

CHINA'S ACCESSION TO THE WTO TWENTY YEARS ON:

THE FAILURE OF THE LIBERAL ORDER IN THE FACE
OF THE TOTALITARIAN GIANT

In collaboration with:



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1.- INTRODUCTION

China's accession to the World Trade Organization (WTO) in December 2001 has represented a triumph for Beijing and a failure of the strategy pursued by the West and its societies. The idea was to generate a degree of predictability by means of a “signaling” exercise (Spence, 1973), i.e., attempting to establish a cooperative framework in which greater transparency regarding the rules of play would result in a more positive outcome for all the players involved. The leading market economies at the time also consisted of a series of capitalist democracies that were seeking to formally and informally engage China in an incremental process of reform. This reform would encourage

This strategy failed. The country's incorporation into the WTO failed as an incentive to encourage China to move towards any defined “path dependence” (North, 1990), that is, towards political openness and trade transparency. The West has not been capable of exporting its institutions to the arbitrary and opaque Chinese model. Furthermore, it is not only essential to recognize this failure, but also to understand and gauge the fact that free societies now face the fearful possibility that they are both formally and informally importing the opaque and arbitrary rules that characterize the Chinese institutional set-up (North, 1990) to our own reality. This is one of the main developments of our age, yet one whose significance has been underestimated.

China's accession to the WTO in 2001 could have made China a more predictable and transparent player on the international scene. Unfortunately, this has not been the case. In fact, quite the opposite appears to have occurred: its membership has led to a greater sense of opacity and increased distrust on the part of the rest of the member countries. This

Entry into the WTO has failed as an incentive to steer China toward political openness and trade transparency.

the country to progress from the period of significant economic growth it was enjoying to political openness and respect for individual rights.



is a relevant, even essential, line of analysis and research that needs to be deepened and systematized.

In this article we shall briefly analyze why this bid failed to bring dividends. We shall trace the milestones of the process that led China to become

a member of the WTO. Then we shall discuss the challenges that western societies must address in the face of a veritable “institutional trap.” And last but not least, we shall conclude our analysis with a recapitulation of the main points in order to present some final reflections on this question.



2.- A BID THAT FAILED TO PAY OFF

The recent history of relations between the West and China has been founded on the mistaken belief that the specific short and medium-term benefits of trade would outweigh any vague moral and institutional costs in the medium and long term. This strategic decision, which was understandable at the time, has brought about a series of costs that far outweigh the alleged benefits. Today we are witnessing the results of that medium to long-term forecast of the past.

In this respect, since the mid-1990s, the majority of western societies have adopted the irresponsible decision of taking advantage of the specific short and medium-term material benefits of trading with China, while underestimating the general institutional costs, which have eventually accumulated in the medium and long term. These vague costs have now become very specific, and the benefits of the recent past have dissipated or been curtailed.

Since the 1970s China has been a huge country governed by a brutal dictatorship. Its growing links with prosperous western societies has served to enhance its stature and strengthen its

model. Conversely, democracies have undergone a process of weakening — first quite gradual, but now quite evident —, in terms of both industry and the prestige of their institutions. This situation has led to an increase in institutional distrust, bringing about a sense of uncertainty in a large number of countries.

Rebeca Grynspan, the Secretary General of UNCTAD, the United Nations Conference on Trade and Development, has declared that “Just as China benefited from increased exports, its trading partners similarly benefited from China’s increased purchasing power and rising imports.” (Xinhua, 2021). The flip side of this equation is the damage to the quality of the rule of law in liberal democracies caused by the aforementioned diffuse importation of the formal and informal institutions of the Chinese regime. This is a crucial aspect of the entire process we are analyzing: the explicit purpose of China’s accession to the WTO was to boost the trade of goods and services, while the tacit or implicit goal was to export an institutional framework to China that was committed to transparency, democracy and the rule of law. Twenty years on, the opposite appears to have occurred:

China has strengthened its position as the leading trade partner in the world, while the western democracies have witnessed an erosion of their institutional frameworks. Not only have the governments of the nations that approved China's membership of the WTO failed to export their valuable institutions to China, but China has managed — informally — to export its opaque institutions to the West.

The Chinese regime has systematically made an abusive and arbitrary use of State subsidies, falsifying inventions and technologies, as well as exercising undue pressure to ensure the transfer of forefront technology belonging to global companies that have sought to trade with China or set up operations in the country. Today it is quite evident that China's accession to the WTO as a full member has not had any effect on the country's predictability or democratic progress. On the contrary, thanks to the West, China enjoys a false sense of legitimacy when, in reality, it is one of the most totalitarian regimes on the planet. China has found a way to take advantage of the benefits of the liberal order, while the leading liberal nations have been unable to prevent this abusive usufruct. Even worse, in many cases they have served as accomplices of — or at the very least have



been equally responsible for — an astonishing process whereby the precepts and symbols of a system have been weakened, a system that in the 1990s reflected a “neo-Fukuyamaesque” optimism. One cannot comprehend the dimensions of this weakening process without observing the unprecedented degree of prosperity achieved by this efficient and repressive dictatorship, which, on the one hand, has been able to take advantage of the notable virtues of democracy and capitalism and, on the other, has used this state

China enjoys, thanks to the West, a false legitimacy, being one of the most totalitarian regimes on the planet.

of affairs to weaken the very foundations of the liberal system by turning to players who possess a high level of influence in the western world. Here we are referring to certain multinational companies and certain political elites. The liberal democracies irresponsibly created a “protective umbrella” for China. The country’s incorporation into the WTO in December 2001 was one of the milestones in this failed strategy designed for the post-Cold War period.

