

**IDE APEC STUDY CENTER**  
**Working Paper Series 96/97 - No. 6**

**China's APEC Policy and the Accession to the WTO**

**March 1997**

**Daisuke Takoh**

**Visiting Research Fellow**

**APEC Study Center**

**Institute of Developing Economies**

**and**

**Research Fellow**

**The Matsushita Institute of Government and Management**

## **CONTENTS**

<b>. Introduction</b>	
<b>1</b>	
<b>. The Objectives of China's APEC Policy</b>	
<b>1</b>	
<b>. China's Recent Efforts for the Liberalization of Trade and Investment in APEC</b>	
<b>4</b>	
<b>. The Possible Set-back of China's Accession to the WTO</b>	
<b>15</b>	
<b>. Japan's Role and Attitude Towards China's APEC Policy</b>	
<b>17</b>	
<b>. Conclusion</b>	
<b>19</b>	
<b>References</b>	
<b>20</b>	

## **LIST OF TABLES**

**Table 1. Development in China with Regard to APEC and WTO  
in 1996**

**22**

**Table 2. Framework of China's Individual Action Plan on Trade  
and Investment, Liberalization & Facilitation**

**23**

**Table 3. China's Initial Individual Actions**

**27**

**. Introduction**

As a result of the aggressive economic reforms for the market economy and the open-door policy promoted under the strong leadership of Deng Xiaoping since 1978, China has achieved drastic economic growth over 18 years (The Economic Planning Agency, 1995; 1996). The high economic growth has been supported by policies to introduce foreign investment. However, the Chinese government recently has been plagued with a number of economic difficulties caused by distortions resulting from the rapid economic growth. Seeking for solutions, the government started tightening its grip on macro economy by implementing the economic reforms and policies (Aoki and Umada, 1995). Given this situation, China's open-door policy for foreign investment and trade faced a turning point. In other words, a historic role of its policy in the Deng Xiaoping era has come into a transition<sup>1</sup>(Tabata, 1995).

The purpose of this paper is to give considerations to the following:

- 1) China's Objectives of its APEC Policy --the preparation for the accession to WTO membership--;
- 2) China's recent efforts for liberalization of trade and investment in APEC;
- 3) Concern over the possible set-back of China's accession to the WTO and the influence towards the China's APEC policy;
- 4) Japan's role and attitude towards China's APEC policy.

Finally, as a conclusion, this paper will discuss China's accession to the WTO through APEC, an important process of involving China in the international economic system.

**. The Objectives of China's APEC Policy**  
**--the preparation for the accession to WTO membership--**

There are two objectives for China with regard to APEC policy. One is the promotion of economic reforms to encourage a market economy and economic growth in China, while the other is the preparation for the accession to WTO membership through the training and experience that are to be had as a result of involvement in APEC.

The most important one is to obtain membership of the WTO at an early stage. The Chinese government has been seeking for long time to obtain membership of the WTO, the following reasons given:

- 1) to expand international trade by acquiring the status of a most favored nation (MFN);
- 2) to secure the accession to international organizations considered comparable to China's political and economic status in the world;
- 3) to promote domestic economic reforms, to open the domestic markets, and to shift to a market economy;
- 4) to remove the concern over argument in the United States Congress each year about the renewal of China's MFN status, and to strengthen China's standing in the United States.

The basic policy of the United States on China's accession to WTO membership was "the

---

<sup>1</sup> Deng Xiaoping died at Beijing in February 1997.

United States supports China's membership of the WTO on condition that it meets all commercially reasonable terms" (1993 Sino-U.S. summit at APEC meeting in Seattle). The commercially reasonable terms pointed out by the United States are basic rules of the WTO such as "equal treatment for domestic and foreign products". For example, indiscriminate standards, the approval for imported goods, and the national treatment of foreign companies operating in China. But, the United States and the WTO have estimated that China's efforts for various economic reforms were still not sufficient to meet the conditions for the membership because of:

- 1) discrimination on criteria of standard and approval for foreign and domestic goods;
- 2) discrimination against foreign companies on foreign trade right;
- 3) protective measures against foreign investments for a part of industries in China;<sup>2</sup>
- 4) import quotas for agricultural products;
- 5) China's request to attain the comprehensive treatment of the WTO specially designed for developing countries.<sup>3</sup>

China has been stalled to obtain the membership of the WTO, but China has been working on reforms step by step and has implemented several measures to open its trade. Specifically, as promised by China in the 1994 Bogor Declaration of APEC, China's Initial Individual Actions at the Osaka Meeting in 1995, China's Individual Action Plan (IAP) at the Manila Meeting in 1996 (refer to table-2, 3).

- 1) average import duties of 4994 items were reduced from 36% to 23% in 1996, the simple average level of tariffs will be reduced to around 15% by the year 2000;
- 2) import quotas for 176 items and other types of non-tariff barriers were removed and the Chinese government amended intellectual property rights laws, and enacted the anti-monopoly law until 1996.

---

<sup>2</sup> According to "Interim Provisions on Guiding Foreign Investment Direction" and "Catalogue for the Guidance of Foreign Investment Industries" in 1995, there are three industrial categories for foreign investment in China; encouraged, limited and prohibited. Foreign companies are not allowed to establish "foreign enterprises" (100% owned by foreign capitals) in "limited" industries, such as automobiles and electric appliances.

<sup>3</sup> Special and differential treatments of developing country members, such as the transition period for liberalization of trade and investment, are allowed by the WTO. Refer to Article 12 of Agreement on Technical Barriers to Trade in Marrakesh Agreement Establishing the WTO.

