US-CHINA TRADE NEGOTIATIONS IN THE WTO

ABSTRACT

Trade, has been considered as one of the most sensitive issue areas, in addition to human rights, in U.S.-China relations. Under globalisation, no country can be isolated from the world, there are more and more trade contacts among states. That is to say, states’ trade and economic relations has been highly interdependent. For instance, the Untied States now is China’s first trade partner and largest export destination. In 2010, the bilateral trade was $456.8 billion. In the past ten years, namely from 2001 to 2010, the US trade deficit with China was increased annually, except for 2009 due to the global financial crisis. The deficit grew from $83 billion in 2001 to $273.1 billion in 2010. However, the US trade deficit with China is the largest in the world; this certainly has brought many trade disputes and conflicts between these two states. That is, although trade can bring benefits and interests to states, and a comfortable and convenient life to consumers, it also brings many disadvantages to states. This sometimes will develop into an open trade war that relies on the resolution of international regime such as the World Trade Organisation (WTO). Therefore, this paper aims to examine US-China economic and trade contacts since China joined the WTO in November 2001. To pursue the correctness of the trade numbers and material, the author will collect and compare data from the Untied States and China. Then, the study will focus on the trade disputes and bargaining between the United States and China under the WTO regime.

Keywords: trade wars, asymmetry, interdependent, disputes

1. INTRODUCTION

Since the practice of China’s Open Door policy in 1979, China has been the fastest-growing major nation with an average annual GDP growth rate above10%. After world economic downturns and financial crisis, not just the position of the US dollar but also the economic power of the United States gradually decreased. People start to discuss the possibility of other hard currency replacement of the US dollar, among these, the trend of Chinese currency, the Renminbi (RMB), has attracted global attention. In addition, the evaluation of the RMB has become one of the hot spots in US-China trade relations. For the United States, the devaluation of the
RMB is the major reason for US huge trade deficit with China; however, for China, the evaluation of the RMB cannot be considered as the major method to save the worse economic situation nor the problem of trade deficit of the United States. The two hence have serious debates on this issue. Following with the rise of Chinese economic power, trade has been a very sensitive issue area in US-China relations. Although the two nations have announced many times to adopt retaliation measures to another, it is surprising that the two have never broken the relationship for trade disputes. Conversely, their relations have been highly interdependence hence have progressed into a complex interdependent relationship which is quite different from neorealists’ assumptions.¹

According to neoliberals, states’ complex interdependent relations will help them to resolve problems as in a complex interdependent relationship, states can exchange views and opinions on any issue; military force will not be applied to resolve disputes although it remains the most useful (not unique) instrument for states’ policy. Besides, there are many channels including international regimes existing among states to favor their bargaining and communication. Therefore, in this study, I want to use trade as the case study to examine US-China trade bargaining under the WTO. That is, the paper is to investigate how their complex interdependent relations can help them to do the negotiation hence resolves the problems. By means of doing this, one can perceive whether international regimes such as the WTO can provide states with a good forum to discuss the issues and to do the bargaining hence successfully resolve the disputes. Therefore, in the second part of this paper, I want to examine states’ bargaining under complex interdependence, including the conditions for states’ bargaining to cooperation. Then, the paper will examine US-China trade and economic relations since China joined the WTO. In the fourth and fifth parts of this paper, the paper wants to analyse their trade disputes and frictions and their bargaining under the WTO regime, hence make the findings and conclusions.

2. STATES BARGAINING TO COOPERATIONS UNDER INTERDEPENDENCE

There are many different approaches that have been applied to analyse states’ relations in the field of International Relations. When mentioning states’

