Expansion of the GATT/WTO membership and an overview of China's accession to the WTO

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ABSTRACT

There have been significant changes in the GATT / WTO system, one of them is its expansion in membership. The regime has up grown from its original 22 founding members to over 140 at the turn of the 20th century. The enlargement has led to the fundamental change in the character of the regime. In the early years the GATT / WTO was perceived of by China as a "Rich Nations' Club" or "the Club of the Rich," in which wealthy countries imposed rules on poor and weak developing countries. By the year 2000, the WTO included a majority of developing countries, many of which are among the poorest countries of the world. Furthermore, with the inclusion of China and Russia, the WTO community included all the major nations of the world, even those that were previously uninterested in open trade and thus stayed outside the trade regime. The paper in the above context begins with a brief history of China's accession to the WTO, including a review of China's objectives and motivations in joining. It reviews how its entry has supported its substantial growth and further integration into the global economy in terms of trade patterns and other economic indicators such as FDI along with regulations governing IPRs in tune with the WTO obligations. A brief portrait of comparison of Chinese economy with Indian economy is also laid down because both are leading emerging market developing economies — one is the Dragon and the other the Elephant.

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1. Introduction

Beside China's WTO membership is its full embrace of this world.

— Chinese Premier WEN Jiabao (2009-2013)

The Chinese government recognizes that the TO entry is an indispensable step for China to become a full citizen in the world economy.

— In a Speech in 2002 by Sun Zhenju, Chinese Ambassador to the WTO

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China's accession to the WTO is a milestone in China's reform and opening up, bringing us into a new era to further open up. To join the WTO was a major strategic decision based on our comprehensive analysis of the situation at home and abroad in order to push forward China's reform and opening-up and socialist modernization drive.

— Former Chinese President HU Jintao (2003-2013)

One of the most significant changes in the GATT / WTO system has been its expansion in membership. The regime has grown from its original 22 founding members to over 140 at the turn of the 20th century. Now it is 164. The enlargement has led to the fundamental change in the character of the regime. In the early years the GATT / WTO was perceived of by China as a “Rich Nations’ Club” or “the Club of the Rich.” (Amit, 2001). It is there where the prosperous countries imposed rules on poor and weak developing countries. By the year 2000, the WTO included full many a developing country, some of which are among the poorest countries of the world. Furthermore, those that were previously uninterested in open trade and thus stayed outside the multilateral trading system under the WTO, suddenly, became interested and came under the net of WTO following suit to China and Russia.

Another significant change is the growth and proliferation of Preferential Trade Agreements (PTAs) where in both developing countries as well as developed countries are involved, for free trade areas, custom unions, common markets, bilateral trade pacts, and non-reciprocal trade agreements, as countries seek to gain market access and get hold of opportunities offered by preferential deals due to the slow progress at the multilateral level. Also due to non-progress triggered by the fear that the upcoming round of multilateral trade negotiations would fail and the global trading system would end up fragmented in a few trading blocs, PTAs have come under the limelight.

In the above context, the paper begins with a brief history of China's accession to the WTO, including a review of China's objectives and motivations in joining. It reviews how its entry has supported its substantial growth and further integration into the global economy in terms of trade patterns and other economic indicators such as FDI along with regulations governing IPRs in tune with the WTO obligations. A brief portrait of comparison of Chinese economy with Indian economy is also laid down here because both are leading emerging market economies — one is the Dragon and the other the Elephant.

2. GATT/WTO membership conditions and China's accession to WTO

As China was the founder member of the GATT in 1947 but ceased to participate soon thereafter, once the Communist party took power. From the economic point of view, it should be borne in mind, that China somehow managed to become a trading nation, this happened in spite of she being treated by other business worlds on a discriminatory basis before its accession to the WTO^{13]}. Much more important for China was that the process of accession was used strategically to pursue and support a broad based range of domestic policy reforms that helped China to continue its high rate of growth without any growth paradoxes as like in India, which has had to face this growth paradox.

Enamoured with a set complex procedure China took 16 years for its entry into the WTO. In 1986, China notified GATT / WTO members of its wish and its negotiation started particularly since 1987 but with no result. This was because that its entry to the WTO was interrupted by the Tiananmen Square incident in 1989. Besides, its prospects for accession was again disturbed by the bombing of Chinese Embassy by the USA, happened in May 1989. In 2000, China's long cherished desire became fruitful in that China's accession negotiations entered their final phase. To achieve its target, China left no stone unturned. China has had to cut tariffs significantly. It ultimately reduced average MFN rates for agricultural products to 15.4 per cent (down from 35.6 per cent) and tariffs for non-agricultural products to 9.1 per cent in 2001 (down from 21.9 per cent).