In their recent and influential book, *China and the WTO: Why Multilateralism Still Matters*, Petros Mavroidis and André Sapir present an argument that is representative of the naïve and superficial reading that has swept through the political and financial establishments in the West’s democracies:

To retain its principles and yet accommodate China, the WTO needs to translate some of its implicit liberal understanding into explicit treaty language ... In our

view, therefore, the solution to the problem posed by China to the international trading system is not to demand a change in its economic regime but to induce a change in its economic behavior. Less than that would threaten the survival of the WTO. (Mavroidis & Sapir, 2021).

That is to say, according to Mavroidis and Sapir, China joined the WTO on terms that are now — they believe — inappropriate and unsatisfactory when it comes to tackling what they rightly call “the China problem.” How do they define this problem? Basically, according to these two intellectuals, the crux of the problem resides in the fact that it has not been possible to tame the control of the Chinese state apparatus over the country’s economy.

In this respect, Mavroidis and Sapir contend that a certain criticism can be inferred (one that remains in the air): China does not respect the rules “given that it does not observe certain budgets and it does not adhere to the liberal understanding of the GATT / WTO.” Thus, in the following line of thought we can clearly see the general “anaesthetizing” impact on many civil servants, academics and representatives of free western societies: the



Xi Jinping, presidente de China.

problem with the “GATT / OMC is that it is an ‘obligatorily’ incomplete agreement.” That is to say, the problem in the view of the vast majority of the establishment is the WTO framework itself, due to its inability to anticipate how it might tackle a repressive dictatorship that has an economy mediated by the state, one that, thanks to free trade, is rapidly becoming the largest economy in the world in constant dollars —it already is in terms of purchasing power parity—.

Based on the above, it is clear that we are the problem. The Chinese regime has obviously developed a strategy to become a leading economic power and a player of the first order on the world scene. This being

said, it appears that we have yet to learn how to handle other cultures, especially the way in which the Chinese regime combines political and economic power. This mistaken conception, which is so prevalent at practically all levels of the “western establishment,” goes beyond the realm of trade. It forms part of an established belief among these western political and economic elites, who have become genuinely convinced that the systematic breach of the rules of the game on the part of the Chinese regime is not, in fact, a consequence of the country’s totalitarian spirit, but a deficient capacity and lack of flexibility on the part of democracies when it comes to interpreting, engaging with and appeasing authoritarian societies.



Fuente: New York Times.

Thus, this widely held conception seeks to resolve the matter by tacitly accepting the premise that has brought us to the current state of crisis of the liberal order. In other words, we must accept that the totalitarian essence of the Chinese regime is not going to change and, therefore, the responsibility lies with the West. In view of this, taking the rational action required to set the problem straight is the responsibility of our liberal democracies. In light of this logic, we can readily understand why the WTO bureaucracy regarded the Trump Administration to be an existential threat to the system, while the daily and habitual breaches committed by Beijing constituted a “second best” scenario, but one that was at least predictable and familiar. It seems that the bureaucracies at international organizations have accepted this kind of “predictability” in place of the predictability that was desired in the beginning, some twenty years ago.

Mavroidis & Sapir are also representative of the problem and typify just how difficult the problem is to solve. According to this —majority— opinion of academics, civil servants and bureaucrats at the leading governments in the West’s liberal democracies, the question revolves around our limitations and ineptitude in handling China, since the country has always been a dictatorship. Thus, part of our problem resides in aspiring to change the core of Beijing’s closed system, instead of looking for mechanisms of cooperation that will make the country the best —or least bad— dictatorship possible. That is why this line of thought always prioritizes criticism of

disruptive personalities such as Donald Trump and relegates to second, third or fourth place any critical focus on the Chinese system as it effectively is: the true structural problem.

This widespread and established belief at multilateral organizations and in bureaucratic circles in Washington, Paris, Berlin and, among other places, Brussels, has led to the situation we have described above. The reasoning — which is both unprecedented and illogical — employed by these organizations consists of the following: the Trump Administration is the WTO's biggest problem, because the United States has always played within the rules of the international system, and China, as we can see today, has never really played within the rules, so it cannot be the problem ...

Given that this situation will always continue like this, the WTO, and in fact any international organization, does not need to worry about China, in spite of the fact that the country constitutes an obvious example of the West's strategic failure since December 2001. The really important issue for a large number of international and national bureaucrats is to tame a disruptive government at some specific democracy, in this case, the most

powerful democracy since the post-war period, which has sought to modify the equation ("upset the applecart") instead of simply accepting it.

The truly astonishing development regarding the WTO's bureaucracy is that it believes the most significant problem in recent years has been the Trump Administration rather than the Chinese regime. And this belief is not only prevalent among the bureaucrats at the WTO.

They prefer a multilateral world without Trump, based on the predictability of the Chinese status quo (at least up until 2018), to a Trump Administration accompanied by an —improbable and unstable— change of regime or model in Beijing. The political and economic establishment in the leading western democracies does not appear to have noticed the dimension of the challenge that Beijing poses regarding our way of life.