Furthermore, due to the progress in a series of economic reforms started in 1994, China has been showing improvements in some areas; the provision of national treatment to foreign companies, the opening of financial markets, and the consolidation of environment for intellectual property rights, though there remain some gaps in progress in different areas. When physical problems such as the huge bureaucracy, shortage of human resources, the political and economic transition phase in China-currently more interested in protecting for domestic industry than opening its economy- and so on, are taken into consideration, at least it should be appreciated that China's consistent efforts for trade and investment liberalization in APEC.

APEC is very important for China because it gives China an opportunity to display its efforts for liberalization of trade and investment within its framework, and demonstrate the progress made in its endeavors to satisfy the conditions for WTO membership. In other words, APEC is a place of the training and building up actual results for China. APEC's approach of "cooperative and voluntary liberalization" is also compatible with the current economic situation in China that is facing various problems (Takoh, 1997).

### **. China's Recent Efforts for the Liberalization of Trade and Investment in APEC**

China's recent efforts for liberalization of trade and investment in APEC were gradually done, as China promised in the 1994 Bogor Declaration of APEC, China's Initial Individual Actions at the 1995 Osaka Meeting, and China's Individual Action Plan (IAP) at the 1996 Manila Meeting.

Then, this chapter will verify China's recent efforts and objectives in the short, mid, long-term for liberalization of trade and investment at 11 main sectors, such as tariffs, non-tariff measures, services, investment, standards and conformance, customs procedure, intellectual property rights, competition policy, deregulation, rules of origin, and dispute mediation.

#### ***(1) Tariffs***

## **A. Recent Efforts**

The Chinese Customs for import and export commodities are compiled on the basis of the terms of the Customs Cooperation Council (CCC) and the Harmonized Tariff System. In 1995, 6,350 tariff items are included, with a simple average tariff rate of 35.9%. In conformity with the commitments made by the Government of China at the APEC Osaka meeting, China has lowered its tariff rate for over 4,900 items starting from April 1, 1996 as its down payment for the APEC trade liberalization. China's simple average tariff rate was reduced from 35.9% to 23%.

## **B. Objectives**

By 2000, the level of simple average tariff rate will be reduced from the current 23% to around 15%, and further reductions are set to be made in the mid- and long term.

### *(2) Non-Tariff Measures*

#### **A. Recent Efforts**

China used to apply a strict import examination and approval system, before China started to adopt the reforms and open-door policy. In 1992, 20% of the import tariff lines, or 1,247 items, were subject to import control administration, such as quotas or licensing. In recent years, in order to meet the requirement for building a socialist market economy, the government of China has taken several initiatives to drastically reduce the number of items subject to import quota and licensing, as evidenced by such reductions on 1 January 1993; 1 January 1994; 30 June 1994; 30 June 1995; 1 January 1996 and 8 May 1996. Currently, only 5% of the total import tariff lines, or 384 items are still subject to quotas, licensing or other import control measures.

#### **B. Objectives**

In the short term, review current 384 NTM items and gradually reduce or relax these NTMs while ensuring their transparency. In the mid- and long term, reduce and eliminate all NTMs inconsistent with WTO agreements.

### *(3) Services*

## **A. Recent Efforts**

Services sectors in China are still under-developed. Currently the percentage of services sectors in the GDP is about 30%. Since the adoption of the reform and open-door policy, China has attached great importance to the development of the services sector and accordingly remarkable progress has been achieved. The services sector has already been opened at different levels. The depth and width of the openness have been improved for the main sectors, such as financial services, commercial retailing, energy, transportation, tourism, etc. China will further open its services market on the basis of pilot experience<sup>4</sup> in accordance with its national industrial policies and the specific situations of respective sectors. Chapter 4 of PRC's Foreign Trade Law stipulates: "With respect to international trade in services, China pursues to the commitments to which China is a contracting party or a participating party, grants the other contracting parties and participating parties market access and national treatment."

## **B. Objectives**

In the services' areas such as banking, insurance, security, commercial retailing, transportation, energy, telecommunication, and tourism, further carry out its reform and opening policy and provide more market access and business opportunities to foreign companies. ( details: refer to table-2 )

### ***(4) Investment***

#### **A. Recent Efforts**

Over the past years, China has constantly formulated and improved its laws and regulations on the utilization of overseas investment. Up to date, China has promulgated and enforced more than 200 laws governing external economic activities.

The Chinese government has coped with the protection of overseas investors' intellectual property rights and has further modified and improved laws in this regard and acceded to international organizations in relation to industrial as well as intellectual property rights, refer to (7) Intellectual Property Rights. In addition, China has concluded investment protection agreements with more than 70 countries and bilateral investment agreements with about 50



countries. China has also acceded to the international treaties such as the "Multilateral Investment Guarantee Institutes Treaty". Now China has largely established its legal system governing overseas investment and overseas investors' rights and interests have obtained basic legal protection. With the continuous China's reform and opening to the outside world, China, has adopted a series of important reform measures in light of international prevailing practices and requirements of market economy and is forming an investment environment which is adapted to market economic principles and fair competition.

## **B. Objectives**

*Short-term (1997-2000):*

- 1) Timely update China's report of investment regimes;
- 2) Improve transparency of China's investment regimes;
- 3) Gradually broaden sectors for overseas investment;
- 4) Gradually render national treatment to foreign-funded enterprises;
- 5) Materialize free convertibility of Renminbi(RMB) under the current account, implement banking/foreign exchange transaction system for foreign-funded enterprises, and remove restrictions on use of foreign exchange under their current account;
- 6) Implement Uruguay Round agreements after China becomes a member of the WTO.

