Impacts and Policy Implications of WTO Accession for China

by

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After 15 long years as a candidate, China has reached its goal of becoming a member of the World Trade Organization (WTO). Membership in the WTO, and the reforms associated with accession give China the opportunity to play a large and growing role in the world economy (Panitchpakdi and Clifford 2002). Now that she is a member, China faces challenges and opportunities that likely dwarf the formidable obstacles involved in the accession process. How China handles these challenges will influence her development, and that of the world, for generations to come. The objective of this study is to analyze the impacts of these reforms, and the challenges and opportunities that are likely to confront China as she moves into this exciting new era.

There are many perspectives on accession to the WTO. One view focuses on the legal rights and responsibilities, and sees the key challenges as meeting China’s legal commitments to implement particular policies, and ensuring that China’s rights are maintained through WTO mechanisms such as the Dispute Settlement Mechanism. Another view is a purely economic one, that accession involves a set of economic policy changes that will open her economy and integrate her more comprehensively into the global economy. While both of these perspectives involve elements of the truth, they are not a complete characterization of the implications. The most compelling perspective, in our view, is one that sees WTO accession as a component of the broader set of reforms undertaken since 1978—as a set of policies that can contribute to development and poverty reduction in China, as part of a broader program of reform such as the one discussed by OECD (2002).

We see important elements both of continuity and of change in the reforms that will follow from China’s accession to WTO. Major elements of continuity are evident in the way that the reductions in trade barriers build on the sharp reductions in protection that have occurred throughout the reform era, but particularly since the early 1990s. In fact, the reductions in many areas of protection required following accession are smaller than those that preceded it, making continuity a more important theme than change in this dimension.
One clear area of change is in the role of rules relative to discretion in policy making. A key feature of China’s approach to policy reform has been extensive use of discretion and feedback from the results of policy change. As Deng Xiaoping famously observed, the initial process of reform was one of crossing the river by feeling the stones. Accession to WTO, with its predefined goals for reform during the transition period, and its system of rules that prevent policy reversals in many areas, requires a fundamental change in approach. For the first time, many of the stepping stones to reform and development are visible and a path across them has been pre-defined. This means that a great deal of consideration needs to be given to the design of policies that complement trade policy reform, both to take advantage of the associated opportunities, and to deal with any adverse consequences.

While it is clear that WTO accession lays out many stepping-stones on the development path, it is equally clear that development must involve much more than mechanistic implementation of these commitments. WTO rules, like most other laws, are focused on reducing the adverse impacts of one individual or group on another, rather than on providing guidance on the best way to achieve one’s own goals. Successful development requires an active focus on doing what is right for development, rather than merely on meeting minimum legal requirements.

This is not to diminish the importance of the legal commitments involved in WTO accession. They are solemn commitments, and China’s trading partners are likely to be vigilant in ensuring they are met. However, implementation cannot be seen as simply a matter of following a recipe set out in the accession agreement and in WTO rules. Many WTO agreements involve a great deal of choice within the range of legally permissible policy options. As examples, tariffs may be set at any level below China’s tariff bindings; the TRIPS agreement may be used in a way that stimulates the development of a knowledge-based and more productive economy, or simply in a way that results in transfers to industrial countries. Similarly, WTO rules on contingent protection can be used in a way that is extremely damaging to open trade and economic development, or be used (or not used) in a way that is more consistent with economic efficiency and equity. WTO rules are important ingredients in formulating good policies for development, but they do not provide a complete recipe.
There is every indication that China’s policy makers see China’s WTO accession agreement as a means to broader goals. One key objective is a broader strategic goal of facilitating the peaceful emergence of China as a great trading nation-- and avoiding the trade tensions associated with the emergence of major new traders in the past. Another is as an agent the acceleration in the process of domestic reform—with the WTO acting as a wrecking ball for what remains of the earlier, closed economy (Jin 2002). The process of accession has also unleashed a massive process of reform of the laws covering trade issues (WTO 2002) that frequently leads to reforms going beyond those narrowly required by the WTO Accession Agreement.