The WTO bureaucracy believes that the problem in recent years has not been the repressive Chinese regime but the Trump administration.

3.- A BRIEF DESCRIPTION OF THE MOST IMPORTANT MILESTONES

On November 10, 2001, the Ministerial Conference in Doha approved China's accession to the WTO by consensus. In this respect, following the compulsory period of thirty days, China would become a legal member of the organization (WTO News, 2001). The leading economies throughout the world, headed by the United States, accepted China's entry, since they believed the Chinese market already fulfilled the requirements established by the organization's regulations. Mike Moore, the Director General of the WTO between 1999 and 2002, declared that:

China, one of the fastest growing economies in the world, has made tremendous progress in the last decade in reducing poverty thanks to an economic system increasingly open to trade and foreign investment. Now this economy will be subjected to the rules-based system of the WTO, something which is bound to enhance global economic cooperation.

In turn, as pointed out by Penelope Prime, over and above the simple reasons for China's membership, the accession structure was long and

tedious due to the technical process that lay behind the bilateral and multinational negotiations. Furthermore, some sections of the organization were reluctant to accept China's description of itself as a "developing country," given that this would permit a certain differential and preferential treatment for the country, although the size of its economy at that time was not comparable to its size today (Prime, 2002). Each aspect of the country's accession was carefully negotiated and, once the process had concluded, the resulting protocol contained thousands of lines featuring special tariffs and agreements, stretching to around 1,500 pages (Prime, 2002). The negotiations for China's entry concluded on September 17, 2001, giving rise to the drafting of the formal text in November.

The acceptance text, which was drafted after 15 years of negotiations, consisted of some nine hundred pages and was accepted by the organization's 142 members. As a result of these final negotiations, China undertook to fulfill a series of important measures in order to open up and liberalize its regime — such as, for instance, acceptance of non-discriminatory

treatment for all members, elimination of dual price practices and price controls in order to protect national industry, elimination of subsidies for agricultural products, etc.—, with the alleged goal of being able to integrate more smoothly into the world economy and, thus, offer a predictable environment for foreign trade transactions and foreign investment, in accordance with WTO rules (WTO News, 2001).

The beginning of this adventure was characterized by a general sense of optimism in the West. Thus, Mike Moore declared that “With China’s

membership, the WTO will take a major step towards becoming a true world organization. The near-universal acceptance of its rules-based system will serve a pivotal role in underpinning global economic cooperation.”

Finally, on November 10, 2001, the text that approved China’s entry as a Member of the WTO was passed —by consensus— at the Doha Ministerial Conference. Some thirty days later, following parliamentary ratification, China would become Member 143 of the World Trade Organization. In Table 1 we highlight some of the milestones of this process.

TABLE 1: SOME IMPORTANT MILESTONES REGARDING CHINA AND THE WTO

YEAR	MILESTONE
1947	China helps to shape GATT as a founding State.
1950	China withdraws from GATT.
1986	Application to renew membership of GATT.
1987	Creation of the “Working Party on China’s Status.”
1995	Creation of the WTO. New membership application, this time to the World Trade Organization. Change of “Working Party on China’s Status” to “Working Party on China’s Accession to the WTO.”
September 17, 2001	Culmination of the round of negotiations.
November 10, 2001	Approval by consensus of the text for China’s entry into the WTO.

YEAR	MILESTONE
2002	First participation in a dispute settlement mechanism.
2004	China becomes the leading exporter in Asia, surpassing Japan.
2005	China achieves a record figure of 72 billion dollars as a DFI destination.
2008	Global financial crisis (the "great recession"). First mention of decoupling between the USA and China
2009	China becomes the leading exporter in the world and the second largest importer of goods.
2010	China becomes the second largest economy in the world, surpassing Japan in terms of GDP (in dollars).
2010	China becomes the fourth biggest exporter of services at a global level, featuring unprecedented growth since 2006.
2013	China becomes the biggest trading nation in the world, surpassing the United States.
2018	China becomes the country with the largest number of billionaires, ranking second with regard to millionaires.
2019	China achieves second-place ranking in terms of direct foreign investment, behind Japan.
2019-2020	Appearance of Coronavirus in Wuhan-China. Second mention of decoupling and modification of global chains of value and logistics.
2020	China becomes the leading destination for DFI, surpassing the United States.

Source: Own elaboration with information obtained from https://www.wto.org/english/thewto_e/acc_e/a1_chine_e.htm Note: a good chronology of the main disputes that have taken place on WTO panels can be found here: <https://chinapower.csis.org/china-world-trade-organization-wto/> For further information, also consult: L/6017 ; C/M/207 ; WT/ACC/CHN/1

For their part, the scholars mentioned above, Petros Mavroidis and André Sapir, have noted that:

China's entry into the World Trade Organization in 2001 was greeted with euphoria by trading partners eager to gain greater access to China's market of a billion-plus consumers. Two decades on, the debate is whether China's out-sized global dominance reflects merely a failure by the WTO to enforce its rules, or if the WTO regime is fundamentally inadequate to address the challenges posed by China's massive state-led economy. (Mavroidis & Sapir, 2021.).