*Mid-term(2001-2010):*

- 1) Further broaden overseas investment sectors and remove restrictions on overseas investment.

*Long term(2011-2020):*

- 1) Further deregulate investment policies towards eventual realization of investment liberalization in accordance with international investment practices.

## **(5) Standards and Conformance**

### **A. Recent Efforts**

China attaches great importance to the alignment of its national standards with international standards and has a policy of adopting international standards, where possible, as its national

---

<sup>4</sup> For example at the Special Economic Zones (經濟特区) in China, since 1980.

standards. By the end of 1995, China had developed 17,064 national standards, of which over 4,000 have been aligned with international standards.

China actively participates in activities of the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC) and is a member of the ISO Council and the IEC Committee of Action. China also participates in the Asia Pacific Laboratory Accreditation Cooperation (APLAC), the Pacific Area Standards Congress (PASC), the Asia Pacific Metrology Program (APMP), the Pacific Accreditation Cooperation (PAC).

## **B. Objectives**

Fully implement the collective actions formulated by the Sub-Committee on Standards and Conformance (SCSC) of APEC, and take specific actions in four areas: alignment with international standards, mutual recognition of conformity assessment, cooperation on technical infrastructure and transparency.

### ***(6) Customs Procedure***

#### **A. Recent Efforts**

China adopted the HS version in 1992 officially and has already implemented the 1996 HS version of sector classification for import/export tariff and Customs statistics. China Customs has been participating in the work of revising the World Customs Organization (WCO ) Kyoto Convention in an active manner. In terms of adopting and supporting the UN/EDIFACT (United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport) standards in customs procedures for the facilitation of international trade, China Customs has made concentrated efforts to develop the H883 automated declaration system and later on the H909 project to make a nationally-linked computer system, which would allow for smoother operations. Relevant technological departments have been established at the Customs General Administration and local Customs houses. China Customs has also set up a national computer center in Beijing, responsible for linking computer installed in Customs offices nationwide. China is a signatory to the UR package of agreements including TRIPs (Trade-Related Aspects of Intellectual Property Rights), although

it has not yet become the WTO member. On October 1, 1995, China Customs started official implementation of Regulation of China on the Customs Intervention in the Protection of Intellectual Property Rights.

## **B. Objectives**

Fully implement its individual action plan of the collective actions agreed in the SCCP, especially those actions for the realization of the nine objectives listed in the collective actions of SCCP.

### **(7) *Intellectual Property Rights***

#### **A. Recent Efforts**

China regards protection of intellectual property rights as a key component of its reform and opening policies and legal construction. China has engaged actively in activities of related international organizations and strengthened cooperation and exchange with other countries in the field of IPR protection. Today, a fairly comprehensive structure of IPR protection is established in China.

- 1) The Chinese government has put seven laws and regulations on IPR protection into operation since 1991.
- 2) China has taken a part in ten international organizations and conventions since 1991. China has also actively participated in the negotiation process of TRIPs and contributed to the conclusion of the agreement.
- 3) The Chinese government has established a Comprehensive Law Enforcement Framework for IPR Protection.

By the end of 1995, the China National Patent Agency had received 520,000 patent applications and approved 260,000 of them, making it one of the larger patent authorities of the world. At the end of 1996, there were 670,000 effective trademarks registered with the China National Trademark Office, an outstanding figure for registration records of all countries of the world. By the end of June 1996, the People's Court system had handled over 20,000 IPR-related cases, which were closed within an average of one year. IPR administrative authorities had received over 20,000 IPR-related disputes. The Customs officials investigated

and closed 1,940 IPR-related cases, of which 98% were processed on an ex officio basis. IPR violation in China is now under firm control.

## **B. Objectives**

Meet the needs of further reform and the opening to the outside world and realize consistency with TRIPs as soon as possible.

### *Short-term (1997--2000):*

- 1) Issue the Regulations for Protection of New Plant Varieties;
- 2) Intensify research efforts into laws and regulations related to IPR, and prepare for the amendment of related laws;
- 3) Strengthen cooperation with related international organizations, launch training programs for IPR protection staff, and initiate a national legal knowledge campaign for IPR enforcement to improve public awareness of IPR protection.

### *Mid-term (2001--2010):*

- 1) Make further amendments to the Patent Law in line with the impact of new technological sectors on patent protection and consistent with related international convention;
- 2) Amend the Trademark Law and further stream line trademark registration procedures;
- 3) Amend the Copyright Law in line with international conventions to combat infringing and pirate activity;
- 4) Issue the Regulations for Protection of Layout Design of Semi-Conduct or Integrated Circuits;
- 5) Promulgate the Act on Protection of Commercial Secrets;
- 6) Improve administrative enforcement through the establishment of an administrative enforcement process for IPR protection, while strengthening judicial tools to form an in-time, convenient, and effective enforcement mechanism;
- 7) Continue to strengthen cooperation with related international organizations, carry on training plans for IPR protection staff, and further enhance public awareness of IPR protection.

### *Long-term (2011--2020):*

- 1) Further improve China's legal system for IPR protection in keeping with the development of China's market economy;
- 2) Carry on the legal knowledge campaign for IPR protection to heighten public awareness of IPR.

## **(8) Competition Policy**

### **A. Recent Efforts**

In 1993, the People's Congress of China adopted "The Law of the People's Republic of China for Countering Unfair Competition". The acts of unfair competition prohibited by the law are summed up as follows:

- 1) to deceive consumers by passing off registered trade marks of another person;
- 2) to abuse administrative powers;
- 3) to force others to buy goods designated by public utility enterprises or enterprises having monopoly status;
- 4) to make tie-in sales;
- 5) to sell products with prizes attached by fraudulent methods or bribery;
- 6) to damage competitor's reputation by falsehood;
- 7) to squeeze competitors out by selling goods at prices below cost; etc.