interdependent relations, neoliberals propose a reserved attitude and attempt to reconcile the basic aspects of Realism and power politics; that’s why it has earned the name of ‘modified’ approach. This approach is identified with the work of Keohane and Nye (2011) in the book, *Power and Interdependence*. This approach accepts and recognises the Neorealist assumptions that states are basically self-interested and rational actors who remain the main actors in international relations, and that the international system is anarchical. However, it departs significantly from Neorealism in other ways. The Neoliberal approach emphasises the importance of international institutions and regimes such as the WTO and proposes different views with regard to the consequences of international anarchy. Neoliberals argue that states are concerned with absolute gains, not relative gains; therefore, states’ cooperation is likely and anarchy will not necessarily produce war in the world. They claim that just as states are rational egoists (rational utility maximisers), they need international order to resolve reasonably conflicts, which enables them to obtain the maximal interests by means of the minimal costs. Interdependence is deepened following the increase of states’ contact hence the likelihood of cooperation is promoted. However, the success of states’ cooperation depends on the result of their bargaining. Thus, for Neoliberals, interdependence would not necessarily lead to cooperation or foster peace.

Following the increase of states’ interdependence, states encounter some constraints in their policy-making. Morse (1969) suggests that the increase of interdependence has three main implications for international relations: (a) the rise of new ‘actors’, (b) the crises of controlling interdependencies, and (c) the loss of domestic control. Morse indicates that here the new actors are international or transnational business corporations and international organisations. Following the close contacts and the rise of commercial transactions, the (originally nationally based) business corporations, foundations, or religious organisations have developed internationally and participated actively in international relations. These new actors serve as the evidence of interdependence and become the ‘primary transmission belts

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for all types of international exchanges." Another kind of organisation is functional and formalised - this is not established for making profit. It is created by states in order to control interdependence. The International Monetary Fund (IMF), the WTO and the Council of Europe, etc., can be classed as these types of organisation. Following the rise of interdependence, international or transnational organisations have emerged and developed spontaneously and promptly, and have started to play an important role in contemporary international politics. However, with the increase of interdependence comes the problem of control and governance. Morse claims that states encounter not only the loss of international control but also domestic control. The development of interdependence makes financial, trade, environmental and security problems difficult to be dealt with separately and independently, states have to work together to achieve collective goods. The liberals therefore suggest that states should adopt 'adaptive behaviour at home, and responsible behaviour in the international system." However, what kind of behavior is responsible and will promote or increase states' willingness for cooperation? That is to say, why, how, and when states will cooperate with one another to obtain an optimal result in their bargaining and achieve a win-win situation. When a crisis occurs, how can an impasse be averted in states' bargaining? How can states continue their bargaining without making a mistake to mutual destruction and to reach cooperation? Regarding these questions, scholars in the field of international relations have suggested some methods and ideas to help increase the probability of states' cooperation in the bargaining.

According to Muthoo (1999), bargaining is 'a situation in which two players have a common interest to cooperate, but have conflicting interests over exactly how to cooperate;" and is 'any process through which the players on their own to reach an agreement.' That is, in a bargaining, states first will set their own minimum utility that makes cooperation worthwhile for them, if they can expect that utility from cooperation, they may consider cooperation. However, they will also set some utility as the maximum that they expect to obtain from the bargaining. Therefore, if they choose cooperation, they will intend to obtain the most they can as states are defined as rationally self-interested maximisers of utility. This hence involves the

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7 Ibid, p. 2.
8 However, some scholars such as Zartman, W. and Druckman, D. (et al.) submit different points of view investigating and suggesting the notion of justice or fairness in states' bargaining. They claim that getting a fair deal is more important than getting the best deal and emphasise that justice is the basis to establish successful negotiations. For discussion of the notion of justice in bargaining, see
problem of distribution of interests, which needs to be or only can be resolved by bargaining. That is, while before entering into bargaining, states first will consider whether cooperation is worth and beneficial to them, and then they will consider the distribution of interests. If both sides are satisfied with the distribution, they eventually will reach an agreement. Therefore, to understand the factors that facilitate and promote states' bargaining to cooperation is of importance. Many scholars such as Keohane, Powell (1999), Axelrod (1984), Oye (1986), and Fearon (1995) in the field of international relations have suggested many factors that can greatly influence states' bargaining and the outcome of the bargaining. Firstly, they indicate that if states can obtain full and transparent information not only about the progress of the bargaining but also about their opponent's actions, misunderstanding can be averted and bargaining can be progressed well. They hence emphasise the importance of the "flow of information" in states' bargaining. In addition, if states clearly understand that their every action will be "reciprocated" by their opponents not only in this game but also in other games, they will avoid cheating. In addition, since states are concerned with "commitment issues" in their bargaining, the creation and establishment of international regimes hence is of importance for states' bargaining. The last point that states are concerned with is the payoff structure.