In this respect, as reflected by the following summary regarding this issue produced by the rigorous online publication online asia.nikkei.com, China has benefitted comparatively more from trade integration than the rest of the world:

Armed with inexpensive labor, China has steadily increased exports by assuming the role of the world factory since joining the WTO in December 2001. It has also increased imports by gradually reducing tariffs ... Its exports jumped 870% and imports surged 740%

from 2001 to 2020, according to UNCTAD. Total trade value surged 810%, far faster than the 180% increase for global trade in general. China now accounts for 13% of global trade, up 4% from 2001, surpassing the US in 2013. China is now (October 2021) the top trading partner for many countries ... In the WTO's review of China's trade policy conducted last month (October 2021), the member nations raised over 2,500 objections to China's practices, up 16% from the previous review in 2018, indicating growing concerns.

Since it joined the WTO in 2001, China has progressed from being the sixth to the leading exporter of goods worldwide. Its income per capita — at constant prices — has increased by five. Its income per capita — measured in PPP — has gone from being equivalent to that of Sudan to that of Mexico. The export-led model promoted by China has generated a formidable trade surplus and led to growing tension with the United States, the European Union (EU) and Japan (Mavroidis & Sapir, 2021).

However, a large number of countries have been negatively affected by their tacit institutional exchange

with China. The influential Council of Foreign Relations has stated the following:

Since joining the WTO, China has been one of the organization's most active members and its economy has become an integral link in global supply chains. Yet, Beijing has not instituted deep, systematic reforms and its mixed compliance with WTO dispute rulings has at times challenged the WTO's underlying norms ... Instead of conforming, China is using the WTO to its advantage ... The twist is that China has benefitted greatly from the WTO, taking advantage of the provisions that suit its interests while skirting less convenient restrictions. China has incurred criticism for carrying out certain market-distorting practices, and has been accused of cheating the system in various ways. Sometimes it violates the letter of the law, sometimes the spirit. The allegations against China have manifested in official WTO disputes ... The bulk of allegations against China say that China promotes its exports while remaining largely closed to foreign goods, making it more difficult for companies from other countries to do business in China (see <https://world101.cfr.org/global-era-issues/trade/what-happened-when-china-joined-wto>)

In the review of China's trade policy carried out by the WTO in October 2021, member countries raised more than 2,500 objections to its practices, 16% more than in the previous one in 2018.

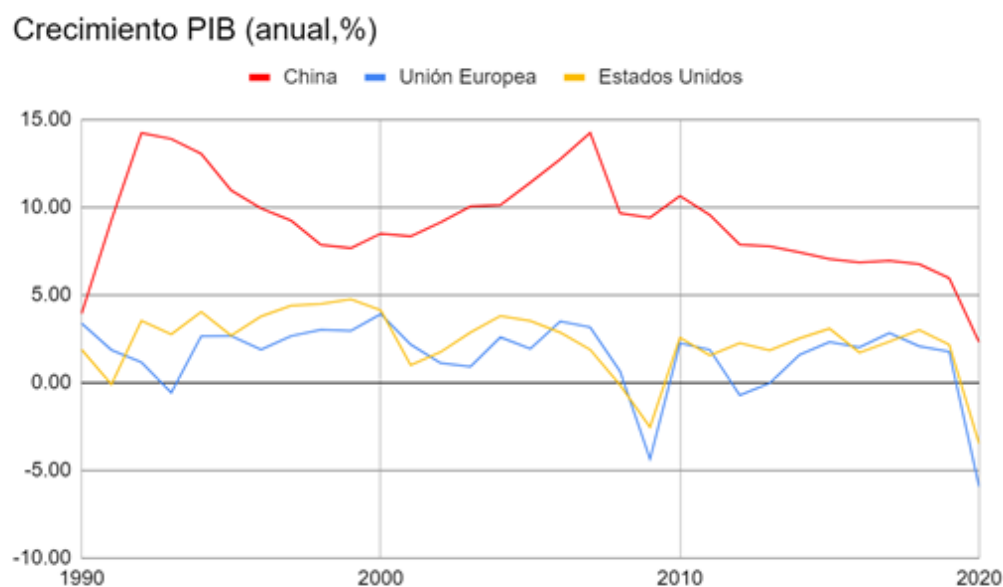


For its part, the prestigious Center for Strategic and International Studies (CSIS), one of the most influential think tanks in the world, has articulated the “China Power Project” from its headquarters in Washington, in which it seeks to provide a different perspective regarding the issue. This CSIS Project has observed that:

China experienced explosive trade growth after joining the WTO. Driven in part by tariff reductions, China's trade in goods jumped from \$516.4 billion in

2001 to \$4.1 trillion in 2017. In 1992, China's average weighted tariff rate of 32.2 percent far surpassed the global average of 7.2 percent. By 2002, this rate dropped to 7.7 per cent. Since then, however, Chinese tariffs have remained largely unchanged, averaging 4.8 percent between 2003 and 2017. Amid ongoing trade tensions, China began ramping up tariffs on the US in 2018 (see <https://chinapower.csis.org/china-world-trade-organization-wto/>).