In addition, the "Law of the PRC for Protecting Consumers' Rights and Interests" was promulgated in 1993. The Industrial and Commercial Administration of China (ICA) is the agency to enforce the above countering unfair competition law. The concrete punishment rendered against activities of unfair competition include ordering to stop illegal acts, confiscating illegal proceeds; imposing a fine of less than 3 times the amount of illegal proceeds, revoking the business license or being prosecuted for criminal liability. Up to now, the ICAs have handled more than ten thousand unfair competition cases in China.

### **B. Objectives**

*Short-term (1997--2000):*

- 1) Draft and enact the law and regulations concerning anti-monopoly, perfect the legal system, e.g. strengthening the drafting and research work on the anti-trust law;

- 2) Draft and promulgate relevant regulations concerning anti-dumping, countervailing and safeguard measures;
- 3) Enhance the legal exchange concerning the fair competition with other APEC economies or international organizations. Study the advanced experience of other APEC economies in the related matters;
- 4) Enhance the enforcement and supervision of laws and regulations e.g. strengthen the supervision of prices and quality. Crack down on the illegal production activities and sale of fake name brand products, take strong measures against fraudulence and monopoly pricing schemes. Protect the producer and consumers' legitimate rights and interests;
- 5) Enhance the training for relevant personnel.

*Mid- and Long-term (2011--2020):*

- 1) Transform the traditional planned economy system into a market economy system. Reorganize the state-owned enterprise by way of joint operation, merger and joint stock cooperation in order to make them become truly competitive participants in the market. Set up a market system with unified, opening and fair competition;
- 2) Through the legal and economic methods, regulate the market circulation order, break up regional blockades and sector separation; and
- 3) Further perfect the legal system in order to meet the needs of the Chinese market economy and world economic development.

**(9) Deregulation**

**A. Recent Efforts**

To meet the needs of further the development of its socialist market economy and to bring domestic regulations on trade and investment more into line with international standards, China has made massive work towards deregulation.

- 1) After several rounds of unilateral tariff reduction, China brought its simple average tariff rate down to the present level of 23%;
- 2) Over the last four years since 1993, China has reduced the number of products subject

to import quotas, license administration and import controls from 1,247 to 384, now only 5% of total import tariff lines as compared with previous 20%;

- 3) China has relaxed its conditions for market access in areas such as financial services, commercial retailing, energy, transportation and tourism. Pilot programs are being actively explored for further deregulation
- 4) At present, the majority sectors are open to foreign investment except a few categorized as prohibited (Takoh 1995);
- 5) China has eased its restrictions on trading rights for production enterprises, simplified its procedures and accelerated the processing of applications;
- 6) China has liberalized importation of all products except for 8 products through state trading and 6 through designated importers.
- 7) China introduced a unified exchange rate system in 1994 by adopting the single floating rate. It was announced in 1996 to materialize free convertibility of RMB on current accounts by the end of the same year;

## **B. Objectives**

*Short-term (1997--2000):*

- 1) Review the regulations on trade and investment, simplify licensing procedures, promote and improve fair competition mechanisms;
- 2) Experiment with a registration system for trading rights in special economic zones;
- 3) Reduce the number of import products handled by designated companies.

*Mid- and Long-term(2001--2020):*

- 1) Replace the current approval system with a registration system for the granting of trading rights within 5 years upon China's entry into the WTO;
- 2) Phase out within 5 years upon China's entry into the WTO, the practice of designating importers for the 6 items rubber, steel products, timber, plywood, wool and acrylic fibers;
- 3) Further review and liberalize regulations on trade and investment and seek to remove obstacles standing in the way of trade and investment.

## ***(10) Rules of Origin***

### **A. Recent Efforts**

China only applies non-preferential rules of origin. The rules of origin for imported goods are used for the application of MFN rates, for compiling trade statistics, for marking of origins and, for import management. They also will be used for anti-dumping duties, countervailing duties, safeguard measures, tariff quota and administration purposes while the rules of origin for export goods are used for identifying a good originating in China and regulating the issuance system of export certificates of origin. The existing legislation and relevant rules include:

### **B. Objectives**

*Short-term (1997--2000):*

Participate in the harmonization and unification of technical aspects of rules of origin currently under way within the WTO/WCO and strive for compliance with the WTO/WCO rules of origin.

*Mid- and Long-term (2001--2020):*

Unify China's rules of origin for import and export based on the agreed rules concluded by the WTO/WCO.

## ***(11) Dispute Mediation***

### **A. Recent Efforts**

In China, mediation is a principal way to settle disputes, including disputes between governments, disputes between private parties and government, and disputes between private parties. China is a member of many international organizations, such as the World Intellectual Property Organization which provides for a number of dispute settlement procedures for resolving commercial disputes between private parties with regard to intellectual property. China is also a member of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and the New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards. China has bilateral investment protection agreements which provide for dispute settlement mechanisms with more than 70 countries,



some of which are APEC member economies.

There are a number of laws in China concerning dispute mediation. The Arbitration Law is the law specially for arbitration as means of dispute settlement. China's Joint Ventures Laws also provides for consultation, mediation, arbitration and lawsuits as means of dispute settlement which put consultation and mediation prior to arbitration or lawsuits. The Administrative Reconsideration Rules provide for administrative reconsideration applied by the party who is not satisfied with certain governmental behaviors. China International Economic and Trade Arbitration Commission is a professional organization for arbitration. It plays a leading role in resolving disputes.

