Ubiquitous Trio: China, WTO and United States of America

The World Trade Organization (WTO) is a relatively young international institution, which exuberantly corresponds to the plentiful demands of international trade. WTO’s formation consisted of numerous multinational attempts starting from the Bretton-Woods conference in 1944, but it finally blossomed in 1995. Today, the significance of the WTO is beyond description as it establishes the essential standards of trade on multilateral level and considerably impacts international economic development.

The system’s overriding purpose is to assist in free trade flow without creating any undesirable side-effects. One of the most profound qualities of the WTO is its adjudicative power. Dispute settlement mechanisms in the WTO system represent a harmonious paradigm, where conflicting governments meet to address their issues pertaining to trade and development.

Dispute settlement is the central pillar of the multilateral trading system because it inevitably synchronizes transparency, fairness, conflict resolution and the rule of law, which are so vital in establishing equal cross-borders trade competition.

The United States received another remarkable opportunity to emphasize the meaningfulness of the WTO dispute settlement mechanism this past Monday, when a panel in Geneva resolved another complex case involving the US-China clash over, in China’s view, unfair taxation measures by the US.

Technically speaking, both the United States and China are pensioners of the most effective and prominent international trade organization. China was one of the first 23 original signatories to GATT in 1948. However, the government of Taiwan after the 1949 revolution withdrew from GATT and up until 1986 China was economically isolated under the revolutionary reforms of communism. After the infamous decision in the 1980s of China “to open its doors”, it sprinted towards international economic integration and launched its lengthy WTO accession process in 1986. However, the process required China to undergo a
tremendous number of economic, social and legal reforms, and China was able to finally join the international trade society only in 1995.

Indisputably, China’s accession to the WTO turned out to be the greatest achievement not only for China, but for the entire world. The number of trade-related barriers eliminated since 1995 are uncountable. From transparency, which although only partially complied with by China is itself a tremendous accomplishment, to successful tax and border control reductions. Nonetheless, trade with China has not become entirely idyllic and, in fact conflicts related to trade increasingly arise in recent years. Since its accession, China has been challenged at the WTO dispute settlement 20 times for “alleged” unfair trade practices. China also filed 7 cases and joined as a third party in other cases – 20 times. On the other side, the US up to this date filed 10 complaints against China, and was challenged by China 5 times, with the latest success in the US-Tariffs on Tires case.

China had formally protested the U.S. safeguarding measure of tariff increases on China’s imported tires. U.S. reasoning of the measures is that low prices and increased supply brings United States domestic tire production to demise. Depressing economic downturn and high unemployment forced the US to impose stiff duties on Chinese suppliers and, despite voluminous objections from China, the panel found that US measures are consistent with its WTO obligations.

China-US talks over trade continued while Chinese Vice Premier Wang Qishan was visiting Washington this week. There are 3 current cases under WTO panel’s consideration against the United States filed by China and 7 US complaints against China. With the sound victory this week on the case, where US for the first time used workers-protection provision to safeguard domestic industry, many trade associations and labor groups will start to hone their blades and solicit for similar protection from the US government so desperately needed during this difficult economic era.