GRAPH 1: COMPARATIVE ANNUAL GROWTH: CHINA VS US AND EU (1990-2020)

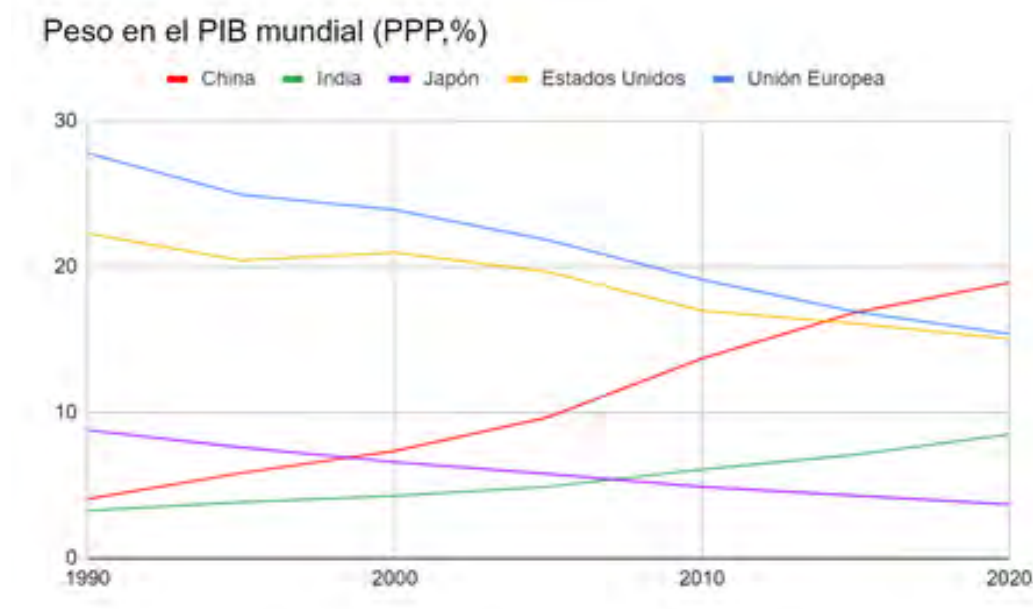


Source: World Bank

Graph 1 clearly shows what Chinese growth-rates mean. Having said that, a discussion of the rigorousness and transparency of the measuring instrument used by the Central Bank of China and the country's Public Statistics Institute remains pending. The economic historian, Niall Ferguson, published an interesting article on Bloomberg.com in September 2021 regarding GDP and the problems regarding the measurement of this concept in the case of the Chinese economy (this rigorous and highly recommended article is entitled *Evergrande's Fall Shows How Xi has Created a China Crisis.*)



GRAPH 2: DEVELOPMENT OF SHARE AS A PERCENTAGE OF WORLD GDP



Source: International Monetary Fund

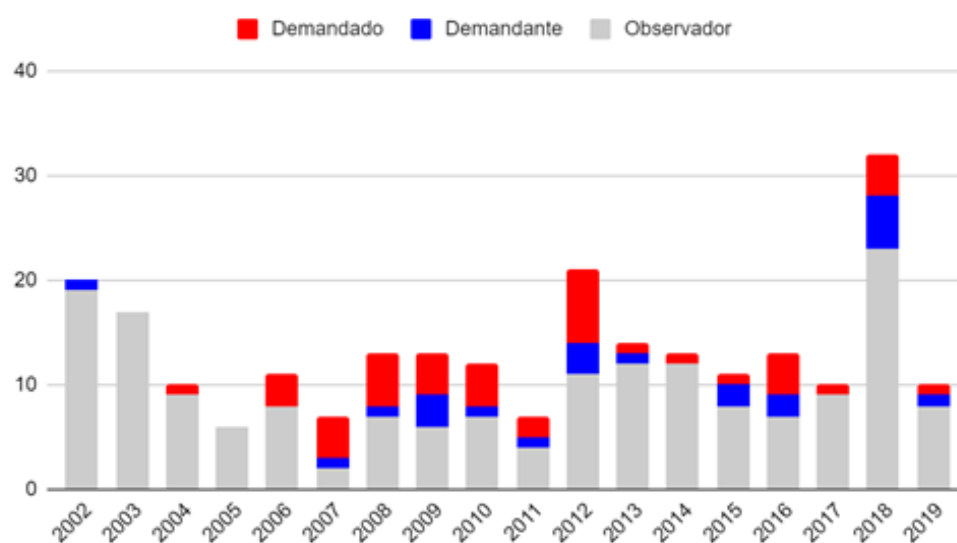
The percentage share of each country — or group of countries such as the European Union — in the world economy is probably the most categorical graph in recent economic history. China's progress is truly impressive: measured in terms of purchasing power parity (PPP), its economy has gone from representing 10% of the US economy in 1980 to

surpassing the US economy in size in 2014.

Finally, it is important to consider the development pattern regarding the disputes that have taken place within the framework of the WTO in which China has been involved.

