

# China's Strategies to Lead Global Trade Governance and Future Prospects



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Since joining the WTO, China has evolved through the stages of learning, adaptation, utilization, and participation in regard to global trade norms. Following its ascension to the WTO in 2001, China has continued to learn and accept global trade norms, accumulating experience in global trade norms and conflict operations, and gradually using norms to reflect China's national interests. More recently, it has developed in the direction of actively participating in discussions on norm enactment. Around the time of President Xi Jinping taking office, China's trade strategy has been set to build a Chinese-led order beyond complying with and accepting the existing globalization order. In particular, following the outbreak of U.S.-China trade disputes, China plans to more actively pursue the transition from rule-taker to rule-maker in enacting global trade governance.

The "14th Five-Year" Foreign Trade High-Quality Development Plan announced by the Ministry of Commerce of China in November 2021 called for active participation in the enactment of international economic and trade norms as a key task during the 14th five-year period (2021-25). Ba-

sed on the principle of protecting the WTO multilateral trade system, it plans to actively participate in WTO reforms such as normalization of the appeals body, and actively negotiate and discuss major issues such as fisheries subsidies, investment convenience, and service trade. In addition, it was suggested to actively participate in discussions on the enactment of norms in new areas such as the digital economy, climate change, and industrial supply chain.

In order to understand China's stance on WTO reform, it is necessary to examine the WTO reform plan submitted by the Chinese government to the WTO in May 2019. This document emphasizes the need to discuss international trade issues within the framework of the WTO multilateral trade system, and, to this end, the need to restore the WTO's appeal function and dispute resolution function. International multilateral trade norms led by advanced countries need special status and discriminatory treatment for developing countries, including China, by considering the development model and gaps of each country. China also stresses the need to oppose the formation of norms in some countries through multilateral discussions within the WTO and establish norms that reflect balanced interests between developed and developing countries.

China's active participation in WTO reform aims to create international trade norms that reflect the positions of China and developing countries. Since WTO norms are enacted through a decision-making system that requires agreement between 164 member countries, discussions on norms are likely to proceed slowly due to differences in opinions between developed and developing countries. Even when this means a slow agreement-reaching process, China prefers to discuss global trade issues within the WTO framework because it can at least guide discussions away from a U.S. vs. China structure to that of developed countries and developing countries, and prevent the formation of norms harmful to the interests of China or developing countries.

Next, the Chinese government plans to actively participate in, or enact reforms to, the global trade order by emphasizing the importance of cooperation on trade norms in establishing FTA networks and promoting the Belt and Road Initiative (BRI), and accepting some high-level global norms through CPTPP and DEPA membership.

In the past, China has taken a passive attitude toward trade norms and standards in establishing regional networks. China's FTAs have been expanded mainly with developing countries which are large in trade volume or important in maintaining China's energy and food security, to promote China's trade and investment. In addition to FTAs, China used the BRI to promote cooperation with developing countries focusing on the construction of traditional infrastructure

such as roads, ports, and energy, the main purpose of which was to resolve the chronic over-supply of Chinese state-owned enterprises.

However, recently, especially as strategic competition between the U.S. and China has begun in earnest, China has shifted to a very active attitude toward high-level norms. Last year, the Chinese government concluded the RCEP and applied to join the CPTPP and DEPA, indicating it will take an active stance toward high-level trade norms. The CPTPP's trade norms present new high-level norms in areas such as intellectual property protection, subsidies with state-owned companies, environment, labor, and digital trade – areas which have been slow to gain agreement in the WTO multilateral framework. Although there are many questions and various interpretations of China's application to join the CPTPP, considering China's development stage and future national vision, it seems to be taking a very serious and active attitude. China intends to actively accept high norms in areas necessary for China's long-term development, such as digital trade, environment, state-owned enterprise subsidies and intellectual property protection. The Chinese government and experts see the CPTPP as the second WTO and expect it to provide opportunities to further advance China's economic system.

The scope of BRI cooperation is also expanding from traditional infrastructure to the digital, environmental, and health care sectors. For example, in the digital economy, the digital infrastructure of Chinese technology and standards is being built around neighboring countries such as ASEAN. In addition to these hardware infrastructures, cooperation in software infrastructure such as e-commerce platforms, digital payments, and smart logistics is rapidly expanding as well.

Finally, China has recently been reorganizing domestic laws and systems related to economic security, digital, and climate change response. In the area of economic security, measures were taken to control the outflow of strategic industries, goods, and technologies, strengthen foreign investment safety screening, and reorganize relevant laws and systems to enable legal responses to unfair foreign sanctions.

Even in new trade sectors, where global order and trade norms have not yet been established, the domestic legal system within China is rapidly improving. In particular, in the digital field, the Network Security Act, Data Security Act, and the Personal Information Protection Act have been prepared and implemented. Some worry that China may be suppressing the digital economy, but it is more appropriate to interpret it as setting a red line where China's national interests and security remain unharmed ahead of the opening of the digital market.

China's global trade norm-led strategy is expected to be promoted in four directions: participation in WTO reform; promotion of internal reform through high-level norms; establishment of regional networks centered on China and developing countries, and the introduction of low-level norms; and participation in enacting new trade norms through domestic laws.

However, not all prospects for China's global trade governance-led strategy are optimistic. At this stage, China's direction and willingness to lead the international trade order and norms have been confirmed, but many challenges and limitations remain ahead. It will still be difficult for China to play a leading role in high-level global trade norms, and measures by the U.S. and its allies to keep China in check can be expected to intensify. The U.S. has recently used forced labor as a means of containing China, and discussions on global climate change, such as the carbon tax, are likely to weaken the competitiveness of the Chinese manufacturing industry.

In addition, numerous domestic reform tasks remain throughout China and legal system maintenance is insufficient, so if the CPTPP or DEPA enters working-level negotiations, many norms are likely to be met with requests for postponement or exceptions based on developing country status.

Finally, it is necessary to pay attention to free trade zones (FTZs) in China to see how high-level global trade norms are applied to China's reality. This is because FTZs have been given the role of an "institutional open window" to conduct tests on how to apply high-level new international norms to Chinese reality. The success or failure of these tests at FTZs seems to be an important criterion for judging the possibility of leading China's global norms in the future. **KIEP**