



The dilemma of reforming the international multilateral trading system and China's response strategy

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Abstract. The economic globalization and international free trade is the cornerstone of economic globalization and international free trade, and the multilateral trading system plays a significant role in promoting the progress of human society and advancing trade liberalization and economic globalization. The innovation of the international multilateral trading system has a great impact on China's national strategy to go global, further promote China to explore a set of coping strategies to deal with the reform of the international multilateral trading system.

Keywords: World Trade Organization; international multilateral trading system; reform

1 Introduction: the dilemma of reforming the multilateral trading system

1.1 A growing wave of "counter-globalization"

Since the establishment of the WTO, the world economic landscape have generated several changes, which lead to the pressure for adjustments to international multilateral economic and trade rules. In 2018, WTO members reached a consensus on the need for reform of the multilateral trading system, and negotiations on reform will commence in 2019 around a variety of issues, with multilateral trade rules adapting to new conditions in the new era [1]. Since 2020, the reform has faced greater difficulties, mainly in two aspects: first, the reform faces more difficulties of the times, such as the emergence of the wave of "counter-globalisation", the outbreak of the new epidemic, and the escalation of conflicts and frictions among members; second, the system in order to promote multilateral trade has its own major systemic imperfections. Secondly, this system has major institutional weaknesses, such as the contractual nature of the system itself reducing its binding force, the consensus principle increasing the cost of reaching agreements, and the suspension of the dispute settlement mechanism. Since its accession to the WTO, China has been effectively fulfilling its commitments and taking the initiative to assume the responsibilities of a major country: continuously improving its economic and trade legal system in line with the WTO; fulfilling its commitment to open up the trade in goods; gradually lowering the threshold for foreign investment in

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the service sector; building a legal system for intellectual property rights in line with WTO rules and China's national conditions; and fulfilling its transparency obligations [2]. In the revolution of the multilateral trading system at different times, China has always played an active role in promoting it, and has continuously contributed Chinese solutions to the improvement and development of the whole system.

Since the financial crisis in 2008, along with the economic globalisation, the multilateral trading system has faced several development difficulties as countries around the world aim to promote their own economic development. In order to restore economic growth, some developed countries have resorted to protectionist measures of "beggar-thy-neighbour" and reverse globalisation has prevailed. Counter-globalisation has, first and foremost, led to a global economic slowdown and turmoil: globalisation promotes the division of labour and collaboration in the global market, which can maximise the comparative advantage of each country, promote the effective allocation of national resources and significantly improve production efficiency. The acceleration of counter-globalisation has led directly to a reduction in the level of division of labour and exchange in the economy, as well as a corresponding reduction in the degree of marketisation and consequent reduction in the efficiency of the global economy. Moreover, the restructuring of production chains and supply chains has increased the costs of running the global industrial and supply chains as well as the global economic growth, reducing the efficiency of the world economy; secondly, it has exacerbated the global political and social crisis: globalisation has promoted the continuous development and prosperity of the global economy, but at the same time it has also brought about an increase in the divide between the wealthy class and the poor class, uneven development, unequal development opportunities and inequitable distribution of development results. Once these problems are not properly solved, globalisation provokes strong disappointment and dissatisfaction among those whose interests have been damaged, and this resistance is often exploited politically by populists, leading to a wave of anti-globalisation thinking, which exacerbates global social unrest and fragmentation; at the same time, anti-globalisation accelerates the economic slowdown and decline: national fiscal deficits soar, sovereign debt risks increase, and in developed countries In developed countries, this is more likely to be reflected in political polarisation¹; in developing countries, the lack of governance capacity and institutional resilience is more likely to lead to economic stagnation and social unrest in some countries.

1.2 Continued escalation of trade friction between the US and China

Since the launch of the Doha Round of negotiations, one of the main conflict in the evolution of the above system has shifted to that between developed and developing

¹ Political polarisation in a broad sense involves group polarisation, cultural polarisation and economic polarisation, including the widening of social group rifts, the escalation of popular cultural confrontation, the intensification of the division between rich and poor, the clash of opposing political ideas and the extreme radicalisation of political behaviour. Political polarisation is not only an objective political phenomenon, but also a paradigm of analysis.

countries. With the rapid economic development of economies in transition and developing countries, their position in the global business and trade environment has risen, and their power in the WTO negotiations has soared. In the new round of reform of the WTO multilateral trading system, developed countries, for example, the US believe that the rules established by the WTO are too old and want to establish higher standard rules and introduce more new issues, such as reintroducing the Singapore issue. Developing countries, on the other hand, are more concerned about development issues and believe that the development issues of developing countries have not been addressed [3]. Major aspects of the conflict between developed and developing countries include the competition and game between the US and China in terms of economic and trade rules. Developed Member States, led by the United States, have shown anxiety and concern in the face of China's leapfrog development, and have tried to suppress, block and weaken China's development through various means. As the world's second leading economy, China plays an extremely important role in reforming the multilateral trading system within the WTO. The United States has refused to implement its anti-dumping "substitute country" price suspension obligations; secondly, China is effectively fulfilling its WTO accession commitments and it shows no challenge to China; thirdly, the Trump administration has continuously made difficulties with China, and during its term of office, trade frictions between China and the United States have occurred frequently and economic conflicts have increased; fourthly, it has used the WTO to restrict China. It is not conducive to the smooth reform of the multilateral trading system, hindering the WTO's changes with the changing times and the development of economic globalisation. In response to the dilemma, China should propose corresponding strategies to cope with it.