Table 1: Tariff Commitments of China (per cent)

Member country	Year of accession	Agriculture Products			Non-Agricultural Products			Maximum tariffs
		Bound Tariff	Initial MFN Tariff	Post-MFN Tariff	Bound Tariff	Initial MFN Tariff	Post-MFN Tariff	
China	2001	15.8	35.6	15.4	9.1	21.9	9.1	121.6 (down from 220 in 1992)

Notes: All data are simple (un-weighted) averages of tariff line.

Source : Martin (2001)

Moreover, it bounds all its tariffs at levels close to its applied rates. Several developments for its entry into the WTO took place. For example, the simple average Chinese tariff rate on non- agricultural products was reduced from 41 per cent in 1992 to 14 per cent in 2001 and further to 9 per cent in 2005. This was significant. The simple average tariff on agricultural imports was reduced from 47 per cent in 1992 to 24 per cent in 2001 and to 15 per cent in 2005. This was also highly significant. It is noteworthy that the farm tariff rate was even below that of many developed countries. And the maximum tariff rate was much below than many other developing countries including India. China's WTO commitments reflect milestone achievements, specifically, in the domain of services. The achievements include opening of key services sectors to foreign participation, along with enlarging the scope of business activities among others. They also include the elimination of geographical limitations. In addition, since the end of 2004 China agreed to allow foreign services

suppliers to engage in the retailing of all products which India did in 2018. All firms have the right to import and export all goods except the state monopolies of fertilizers and oil. Foreign firms have been allowed to distribute all their goods domestically since the end of 2006. Foreign financial institutions have the permission to carry on their business without any restriction even when they acquire any domestic Chinese firm. In a recent study (Laborde, et al.2012 : 1-25.). It has been find that implementation of the WTO commitments by China in the domain of goods and services is estimated to increase its real income by almost 2 per cent.

China officially became WTO's 143rd member on December 11, 2001 given that it has more or less embraced various WTO agreements as well as starting specific reduction for agricultural and industrial tariffs. The accession of China to the WTO on 11 December, 2001 poses issues that are in many respects unique. As a powerful developing nation with strong political and economic structure, its entry ensured to produce substantial changes in the WTO. Its accession expands the territorial scope of the WTO and the level of trade it governs (Barton, et al. 2008). China is fundamentally different from other WTO members including India, partly because of its size, partly because of its particular political- economic structure. China is perceived as a military rival of some important WTO members. China is different along three dimensions : its political – economic forum, the scale of its economic growth, and the strategic military context. A comparison of its economy with India explains much more.

Table 2: Comparison of China and India

Items	India	China
Political system	Democratic	Authoritarian, one-party rule, long-term tension between market and state system. Socialist market economy.
Rule of law	'Licence raj' toned down but still overly bureaucratic	Many laws in place but weak and inconsistent enforcement of regulations and contracts
Economic growth	India experienced 'growth paradox' during 1986-2001.	China did not experience growth paradox during the same period.
Economic structure	Excellence in services — IT consulting, software, call centers; growing strength in financial analysis, industrial engineering and drug research.	Manufacturing workshop of the world — increasingly sophisticated products.
Infrastructure, R&D	Poor – on obstacle to development: black-outs; much electricity obtained illegally; inadequate transport. R&D : Majority in public sector.	Much investment made (more to be done): 10 times more paved roads than India; power costs 10 times lower; phone penetration rates six times higher. R&D : Majority in productive sector.
External trade	Some trade liberalization but scope for more; FDI opened more recently but caps remain.	Well integrated into global economy – dependent on foreign firms (half exports by MNEs); heavy use of FDI.
Public sector	Large and loss making – smaller in India.	Large and loss making.
Income distribution	Some poverty reduction but the rate of poverty decline is slow and the absolute number remains the same – but also potentially destabilizing increases in inequality.	Significant progress in poverty reduction: not only did the percentage decline but the absolute number also fell 230 million people out of poverty – potentially destabilizing increases in inequality; increasing inequality – rural vs. urban; coastal vs. western provinces.
Environment	Deteriorating – could hinder growth.	Deteriorating – could hinder growth.
Education	Heavy investment in higher education – basic later.	Heavy investment in basic education – higher later.

Source: Compiled by the author

The entry of China is changing from a centrally planned, communist system to something as of yet not fully defined. We may christen it as socialist market economy with a Chinese face.