## **B. Objectives**

*Short-term (1997--2000):*

- 1) Perfect the existing way and procedures of dispute mediation and make them more favorable to meet the increased demand of the economic development;
- 2) Constantly enhance the transparency of laws, regulations and administrative rules. Make all laws, regulations, administrative rules pertaining to trade and investment publicly available in a prompt, transparent and readily accessible manner;
- 3) Strengthen the communications with other APEC economies and the world organizations. Exchange the information on dispute mediation;
- 4) Establish an "Arbitration Training Center" and enhance the quality of personnel engaged in arbitration and related affairs;
- 5) Strengthen the supervising work for the implementation of laws.

*Mid- and Long-term (2001--2020):*

- 1) Further perfect the laws and regulations related to dispute mediation.
- 2) Strengthen dialogues with other APEC economies and world organizations and exchange the information on dispute mediation with a view to assisting member economies concerned to resolve differences in a manner that can help to avoid confrontation and escalation.

## **. Possible Set-back of China's Accession to the WTO**

## **--Its effect on the China's APEC policy--**

Recently, the Chinese administration is becoming more reserved over the issue of accession to WTO membership and liberalization of trade and investment. The change of directions over the issue of WTO membership is because of the economic and political factors, which is reflected in the implementation of various economic reforms (Mitsubishi Research Institute, 1995; 96; 97). The main reasons are as follows:

### **(1) Political factors**

- 1) China is in a political transition phase, the Jiang Zemin administration is stability-oriented and its policy making and management is becoming more defensive. Although China has entered into post Deng Xiaoping era, considering the political circumstances surrounding the Jiang Zemin administration, the current group leadership is expected to remain intact until the next National People's Congress in 1997. Because of many difficult political and economic problems within the country, the priority for the Jiang Zemin administration is the realization of stable growth and the maintenance of the political situation (Japan Institute of International Affairs, 1997:2-15). Therefore, it is highly likely that the fundamental institutional reforms and the sound policy management will not be implemented anytime soon. The policy is expected to incline toward "domestic-first (defensive)". (Institute of Developing Economies, 1996; Kojima, Takai, Takahara and Abe, 1996)
- 2) The Jiang Zemin administration has a desire to review and revise the course set up by Deng Xiaoping in post-Deng Xiaoping era. It has been following Deng's policy in conducting most of its political and economic policies. However, since the administration wants to maintain its leadership by demonstrating its power and originality, it is currently trying to modify the foreign investment policy set up by Deng Xiaoping which is illustrated by his theory to focus on the foreign investment.
- 3) China is discontent with the United States which takes advantage of the WTO issue to make China compromise, China is concerned whether the United States will

unconditionally extend MFN to China or not, after the WTO accepts China as its member. China also will be worrying that the WTO's dispute settlement procedure can give the United States the means to put the pressure on China.

## **(2) Economic factors**

- 1) Prompted by the introduction of the industrial policy which virtually started after the State Council adopted "Guidelines for Domestic Industrial Policy in 1990s"(1994), China is now moving in a phase of orderly growth with protection for domestic industries, and state-owned enterprises (Yabuki, 1995).
- 2) The dissatisfaction is increasing from state-owned companies which are suffering from the difficult business environment and the serious employment problem as results of competition brought on by the market economy and the implementation for reforms of state-owned enterprises (Mouri, 1996). This situation may impose a big pressure on the central government's economic policy and its management (Nakae, Yabuki and Hirata, 1996).
- 3) According to newspapers in China, since 1995, the top executives in Chinese government have often made statements about policy change for foreign investment (Takoh, 1995), such as, "from the China's point of view, more foreign investment was not necessarily and beneficial to China. If the proportion of foreign investment in the Chinese economy increased to a higher level (weight), it would cause China to face inconveniences and problems. Therefore, the Chinese government needed a serious consideration on how to take advantage of foreign investment in China in the future."

As highlighted above, China is politically and economically and becoming more defensive. Out of the recognition that domestic stability is essential to achieve institutional reforms for economic development, maintaining domestic stability has the priority over WTO membership. It also seems that a part of the administration is tilting toward passive opinions as follows:

- 1) China will not get many new benefits from being a WTO member since it already enjoys good part of benefits which could be brought by the WTO through existing

bilateral MFNs.

- 2) China should adopt the trade policy which lays emphasis on bilateral relationships in which China can take advantage of its huge market rather than multilateral frameworks such as the WTO and APEC.

If cautious opinions prevail in the administration and it reduces the enthusiasm for WTO membership and shifts its course to bilateral-based trade policy, the process of involving China into international political and economic systems would slow down.

Therefore, in dealing with proposals and conditions presented by China in negotiations, WTO members should pay attention to the delicate situation within China though they should not back away excessively from the principle of the WTO.

#### **. Japan's Role and Attitude towards China's APEC Policy**

China's participation in the WTO is extremely important to the WTO itself. It is also important in order to involve China into the international framework (Kojima, 1996). Benefits which could be brought to Japan by China's participation in the WTO would be significant and in fact, it is imperative for Japan's trade policy vis-a-vis China because the opening of the huge market in neighbor by international trade rules means that Japan is able to settle any possible trade disputes with China through the WTO panel. In bilateral negotiations, China may get the upper hand by imposing political pressures on Japan. Therefore, Japan needs to make efforts to realize China's participation in the WTO at an early stage. In fact, Japan has been voicing its support for China's WTO membership at various occasions such as the G7 summit talks, the WTO meetings, the APEC meetings, and the quadrilateral trade talks, by calling for the understanding and cooperation of the international community. Furthermore, the Japanese government held a WTO seminar in Tokyo in October 1996 to discuss the issue of China's WTO membership, aiming at the buildup of a foundation for the negotiations which started later in the month. Japan's efforts to set up such an opportunity to discuss specific measures for China to meet the criteria of WTO

membership should be praised (Takoh, 1997).