1.3 Current limitations of trade dispute settlement mechanisms

The Dispute Settlement Body (DSB), of which the Appellate Body (AB) is an important part, is one of the important pillars of the WTO multilateral rules system. In order to pressure WTO members to accept its unilateral reform agenda, the United States has taken advantage of certain imperfections in the operation of the AB to deliberately boycott the normal selection process of appellate judges since the first half of 2017, resulting in a serious shortage of judges on staff and jeopardising the normal functioning of the AB and the dispute settlement mechanism. As the above-mentioned bodies need at least three judges for each case, this means that the WTO Appellate Body will be "shut down" on 11 December 2019, which is a clear sign of the real crisis facing the multilateral trading system. The impasse in the selection of appeal judges has forced countries to seek other ways to safeguard their trade interests, such as more bilateral and regional trade cooperation, further reducing the role of the international multilateral trading system.

2 Consequences for China of blocking the reform of the multilateral trading system

2.1 Not conducive to the transformation and the modernisation of China's industrial structure

China is the biggest manufacturing country over the world. From 2012 to 2021, China's manufacturing value added increased from RMB 16.98 trillion to RMB 31.4 trillion, and its share in the global economy increased from around 20 per cent to almost 30 per cent. more than 40 per cent of the world's top 500 industrial products ranked first in terms of output. China's industrial chain and supply chain resilience and competitiveness continue to rise. However, China's manufacturing industry faces the serious problems of insufficient embedding of high-end elements and low added value in the global value chain, and is in a rather awkward situation. Without the initiative and sustainability to transform and upgrade the manufacturing industry, it will be trapped in the "low-end lock-in" of technology introduction dependence and international division of labour status, being pinned down to the peripheral role of low-end factor suppliers such as raw materials and labour. China is now in a critical period of industrial restructuring and manufacturing transformation and upgrading, and has already encountered a certain bottleneck. The "reverse globalisation" may accelerate the transfer of cost-oriented foreign capital and its supporting enterprises to Southeast Asia and other countries to form a "low-end diversion", and the foreign-led export-oriented local supporting and supply system in China will be directly impacted, exposing the Chinese manufacturing industry to the risk of industrial hollowing out. At the same time, in order to maintain their monopolistic position in high-end industries, developed countries may form a "high-end return" of manufacturing industries through a "re-industrialization" policy and impose a technological blockade on China, preventing China's industrial structural transformation and upgrading from both ends [4].Therefore, "reverse globalisation" will seriously hinder China's economic transformation and put China at a gradual disadvantage in the global economy and trade.

2.2 It is not conducive to the peace and stability of our external environment

Trade disputes between the US and China have been ongoing, with a series of unilateral US-initiated trade frictions from 2003 to late 2005 trade frictions cast a heavy shadow over US-China trade relations, and since March 2018, the US-China trade frictions, provoked by the US side, have escalated, successively experiencing several rounds of tariff wars with reciprocal tariff increases, until 15 January 2020, when the US and China signed the US-China Phase I Economic and Trade Agreement, and the US-China trade frictions gradually slowed down. However, the sudden outbreak of the Newcastle pneumonia epidemic has catalyzed further fermentation of trade frictions between the United States and China. The intensification of trade frictions between two countries has led to a volatile external environment for our economy, while the stagnation of the reform of the multilateral trading system has also failed to supply a more comprehensive and stable guarantee for our international trade. Trade frictions between the US

and China are now showing an accelerated trend of spreading to "super-trade" areas in all directions, with a structural, comprehensive and systemic nature. Competitive frictions between the US and China in multiple areas have become interpenetrating and cross-cutting. The US has combined sanctions against China in the area of international rule-making with sanctions in the areas of trade and high technology. US deterrence against China and the areas of US-China conflict have become more diverse. The conflict between the two sides is no longer limited to the traditional areas of trade; the US has begun to apply disengagement, restrictions and pressure on China in the political, economic and security spheres [5].