3. India and China: A comparative assessment

China's reform began much earlier in 1978 than India's 1991 reforms and had been since then pursued consistently. Whereas due to weak coalitions and complexity of Indian politics, India's reform has been more stop-start or we may call it gradual as a result while China's political stability has resulted in faster growth over a long period. China's GDP and GDP per capita are both over twice than that of India. China's strategy of developing through exporting is illustrated by the fact that its exports of goods were 8 times greater than those of India, representing 36 per cent of GDP compared to 20 per cent in India.

China also exports a greater value of commercial services than India (Jain, 2010).

In term of overall investment, China has outstripped India and has benefitted from the high levels of domestic savings. FDI inflows into India are much lower than the corresponding Chinese level. However, subsequent to market-oriented reforms, both India and China have been successful in achieving a turnaround in their economic growth rates.

Today, India and China, both being active members of the WTO, are among the fastest growing economies of the world. However, certain important contrasts are evident in the growth process in the two countries. Comparing their growth patterns, China follows the traditional manufacturing oriented exports led growth while India's pattern exhibits peculiarities. That is to say, China's paradigm shifts have been from labour-intensive agriculture to the development of the manufacturing sector. In contrast, India has skipped the industrialization stage to directly jump into services-led growth phase. Furthermore, in case of manufacturing while China's is labour-intensive, India has relatively capital-intensive growth path. During the last two decades (1990-2010), the share of manufacturing in India's GDP remained low in the range of 14-17 per cent as against 30-33 per cent for China. This is one of the major reasons as to why India could not effectively reduce poverty on a large scale basis as compared to China or other industrialized East Asian countries like Japan, Korea and others.

The major contrasts between the economies of India and China are clearly evident in Table 2, which presents the sectoral composition of GDP in the two countries. In contrast to China, where the industrial sector always accounted for the largest share of GDP, services held the dominant share in India's GDP.

4. China's WTO accession: Macroeconomic Impacts

4.1 China: Prior to its accession to the WTO

One of the most inward-looking economies in the world was China's command economy. The trade orientation ration or the ratio of trade (exports plus imports) to GDP was less than 10 per cent. There was a centrally controlled foreign trade monopoly and an inconvertible currency. The domestic economy was completely isolated from the world economy. China then enjoyed few of the potential gains from trade. Thereafter China's GDP has grown at a phenomenal rate since the 1970s. Between 1978 and 1995, per capita growth in real GDP averaged 6.04 percent (Maddison, 1998). In 1995 growth in real GDP exceeded 10 percent, but for a short period of time, high growth rates slowed down in 1998 and 1999 not only due to the impact of Asian financial and currency crisis but also because of a slowdown in reforms.

Rapid growth has been fuelled by a number of economic reforms undertaken by China since the early 1980s, including the reduction of tariff and non-tariff barriers, and the opening up of Chinese markets to foreign investment. Between 1992 and 1998, tariffs were reduced from an average of 42 percent to 17 percent. These reforms have had a profound effect on trade. Exports and imports have been growing at an average rate of 22 percent per year since 1972. This contrasts with the previous decade of the 1960s when growth averaged only 10 percent per year. This dynamic change in the Chinese economy had brought with itself growth based structural changes by shifting away from agriculture to labor intensive manufactures such as wearing attire and playthings. Manufacturing has risen from 8.1 percent of GDP to 41 percent over the period from 1952 to 1995 (Maddison, 1998). The rapid growth in China has also attracted a great deal of foreign direct investment (FDI). FDI sky-rocketed in the early 1990s. By 1994, China accounted for 20 percent of all FDI in developing countries. FDI continued to grow until 1997 before the onset of the East Asian crisis.

4.2 China: After its accession into the WTO

It is well known that China opened its door for the outside world in the late 1970s and its relentless efforts to join and operate within the WTO in 2001 has made China deepening its involvement in the economic globalization process and engagement in the market-based allocation of resources. The reform and opening up so far has achieved considerable success, as it has fulfilled its original policy design — leading to significant improvements in its economic growth and people's income level. It replaced Japan as the world's second-largest economy in 2010, its per capita GDP has hit US\$ 4300 — according to World Bank estimates — and it has become a middle-income economy. Nobel laureate Robert Fogel forecasts that by 2040, China's GDP in terms of PPP will reach US\$ 123.7 trillion, accounting for 40 per cent of the global total and with that its population rising to 1.46 billion, its per capita GDP will amount to US\$ 85,000, 2.4 times the global average and 80 per cent of the US level.

