

“Ten Years in the WTO: Has China Kept Its Promises?”

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Testimony of Wei Jingsheng

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Once the United States granted China PNTR (Permanent Normal Trade Relations) status, China successfully joined the World Trade Organization shortly after. For the past decade, Chinese exports have grown substantially, leading to the rapid growth of its GDP. However, two results came out of this growth. On the U.S. side, the trade deficit with China has rapidly increased, along with a rapid increase in unemployment and the national debt in the United States. Meanwhile, on the Chinese side, the total consumption by the Chinese people did not grow synchronously, nor did imports from the United States.

From another view, in the past 10 years since China entered the WTO the growth of U.S. manufacturing has been slow, and China's consumption has grown slowly as well. A large portion of the growth in both countries was exchanged into cash, which not only had an impact on the financial market but also expanded the wealth gap between rich and poor in both countries. The abnormal development of these two giant economic entities, the United States and China, is the root cause of the global economic recession in recent years.

This deformed economic development originated in unfair trade relations. In other words, the United States and Europe opened their markets to China, while China did not open its market to both the United States and Europe. Meanwhile, the Chinese government has been using unfair methods for competition, especially by way of undervaluing the Chinese currency RMB, etc. Thus, China has been able to rapidly develop its manufacturing industry, while inhibiting the development of the U.S. and European manufacturing industry. At the same time, the Chinese consumer market was not expanded and its imports were not increased synchronously. The profit realized through unfair trading mostly fell into the pockets of multinational corporations and the Chinese government.

When people talk about that wonderful slogan of “free trade”, they forget that free trade needs some basic conditions. The domestic economy in China is neither “free trade” nor a “free market”. The Chinese Communist government is always the biggest controller of the Chinese market. Regardless of whether you are a foreign company or a Chinese company, you can only obtain market share or market access with the permission of the Chinese government. The condition of this access and share is defined by the Chinese government's needs in international politics, as well as the control of imports of foreign goods into China. The strategic purpose of this control is to keep most of the Chinese domestic market for the Chinese enterprises, especially those state-owned, less efficient businesses that lack competition.

In the past 10 years, the Chinese Communist government continues naked trade protection measures. As China is not a free country both politically and economically, so the government will not unnecessarily use nor is it used to carrying out terms according to the World Trade Organization, or as it promised. Also, because Chinese law is not binding on the Communist government and the ruling party—even if there were a number of WTO conditions absorbed into the Chinese law—they will not be strictly enforced any more than other laws. Chinese laws are understood as tools for the officials: they will be executed if they are considered favorable circumstances for the officials, and will not be executed if they are not favorable. Thus, the WTO simply cannot restrain China's economic behavior; it is impossible to eliminate all forms of trade barriers in China, including the Chinese government's manipulation of the Chinese currency RMB exchange rate, and it is impossible to make China a free trade country.

The result of allowing a country without a free market economy to trade with countries with a free market economy is to let one side hold its trade barriers while the other side is without trade barriers. This way of conducting an international trade is fundamentally unfair. The rules of the WTO are designed for countries with market economies. The current status after China entered WTO for 10 years illustrates

that the WTO has neither the ability to cope with a huge non-market economic entity, nor the ability to force China's implementation of WTO norms.

Therefore, there are only two possibilities for changing this massively unfair international trade relation. One is the exclusion of China outside the WTO. However, before one finds a way to exclude it, the other countries must build their own comparable trade barriers to force China into implementing the WTO norms for its own interests. Before China itself establishes a fair legal system, only the loss of interest can force the Chinese government to comply with the principle of fairness. All other treaties or agreements would be something that may or may not be complied with in the legal system in China according to the government's interest, and thus will be invalid.

I hope the U.S. Congress and the U.S. Administration could fully understand the special rules in the Chinese legal system, as well the irregularities of the market caused by China's authoritarian political system. We should not to use the normal way of thinking in a normal society of the United States to understand the Chinese affairs which are totally different.