

The Impact of the PRC's WTO Accession on the Major Economies of Asia

Edward J Sappin
Asian Economic Development
Johns Hopkins SAIS
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Introduction

Modern economic reform began in the People's Republic of China (the PRC or China) in 1978, leading to annual growth averaging 9.1% between 1980 and 2000¹ and transforming the country into an engine of regional and global expansion that is the target of local entrepreneurs' dreams and Fortune 500 companies' international strategies alike. China is now the second largest economy globally by purchasing power parity and its share of world trade has quadrupled in the past three decades, paralleling the earlier rise in global prominence of Japan and the other major economies of East and Southeast Asia.

The most important economic event for Asia during the past quarter century is arguably the successful negotiation for the PRC to become part of the World Trade Organization (WTO). China's accession agreement was signed on November 10, 2001, and just over one month later it became the 143rd member of the WTO.² The document integrates China into the world's premier trading organization and is the culmination of a long journey from lingering in the economic doldrums to sitting at the table with the world's major nations.

China's economic reforms have been well documented in myriad papers and are beyond the scope of this research. This paper will focus on the PRC's entry into the WTO, resultant changes across different economic sectors and the impacts these will have on China's major regional trading partners and competitors.

WTO Entry Conditions

The PRC's entry conditions into the WTO were strict and the bulk of the requirements are supposed to be completed by the end of 2005. General themes of the agreement were:

- Abolition of prices meant to protect domestic industries and services;
- Elimination of dual pricing practices;
- Elimination of price discrimination based on whether a good is meant for domestic consumption or for export;
- Elimination of export subsidies for agricultural products;

- Non-discriminatory treatment of all WTO members such that all foreign individuals and enterprises have equal trading rights as their domestic counterparts;
- Allowing all businesses the right to import and export all goods within three years of accession, with specific exceptions; and
- Reform of existing domestic laws and approving new legislation as necessary to comply with the agreement.³

AVERAGE TARIFF RATES IN CHINA, 1997-2010

Sectors	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007-2010
Food grains	10.6	9.8	9.1	8.3	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Feed grains	28.0	29.0	30.0	31.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Vegetables-fruits-nuts	-8.0	-7.0	-6.0	-5.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Oil seeds	28.0	26.0	24.0	22.0	20.0	17.2	14.3	11.5	8.7	5.8	3.0
Sugar	42.0	41.5	41.0	40.5	40.0	36.7	33.3	30.0	26.7	23.3	20.0
Plant fibers	17.0	17.0	17.0	17.0	17.0	17.5	18.0	18.5	19.0	19.5	20.0
Livestock-meat-dairy	-8.9	-8.2	-7.4	-6.7	-5.9	-6.3	-6.6	-6.9	-7.2	-7.5	-7.8
Beverages-tobacco	63.2	58.9	54.5	50.2	44.6	39.9	35.1	30.3	25.5	20.8	16.0
Other food	34.8	35.2	35.5	35.9	35.3	31.0	26.7	22.4	18.1	13.8	9.5
Wood products	10.8	10.5	10.2	9.8	9.5	8.5	7.5	6.5	5.5	4.6	3.6
Extract	0.2	0.3	0.3	0.3	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Textiles	25.1	24.2	23.3	22.4	20.7	18.8	16.8	14.8	12.8	10.8	8.8
Wearing apparel	31.8	30.0	28.2	26.4	23.4	22.0	20.7	19.3	18.0	16.6	15.3
Leather	12.1	12.1	12.1	12.2	11.7	11.1	10.5	9.8	9.2	8.6	8.0
Processing industries	12.0	12.0	12.0	12.0	11.7	10.9	10.1	9.2	8.4	7.6	6.8
Autos	34.4	34.9	35.4	35.8	32.0	29.0	26.0	23.0	20.0	17.0	14.0
Electronics	11.9	11.5	11.0	10.6	10.3	9.0	7.6	6.2	4.8	3.4	2.0
Other manufactures	13.2	13.2	13.2	13.2	12.9	11.9	10.8	9.8	8.7	7.7	6.7

Source: Ianchovichina and Walmsley (2003).

The PRC's entry into the WTO was a logical next step in the country's economic evolution. The economy had become increasingly open; average tariffs fell from 43% in 1992 to 18% in 1998, while non-tariff barriers also were lowered.⁴ As part of WTO entry, the PRC agreed to lower its tariffs on agricultural and industrial goods as shown above. Certain tariff rate quotas are to be allowed in areas such as wheat and soybeans.