A number of studies (Ianchovichina and Martin, 2001; Wang, 2003: 1-41; Chen, 2012: 7) have analyzed the effects of China's accession to the WTO. With opening up of the Chinese economy, there was a significant increase in world trade. The winners from China's accession are China and Taiwan themselves since it benefitted Taiwan's terms of trade in a much greater proportion than Taiwan herself could not do by liberalizing (Wang, 1999: 42-45)

Following its accession to the WTO in late 2001, China began implementing the WTO commitments, including those under the Agreement on Textiles and Clothing (ATC) with effect from January 2002. What does WTO accession mean for the Chinese Economy? First of all, it means that the domestic market has been opened to foreign competition. Secondly, it means an end to the annual review of MFN status by the US Congress, which reserved the right to deny China that status, in past years linking human rights issues with trade issues. Thus, the threat of trade restraints being imposed by USA, and potentially by the other members of the WTO, has been eliminated. This outcome resulted in a 'socialist economy with Chinese characteristics.'¹⁴ or socialism¹⁵ in China from a new perspective (Strange and Newton, 2004: 233-56)

WTO accession has reduced trade barriers, accelerates the entry of new firms (by 2001 35,000 companies were allowed to engage in foreign trade), and entailed enhanced international competition for both the State-owned enterprises (SOEs) and other indigenous firms. By 2001, WTO accession by China has thus opened up a new landscape for the banking sector. Since late 2005, foreign banks have been subject to national treatment concerning Renminbi

business. In effect, all geographical and customer restrictions for Renminbi business were lifted in four major cities : Shanghai, Shenzhen, Tianjin and Dalian.

In the 2000s China, being a labour abundant, capital scarce, achieved a degree of openness that is exceptional for a large country and economy. The ratio of trade to GDP exceeded 58 per cent. Alongside foreign investment projects have become more numerous, larger and more capital-and knowledge-intensive. At the same time there has been eventually a mass increase in the clothing sector, there will be a concomitant fall in employment in import-competing sectors such as agriculture.

WTO Accession boosted manufacturing sectors, especially textiles and apparel. These two sectors have been directly benefitted from the removal of export quotas. Access also brings forth important distributional consequences for China. For example, the wages for skilled and un-skilled non-farm workers have risen in real terms in comparison with farm workers. Possible policy changes in this context including lifting the barriers in case of labour mobility enhances economic development for China (Ianchovichina and Martin, 2001).

In a nutshell, China's first fifteen years after accession achieved win-win outcome with the rest of the world. Having embraced openness, globalization and WTO membership, China has become one of the most open of the major economies, as indicated by the high ratio of trade in Chinese GDP and the high level of FDI in Chinese total exports (Xu and Song 2010). Certainly, the market access that China received as a result on account of being a part of the WTO family contributed to its overall trade performance. Lower tariffs on imports acted as a stimulant in scaling up the purchase of foreign goods. On the whole, what China undertook as part of its accession process have improved its economic efficiency and boosted growth (Chen, 2012:7).

China owned the public sentiment towards the WTO. People realized that the country has achieved gains since joining. Throughout the past decade, China's GDP has grown at an average of 9 percent per year. Surely, the accession contributed to China becoming the world's largest exporter of merchandise goods and the second-largest importer of such goods. As a result, China and Taiwan have experienced the biggest GDP increases following accession. For example, from 2001 to 2015, China's exports rose nearly 7 times to roughly US\$ 1.87 trillion, while imports rose by nearly the same order of magnitude to US\$ 1.49 trillion. North America, the European Union, Japan and the newly industrialized economies also gained in terms of real GDP. In contrast, for China's competitor economies (e.g., Southeast Asia and South Asia), capital stocks and real GDP fell.

In case of China, the gains from WTO membership have exceeded the risks — so far. Why is it so? The answer is : China has emerged as a source of outbound investment, in addition to being one of the hottest destinations for foreign direct investment (FDI). Beyond trade and investment, China has become a major creditor nation. These achievements pass on to the Chinese people in that WTO accession and integration into the global economy have been pivotal in contributing to the country's progress.

Membership in the WTO also provided foreign investors with assurances that China was part of a system of international rules and disciplines. In addition, foreign investors found a huge domestic market in which to offer their goods and services. Inflows of foreign direct investment rose exponentially from practically zero in the early 1990s and US\$ 40715 million in 2000 to US\$ 117586 million in 2013 and highest among the BRICS countries. This is important because more than half of China's exports come from subsidiaries or branches of foreign-owned companies in China. Sales of these affiliates increased from US\$10 billion in 1990 to US\$545 billion in 2009.