In the future, Japan will be called upon for further efforts on the following issues:

- 1) to persuade the United States and other countries to make a political decision to accept China into the WTO;
- 2) on the difficult question of treatment of China in the WTO, in particular, Japan should propose the specific content and period for the treatment;
- 3) to cooperate with China to settle those problems when possible. For example, exchange of staffs between Japanese and Chinese Patent Offices and comprehensive provision to China with unclassified official data relating to patents which may support China's effort to develop the industrial ownership legislation;
- 4) to make proposals and the coordination of multilateral cooperation using the APEC framework as a means to help China to maintain the stable economic growth and trade and investment liberalization. For example, the APEC energy R&D seminar in Beijing organized by New Energy and Industrial Technology Development Organization (NEDO).<sup>5</sup>

Recently, the United States government seems to be inclined to a judgment that it is more realistic to accept China as a WTO member if China makes some compromises rather than to wait for China to meet necessary the conditions completely. Also, because President Clinton is expected to be more aggressive in his diplomacy, some Washington-watchers predict the improvement of Sino-U.S. relationship and progress in the issue of China's WTO membership in 1997 (Tanaka, 1997). Although these predictions are favorable to Japan, Japan should remain committed to the above-mentioned role and countermeasures to be taken through both bilateral negotiations with China and the multilateral frameworks such as the WTO and APEC until China can finally achieve its accession to the WTO (The Ministry of Foreign Affairs, 1996).

## **. Conclusion.**

The objectives of China's APEC policy are the contribution to promotion of its economic reforms for the market economy and economic growth in China, and the preparation for accession to the WTO membership through the training and experiences by the involvement in APEC. Of the two, the most important one is to obtain membership of the WTO at an early stage. The Chinese government has been seeking for a long time to obtain WTO membership.

Now, the Chinese economy has become too big and important to be ignored by the international economy. China's participation in the WTO is extremely important to the WTO itself in order to involve China into the international framework. If cautious opinions prevail in the the Jiang Zemin administration, it reduces the enthusiasm for WTO membership and shifts its course to bilateral-based trade policy, the process of involving China into international political and economic systems would slow down. It is very important to pay attention to the delicate situation of the political and economic transition in China.

Japan and WTO members have to make efforts to realize China's participation in the WTO at an early stage, by the proposals and coordinations of multilateral economic cooperation using the APEC framework in order to help China to maintain economic growth and to promote trade and investment liberalization, until China can finally achieve its accession to the WTO.

---

<sup>5</sup> Refer to table-1, p. 22.

## References

- Aoki, Takeshi and Umada, Keiichi (eds.), 1995, *Kenshou APEC* (The Corroboration of APEC), Tokyo: Nihon Hyoron-Sha.
- Institute of Developing Economies (ed.), 1996, *Ajia Doko Nenpou, 1996* (Asian Affairs, 1996), Tokyo: IDE.
- Japan Institute of International Affairs (ed.), 1997, *Kokusai Mondai* (International Affairs), No.442, January 1997, Tokyo: JIIA.
- Kojima, Tomoyuki, 1996, *Ajia Jidai no Nicchu Kankei* (The Relation Between Japan and China in the Asia Era), Tokyo: Saimaru Shuppan-kai.
- \_\_\_\_\_, Takai, Kiyoshi, Takahara, Akio and Abe, Junichi, 1996, *Chugoku No Jidai* (The China's Era), Tokyo: Mita Shuppan-kai.
- Nakae, Yosuke, Yabuki, Susumu and Hirata, Masahiro, 1996, *Chugoku no Risuku to Bizinesu Chansu* (Risks and Business Chances in China), Tokyo: Toyo Keizai Shinpo-sha.
- Tabata, Mitsunaga, 1995, *To-Sho-Hei no Isan* (Deng Xiaoping's Legacy), Tokyo: Iwanami Shinsho.
- Takoh, Daisuke, 1995, "Posuto To-Sho-Hei Jidai, Tenkanki wo Mukaeta Chugoku no Gaishi-Donyu Seisaku" (China's Introduction of Foreign Investment -A Turning Point in the Post-Deng Xiaoping Era), Journal of Mitsubishi Research Institute, No.28, Tokyo: MRI.
- \_\_\_\_\_, 1997, "Chugoku no APEC Seisaku to WTO Kamei Mondai" (The Objectives of China's APEC Policy and the Accession to the WTO), *Ajiken World Trend* (IDE World Trend), January 1997, Tokyo: IDE.
- Tanaka, Akihiko, 1997, "97-nen Beicchu wa Wakai Suru." (In 1997, the United States and China Will Settle Their Differences), Chuo-koron, February 1997,

Tokyo: Chuo-koron-sha.

The Economic Planning Agency, Coordination Bureau (ed.), 1995, *APEC Keizai Tenbou* (1995 Report on the APEC Regional Economy), Tokyo: EPA.

\_\_\_\_\_, 1996, *Ajia Keizai 1996* (Asian Economies 1996), Tokyo: EPA.

The Ministry of Foreign Affairs (ed.), 1995, *Gaikou Seisho* (Diplomatic Bluebook),

Tokyo: MOFA.

Mitsubishi Research Institute (ed.), *Zen Yosoku Ajia* (Forecast of Asia), 1995,1996,1997,

Tokyo: Daiyamondo-sha.