China also agreed to strong antidumping mechanisms and potential restrictions on exports in its accession agreement. These include the right for WTO member countries to institute measures to protect textiles if Chinese imports are disrupting the home market (available through 2008) and a Transitional Safeguard Mechanism that gives this protection for other areas for 12 years from the date of accession.⁵ In addition, the PRC will face stringent antidumping tests that class it as a non-market economy for 15 years from accession.⁶

The PRC also must open up various sectors to foreign ownership and competition. It agreed to accept the Trade Related Investment Measures (TRIMS) agreement upon accession, which includes eliminating local content requirements and trade and foreign exchange balancing. WTO accession also included agreement to harmonize tax levels across the country. Moreover, the PRC will not only reform its legal system to be in compliance with accession, but also because it concurrently agreed to abide by the Trade-related Aspects of Intellectual Property Rights (TRIPS) agreement, which addresses copyright and patent protection amongst other areas. In addition, only published regulations and laws will be enforced, to minimize the potential for corruption.

General Impacts

As discussed in Ianchovichina and Walmsley (2003), the PRC will have a number of key impacts on the major economies of Asia:

- Better access to domestic markets in the PRC
- Improved economic competitiveness of the PRC;
- Increased competition with the PRC in export markets;
- More foreign investment in China and outward foreign investment from China; and
- Better predictability and transparency of the PRC's trade policy.⁷

TRADE AND GROWTH

China's WTO entry is already having significant impacts on trade flows within Asia and to export markets in the United States and European Union. Evidence thus far suggests that the PRC has cut into Japan's exports to the US, while the ASEAN nations have been able to maintain their export levels.⁸

Accession is also changing the nature of Asian production networks. The PRC is taking a major role in the labor intensive part of production networks, either assembling final products from high technology intermediate goods (and thereby competing with South Korea), or producing low technology goods using local and imported inputs and local labor. Growing integration of trade with and investment from Japan and Taiwan is both evidence and driver of this trend. In addition, abolition of local content requirements due to the adoption of TRIMS means that some currently in the PRC could move offshore.

China's increased dominance in low skilled industries is supplanting many regional economies, particularly in textiles and light goods production. However, China's sustained high growth means that it is a major consumer of basic materials and natural resources that are inputs into its industries. During the 1990s the PRC pursued import substitution growth (ISG) alongside export led growth (ELG), however WTO entry rules and the torrid pace of economic expansion in China mean that ISG will be less important in the next five to ten years. Lowered PRC tariff barriers are accelerating the production network shifts and should speed up regional movement toward post-industrial economies, such that services and high technology production become core economic drivers for many of China's neighbors.

However, the ability of regional economies to take advantage of freer domestic markets in China is questionable. WTO entry offers strong opportunities due to lower tariffs and a more level playing field, however China reduced tariffs in the 1990s and many regional countries did not take strong advantage of the increased access. Absolute exports to China grew, however the pattern of trade did not change markedly. For example, Thailand's share of China's imports more than tripled from 1993 to 2000, but at the period end Thailand only had a 1.9% share of China's imports, representing 4.1% of Thailand's total exports.⁹ This was due partially to proportional expansion of other country's exports to China. Thus, WTO entry will create greater economic growth for China that should help regional economies, but the opportunity will be shared.