China's WTO entry has also facilitated greater South-South trade [trade between developing countries]. Today South-South trade comprises more than 20 percent of global trade, and this figure is rising rapidly. In 2010, for example, total trade by developing countries expanded by around 17 percent (compared to 13 percent for developed countries). In 2011, WTO economists forecast an overall trade expansion of 6.5 percent. So in terms of trade expansion and shifting trade flows, China's accession has had a dramatic impact. Other developing countries — such as Brazil, India, South Africa, and Indonesia — are also rising rapidly and exerting greater influence in the WTO arena. This type of rise of developing countries — with China at its center has changed the balance of power within the WTO .

The rise and proliferation of regionalism to the tune of at least 300 regional agreements spread like a wild fire that differ in nature and content. According to recently released World Trade Report, governments enter into preferential trade agreements (PTA) for trade and other gains, but what is increasingly evident is that seeking preferential tariff treatment alone cannot explain the PTAs. Nearly 85 per cent of world trade takes place at the WTO tariff rate rather than a lower PTA rate. It is clear, however, that such forums are being used to develop regional rules and regulations, and that this web, or Spaghettibowl, of regulations would inevitably confuse many entrepreneurs under so many different sets of rules (Jain, 2010).

In China, the government abandoned compulsory quota and procurement, and the share of farm produce sold in open markets increased from 6 per cent in 1978 to about 80 per cent by 1993. Then government involvement in agricultural markets mostly ended with China's entry into the WTO in 2001. The agricultural input market (say fertilizers) was also liberalized as part of that entry. In general, China has moved away from taxation towards net subsidization of grain producers (within WTO limits). China has reduced the anti-agricultural bias by increasing the sectoral allocation to agriculture but India has failed to do so to a greater extent where farm lobbies have been politically more active and powerful for quite some time. Also, the paradigm shift in agriculture pattern from land intensive products such as cereals to more labour intensive products such as horticulture (fruits, vegetables) and livestock products is something worth noting (Bardhan, 2012).

With China firmly having established herself in the WTO set-up, it had to face onslaught of the US financial crisis. The lessons China learnt were, being a part of this globalized world, the risks of integration (like the spread of the contagious financial crisis) into the global economy are there. Second, China needs to move away from the existing economic growth model — which is too reliant on exports — to one that is more internally demand-driven. And finally, China raised her voice to amend the asymmetrical influence that some countries exercise in the system of international economic governance.

And while China is increasingly committed to multilateralism, it is also seeking regional cooperation in East Asia. Chinese academics view regionalism as providing China with a self-insurance option to absorb the risks of economic globalization and economic uncertainties; a tool to enhance security relations with neighbouring countries; and a means to increase China's voice and influence in the international community by cultivating mutual trust and shared interests. In contrast, Chinese authorities emphasize that regional cooperation is not necessarily or inevitably in conflict with global multilateralism, as long as regional trade arrangements facilitate gains in trade and investment liberalization.

After reviewing the macroeconomic impacts of China's accession to the WTO, the pertinent questions are — What are the most significant WTO commitments that China has failed to implement or to implement fully? The area that member nations have pointed out relates to certain services sectors not being opened up sufficiently and strengthening laws and regulations governing the intellectual property rights [IPRs] protection.

5. China's progress on intellectual property rights since joining the WTO

What does the standard theory tell us? It tells us that one should protect IPRs to encourage innovation and creative activities. Protection of IPRs will thus achieve an efficient allocation of resources. However, there are cases where public will lose if an already invented medicine is not made widely available because of the strict observance of IPRs. It is necessary to take into account the public-good aspects of invention in the sense that inventions that are good for the society should be widely disseminated.

Scholars are of the strong opinion that too-strict protection of IPRs may be desirable for the developed countries (the North), but the unlimited IPRs should often be restricted, both for the welfare of the developing countries (the South) and for the benefit of the world on the whole (Hamada, 2004). Developing world cannot enjoy the fruits of IPRs protection until it passes through a certain stage of development (Chin, and Grossman 1990). This study was extended for the analysis of a strategic game between the North and the South, obtaining the same results⁷¹. Exhaustion of patents should be allowed and parallel imports should not be unduly restricted.