GRAPH 3: CHINA'S INVOLVEMENT IN WTO DISPUTES

Involucramiento de China en disputas de la OMC



Source: China Power Project (CSIS, <https://www.csis.org/programs/china-power-project>)

4.- WESTERN SOCIETIES LOST IN THE MAZE: “THE CHINESE INSTITUTIONAL TRAP”

The central idea of our analysis of the recent history of China's accession to the WTO consists of the systematic inability of the liberal democracies to understand that the acceptance of any clear rules of the game only restrains those who intend to fulfill such rules or those who would suffer excessively high costs by not fulfilling them. This has never been the case with the Chinese regime. Dictatorships, by definition, never comply with the rules of the game. What is more, powerful dictatorships do not fulfill the rules of the game because they are dictatorships and because they are powerful. In this respect, recent experience of China's successful authoritarian capitalism presents an additional incentive: key players belonging to the free world operate, either explicitly or implicitly, in Beijing's favor. This should be cause for considerable concern to western societies.

Democracies should rethink the way in which they can cooperate effectively. The neo-Kantian idea, based on a belief that liberal democracies should not confront one another, must also be rethought in view of the remarkable

ability that the Chinese regime has shown in terms of segregating privileges —and income— in order to generate tension between and within western societies themselves. Thus, following the Fall of the Berlin Wall, the triumph of freedom generated a reasonable aspiration to universalize liberal democracy and capitalism. Today we know that this noble aspiration failed. In the timeline that follows the Fall of the Berlin Wall there is one unavoidable point of reference: the West's abominable role as the main instigator of the outstanding success of Chinese authoritarian capitalism.

China's membership of the WTO has essentially entailed rights and privileges for the Chinese regime and obligations for the rest —particularly for western democracies—. Beijing has taken advantage of the regulatory framework of the WTO to exercise its rights and relativize its obligations. As we have mentioned, this is an exercise that dictatorships repeat and that democracies perceive but underestimate. A certain framework of rules represents a tacit sense of equality among all the parties involved. This equality



provides legitimacy. And this sense of legitimacy comes from those who accept the incorporation of any new member.

The West's "over-optimism" regarding its recent experience with China is surprising. It is important to stop briefly here to consider two key moments regarding this sense of "over-optimism": the first spans the initial period of 25-30 years, starting when the application to join was presented in 1978. During this long interlude, we can observe an understandable naivety on the part of the West's political and financial elites. The US President at the time, Bill Clinton (1993-2001), passionately advocated the (outdated) theory of modernization, according to which, when societies achieve a certain

degree of prosperity, they begin to demand political and civil freedoms, which, allegedly, no regime, however powerful, can resist.

The second period of "over-optimism" is neither naïve nor superficial, but clearly irresponsible. This is at least the case since the arrival of Xi Jinping in power back in March 2013. The restraint and patience of the western elites with China has been surprising and can even be regarded as being somewhat disturbing and suspicious (Rogin, 2021, Pottinger, 2021).

The progression is simple: while in the beginning it was understandable to entertain certain expectations regarding a possible modernization project, one in which growth and economic

openness might help to encourage political openness — or a certain legal framework that might limit the arbitrary use of power on the part of the Chinese Communist Party (CCP) apparatus —, during the second stage it has become clear that significant economic growth has not only failed to weaken the repressive nature of the regime, but has gradually strengthened it. In view of the situation, the slowness with which the West's democracies have reacted to what is quite evident is, as we stated earlier, quite astonishing.

We should mention that this state of affairs has gradually begun to change. As pointed out by an editorial in *The Wall Street Journal* from 2nd December 2021:



WTO Director General Ngozi Okonjo-Iweala

American political attitudes toward China's Communist Party regime have changed dramatically in the past half-decade, and for good reason. But some on Wall Street are still living in the 1990s ... It's true that many US firms invest in authoritarian countries, and investors don't need to go out of their way to make moral pronouncements about every one of them. But China of 2021 is not China of 1995. It's a harsh authoritarian regime, with extraordinary state and technological power backing it up as it directly threatens US interests and individual liberty on the global stage ...

This is the central issue of the problem we are facing: "China of 2021 is not China of 1995." The bid back in 1995 that was destined to fail has today become — either by acting or failing to act — an irresponsible, opaque and probably amoral decision.

Mavroidis and Sapir have queried whether the main challenge consists of the intrinsic inefficiency of the WTO or whether the problem is solvable through a traditional process of institutional modernization. The answer is obvious: the problem is not the WTO in itself. An eventual process of institutional

modernization would be irrelevant as long as the leading players fail to see that the threat comes from the Chinese totalitarian regime, its size and its strategic decision to take advantage of the founding principles that sustain the moral and institutional values of western societies. It is also true that China's strategy requires two additional conditions: the existence of prosperous capitalist democracies in the West with a voracious consumer appetite for cheap goods made in China; and the bad faith of the key players among the political and financial elites in the leading developed democracies.

Accession to the WTO was one of the main institutional instruments that the Chinese regime employed in order to legitimize its model in the face of a global arena that has become dependent on its market and shackled by its trade strategy. Retrospectively, it is striking how a group of influential liberal democracies — whose point of reference might be the G7, which together accounted for 43.74% of world GDP in 2001, but today (December 2021) represent 29.04%— failed to weigh the risks entailed by legitimizing and rewarding a brutal regime with barely a tacit commitment regarding a series of reforms designed to inspire respect for property. All this took place within

Entry into the WTO was one of the main institutional instruments used by the Chinese regime to legitimize its model in the face of a global economy dependent on its market and handcuffed by its trade strategy.

a framework in which the state's manipulation of the economy has remained quite unchanged (for its part, it is important to observe that China has progressed from representing 7.78% of GDP in 2001 to 18.89% today).