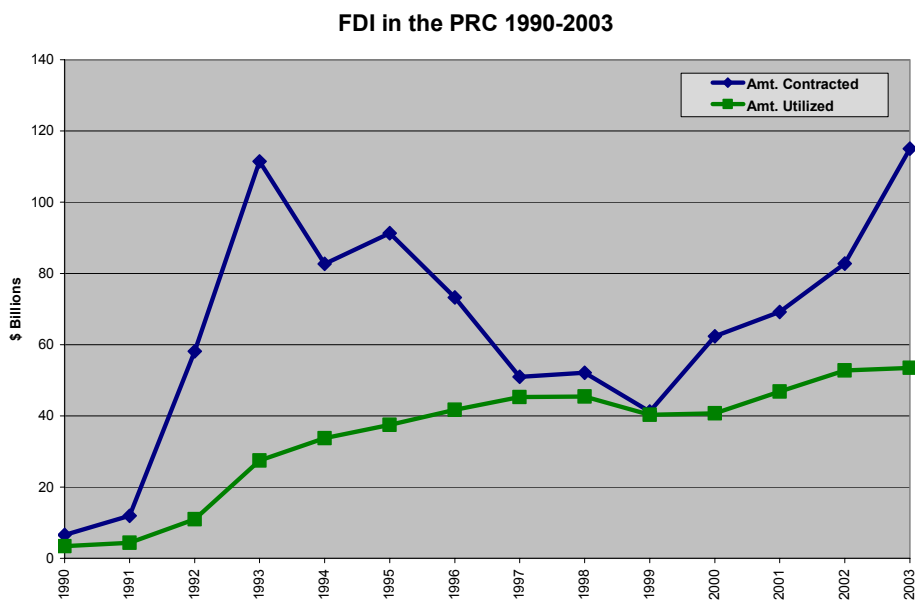
Another critical issue is the degree to which China's continued economic growth will be ISG versus ELG. As China builds up domestic capabilities in areas like steel and petrochemicals, it may not need to import as many of these inputs, thereby hurting growth prospects for other East and Southeast Asian countries. In addition, because China's exports are becoming increasingly sophisticated, within the next decade the countries of the region may face a situation where they have strong competition in third party export markets from China's goods, while they are unable to benefit to a large degree from China's continued economic expansion.

Over the course of time, a more open Chinese economy could propel efforts forward for regional free trade arrangements. Such agreements could exclude China in an effort of neighboring countries to

maintain their intra-regional trade, or they could include China if other Asian countries are aggressive in moving to leverage their knowledge and expertise to better establish their position at the high end of the manufacturing and services spectrum.

FOREIGN DIRECT INVESTMENT

Another major issue with the PRC's WTO accession is whether or not it is diverting a significant amount of FDI from other Asian nations to China. McKibbin and Woo (2004) argue that if there is no significant diversion, China's accession will not negatively impact other Asian economies. However, if there is significant diversion, this will have negative impacts on the other regional economies, particularly if technology transfer externalities are taken into account.¹⁰ This is due to the fact that many of the regional economies are particularly dependent on foreign capital for investment; for example, foreign investment accounted for 10% of total investment in Thailand in 2000.¹¹ The authors point out the need for the technologically advanced countries of Southeast Asia, namely Malaysia, Thailand, and the Philippines, to create native competencies in technology development. This should counteract any potential de-industrialization from China's WTO entry and make them less reliant on technology transfers that accompany what could become declining overall FDI inflows.



Source: Ministry of Commerce of the People's Republic of China

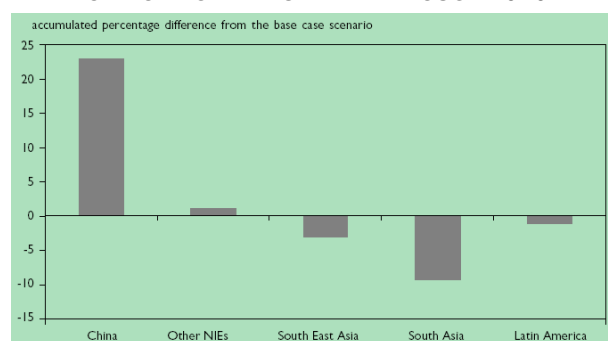
As shown in the chart on the previous page, there was a surge in FDI committed to China of approximately 50% in 2000 in anticipation of China finishing negotiations for WTO entry. Overall, China and Hong Kong increased their combined share of FDI flowing to East Asia ex Japan from 62% to 80% between 1995 and 2000, while the major ASEAN countries dropped from 33% to 9% of FDI in the same period.¹² In addition, Japan's Bank for International Cooperation annual survey showed a jump from 68 to 81% of CEOs naming China as one of the top 10 destinations for FDI from 1996 to 2000. ASEAN countries all dropped in ranking in the same survey, many out of the top ten.¹³

Increased FDI helps bring technology transfer and efficiency gains. Electronics, communications equipment, chemicals, and machinery are leading areas of current FDI to the PRC, supplanting earlier investment in small and medium enterprises that did not bring as much leading edge technological know-how. Multinationals have shown a willingness to share technology to a larger degree than in other regions of the world as they seek to position themselves for continued economic growth. Nevertheless, in 2003 over 62% of utilized FDI went into wholly foreign owned companies, mitigating the technology transfer advantages.¹⁴ FDI trends have also shown increased inflows from ASEAN countries, Japan and Korea. As evidence of these trends of FDI, Samsung, LG, and Hyundai Motor, all based in South Korea, were the top three corporate investors in China in 2003.¹⁵

