a 'conformist' since its trade with the major developed countries is still conditional under the obligations of the accession agreements. So its accession to the WTO is likely to put many developing countries in stiff competition over their capacity to attract foreign direct investment, market access to similar export destinations for textile, apparel, footwear and other labour intensive products. As a result, China's and the developing countries' interests could, in many cases, be in conflict in the long run.

However, if the economic might of China, its 'developing country' status and its reliance on exploiting the institutional mechanisms of the WTO in upholding its interests, were commonly shared by other developing countries, it would be a new found advantage for them. They all depend on how China's relationship with developing countries and even with developed countries takes shape, within or outside the WTO, and what impact China's membership of WTO has on its overall economic progress.