In this respect, the WTO has helped to legitimize an economic and political model that is profoundly authoritarian. At the present time, it is evident that the WTO neither has the capacity nor the legitimate right as a key player to attempt to halt the advance of Beijing in its methodical aspiration to impose its model and vision of trade relations on the rest of the world in the medium-long term. Beijing's capture of the world's multilateral organizations reflects its own exceptional skill and highlights the strange ineffectiveness of the bureaucratic elites in Geneva and New York. The Bretton Woods institutions have never had to contend with an authoritarian/totalitarian player as large as China, one that is also

The role and place of international organizations such as the WTO will most likely be a gradual drift towards irrelevance.

highly productive. The Soviet Union was a sizeable player, but one that was also unproductive. We might also mention the oil-producing countries in the Middle East, such as the United Arab Emirates, which are authoritarian and efficient, but their share of global GDP comes to just 0.55%. China represents an unprecedented combination in recent history, and the WTO's incapacity is the consequence of Beijing's uncanny effectiveness in terms of implementing a sophisticated and underhand entrapment of the institutional mechanisms that have shaped the successful post-war order.

The West's noble granting of the benefit of the doubt and recognition of equality before the law has been taken advantage of by the Chinese regime so that China could position itself as the world's leading exporter of consumer goods. This has run parallel with an explicit trade and economic policy founded on unfair competition, but one, as

we have mentioned, that relies on the country's relative size, its exceptional performance in terms of capitalist productivity and the systematic inaction on the part of the rest of the world's key players.

To the extent in which China has entrapped the main institutions and organizations of the current international order, the near future merely promises a series of existential — and structural — crises for these organizations. They have become increasingly worn out and their prestige has been severely eroded, and this means they will become increasingly useless to the regime in Beijing when it comes to surreptitiously promoting its agenda. What is more, their lack of prestige will make it difficult, if not impossible, for an incipient reaction in the West to perceive them as effective and reliable institutional instruments with which to reshape the international order that is being challenged. The role and place of international organizations such as the WTO will, very probably, witness a gradual drift towards irrelevance.

Thus, a tentative chronology of the train of events might consist of the following: 1) initially, the liberal order triumphs over the Soviet model; 2) subsequently, the institutions of the liberal

order accommodate an authoritarian regime of large and growing importance that has converted to capitalism, which first obtains a passport that makes it legitimate and then promises to play by the rules of the game on an equal footing with everyone else; 3) then this heavyweight nation establishes itself as a decisive international player, taking advantage of the legitimacy provided by the current institutional framework. As a result of this process, the country consolidates its authoritarian power; 4) consequently the existing international order weakens and the authoritarian model progresses, using the institutional mechanisms of the successful (and accepted) international order that are now somewhat worn out; 5) Chinese authoritarianism challenges the very essence of the liberal order, which leads the institutions shackled by this rising power to attempt to promote structural and semi-structural changes to deal with this existential crisis, that is, in order to bring about the change of an epoch; 6) our analysis ceases to be descriptive and becomes hypothetical and prospective: from the present circumstances, we can hypothesize that the existing international order, personified by the WTO, will attempt to modernize in order to effectively deal with the totalitarian challenge, but: a) it will not find the mechanisms it needs to do

so; b) it will no longer enjoy the legitimacy it requires to exercise and use the instruments it has available, even if it should demonstrate an eventual capacity to find them.

It is important to stress this point: the WTO —and with it, other players who have been influential in the recent past— cannot react against the



inner workings of their own system, because the system has been co-opted. Neither can the WTO work from outside the system because it has lost relevance and serves as a point of reference for neither one side nor the other. Many international organizations have been transformed —in reality, they are undergoing a gradual process

of transformation — into crippled institutions, organizations that have very little room for maneuver. This undermines their very *raison d'être*. They have lost all capacity for action. This state of affairs has led to an irresolvable paradox: on the one hand, the Bretton Woods

institutions must necessarily change. Should this fail to occur and there is no movement, the suspicion of an international order that is in the throes of being successfully challenged — and entrapped — by the authoritarian power of the moment will be confirmed.

5.- SOME FINAL CONSIDERATIONS

The main geo-political development of recent history consists of the fact that the Chinese regime has managed to co-opt the key resources of the triumphant international post-Cold War order — which is to say, post-1989 — in the midst of widespread indifference and neutrality on the part of different players and institutions.

A pertinent question arises regarding the contemporary tragedy that the Chinese regime represents in terms of individual rights, and this is a question that needs answering: when did the West realize that Beijing was using its growing prosperity not only to

boycott any incipient path towards political openness, but quite the contrary, to strengthen the most efficient repressive regime in history? The answer to this question has much to do with the accession of the People's Republic of China to the WTO.

The indications of the Chinese dictatorship were barely perceptible in the beginning. Subsequently, the evidence became very clear. The economic and political elites of the leading liberal democracies were not able or were not prepared to accept this evidence, which, at least since Xi Jinping took up the reins of power in March 2013, has been quite indisputable. The regime has not only failed to move towards openness and transparency, but has stepped up its coercive measures in Tibet, initiated an unprecedented repressive process in the Province of Xinjiang against the Uyghur minority, and has taken steps to curtail rights throughout the region, especially in Hong Kong. Furthermore, it

How have we not seen that Beijing was using its growing prosperity (...) to put together the most sophisticated and technological repressive regime in history?

has consistently invaded the airspace of Taiwan, one of the freest and most prosperous nations on Earth. And the West says nothing ...

