



CHINA'S TRADE RELATIONSHIPS: UNITED STATES, EUROPEAN UNION, AUSTRALIA AND THE WTO

-- SPEAKING NOTES --

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China and the US in a non-WTO based relationship: It is effectively bilateral now. As long as we are not generally using bound rates to tax the goods that move back and forth, we have something resembling what WTO lawyers refer to as “non-application.” Most supporters of the WTO find that horrifying; I’m a WTO supporter and am not so sure. Conducting our current fight outdoors may spare indoor furnishings from getting broken. But what if a fundamentally bilateral relationship persists through much of one US administration and then through the first year or more of another one? At some point, does going back to a WTO-based relationship reprise the debate over whether we should have made the relationship WTO-based in the first place? Because many people now believe that decision, taken in the late 1990s, was unwise. There’s an interesting historical argument, probably unresolvable. The more interesting question is whether, today, we’d do it all over again? Does the WTO serve well as a foundation for the China-US trade relationship? If not, how would the WTO itself need to change in order to serve well?

China and WTO reform: Dispute settlement, developing country status, subsidy rules, transparency/surveillance, green-ness: every one of these presents the interesting question whether China will function as a contributor or an impediment to productive reform efforts. In several areas, China appears not to want reforms that the US wants; these include developing country status, subsidy disciplines, and probably also the emerging green agenda. There are solutions one can imagine being found without China at the table that probably don’t work with China at the table. On dispute settlement, by contrast, I think our differences with other parties including the EU are actually larger.

EU – China: Some are peering at the EU and looking for a strategy. I’d say the key question is leverage. The EU has a certain amount, after using some to get what it got in the investment deal. The deal could have made perfect sense when viewed through the lens of priorities, triage, etc. At the same time, there are plainly other issues on the EU’s list where China is concerned, some of which are shared interests with the US and others. Will the EU be able to drive progress on those other issues, using the leverage it has left? From a US perspective, this connects to the campaign meme about “working with allies” to address China trade issues. How good of an ally will the EU be, and at this point, how good of an ally can it be?

Australia – China: The news coverage is pretty depressing. It is hard to tell how serious things are, how to assess the absolute level of mutual benefit in the relationship versus the current downward trend. I am grateful for the factual context that has been added during today’s panel discussion. If I understand correctly, it’s not a typical relationship in regard to what actually gets traded. It does seem that arguing “indoors,” and maintaining the WTO-based relationship, is working out okay in this case. Time will tell. One note of caution: It is not safe to assume the Chinese antidumping measures (e.g., on wine) are invalid just because the circumstances are what they are. Users of antidumping, as with any other accepted trade instrument, enjoy a presumption that their measures are legitimate unless/until shown otherwise. Australia’s WTO challenges are a proper venue to try to show otherwise.

Q&A

What do you see as the Biden Administration’s broad trade strategy as it relates to China?

Move slowly and use as little political capital as possible. Try to make sure private parties do not push issues onto the front burner that are inconvenient for the administration to deal with promptly.

At what point do you see the Biden Administration beginning to wind down the tariffs that the Trump Administration put in place under Sections 301 and 232?

Very slowly, meaning not during 2021.

How do you see the prospects for a US–EU alliance in dealing with China issues? Will the recent EU–China investment agreement cause any problems in this regard? Does it adequately address concerns related to China’s forced labor practices?

The EU didn’t spend the last four years stockpiling leverage, which is what we did or at least tried to do. And now the EU has used a chunk of its leverage. I would not expect to find that the new investment deal moves the needle with respect to concerns over forced labor in Chinese manufacturing.

What are the prospects for the Biden Administration rejoining the CPTPP?

I think the Biden administration will wind up dealing with the most pertinent CPTPP members individually, as the last administration did.

What do you see as the Biden Administration’s likely strategy in the WTO? Will the Biden Administration attempt to resurrect multilateral negotiations in the WTO? With what focus?

I expect softer rhetoric accompanying policy choices similar to those of the last administration ... including a willingness to refrain from joining in consensus in certain areas where consensus is required under WTO rules.

Because of the Trump Administration's block on WTO appellate body members, there are sixteen WTO dispute settlement cases currently in limbo, nine of which involve the United States. Will the Biden Administration end the block on appellate body appointments in the WTO? If so, what do you see as the Biden Administration's early priorities as it relates to using the WTO dispute settlement mechanism?

The Biden administration has zero political space to join a consensus on restoring 2-level dispute settlement under current circumstances. The price tag will have to include some items that seemingly no one wants to talk about, including relinquishment of certain ill-gotten gains (meaning specific adopted interpretations that never should have taken place). Also I have long believed that the DS system as a whole will have to be ring-fenced to create a smaller universe of justiciable measures. The basic idea being that a DS system that does less, and is given a smaller remit, will have fewer chances in the future to give offense.