Mouri, Kazuko, 1996, *Shijyou Keizai-ka no Naka no Chugoku* (China in the Market Economy), Tokyo: JIIA.

Yabuki, Susumu, 1995, *To-Sho-Hei Naki Chugoku Keizai* (The Chinese Economy in the post-Deng Xiaoping era), Tokyo: Soso-sha.



Table-1.

<b>Development in China with regard to APEC and WTO in 1996</b>	
<b>February</b>	APEC Energy R&D Seminar was held by NEDO in Beijing.
<b>March</b>	18th negotiation on China's accession to the WTO (Geneva).
<b>April</b>	Average import duties for 4994 items were reduced from 36% to 23%. (Osaka Action Plan).
	Non-tariff barriers such import quota for 176 items were removed. (Osaka Action Plan).
	The U.S.Trade Representative designated China as a prioritized country for negotiation.
<b>May</b>	Agreed on terms for protection of intellectual property rights with EU.
	The U.S. renewed MFN status for China.
<b>June</b>	Intellectual property rights department was set up in the Chinese Supreme Court.
	Agreed with the U.S. in negotiation on intellectual property rights.
	Announcement of the reduction of average import duties from 23% to 12% within two years.
	Prime Minister Hashimoto announced at the Lyons Summit, his support for China's accession to the WTO at an early stage.
<b>September</b>	Gephardt Bill (Conditions for China's WTO Membership) was submitted to the U.S. Congress.
<b>October</b>	WTO seminar on the issue of China's WTO membership was held (at Tokyo)
	19th negotiation on China's WTO membership (at Geneva)
<b>November</b>	APEC Manila Conference (MAPA: Manila Action plan)
	Announcement of the reduction of the simple average tariff rate from 23% to 15% by 2000
	Announcement to amend the intellectual property rights related laws and enact the anti-monopoly law
<b>December</b>	First WTO Ministerial Meeting was held(at Singapore)

Source: Takoh, Daisuke, 1997, "Chugoku no APEC Seisaku to WTO Kamei Mondai" (The Objectives of China's APEC Policy and the Accession to the WTO), *Ajiken World Trend* (IDE World Trend), January 1997, Tokyo: IDE.

**Table-2. Framework of China's IAP on Trade and Investment, Liberalization / Facilitation in APEC.**

Area/Time	Short Term (1997-2000)	Mid-Time (2001-2010)	Long Time (2011-2020)
<b>1.Tariffs</b>	Reduce the Simple average level of tariffs to around 15%.	Further reduce the level of tariffs.	
<b>2.Non-Tariffs Measure (NTM)</b>	Identify and review all NTMs; gradually reduce or relax NTMs; ensure the transparency of NTMs.	Further reduce NTMs.	Eliminate all NTMs inconsistent with the WTO agreement.
<b>3.Services</b>			
<ul style="list-style-type: none"> <li>Banking, Insurance and Securities</li> </ul>	<p>Banking: on the basis of the current 24 designated open cities, gradually increase the number of operational branches established by foreign banks and prepare for the trial business operation in RMB currency by foreign banks.</p> <p>Insurance: gradually increase the number of operational branches established by foreign insurance companies and expand the geographical coverage for access to the insurance market on the current trial experience.</p> <p>Securities: gradually increase the number of trial establishment of operational branches by foreign securities companies.</p>	<p>Further open China's banking service along with the sustained development of its national economy and the deepening of the reform in the banking system.</p> <p>Banking: further relax restrictions on geographical coverage for access.</p> <p>Insurance: provide access opportunities for more foreign insurance companies.</p> <p>Securities: gradually increase the number of operational branches established by foreign securities company in China.</p>	<p>Further open China's banking services; provide national treatment to foreign financial institutions in more aspects and exercise administration over China's right of Credential Supervision Principles.</p>
<ul style="list-style-type: none"> <li>Commercial Retailing</li> </ul>	Continue the experiment of establishing Sino-foreign equity and contractual joint ventures in the 6 cities and 5 Special Economic Zones; open equity and contractual joint venture chain stores in the abovementioned regions.	Expand the experiment to all the provincial capital cities; increase the number of equity and contractual joint venture chain stores.	

<ul style="list-style-type: none"> <li>• Energy</li> <li>• Tele-communications</li> <li>• Tourism</li> </ul>	<p>Further open the power generating sector to increase the ratio of foreign investment.</p> <hr/> <p>Formulate plans for the implementation of international guidelines on service trade through value-added telecommunication network.</p> <hr/> <p>Proceed with five Sino-foreign joint venture travel agencies on a pilot basis.</p>		
<b>4.Investment</b>	Update reports on investment regime on a timely basis; further improve transparency of the investment regime; gradually open up more sectors for investment; and progressively grant national treatment to enterprises with foreign investment.	Implementing relevant agreements of the Uruguay Round upon its accession to WTO; further expand areas for foreign investment and reduce restrictions on foreign investment.	Further relax investment policy in line with international investment practices with investment liberalization as the final objective.
<b>5.Standards and Conformance</b>			
<ul style="list-style-type: none"> <li>• Standards</li> <li>• Product Certification</li> </ul>	<p>Align domestic standards with international standards.</p> <hr/> <p>Seek to enter into mutual recognition arrangement with other APEC members in selected products.</p>	Conduct MRA in broader areas.	Conduct MRA with APEC members in all regulatory sectors.
<b>6.Customs Procedures</b>	Harmonize and simplify customs procedures in line with the rules of the Kyoto Convention; adopt EDIFACT standards and improve the computer programs for customs procedure; follow the rules of the WTO Valuation Agreement and harmonize the customs evaluation system; implement border enforcement measures to protect intellectual property rights; formulate explicit appeal provisions; adopt the pre-classification system; and implement the ATA Convention for Provisional Admission of Imports.		
<b>7.Intellectual Property Rights</b>	Revise Copyright Law to meet the requirements of international convention on the protection of copyright and continue to fight piracy and infringement; revise Trademark Law to further streamline the procedures of	Optimize administrative enforcement measures and strengthen judicial measures by establishing a set of executive procedures for IPR	Promote IPR system to become an important component of a system integrating science and technology, culture

