

Document 17.4: “China’s WTO Entry of Great Impact,” *China Daily*, December 3, 2006

While few doubt the importance of the September 11 terrorist attacks, analysts say China’s entry into the World Trade Organization three months later may eventually be seen as having even greater reverberations.

When China joined the WTO on December 11, 2001, it submitted to a universal set of rules, signing off sovereignty it had defended fiercely for millennia, said David Zweig at Hong Kong’s University of Science and Technology.

“China basically accepted the fact that the outside world could tell it what it could and couldn’t do domestically,” said Zweig, who heads the university’s Center on China’s Transnational Relations. “Unless the war on terror continues for a long time and has implications in terms of further foreign policy intervention by the US, then the long-term impact of China’s entry into the WTO is greater,” he said.

As the world’s most populous nation marks the fifth anniversary of its entry into the global trade body, it is time for both the 1.3 billion Chinese themselves and the rest of the world to take stock of the changes. For the well-heeled resident of Beijing or Shanghai, the advantages of WTO membership are obvious: His imported Mercedes is cheaper; his local Citibank offers more services; his Wal-Mart sells a wider variety of products. But China’s entry into the WTO has not just created winners. Reduced tariffs on agricultural produce have threatened the livelihoods of hundreds of millions of farmers.

Beyond affecting the individual lives of the Chinese, the WTO has also profoundly and irreversibly changed the Chinese economy as a whole.

“The biggest transformation has been in the volume of trade,” said Li Zhongzhou, chief analyst at the Beijing-based EU-China Program for the Support of China’s Integration into the World Trading System. “And it’s not just exports that have gone up.” Overall

trade as a percentage of the gross domestic product, a widely used measure of an economy's openness to the outside world, has risen from 44 percent in 2001 to 72 percent today. By comparison, the value of US trade with the rest of the world is just 21 percent of its gross domestic product.

The greater openness that WTO membership has entailed has brought net advantages to the Chinese, but they may soon have to wave goodbye to the early, easy benefits of accession to the global trading system.

“Since China joined the WTO, its exports have grown at an average rate of 29 percent per year,” said David Dollar, the World Bank country director for China. “Part of that is an adjustment to a more open system. But it's very unlikely that exports can continue to grow at that rate, now that China is a very large player in the world market,” he said.

Much has been made of the unemployment that China creates elsewhere with its hyper-efficient, hyper-cheap labor force. But China, too, has had to pay.

“In this period of expanding trade, every country has to make some adjustments. Some of its industries expand and other industries tend to contract,” said Dollar. “In China, for example, more than 100,000 people have been released from state-owned banks, as the state-owned banks adjust to this more competitive environment.”...

China's entry into the WTO has brought about monumental changes in global trade flows that it will take a long time to absorb, according to Cliff Stevenson [a UK-based consultant].... “It's quite hard to predict when the transition will be over, because I don't think the world has ever seen anything like this before,” he said.

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http://www.chinadaily.com.cn/china/2006-12/03/content_749053.htm