2.3 It is not conducive to narrowing the gap between China and other countries

With 2021 approaching, China has reached the 20th anniversary of its accession to the World Trade Organization. 20 years later, China has made significant concessions for its accession to the WTO: The overall level of tariffs in China was reduced from 15.8% in 2001 to 7.4% in 2019, which is lower than its WTO accession commitment of 9.8%, and the tariff level in 2019 is lower than that the United States and Japan and the other developed countries; in the area of services, China has made progressive liberalization commitments to the General Agreement on Trade in Services (GATS) in the WTO Agreement. In the services sector, China has made progressive liberalisation commitments in 9 of the 12 major categories of the General Agreement on Trade in Services (GATS), and completed all the commitments on services liberalisation upon accession to the WTO in 2006; in terms of investment liberalisation, China has introduced the Law of the People's Republic of China on Foreign Investment (2019), and also fully implements the pre-accession country treatment and negative list management system for foreign investment and reduces the negative list of special management measures from 48 items in 2018 to 27 items in 2021. The 21 pilot free trade zones have been undergoing stress tests of liberalization, and between 2013 and 2021, the number of special administrative measures has been reduced from 190 to 27, or 86%; the number of restrictive measures has been reduced from 152 to 10, or 93%; and the number of prohibited measures has been reduced from 38 to 17, or 55%. China has largely removed all restrictions on foreign investment in the manufacturing sector, and has been relaxing restrictions on foreign investment in agriculture, while further expanding the opening up of services such as finance, telecommunications, construction, distribution, tourism and transport [6]. According to the provisions of the Protocol on China's Accession to the WTO, the transitional period from 2002 to 2015 is a period of transition, i.e. on the basis of the WTO multilateral trade agreements and protocols, China is given some special provisions to enjoy its rights and obligations before 2015, so as to promote China's gradual trade liberalisation on the one hand, and to ease the impact of China's comparative advantage on the relevant industries of existing WTO members on the other. After the end of the transition period, China has gradually taken on the important role of using WTO rules to build new international rules and propose new solutions for

global governance. In some issues, such as addressing the "digital divide" and promoting investment facilitation, China has also begun to show signs and trends of leading the WTO.

China has made significant concessions to join the WTO, and after two decades of efforts, China is already in a more important position in the WTO, and as the second largest economy, China has transformed from a difficult integration into the world economy to leading the development of the global economy, China has shown its ambition and goal to become a world power in the new era, but we need to face the fact that China is still the world's largest developing country. However, China needs to face the fact that it is still the largest developing country in the world and will need to face more challenges and solve more problems of the times if it is to achieve future development and progress. The stagnation of the reform of the multilateral trading system will seriously hinder our progress and become a stumbling block to our national development goals, which will not help us to narrow the gap with the developed countries and realise our development strategy in the new era.

3 China's Response Strategy and China's Solution

3.1 Deep participation in WTO reform and promotion of economic globalisation

Although economic globalisation has encountered headwinds, its historical trend has not changed. Economic globalisation is an objective requirement of the development of the social forces of production and the inevitable result of technological progress, which does not depend on human will. Economic globalisation is still developing. The main feature is that the growth rate of trade in services is significantly higher than the growth rate of trade in goods. FDI flows to China and some ASEAN countries are still on a slight upward trend; FDI in services such as transport and storage services and financial services is on a significant upward trend, etc. As a faithful supporter of economic globalisation, China should adhere to its position and take the initiative to stimulate the deepening globalisation of the economy.

The revolution of the multilateral trading system is a major trend and provides an excellent opportunity for China to strengthen its role in the WTO, but it is also a major challenge for China. China should analyse the core demands of all parties in response to their reform proposals, actively seek consensus and resolve differences. In coordinating and balancing the positions of all parties, we should adhere to the principle of "we are the main player", hold the bottom line of reform and seek common ground while reserving differences; at the same time, we firmly oppose the introduction of economic system, ideological and geopolitical disputes into the WTO in the name of "fair competition" and "competition neutrality". The WTO is a major source of information on the economic system, ideology and geopolitics. China need to take an active, proactive stance on issues such as e-commerce, investment promotion and micro, small and medium-sized enterprises, which are of great interest to China, and take the initiative to assume the responsibilities of a large country while meeting our development needs.

3.2 Maintaining the dominant position of WTO and resolving international trade conflicts and differences

Despite the many challenges faced by the WTO multilateral trading system, it is the most important modern international economic organisation of our time. The WTO should be upheld as the most important international economic organisation of our time, and should continue to play an important role in the 21st century. In order to maintain the dominant position of the WTO, the core lies in maintaining its fundamental purpose of promoting trade liberalisation and the basic principles of most-favoured-nation treatment and national treatment established to achieve this purpose. The WTO's multilateral trading system has been shaken to its foundations. China is the world's second largest economy and one of the leading WTO members, which means China should do this to support the proper functioning of the WTO.

4 Conclusion

Since its accession to the World Trade Organisation, China has kept up with the trend of development and made many contributions to various areas of international economy and trade. In the time that has propelled China into the world, it has also faced many worldwide challenges. China has taken on many risks and responsibilities. With the further development of China's economy, China's demand for international economic trade is increasing, and the reform of the international multilateral trading system is a major trend in the development of economic globalisation. China should seize the opportunity of the times and put forward Chinese solutions to promote the growth of the world economy, while also using it as an important grip to promote its own economic development and China should seize the opportunity of the times and put forward Chinese proposals to promote the growth of the world economy, while at the same time using it as an important tool to promote its own economic development and take-off.

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