To understand the implications of China’s accession to the WTO, it is necessary to examine three issues. The first is the nature of the policy changes associated with accession. The second is the implications that this enormously large set of policy changes will have on the economy, and on individual households. The third is to examine the nature of the complementary policies needed to take advantage of the opportunities created by accession, and to minimize the costs. In the remainder of this paper, we examine each of these aspects of accession in turn.

Policy Reforms Associated with Accession

In his paper for this project, Gertler describes the long process that culminated in China’s recent accession to the WTO. As in other accessions, the process involves a combination of bilateral negotiations on issues of market access, as well as a multilateral process in which the accession agreement is formulated, and the best market access given to any one member is extended to all other members under the most-favored nation rule.

The five basic principles of the General Agreement on Tariffs and Trade (GATT) and the WTO outlined by Gertler are useful in organizing our assessment of the implications of China’s accession. These five principles are: (i) non-discrimination, (ii) market opening, (iii) transparency and predictability, (iv) undistorted trade, and (v) preferential treatment for developing countries. The agreement on trade-related intellectual property rights (TRIPS) involves a number of these principles as well as
others such as the balance between creating incentives for innovation and restricting competition by giving monopoly power to the inventor, and is discussed at the end of this section.

The general principle of non-discrimination requires that WTO members give equal treatment to competing suppliers (the most-favored-nation principle), and that they not discriminate between domestically produced and imported goods or services in its internal market. The application of this general principle in China’s case involved some additional commitments, including: the elimination of dual pricing systems; the phasing out of restrictions on trading; introduction of more uniform administrative arrangements and of judicial review. These agreements are of crucial importance not just for the central authorities, but also for lower tiers of government that are frequently involved in internal trade and regulation.

The market opening principle involved three major dimensions in the case of China’s accession—commitments by China to abolish nontariff barriers, reduce tariffs, and open service sectors; commitments by the importing countries to abolish the quotas on textiles and clothing originally imposed under the Multi-fibre Arrangement; and agreement by the United States and other countries to impose MFN tariffs on China. Analysis in the chapter by Ianchovichina and Martin (2002) suggests that the tariff cuts offered by China were very substantial, and will result in a reduction in the weighted average tariff from 13.3 percent in 2001 to 6.8 percent at the end of the implementation period. However, these reductions are quite small relative to the reduction of 27 percentage points between 1992 and 2001. The analysis reported by Mattoo (2002) suggests that China’s commitments to liberalize trade in services are extremely large relative to almost all other countries. Indeed, Mattoo goes so far as to say that China’s accession commitments on services constitute the most radical reform of trade in services ever undertaken under the WTO. He notes, however, that China’s commitments were more frequently subject to qualifications or reservations than those of other countries. Details of the cuts in specific sectors are considered in the next section, as a prelude to assessing the likely impact of accession on the Chinese economy.

While most of the market opening agreed in this accession, as in other WTO accession agreements, is to be done by the acceding country, there is one important
“concession” by China’s trading partners in the form of agreement to abolish the quotas on textiles and clothing imposed under the MFA. This appears likely to be extremely important for China given its strong comparative advantage in these activities, although it is qualified by the ability of the importers to impose special textile and clothing safeguards for one year at a time during a transition period up to 2007. Even though it does not involve much in the way of actual market opening, another important “concession” by almost all existing members of the WTO was to refrain from invoking non-application provisions of the type widely invoked against Japan when it joined the GATT. As a result, China can be sure to receive Most-Favored-Nation treatment in virtually all markets. Clearly, this status is important as it frees China from onerous, one-sided review procedures such as the former annual review of MFN in the United States, and increases the confidence of investors in China’s export industries that foreign markets will be available to them on a continuing basis.

*Transparency and predictability of trade policy* is enhanced both through general WTO policy rules, such as the need to publish trade rules and regulations, and a number of specific commitments by China, such as those on uniform application of the trade regime and independent judicial review, as well as the provision of a mechanism where concerned parties can bring problems of local protectionism to the attention of the central government. Another important contributing factor is China’s binding of its entire tariff schedule for goods, almost always at tariff levels below current applied rates. The transitional review to be held each year for eight years following China’s accession provides additional information about China’s regime and its reforms during that period.