	trademark registration; revise Patent Law to meet the new requirements on patent protection in new-tech areas and to conform to the relevant international conventions; drafts and publish Rules for the Protection of New Varieties of Plants, in an efforts to join the International Federation on the Protection of New Varieties of Plants; and drafts and Publish Trade Secret Law to protect trade secrets.	administrative enforcement with the aim to put in place an expeditious, convenient and effective IPR enforcement mechanism.	and economy with trade.
<b>8.Competition Policy</b>	Study and development of a relatively complete market competition mechanism and into more economic sectors such as transportation, energy, banking, insurance, commerce and consulting services and allow foreign businesses to make investment and participate in the operations and management in these areas according to Chinese laws, improve the legal framework, draft and formulate anti-monopoly laws and regulations and intensify training of relevant personnel; and formulate regulations on anti-dumping, countervailing measures and special safeguard measures.		
<b>9.Government Procurement</b>	Collect and sort out practices and experiences of various members relating to government procurement, organize professional training of personnel; and establish and improve information systems and intensify the exchange of information with various members.	Study and formulate the objectives and steps of government procurement; and formulate a complete set of policies, laws and regulations concerning government procurement.	Gradually establish and improve procedures and system of government procurement so as to realize their integration with universally-adopted international practices.
<b>10.Deregulation</b>	Review relevant laws and regulations, streamline the licensing procedures, promote and optimize a fair competition mechanism, implement on a trial basis a registration system of foreign trade rights in Specialized Economic Zones (SEZs); and gradually adjust and reduce the		

	quantities of commodities subject to operations of designated companies.		
<b>11.Rules of Origin</b>	Participate in the harmonization and unification of technical aspects of rules of origin currently under way within the WTO and strive for compliance with the WTO/WCO rules of origin.	Unify China's rules of origin for import and export, based on the agreed rules concluded by the WTO/WCO.	
<b>12.Dispute Mediation</b>	Improve the current ways and procedures of dispute mediation; publish, in an appropriate manner, relevant information of China International Economic and Trade Arbitration Commission; promulgate relevant laws, regulations and administrative rules with the aim to enhance transparency; and promote and actively participate in the collective actions of APEC concerning dispute mediation.		
<b>13.Mobility of Business People</b>	For the purpose of promoting commercial and trade activities and facilitating the exchange of business people, efforts shall be made to provide the greatest possible convenience for business people in terms of entry into, exit from and residence in China in accordance with the Law of the People's Republic of China on Control of Entry and Exit of Aliens and its details rules for implementation; and take and active part in the collective actions of APEC in this area.		
<b>14.Implementation of Uruguay Round Results</b>	Fully implement Uruguay Round Agreements after China's accession to the WTO.		
<b>15.Information Collection and Analysis</b>	Install equipment and provide personnel to build a database; study and evaluate the impact of trade and investment liberalization on various sectors; Study the relations between sub-regional trade arrangement and APEC trade and investment liberalization and the impact of the former on the latter; Investigate and analyze domestic trade and investment barriers; Intensify the exchange and cooperation with APEC member economies.		

Source: People's Republic of China, "Individual Action Plan (IAP) and Highlights of IAP, on Trade and Investment, Liberalization & Facilitation in APEC" in 1996.

**Table-3 : China's Initial Individual Actions**

<b>I. Measures taken in 1996</b>
1. In 1996, China will slash substantially the tariffs on over 4,000 tariff lines. The reduction of the simple average tariff will be no less than 30 percent.
2. In 1996, China will also eliminate the quota, licensing and other import control measures on about 170 tariff lines, accounting for over 30 percent of the commodities now subject to import quota and licensing requirement.
3. In 1996, the Chinese government will designate Shanghai and other cities as pilot bases to set up sino-foreign ventures engaged in foreign trade.
4. In 1996, the setting up of sino-foreign joint venture retail businesses on a trial basis will be extended.
5. In 1996, the foreign exchange transactions of foreign-invested enterprises will be incorporated into the banking system of foreign exchange procurement and sale.
<b>II. Measures taken since Bogor Meeting</b>
1. Since the Bogor Meeting, China has reduced the regulatory tariff from 150 percent to 80 percent on imported tobacco and wine, from 100 percent to 50 percent on video cassettes and from 180 percent to 100 percent on vehicles.
2. Beginning on June 30, 1995, the quota, licensing, and other non-tariff measures were removed from 367 tariff lines.
3. In addition to the 13 coastal cities already open to foreign banks, the Chinese government opened 10 other cities including Beijing, Shenyang and Wuhan for foreign banks to establish operational organizations. In addition to Shanghai, Guangzhou became another pilot city open to foreign insurance providers.
4. China adjusted the Statutory List of Import Commodities Subject to Inspection Enforced by Commodity Inspection Authorities and desisted 615 commodities. As a result of the adjustment, the number of import commodities subject to inspection is 816, 39.3 percent fewer than before.
5. Chinese government promulgated in 1995 Regulations of PRC concerning Customs Protection of Intellectual Property Rights, establishing border measures for the protection of intellectual property.

Source: People's Republic of China, "Initial Individual Actions" in 1995.