This is the burning question of our time: how did we not see that Beijing was using its growth and prosperity, the direct result of its unprecedented trade and economic relations with the prosperous liberal democracies, to articulate the most sophisticated and technologically repressive regime in history? What were we doing while Beijing was perfecting its capture of industrial secrets? What were we doing when it stole intellectual property rights? What did we say when it forced companies in their day to share and transfer technological know-how, not only to take undue advantage in the economic sphere, but also to benefit in the technological-military realm (Pottinger, 2021)?

The recent history of the West's relations with China is the story of a series of successive failures. One particularly disastrous approach consists of neutrality. Many democracies have taken the option —either explicitly or implicitly— of adopting a neutral stance regarding events that take place inside China and its area of influence. Neutrality is a moral aberration and a form

of self-fulfilling prophecy, in the sense that the player in question — the neutral party — seeks to take up an *ex ante* position within a context in which equidistance does not exist, which is to say, said player already betrays a decision that has already been taken regarding the dispute in question (Isern, 2020).

As accurately described by the journalist Josh Rogin in his article *Chaos under Heaven: Trump, Xi, and the Battle for the 21st Century*, billionaires on Wall Street and in Silicon Valley have played a central role when it comes to shackling and pressuring successive US administrations committed to containing the Chinese regime. The reasons for this are obvious: the Chinese economic model (opaque, capitalist and efficient) has made them immensely rich. In this sense, an unprecedented combination has emerged between powerful economic agents linked to the Chinese Communist Party (CCP) and powerful businessmen on Wall Street and in Silicon Valley closely linked to both political parties in the United States. This story and dynamic have also been repeated in Europe, on the other side of the Atlantic —and, by the way, on various shores around the Pacific—.

The advocates of the traditional WTO bureaucracy believe that the

solution should reside in the rules of the game, which, as we mentioned previously, have first been boycotted, and then distorted, by the Chinese regime. While the bid to incorporate China and channel it towards a market economy and respect for property rights has failed, new attempts to resolve the problem by turning to the liberal instruments that permitted the country's accession —to the WTO— can only fail. The traditional mechanism is fatally shackled. Alternative mechanisms are still incipient. The WTO has served as an “institutional umbrella” to legitimize an underhand player at the time of its incorporation. This player has now become more opaque, more authoritarian and more powerful, partly because it has effectively taken control of this “protective umbrella.”

China was accepted as a member of the WTO with the implicit aspiration of informally exporting transparent western institutions to China. However, the Chinese regime has entrapped these transparent and predictable institutions in order to export its own opaque rules of the game. How else can we interpret the subsequent inaction of the leading players of the West's liberal democracies when it became obvious that the regime was using China's growing prosperity to consolidate and increase

its power and violate the rights of individuals? And finally, what do we do now? How should we act in the face of what is self-evident? In his book, Josh Rogin claims that we have all — or nearly all— experienced our own awakening story regarding the Chinese dictatorship, or we are likely to do so soon. His description is striking, and it poses a question to its readers:

(...) Many also said that this was an awakening to the aggressive and malign character, behavior and strategy of China's leadership: the Chinese Communist Party (CCP), a hundred-year-old revolutionary organization that is determined to expand its influence and increase its power, and which has few limits to the methods it will use to advance its interests. My own awakening was in the summer of 2003 ... I was assigned to a team working to sue the government of Sudan for genocide in what was then southern Sudan, and as I pored over the research on the case, I found a trove of State Department documents that revealed that China, in a bid to maintain a stable supply of oil from Sudan, had secretly helped to perpetuate the bloodshed. From providing a grant agreement worth \$2.5

million for "any project" deemed worthy by Sudanese officials, to promising diplomatic support to remove international sanctions, to smuggling illicit arms to the government as it continued to target citizens, Beijing had helped to prop up Khartoum and enable its rampage – all out of a thirst for the oil that China needed to fuel its booming economy. Confronted with the cold, calculated support of the CCP for the atrocities in Sudan, I was simultaneously impressed and horrified by the sophistication and ruthlessness of the scheme. (...) (Rogin, pp.14 and 15, 2021).

1st December 2021 marked the “awakening story” of the WTA (the Women’s Tennis Association, www.wta.org), which suspended its women’s tennis tournaments in China —including the Hong Kong Open— due to the regime’s lamentable attacks against the female tennis player, Peng Shuai. What will our “awakening story” be with regard to the Chinese dictatorship? This

is something of a trick question: in the West we know that social change is promoted by people who influence and interact with other people and groups. The West will change when countries such as the United States and Spain change, but the United States and Spain will only change when their citizens do, that is to say, when people and groups experience their own process, their own awakening story. The responsibility continues to be individual, and it corresponds to all of us who make up society. In the midst of the crisis and malaise affecting western liberal democracies, we still have a certain capacity at an individual and group level to change, or at least influence, the way things are. Let us become aware of the threat that China represents and defend our way of life, not to mention the freedom that we have struggled so hard to acquire.



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