In addition to supporting continued growth of coastal economic centers, high levels of FDI could help China develop its interior and create greater intra-national trade. The slower growth of interior provinces has been well documented elsewhere and it has contributed to an overall decline in trade between China's provinces during the past two decades.¹⁶ Finally,

China's entry into the WTO has helped to accelerate its outward FDI. Outward FDI reached almost \$30 billion, excluding the financial sector, in 2002.¹⁷ Overall, as shown in the chart above right, China's

CUMULATIVE IMPACT OF THE PRC'S WTO ACCESSION ON FOREIGN INVESTMENT THROUGH 2020



Source: Walmsley, Hertel and Ianchovichina (2001) as shown in Ho, Wong, Wan, and Lu (2001)

WTO accession will have a strong negative impact on FDI to India a mild impact on investment into the other major economies of Asia.

ACCELERATION OF REFORMS IN CHINA AND NEIGHBORING COUNTRIES

The Asian Financial Crisis ended export led growth for many Asian economies; conditional, productivity led growth became necessary as export markets were more saturated and differentiation between many countries' products was negligible. China's WTO entry is reinforcing this trend away from ELG such that regional economies increasingly will need to specialize in specific markets where they have unique competencies. A danger for economies such as South Korea, Thailand, and Malaysia, is that China's export led growth is targeting basic manufactures as well as advanced areas such as semiconductor manufacturing, telecommunications equipment and the automotive sector. China's large pool of university graduates and engineers will help the move toward more complex manufactures. Moreover, the composition of China's exports has already been changing; between 1993 and 2003 machinery, transport and electronics grew from 17% to 41% of total PRC exports.¹⁸ Thus, over time, China will become increasingly competitive in global markets in high technology sectors.

The ability to make the necessary changes in local economies is complicated by decreasing unit prices in the face of PRC competition, making returns on investment lower. This raises the possibility that some countries, for example Indonesia, may get stuck if they are unable or unwilling to get sufficient investment capital to move beyond their current development stages. A vicious circle of decreasing FDI and overall investment that results in increasing inefficiencies that makes these economies even less attractive could be in the offing. In addition, unskilled labors in these countries could face daunting prospects of decreasing employment and decreasing wages. Thus, there may be a window of opportunity for countries during which they must make strong progress on changing the structure of their economies. If they do not, they may need to wait many years until China's labor and market advantages are less attractive before being able to attract sufficient global investment and interest.