Since international regimes such as the WTO can help states to monitor others' behaviour and provide information about others' preferences and intentions, these not only allow effective practice of principles of reciprocity and decrease transactions and information costs, but also decrease states' uncertainty and fears for cooperating with others. Therefore, states' cooperation becomes more feasible and possible. In addition, regimes also can serve as a place where states can communicate easily with one another when conflict or problem arises, and they also can provide legitimacy for other states' intervention to mitigate the disputes and the practice of punishment. A. LeRoy Bennett indicates that although international agencies such as the United Nations may have limits to their power, means or resources, hence weakening their utility, they still 'may serve as a place where disputes may be discussed and pressures may be exerted by other states wishing to avoid extreme forms of conflict between the disputants.'9 In an anarchical world, dispute or conflict among states always occurs when they are cheated by defectors, hence precludes international peace and the likelihood of cooperation. In this kind of situation, if there is a legitimate enforcement mechanism to supervise states' behaviour and to punish defectors, the situation can therefore be improved. Even in a single game, the existence of regimes


promotes and increases the likelihood of states’ cooperation. Since regimes can lengthen the “shadow of the future”, increase the transparency of states’ action, and practice collective enforcement, these provide incentives enabling states to cooperate and realise their common interests easily. In addition, regimes can help states link issues easily; hence promote states’ cooperation and achievement of agreements. That is why Keohane argues that although he agrees that power and self-interest are of importance in explaining states’ behaviour, he considers that neorealists exaggerate the degree to which the international system is anarchical.

The last important factor that influences states’ bargaining is the payoff structure. Since the structure of payoffs affects the possibility of states’ cooperation, Oye (1986) suggests three strategies that states can use to alter the structure and increase the likelihood of cooperation: unilateral, bilateral, and multilateral strategies. According to Oye, unilateral strategies ‘can improve the prospects of cooperation by reducing both the costs of being exploited and the gains from exploitation,’ although this unilateral action may have ‘the effect of increasing one’s vulnerability to exploitation by other states. He explains this by using the troops-as-hostage example. He states that when one government stations its troops on troubled frontiers to promote cooperation and decrease its ally’s fear of abandonment, in doing so it increases its own fears to be exploited by its ally. Similarly, this example can be applied in economic terms. When one state adopts unilateral actions by limiting its gains to practice a specialised economy, although it increases its credibility of commitment to liberalism, it also raises its vulnerability to protection by others. Based on this consideration, if states reject this strategy, they can still alter the payoff structure by adopting a bilateral strategy, namely strategies of “issue-linkage”. By means of issue-linkage, states not only can achieve their objectives in different issue areas but also can increase the likelihood of cooperation as it can be used to change payoff structures and to ‘interject elements of iterativeness into single-play situations.”

Oye explains that since relations among states are rarely limited to one single-play issue of overriding importance, one state’s choice to defect on one issue may be prevented by threats of retaliation on other issues. Therefore, states will not arbitrarily or easily choose to defect. The final strategy suggested by Oye that can be used to alter payoff structures is multilateral strategy, which focuses on the role of international regimes. Oye explains that the norms of regimes may be internalised by states, hence alter the structure of payoffs, and moreover, information provided by regimes may change states’ understanding of their interests. As I have mentioned above, Keohane also argues that international regimes do matter in international

11 Ibid, p. 17.
relations as they can provide information available to governments and opportunities open to them hence change the calculations of advantage governments made.

To conclude, this research will examine how the United States and China bargain with one another hence resolve their problems under the WTO. That is, the paper wants to investigate whether the WTO regime can promote the bilateral trade and resolve trade disputes through the Dispute Settlement Body (DSB).