China’s commitments to phase out restrictions on trading rights for all products except a short list of commodities that may remain subject to state trading are important for increasing transparency. Commitments to allow entry into distribution and wholesale services provide further transparency as a side-effect of liberalization of these important service activities.

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1 While China’s Transitional Review at the WTO allows other WTO members to seek information and raise concerns about China’s trade policies, the process is multilateral, China can raise concerns about implementation of other members’ commitments in the protocol.
The WTO principle of undistorted trade involves disciplines on issues such as subsidies and countervailing measures, anti-dumping and safeguards. China has made more stringent commitments, including one not to use export subsidies on agricultural goods, and disciplines on some forms of export subsidies on industrial goods normally allowed to developing countries.

The situation with antidumping and safeguard measures is troubling, particularly as it concerns China’s market access opportunities. As Messerlin notes in his paper, the WTO rules on antidumping are biased towards finding dumping, even where no economically meaningful dumping exists. The situation is even worse for China than for other WTO members, since 70 percent of China’s exports are in products most vulnerable to antidumping measures. Further, China will potentially remain vulnerable, for up to 15 years, to highly discriminatory non-market-economy provisions. These provisions dramatically increase the probability of dumping being found. And when antidumping duties are applied, they are generally much higher than when market economy provisions are used— in the United States, the average 40 percent duty applied against economies classified as non-market was over ten times as high as in cases where the margin was calculated based on actual costs.

A particularly worrying feature of the accession agreement is the Product-Specific Transitional safeguard provisions that may be applied by any member, and may then trigger actions against diversion of Chinese exports to other markets (Panitchpakdi and Clifford 2002). These are, in a sense, worse than the provisions on non-market economy treatment in that they introduce an entirely new form of protection, targeted specifically against China, more readily triggered than regular safeguards, and available to China’s trading partners for up to twelve years from the date of accession (Anderson and Lau 2001). The trade diversion measures allowed under this agreement are particularly troublesome, as they provide even less procedural protection than is available under regular safeguards.

Messerlin feels that China has two major choices in responding to these measures: to retaliate by, for instance, increasing use of antidumping and contesting safeguard actions in dispute settlement; or to mount a concerted campaign for reform of the rules in the Doha negotiations, most particularly in the area of antidumping. Clearly, China will
need to contest unjustified actions through dispute settlement. However, a retaliatory approach involving launching antidumping actions is likely to be extremely costly to China’s economy both by reversing the level of liberalization, and by increasing the degree of uncertainty about trade policy. Even though this approach is likely to be politically attractive, as is confirmed by the recent upsurge in antidumping actions in China—and the dramatic upsurge in these actions in developing countries such as Argentina, South Africa, India and Mexico—the economic costs to China in particular suggest it needs be avoided as much as possible.

If China elects instead to lead a push for reform of the antidumping and safeguard rules that would reduce the abuses of these protectionist measures, it has the potential to greatly improve the performance of its own economy in the short run, and the global trading system in the longer term. Here Messerlin provides two specific suggestions. On non-market economy treatment, he argues that China could press for new rules on automatic grant of market economy status in a particular commodity as long as the country met basic conditions such as low rates of protection, an absence of core grey-area measures, and an absence of state monopoly in the distribution of that good. On antidumping measures more generally, China could put forward, or strongly support, proposals to narrow the use of antidumping measures and to reduce their severity. China might also seek similar relief on the product-specific safeguards.

*Preferential treatment for developing countries* was a particularly vexed issue throughout the negotiations. While China is clearly a low-income member of the WTO, its size and growth performance made existing members reluctant to give it full developing-country treatment. In many areas of the agreement, it is likely to have full access to the developing country provisions, although in particular cases—such as agriculture where it had to accept a limit of 8.5 percent on *de minimis* domestic support as against the usual 10 percent limit for developing countries—it faces tighter restrictions than other developing countries. At the same time, China obtained specific transitional arrangements in areas such as the phasing-out of quotas and license, and phased entry of foreign enterprises, that are not generally available to developing country members. Special and differential treatment in the form of preferential access to industrial country
markets is not important for China, which increases the importance of multilateral trade reform as a means of creating market access opportunities.

