China’s Accession to the World Trade Organization, Policy Reform, and Poverty Reduction: An Introduction

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China’s accession to the World Trade Organization (WTO) was a watershed event for both China and the WTO. After 30 years of effective isolation from the world economy, and close to a quarter century of autonomous reforms, China joined the legal framework of the world trading system. In doing so China made an extraordinarily wide-ranging set of commitments to reform of its own legal and administrative system and to thorough-going liberalization of trade in goods and services.

This issue contains five studies from a major project undertaken by the World Bank and the Development Research Centre of China’s State Council. A key objective of the studies was to assess the impact of the reforms associated with WTO accession on poverty in China, particularly in rural areas, which now lag so badly behind urban areas.

A key underpinning of this work was an accurate assessment of the distortions in agricultural prices created by China’s opaque system of pre-WTO agricultural trade policies. The results of previous studies were widely divergent, with some studies suggesting that China’s agriculture was highly protected and others that it received low or negative protection. Huang, Rozelle, and Min attempt to resolve some of this contradiction by conducting detailed price comparisons and interviews with participants in key markets. They conclude that China’s agricultural protection was generally modest, although some commodities, such as sugar and maize, received substantial protection.

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Ianchovichina and Martin draw on the estimates of protection provided by Huang, Rozelle, and Min and their own estimates of liberalization in other sectors to assess the impacts of reform on key economic outcomes such as wages, prices, and volumes of output, imports, and exports. A key finding is the importance of the abolition of the textile and clothing quota system, which will allow China to more fully exploit its comparative advantage in this area. In undertaking this analysis, they built on the study by Francois and Spinanger of adjustment in the motor vehicle sector—a sector that was highly protected and inefficient before accession. Francois and Spinanger conclude that this sector will substantially increase its efficiency, a result that has important implications for the economy as a whole, as well as for this sector’s ability to meet import competition.

Ravallion and Chen draw on a survey of 85,000 Chinese households to assess the impact of the WTO reforms on the distribution of income, particularly for the poor. They find negative impacts on average in rural areas, where the overwhelming majority of China’s poor live, and benefits on average in urban areas. While the average losses to poor rural people are small, impacts on some types of households and certain regions are more substantial, with implications for social protection policies and for complementary policies to raise the incomes of poor families.

Messerlin examines one of the controversial, and potentially risky, aspects of the agreement—the provisions on antidumping and safeguards. He points out that China is particularly vulnerable to antidumping actions because of its export product mix and because of the nonmarket economy provisions that other WTO members are allowed to apply to China for up to 15 years from its accession to the WTO. Possibly even more troubling are the product-specific safeguards allowed China’s trading partners for up to 12 years from accession. Offering entirely new protection, these measures involve very lax triggers that could lead to a domino-effect closing of many markets for China’s exports.