3. US-CHINA TRADE CONTACTS AND EXCHANGE SINCE CHINA JOINED THE WTO IN 2001

When the United States and China established diplomatic relations in 1979, the two-way trade developed and grew rapidly. China has taken important actions to open its foreign trading system and integrate itself into the world trading system. China now is world’s second-largest economy after the United States. Following China’s formal accession to the WTO in November 2001, the development of US-China bilateral trade has been greatly enhanced and promoted. According to the US-China Business Council, the bilateral trade increased from $121.5 billion in 2001 to $456.8 billion in 2010. In 1979, the two-way trade was only $2 billion in total, it grew 3.76 times. Currently, China is the United States’ second-largest trading partner, 19% of all U.S. imports comes from China. China is the third-largest market for U.S. exports, and the second-largest export market for U.S. agricultural products. For China, the United States is her first-largest trading partner and first-largest export market. Also, the United States its China’s fourth-largest import supplier. On foreign investment, according to Office of the United States Trade Representative (USTR), U.S. foreign direct investment (FDI) in China was $49.4 billion in 2009. American direct investment in China mainly focuses on the manufacturing and banking sector. On the other side, China FDI in the United States was $791 million in 2009. China direct investment in the United States was mostly in the wholesale trade sector. According to Chinese Ministry of Commerce, in 2010, Americans invested $40.52 billion and established 1,576 new enterprises and companies in China. However, following with bilateral interdependent and active

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12 Although China now is the second largest economy in the world, the U.S. economy is three times larger than that of China.


15 The top 5 investors of China are Hong Kong, Taiwan, Singapore, Japan and the United States. See The Ministry of Commerce of the PRC, “Statistics of China’s Non-financial Foreign Direct Investment
trade and economic contacts, the US trade deficit with China has been increased sharply as well. In the past ten years, namely from 2001 to 2010, the US trade deficit with China was grew greatly annually, except for 2009 due to the global financial crisis. The deficit rose from $83 billion in 2001 to $273.1 billion in 2010, a 20.4% increase ($46.2 billion) over 2009. Although the bilateral trade did serve American interests and support China’s development strategy, China has become the United States’ largest deficit trading partner making it a serious political issue in US-China relations. Americans therefore criticised that the huge deficit was caused by China’s unfair trade practices such as the manipulation of its currency. They therefore have many trade disputes and argument appealed to the DSB under the WTO.

4. BILATERAL TRADE DISPUTES AND FRICTIONS

On the trade disputes, before China joined the WTO, the divergence between the United States and China mainly focused on China’s MFN status, Chinese exchange rate, and its violations of Intellectual Property Rights (IPR). Since China joined the WTO in November 2001, the prolonged MFN quarrel was no longer an issue in US-China relations. However, other trade disputes between China and America still occur periodically. Some serious quarrels have been sent to the Dispute Settlement Body (DSB). Under the WTO regime, when one member believes another is violating an agreement or a commitment that it has made in the WTO, it can appeal to the DSB to resolve the dispute. The DSB then will establish “Dispute Panels” of experts to consider the case. The panels will make recommendation; however, the complaining country can appeal a panel’s ruling. That is, the “Appellate Body” can amend the panels’ recommendation. The system

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17 The DSB is a session of the General Council of the WTO. It can decide the result of a dispute on the recommendation of a “Dispute Panel” and on a report from the “Appellate Body”. The DSB will monitor the implementation of the rulings and recommendations, and has the power to authorise retaliation when a country does not comply with a ruling. However, Few cases have reached the full panel process as the majority of the cases have been notified as settled “out of court”, or remain in a prolonged consultation phase. Regarding the detailed discussion of the procedure, can see The World Trade Organization, available at http://www.wto.org/eng/thewto_e/whatis_e/tif_e/displ1_e.htm (accessed 20 March 2009).
18 Under the WTO dispute settlement procedures, the United States and China can initiate consultations, if these do not lead to satisfactory results, the complainant can request the establishment
is based on clearly defined rules, with timetables for completing a case; its priority is to settle disputes, through consultations if possible (See Figure 1).