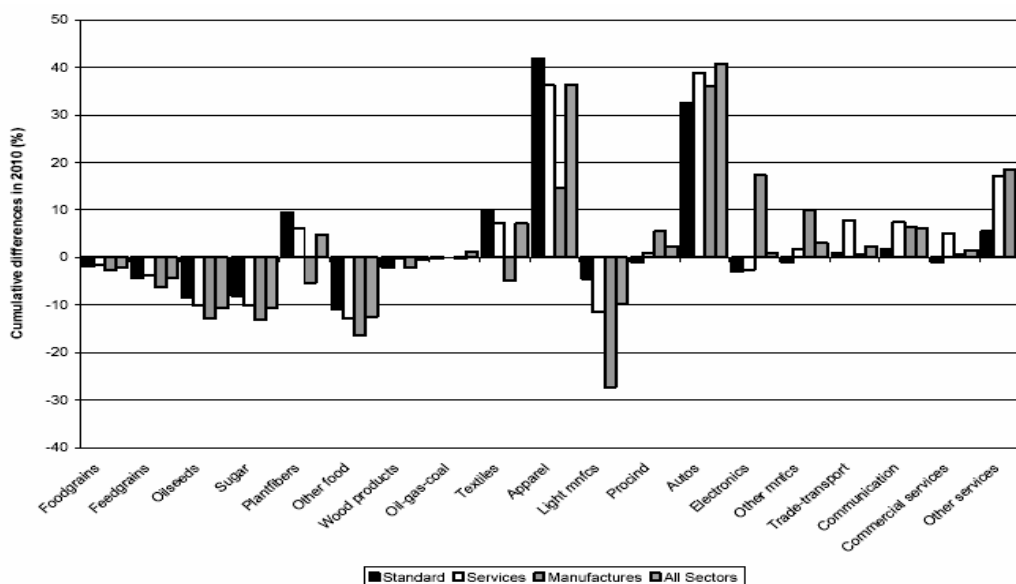
LEGAL ISSUES

The legal reforms and enforcement promised by China's WTO accession should be beneficial to foreign firms as their playing field with domestic enterprises is leveled. The agreement to abide by TRIPS should have a major impact once it is enforced in areas such as procurement of software by businesses and international brands selling products in the PRC. Although non-tariff barriers will continue to exist and implementation will take time, the general improvement in the business climate due to WTO entry should be beneficial for all firms, as success will become more based on efficiency and product benefits than other factors. If the PRC does enforce existing legislation and add relevant new laws due to TRIPS, it could set an example for other regional countries, particularly in Southeast Asia, where pirating of software and other technology products is a large problem. Finally, China should benefit in the longer term from its accession because it will be under the multilateral dispute resolution mechanism and have recourse against trading partners that it previously did not possess.

Sector Impacts

China's WTO entry is having a significant impact across a variety of sectors as shown below.

OUTPUT CHANGES IN CHINA THROUGH 2010 DUE TO WTO ACCESSION



Source: Ianchovichina and Walmsley (2003)

COMMODITIES

China's WTO entry has already created upward pressure on oil and commodity prices and should continue to do so. Gold, platinum, and oil are all at levels close to their decade long highs, and shipping rates across the globe have skyrocketed as the demand for space for commodities being sent to the PRC has been insatiable during the last year. China's expenditure for fixed income investment is being curtailed somewhat, but the sustained high levels for commodity prices could result in decreased growth in other countries as input prices remain above previous normal levels.

AGRICULTURE

China has 900 million people in agriculture and under WTO rules it will have to eliminate most subsidies to the sector.¹⁹ Average tariffs will be reduced to 8.5% of the value of production and subsidies for export are to be eliminated.²⁰ As markets in grain, citrus, cotton, sugar, and soybeans open there will be a tremendous impact on the poorer regions of the country, which are already suffering as they grow at a slower rate than the booming coastal areas.

Nevertheless, agricultural opening will force China to be more efficient in its foodstuff policies, leaving behind provincial self-sufficiency and developing new markets in potential export niches such as horticulture. The changes will have the largest impact in trade patterns with the US, but the Philippines and Malaysia should also benefit. China's agricultural reforms could also have positive externalities if they create pressure on Japan to liberalize its relatively closed agricultural sector. The major caveat for the PRC's agricultural sector is that many non-tariff barriers will remain such that markets may not open up as much as anticipated. For example, Ma (2001) models non-tariff barrier equivalents in wheat at almost 50% in 2006 although actual tariffs will be 1.6%, while rice tariff equivalents of almost 20% will remain in 2006 although actual tariffs are legally to be eliminated.²¹

TEXTILES AND APPAREL

The PRC's accession to the WTO puts massive pressure on other textile producing nations. In the near term, textile exports to China may increase from Japan, Taiwan, and South Korea, as China

moves up the value chain and becomes a greater producer of apparel. This trend will likely draw production away from other apparel making countries. China's rise in textiles and apparel will be partially offset by the antidumping mechanism it agreed to as part of accession such that increased exports that are considered "disruptive" to target markets in other countries may be curtailed.²² In the longer term, China should increase the efficiency and volume of its textile production, mitigating the need for imports from other countries. Thus, economies in Asia, as in Europe and the US, will likely find their textile production marginalized save for specialized and high end production.

LIGHT MANUFACTURES

Light manufactures is one of the sectors where China will be to continue to pursue import substituting growth. Furniture, white goods and shoes will be areas where the economies of Asia will be hard pressed to maintain their competitive positions versus China. The low labor costs and already improving technology of the sector in the PRC mean that Thailand, Korea, and Malaysia, in particular, will likely see their global shares in exports in these sectors erode. However, it is questionable if domestic Chinese companies can produce to international standards in the near term. Brands such as Haier are already finding some traction around the globe, but the ability of small and medium sized enterprises to meet global norms of quality within the next five to ten years is questionable. This could depress China's exports in the sector in the near term.

