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Rescuing the World Trade Organization

US concerns cannot be resolved unless Chinese concerns are, too

By [James Bacchus](#)

During a recent session of the World Trade Organization, Chinese diplomats fielded [2,562 questions from 39 other WTO members](#) about China's compliance with its WTO treaty commitments. The fact that China felt obliged to show up and reply to these questions speaks volumes about the value of the WTO. The fact that there were so many questions from so many of its trading partners shows how much doubt there remains globally – twenty years after China became a WTO member – that China is truly committed to the WTO and to the continued success of the multilateral liberal trading order.

No small amount of this doubt comes from the United States, which had numerous questions for China about its subsidies for state-owned enterprises, overcapacity in the steel and aluminum sectors, forced technology transfers, inadequate enforcement of intellectual property rights, inadequate regulatory transparency, cross-border data restrictions and data localization requirements, cybersecurity schemes, and a lot more that the US – and other WTO

members – say falls short of fulfilling China's WTO [treaty obligations](#).

For their part, the Chinese contend that these concerns are vastly exaggerated. Chinese Vice Minister of Commerce Wang Shouwen – his country's leading WTO expert and WTO negotiator – told other WTO members that many of their questions in the periodic [review](#) of his country's trade policy were “unreasonable” and “improper,” [extending beyond the current remit of the organization](#). He added, however, that China would take seriously all concerns that it thinks fall within the appropriate scope of the WTO.

China and the United States have both benefited enormously from membership in the WTO. [According to a 2019 study by the Bertelsmann Foundation](#) in Germany, membership in the WTO trading system boosted GDP growth in China during its first 18 years as a member by \$85.5 billion annually. This was a close second to the United States, which, because of its WTO membership, added \$87 billion to its GDP growth annually during its first 25 years of membership.

The Chinese government knows how much China has benefited from belonging to the WTO. The United States government must endlessly be reminded of it. Without WTO membership, Chinese products would face high tariffs and trade discrimination with impunity throughout the world. So would the products of the United States – a fact evidently forgotten by many American Democrats and Republicans alike. Yet it is much in the mutual interest of both countries

to find multilateral solutions to their trade grievances – and to find them, not by flouting WTO rules, but rather within the WTO.

It is also much in their mutual interest that they and the other 162 members of the WTO find a way together to return the WTO to the center of world trade and ensure the continued international rule of law within the WTO.

If China and the United States are not both fully engaged in restoring the centrality of the WTO and modernizing it to make it fully fit for purpose in the twenty-first century, then the next twenty years of Chinese and American membership in the institution may well witness its decline into an afterthought on the margins of the world economy. As one result, China and the United States would both lose their current significant economic gains from their WTO membership and the future economic gains they might otherwise stand to achieve as WTO members.

In such an unhappy event, the rule of law would be abandoned in world trade and the rule of power would prevail. Such an outcome may seem superficially appealing to some decision-makers in both countries who prefer confrontation to cooperation, and who court confrontation for their own domestic political ends, but it would only shrink the economic future of both (not to mention the rest of the world).

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rather than assuming at the outset that he does not mean it.

President Xi Jinping of China has said that China is [open to negotiations](#) on industrial subsidies and some of the other issues of concern raised by the United States and other WTO members. He has repeatedly positioned himself as a defender of international institutions. “The past 20 years have witnessed China deepening reform and pursuing all round opening up, China seizing opportunities and rising to challenges, and China stepping up to its responsibilities and benefiting the whole world,” he said [in a recent speech in Shanghai](#).

It is easy to make speeches. It is harder to make trade concessions, even for a statist regime such as China. But perhaps the United States and others should begin by taking President Xi at his word that he is willing to negotiate rather than assuming at the outset that he does not mean it. They should accept his offer to negotiate multilaterally, and, if negotiations do not work, then they can always consider other options.

On the agenda of these negotiations should be many of the matters mentioned in those thousands of questions submitted to China by the United States and other WTO members. Industrial subsidies, certainly. Technology transfer and intellectual property, absolutely. Overcapacity, most definitely. And on down the US list. But also on the agenda should be some of the points raised in reply by Vice Minister Wang on behalf of China.

Wang may have overstated the extent to which the concerns raised by the US and others among its trading partners are beyond the current legal scope of the WTO. As some in the United States have [taken to doing](#), he may be overlooking existing WTO obligations that offer WTO remedies on a number of the issues the US and others have identified. Many investment issues do not yet fall within the scope of the WTO treaty, and there are not yet any WTO rules addressing overcapacity. But much else on the US complaint list is already within WTO jurisdiction.

Wang is, however, right in suggesting that these concerns are unlikely to be resolved without also resolving China's concerns about what it sees as the application by the US and others of unfair anti-dumping duties and other trade remedies against hosts of Chinese products. He is right, too, in suggesting that trade-distorting agricultural subsidies should be the subject of negotiations along with the question of trade-distorting industrial subsidies.

Only if the concerns of both sides are on the agenda will negotiations have any real hope of succeeding. And only if those negotiations are held and succeed in a multilateral solution is there likely to be much cause to celebrate the future anniversaries of China, the United States, or other countries as members of the much-maligned but so much-needed World Trade Organization.

[James Bacchus](#) is the distinguished university professor of global affairs at the University of Central Florida and an adjunct scholar at the Cato Institute; he was a founding member and chairman of the Appellate Body of the World Trade Organization.

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