According to the information provided by the WTO, since China joined the WTO in 2001 until present, 19 trade friction cases between the United States and China have brought to the DSB. (See Table1)

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of a dispute settlement panel after 60 days from the request for consultations. In any event, it will take time for the parties to agree on the panelists; once a panel is established, it should reach its determination within 6 months. An appeal to the Appellate Body (AB) is all but certain, and the AB normally renders its decision within 60 days, but in a complex case can take 90 days. The members then adopt the AB report within 30 days, if the measures in question are found to violate the WTO, and the respondent does not change its practices, an arbitration panel will be formed to recommend appropriate countermeasures. In some complex and contested cases, the whole dispute settlement process may last 18 months to two years. See Hufbauer, G (2007), “Three US-China Trade Disputes”, paper presented at the conference of The China Balance Sheet in 2007 and Beyond, May 2, 2007, Peterson Institute for International Economics, available at http://www.iie.com/publications/papers/print.cfm?doc=pub&ReseachID=749 (accessed 6 March 2009).
The first complaint China made happened in March 2002, China requested consultations with America on the steel safeguard measures imposed by the United States on China. Table 1 shows the US-China Trade Disputes Brought to WTO:

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States (DS 252). (See Table 1) The European Communities was the first one to file this case as it considered that the US measures were in breach of US obligations under the Agreement on Safeguards and GATT 1994. The DSB established a “Panel” that was composed by the European Communities, Japan, Korea, China, Switzerland, Norway, and New Zealand who requested to join the consultations. In July 2003, the Panel completed its work and report concluding that all American safeguard measures were inconsistent with at least one of WTO pre-requisites for the imposition of a safeguard measure. The Panel thus requested America to revise its safeguard measures into conformity with its obligations under the Agreement on Safeguards and GATT 1994. The United States hence appealed to the Appellate Body in August 2003. However, the Appellate Body supported the Panel’s conclusions in November. The DSB finally adopted the Appellate Body report and the Panel report in December; the United States therefore announced to terminate all of the safeguard measures subject to the dispute.19 In September 2007, China requested consultations with America on US anti-dumping and countervailing duty determinations on coated free sheet paper from China (DS368).20 In September 2008, China filed another case on anti-dumping and countervailing duties determinations and orders issued by the US Department of Commerce in many investigations (DS 379). The DSB established a panel in January 2009.

Similarly, the United States were dissatisfied with some measures China has adopted. For instance, America requested consultations with China on China’s preferential value-added tax (VAT) for domestically-produced or designed integrated circuits (IC) in March 2004 (DS 309). However, the case was resolved quickly as China and the United States reached agreement in July 2004. China agreed to amend the measures, the two countries therefore informed the DSB that the case were settled “out-of-court”. Another dispute occurred when America filed a case in March 2006 regarding China’s imposition of measures that adversely affect exports of automobile parts from other countries to China (DS 340). Australia, Canada, the European Communities, Japan and Mexico then also requested to join the consultations. The DSB therefore established a panel in October 2006. The panel completed the report in July 2008 requiring China to amend its measures to obey the GATT 1994 and the WTO Agreement. China therefore decided to appeal to the

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20 The anti-dumping duty is the provisional additional duty imposed by the importing countries on the imported products which cause injury to the relevant domestic industries; it aims to boycott the dumping of the exporting countries to protect the domestic industries. If domestic producers are hurt by imports of subsidized products, countervailing duty can be imposed. See the WTO, http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm, “consulted in March 2009”.