AUTOMOBILES AND HEAVY INDUSTRY

WTO accession should benefit major producers of automobiles, as Chinese consumers' wallets fatten and road networks improve such that more cars are imported. Domestic Chinese automotive companies are numerous and inefficient due to regional restrictions on production and a burgeoning number of companies in the sector. Their products are not ready for the international market, so there will be a net positive benefit for Japan and South Korea in particular, during this decade. There will need to be major changes in the domestic structure of the industry, as well as in other industrial areas such as steel production, which will require rationalizing these sectors. This should have a major impact on domestic

employment and will be difficult for China given it will come on top of the aforementioned changes in the agricultural sector. There is a massive upsurge in domestic investment for these industries such that by 2010, China increasingly should be able to produce and assemble cars up to global standards and may not need to import steel and other industrial inputs as its domestic supply increases.²³

TECHNOLOGY AND COMMUNICATIONS

Prior to the PRC's WTO accession, the regional economies had already shifted much of their export oriented production from simple manufactures towards value added products. Recently, over half of manufactured goods from the Philippines, Malaysia and Singapore were in the electronics or technology areas.²⁴ This trend should accelerate, although China is also trying to build up a domestic capability in these sectors.

WTO accession also is a milestone for China's communications industry. Prior to WTO entry, foreign participation in the sector was severely limited. The mobile, domestic, and international communications sectors are all to be liberalized by 2007 such that foreigners can own up to 49% of firms, and in paging, the limit was raised to 50% in 2003.²⁵ Foreign ownership liberalization could help spur regional consolidation, as has been the case in Europe.

FINANCIAL SERVICES AND INSURANCE

At the end of 2007, foreign banks will be able to provide local currency services to all clients, substantially opening up the sector. Banks will have full market access and be able to conduct business in local currency with Chinese companies and individuals. Moreover, the non-bank financial sector will be allowed to offer automobile financing, home equity loans and life insurance. The insurance market is also being liberalized, with 50% foreign ownership allowed for life insurers, 51% for non-life insurers, and allowance of full foreign owned subsidiaries by 2007 for certain specialized areas of insurance.²⁶

These changes, like those in communications, could spur regional integration and the development of pan-Asian financial groups (likely based out of Japan, Singapore or Hong Kong) to rival the European and American based financial services powerhouses. In addition, the opening up of China

could improve the health of Japanese banks by providing a real opportunity to make money on commercial lending, which has been absent from domestic Japanese markets for most of the last decade.

PROFESSIONAL AND OTHER SERVICES

China agreed to open up distribution, wholesaling, retailing, transportation, tourism, and other service areas as part of its accession agreement. Given the tight control over many of these areas prior to accession, WTO entry should cause major shifts that provide excellent opportunities for foreign firms. For example, tourism is growing at strong rates across Asia as PRC nationals visit neighboring countries. Moreover, expertise in the industry could be a strong export as China develops its own internal leisure sector. Finally, distribution and wholesaling networks in e.g., Japan and Korea, are well advanced, as supply chain management and other techniques are decades old. These should also be areas where regional countries can increase their exports to China as barriers to their participation come down.

Winners and Losers

As shown on the following page, China's WTO accession will have strong impacts on sectors in every significant Asian economy. China's economic growth and increased openness to trading has meant that most ASEAN countries currently have a trade surplus with the PRC. However, as China increasingly develops its domestic industries countries such as South Korea, Malaysia and Thailand will find themselves hurting if they do not move upmarket and produce higher value added products. Although we do not have room to go into depth about each country, the major repercussions of PRC WTO entry are highlighted below.

Hong Kong is already losing out as its role as intermediary for trade and investment flows to the PRC is largely disappearing. India should gain initially in exports to China with the lifting of quotas on textiles and other products, but over time the relative inefficiency of many of its industries will hurt the subcontinent. Japan will benefit from increased exports of electronics and automobiles. However, this will be mitigated by increased offshoring of production from Japan to China.

IMPACT OF THE PRC'S WTO ENTRY ON THE MAJOR ASIAN ECONOMIES BY SECTOR

Country	FDI	Commod	Agricult	Textiles	Light Manufac	Auto/ Industry	Electron / Tech	Coms	Fin Services	Other Services	Overall
China	++	O	--	++	++	-	O	-	--	-	+
Hong Kong SAR	-	O	O	-	-	O	+	O	O	++	-
India	+	O	O	--	-	+	+	O	O	O	+
Indonesia	+	++	-	--	++	-	+	O	O	O	O
Japan	+	O	+	O	-	O	++	++	+	+	O
Malaysia	-	++	+	-	O	O	+	O	O		O
Philippines	-	O	+	-	O	O	+	+	O	O	--
Singapore	-	O	O	O	-	O	-	+	-	O	-
South Korea	O	+	-	-	--	+	+	++	O	+	O
Taiwan	-	O	-	+	--	O	-	O	O	-	O
Thailand	-	+	O	--	--	-	++	O	O	+	--
Vietnam	+	O	O	-	++	O	O	O	O	O	+