With China becoming a part of the WTO, the laws and regulations have been completely revamped with regards to the intellectual property rights (IPRs) of its holders, as required by the WTO Agreement, specifically, Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) and for the protection of IPRs, it has further strengthened its legal framework and amended and improved its IPR laws (such as in the case of trademark law, copyright law and patent law, which provide high level of protection of IPRs) and regulations. This has contributed to safeguarding the fundamental interests of the country and its national economic security, also transforming China from being a passive recipient of regulations to being a responsible and constructive participant in the process. Since China joined the WTO, it has put more emphasis on the enforcement of these laws. For example, in 2003, China confiscated and destroyed 95 million pieces of pirated CDs and the courts punished those serious offenders by up to seven years' imprisonment. The TRIPS Agreement is particularly significant, as it specifies strong minimum standards for the protection and enforcement of copyrights, patents, trade secrets, trade and service marks, and indicators or geographic appellation, indeed, China's membership in the WTO may have had a greater impact on IPR enforcement than on any other business issue. Although the legal framework is not fully developed compared with those of other industrialized nations, nevertheless these activities suggest that Chinese IPR institutions and laws may be slowly converging with international standards.

The revolutionary TRIPS Agreement has certainly accelerated both the standardization of intellectual property laws worldwide regardless of cultural, economic or political differences. During China's Maoist era, there was a complete absence of intangible property rights, but with the opening up of China came the necessity for the nation to embrace the concept of property rights, at least for the purpose of engaging with foreign interests emerged. There has been a rapid expansion in the scale of intellectual property since then. China has become the only country in the world to register more than 80,000 copyrights for software entrepreneurs in 2016 — a unique achievement. This has implications on economic growth of China depending on factors like educational reforms, relaxing restrictions on FDI, bridging the gap between universities and industries, etc (Chang and Shih, 2004). In spite of these, enforcement of IPR still remains an issue as China being a huge country, many decisions rests with provincial authorities.

6. Conclusion

From our foregoing discussions, a fusillade of questions may crop up : What do we expect to see from the next 10 years of China's WTO membership? What role do we envision China playing in the continued evolution of the WTO and the world trading system? The answer is that with the expansion of the Chinese market, China will become the pivot around which the world order will revolve. The WTO member countries have benefitted by the entry of China because it is an influential country and adds a new perspective to the existing trade rules and to the functions of the WTO itself. The entry of China will enrich multilateral interactions in the WTO. Other countries will have to listen what China is vociferously trying to prove at the WTO forum as it happened recently in the Bali convention where India as a giant elephant also played an active role in negotiation. The world community may now regard the entry of China as if it were the tail of the dragon that is the WTO. When China grows to become one of the leading economies of the world, and even become one of the dominant superpowers, her position is not going to be the tail; she may well develop into the very heart of the dragon.

Standing at the crossroads of a transition from being a developing economy to a developed one, ensuring the balance holds the key. It is a developing middle-income socialist country with world-class cities on its coast that offer almost everything one can find in a developed country. China's positions herself as the leading exporter in the world and second only to USA, even though average income still is far below that of the advanced economies. Wages are rising and the economy is flourishing, but still around 20 million households¹⁶¹ are below the poverty line. No doubt, these hindrances are complex but being a key player in the WTO, it is in China's fundamental interest to play a constructive role in the evolution of the WTO.

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Notes

- i. *Chinese characteristics* : Feature in terms of size, culture, religion, politics makes China stand apart. In terms of size, China out powers say, small economies such as Singapore or Korea; it has a rich Confucian cum Communist culture (different from the West); from being an agricultural low-income country before the initiation of the reform process (very different from the European planned economies); and with Hong Kong and Taiwan as catalysts for foreign investments, China is indeed one of its kind.
- ii. *Socialism* : The first definition has been the one popularized by the likes of Marx, Lenin and Stalin, i.e. by ownership of the means of production. The second definition of socialism relates to the concept of welfare state. In this context, the Chinese government does not support pensions, socio-economic schemes (i.e. health care and education) in the manner the governments of the welfare states do. The **third definition**, the more modern one of socialism is the one related to fairness in income distribution. At the beginning of the reform, Deng Xiaoping redefined socialism by going out of the boundaries of the ownership of assets, resource allocation mechanism of planning or markets. His favourite slogan was “letting some people get rich first, and gradually all the people should get rich together”. This is in line with the “trickle-down approach”, clearly expresses a desire for achieving a social goal of a fair income distribution. In this aspect alone, this concept of socialism is close to the German ‘social market economy’. The first part of Deng’s goal set for China has surely been achieved, but not the second.

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