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Appellate Body in September 2008; however, after the investigation, the Appellate Body upheld the panel’s finding. The DSB decided to adopt the two groups’ reports. In February 2007, the United States complained China’s measures granting refunds, reductions or exemptions from taxes and other payments owed to the Government by enterprises in China (DS 358). In April, America requested supplemental consultations supported by Mexico, the European Communities, Australia, Japan and Canada to consider China’s new income tax law. The DSB organised a panel in August although the quarrel was settled soon in December 2007 when China and America reached an agreement. Another long-term dispute with respect to the protection and enforcement of intellectual property rights in China was complained by the United States in April 2007 (DS 362). America requested to establish a panel in August 2007. Due to the complexity of the issues presented in this case, the panel completed the report in January 2009. The Panel recommended that China should revise its Copyright Law and enforcement practices to be consistent with its obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.²¹ The two countries still can decide whether to make any appeals.

In addition to disputes on IPR, taxes, and automobile parts, the United States also complained in April 2007 China’s certain measures that restrict trading rights with respect to imported films, audiovisual home entertainment products, sound recordings and publications. America also argued that China has imposed certain measures that restrict market access for foreign suppliers of distribution services for publications and foreign suppliers of audiovisual services for audiovisual home entertainment products (DS 363). The panel is established in November 2007, and it is investigating the case. Another case filed by America in March 2008 was related to Chinese measures that affect financial information services and foreign financial services suppliers in China (DS 373). The United States claimed that China used many legal and administrative instruments that require foreign financial information suppliers to supply their services through an agent designated by China’s Xinhua News Agency, that is, China Economic Information Service (CEIS). America argued that the measures provided less favourable treatment to foreign information services and services suppliers hence made them less competitive compared with Chinese companies. This case soon was resolved in December when the two sides reached an agreement. The last quarrel between the United States and China was America’s dissatisfaction with China’s offering grants, loans and other incentives to enterprises in China (DS 387). The United States requested consultations with China in December 2008. Australia, Canada, Colombia, Ecuador, the European

²¹ The TRIPS Agreement is an international agreement administered by the WTO that sets down minimum standards for many forms of intellectual property regulation.
Communities, Guatemala, Mexico, New Zealand and Turkey all requested to join in the consultations requested by the United States. China informed the DSB in February 2009 that it accepted these states’ requests to join the consultations. This case is still progressing in the WTO.

5. ANALYSIS ON US-CHINA TRADE BARGAINING UNDER THE WTO REGIME

Since China joined the WTO, the mechanism has effectively regulated and promoted US-China trade. If one looks at US-China trade dispute settlement under the WTO, one can perceive that the WTO regime not only saves the bargaining time but also helps to smooth the bargaining process. This therefore greatly decreases the occurrence of trade wars. For instance, on the case regarding China’s preferential VAT rate for domestically produced ICs (DS 309), the problem was resolved “out-of-court” within 4 months since the United States requested consultations with China. During the period of time, several consultations and discussion were progressed between the United States and China. The case was settled quickly even without establishing a panel as China agreed to amend the measures. Another quarrel (DS 373) regarding the measures China imposed on foreign financial information services and services suppliers was resolved in a similar way.

Moreover, under the WTO, states can directly have their disputes investigated and examined by the DSB without exchanging conditions as before. If one looks at the history of US-China bargaining on human rights issues, one can find that China used its veto power over the UN resolutions against Iraq in exchange for Chinese Foreign Minister Qian Qichen’s meeting with President Bush and his visit to the United States. China hence broke through the Western ban on high-level contacts with China in the aftermath of Tiananmen. However, under the WTO regime, states just need to “take the matter on its merits” as the DSB will help them to resolve problems. That is, trade issues do not need to be “politicised”. For instance, before China joined the WTO, the United States used to link trade issues with China’s human rights practices. Politicisation and issue-linkage are the strategies that states adopt when bargaining with others; this sometimes complicates the issue. Now, by means of the consultation process in the DSB, many disputes can be directly resolved, and hence decrease the occurrence of trade war.