Key: +/++ – Positive/Very Positive Impact, O – No impact/Balanced impact, -/-- – Negative/Very Negative

Sources: Chow, Wang and Tuan (2001), Francois and Spinanger (2001), Ianchovichina and Walmsley (2003), Pangetsu (2001), Business Week, Own estimates

South Korea has been reforming its economy since the Asian Financial Crisis and appears well positioned to face the challenge of China's WTO accession. Korean steel, automotive and other industrial goods should benefit at least in short term. The reduction in tariffs on Korean goods relative to the reduction on goods from Southeast Asia and India goods as a result of Chinese WTO entry is smaller, such that Korea's electronics sector will likely not see much of an upsurge.²⁷ Korea's strength in intermediate goods should help maintain its trade surplus with China, however the PRC's WTO entry will likely exacerbate Korea's trade deficit with Japan as Korea loses out in some sectors. Malaysia should benefit in the commodities sector (wood, palm oil), but it will be hurt in light manufactures.

Singapore has been trying to sign free trade agreements in order to maintain its position as a financial center. It signed such an agreement with Japan in January 2002²⁸ and is a proponent of a free trade agreement between ASEAN and the PRC. However, other countries in the region so far have not supported such an idea. Overall the longer term, China's WTO accession is likely to increase the number of free trade agreements, binding Asia ever more closely. One of the big questions is whether or not such agreements will include the PRC.

Toward the Future

The entry of the PRC into the WTO is a major economic and trade event that will have large repercussions for China, for the other major economies of Asia and for the major countries of the world. China's growth is remarkable but its relative importance in the world will not change overnight. In 2020, it is projected to have an economy that is smaller than Japan's and one quarter the size of that of the EU and US.²⁹ Moreover, the impacts of entry will be felt most in individual sectors versus in specific economies. China's imports from Asia increased 43% in 2003 in dollar terms,³⁰ and WTO entry could present positive longer term impacts as regional economies retool to take advantage of changing comparative advantages and China's domestic consumption increases.

However, the PRC's WTO entry is causing great upheaval in Asia by magnifying changes in regional economies and presenting challenges to sustained economic growth for neighboring countries.

WTO entry could create a situation whereby regional economies are left behind as China's import substitution growth and export led growth combine to be additive negatives of death for certain sector's economic growth. China's efforts to become a major player in medium to high technology exports in all likelihood will take longer than expected, such that countries such as South Korea, Thailand and Malaysia will be able to further establish themselves in the services and high value added manufacturing areas. Nevertheless, basic industries such as steel and petrochemicals face an uncertain future as current surging demand may disappear as foreign suppliers are supplanted by domestic Chinese producers.

The largest negative impact of China's WTO entry ultimately may be felt in the PRC. Hundreds of thousands of Chinese have missed the benefits of the economic reforms over the past 25 years as state owned enterprises rationalization created frictional unemployment. WTO entry should have a similar impact on the agricultural sector and certain service sectors (banking in particular), such that the social upheaval of China's modernization will be exacerbated to an even larger extent than it was in the 1990s. Issues of coastal versus interior growth and Beijing's ability to control the economy to balance social and economic goals will become even more difficult in the coming years.

The PRC's march toward WTO compliance has been somewhat rocky thus far. It has made significant strides in most areas, but it has also used tax policies and other non-tariff barriers to protect domestic companies and foster local industry. For example, it is requiring semiconductor makers to adopt a local standard if they want to sell certain mobile processors in the PRC, citing security concerns with the de facto world standards. Moreover, it has administered its TRQs on soybeans, by requiring uneconomical lot sizes, thereby slowing WTO implementation.³¹ Nevertheless, concerns over lags in implementation and new non-tariff barriers appear to be outweighed by positives of reforms instituted. The PRC's WTO entry is having significant impacts across a variety of sectors resulting in the need for retooling in many Asian countries, not excepting China. WTO entry binds China more closely to the rest of the world, helping create greater quality of life for its inhabitants and on balance those of many other Asian countries. However, the resultant social upheaval could be catastrophic unless managed well. Overall, China's WTO entry is a crucial step as it becomes a major nation in the global order.

Endnotes

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