In addition to saving time and being an effective dispute-resolution regime, the most important function the WTO has provided is to ensure the realisation of states’ commitment. Since the WTO is a long-term and iterative game, “the shadow of the
future” can be lengthened;\textsuperscript{22} that is to say, there will be no commitment problems. Just as Stephen Haggard and Beth Simmons (1987) claimed, ‘if play is repeated, the costs of defecting on any single move must be calculated not only with the reference to the immediate payoff, but with reference to the opportunity costs associated with future interaction.’\textsuperscript{23} Therefore, when one state wants to defect and not cooperate, it must consider carefully the outcome and the effect of its behaviour, unless it does not want to play other games any longer. Under the shadow of the future, states will be willing to cooperate with one another. For instance, on the case of US steel safeguard measures (DS 252), although America was unsatisfied with the panel report, and appealed to the Appellate Body, it eventually accepted the decision of the DSB and promised to terminate all of the relative safeguard measures. Since the game is repeated and the United States wants to play it, it will eventually choose to cooperate.

Being a multilateral organisation, the WTO also helps states to monitor and supervise others’ behaviour and trade practices, that is, the function of the “Trade Policy Reviews Mechanism” (TPRM). Every member will be reviewed. For instance, in June 2008, the TPRM released a press on America’s trade policy review mentioning that the United States has taken many steps to liberalise its trade regime since its previous review in 2006.\textsuperscript{24} In addition, the WTO also provides information about others’ preferences and intentions; this not only allows effective practice of principles of reciprocity and decrease transactions and information costs, but also decreases states’ uncertainty and fears for cooperating with others. For instance, after the consultation and bargaining process under the DSB, China accepted America’s complaint on its measures that restrict foreign financial information services and service suppliers (DS 373). China then released information expressing its will to revise the measures and reached an agreement with the United States. That is, the mechanism of WTO effectively guarantees a fairer and more stable trade environment hence promotes states’ trade contacts. States’ cooperation therefore becomes more feasible and possible. In addition, the WTO regime also serves as a place where states can communicate easily with one another when trade conflict or problem arises. In the WTO, states can express their dissatisfaction and request bargaining and consultations with their trading partners. They can discuss issues and cases in the panels. The WTO provides a good place for states to resolve their trade frictions, therefore, the trade conflicts between the United States and China rarely evolve into a much wider trade war.

\textsuperscript{22} The shadow of the future means that states’ behaviour in a certain moment in a certain game will be reciprocated or reneged next time from other games.
\textsuperscript{24} See the WTO, \url{http://www.wto.org/english/tratop_e/tpr_e/tp300_e.htm}, “consulted in March 2009”.
6. CONCLUSION

The major reason for China to join the WTO was because the institution could provide China with a forum for effective dispute settlement and to enhance its bargaining position with its trading partners. Joining this organisation could provide China with an opportunity to address economic issues that it has been confronted with, and which have not properly been resolved. Through negotiations and consultations under the WTO, China’s rights and interests in the world economy and international trade could be protected. In addition, the WTO also could be an important and significant source from which China could learn and acquire more commercial information. To enjoy a more equal, fairer and more stable environment for foreign trade and to improve its economic relations with other countries, joining the important global trade organisation was China’s paramount target in the late 1980s.

For the United States and China’s trading partners, they regarded China’s accession as an opportunity for them to enter the Chinese market. They expected China’s accession to bring huge commercial benefits to them. In addition, the United States believed that, accompanying China’s accession, the realisation of its commitment and implementation of new regulations could ensure the transparency of China’s trade policy and a fair and stable trading environment. Since the United States had a big stake in China’s economic reforms and integration into the global economy, China’s accession did serve American economic interests. Moreover, the United States hoped that China’s accession would decrease their trade deficit with China.

Since China joined the WTO, although the WTO could not help the United States to decrease its deficits with China, it did promote US-China trade relations by resolving their trade frictions. Many disputes such US steel safeguard measures, China’s VAT refunds on ICs or its charges on imported automobile parts have been resolved successfully. Although some complicated disputes may take time to be resolved, or China may need time to revise its trade practices, a healthier trade environment in China can be expected since China’s entry into WTO. This therefore helps to stabilise international trade environment, that is, the world needs China, and vice versa, particularly under current global financial crisis. The regime of WTO will not only continue to play a critical role in US-China trade but help to resolve their trade disputes and frictions hence promote the development of their relations.

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