A key aspect of the WTO agreement for China is the agreement on Trade-Related Intellectual Property Rights (TRIPS). In response to both its recognized need to stimulate innovation in China and to access foreign technology and to pressure from its trading partners, China has strengthened its intellectual property rights regime. Since 1990, China has updated its laws on copyrights, trademarks, patents and trade secrets, and adopted protection for new plant varieties and integrated circuits.

Intellectual property rights involve a fine balance between creating the incentive to innovate and restricting competition in the market for the goods and services that result from innovation. The balance between these two differs between developed and developing countries, so that implementing an appropriate intellectual property regime in a developing country is not simply a matter of emulating the state-of-the-art regime of a developed country. Such a regime may inhibit growth by limiting innovation and diffusion, and result in excessive transfers to foreign producers of intellectual property. Appropriate regulations are needed to ensure that markets remain competitive without excessive reductions in the incentive to innovate. The TRIPS agreement is generally seen as providing the needed flexibility, but implementing such a regime is non-trivial.

Maskus assesses China’s intellectual property regime, considering the provisions for patents, trademarks, trade secrets, and copyrights. He makes his assessment in part by comparing the IPR rules with benchmark standards that are consistent with international benchmarks for middle-income developing countries (World Bank 2001), and on interviews with market participants. In most cases, he concludes that China’s TRIPS regime is broadly appropriate to China’s situation. He believes, in particular, that China’s policy of public procurement of pharmaceuticals at negotiated prices is appropriate for providing public health services. He concludes also that, with current reforms, the regime will be fully consistent with the TRIPS requirements in the near term.

However, Maskus raises some important concerns about policies in the area of TRIPS. One is with proposals to extend patent protection to computer software, a level of protection currently provided only in the United States, Japan and Australia, which he believes may be excessive in a young industry such as China’s. There are also seen to be
serious problems of IPR enforcement, particularly of trademarks, patents and trade secrets. These enforcement problems are seen as inhibiting the transfer of technology in China and the development of innovative domestic businesses. A broader problem relates to China’s current low allocation of resources to research and development, and the consequently limited benefit from protection of Chinese innovations. Key issues for the future include the enhancement of pricing regulations on pharmaceuticals as patent protection becomes stronger, and the development of a broader competition policy regime to deal with abuses of IPRs such as monopoly pricing and restrictive licensing arrangements.

**Sectoral Impacts of Accession**

Assessing the implications of a major economy-wide reform such as that involved in China’s WTO accession is difficult because of the complexity of the initial policy situation; of the specific reforms to be undertaken; and of the economy in which these reforms are being introduced. Any evaluation of changes in trade policy must be based upon an assessment of the stance of policy prior to accession—an assessment that is particularly difficult in agriculture and services, and non-trivial in manufacturing. It must then take into account the implications of the policy measures that are being introduced. Finally, it must take into account the impact of these measures on key economic variables such as output and trade levels by sector, and the income level of people, and particularly poor people, in China. We first examine the evidence on agriculture, then on manufacturing, then on services.

**Agriculture**

Many have raised concerns about the impact of WTO accession on China’s agricultural sector, and the many poor people engaged in this sector. Much of this concern has been based on comparisons of China’s statutory tariffs on agriculture in the 1990s with the rates agreed in the accession process (eg Schmidhuber 2001). Other authors, such as Johnson (2000) and Lin (2000) have recognized that these statutory tariff rates bore little relationship to the protection (or taxation) actually experienced by China’s agricultural
sector. However, the evidence about the actual rates of protection applying to agriculture has remained extremely limited and frequently contradictory.

Agricultural trade in China has been influenced by a bewildering array of policies on imports and exports, including state trading, designated trading, quotas, licenses, tariffs, and tariff-rate-quotas. Many studies have attempted to deal with this problem by summarizing the protective impact of agricultural trade policies through the price distortion created by these measures. The more restrictive the trade measure, in general, the larger will be the gap between the domestic price and the international price.

A number of studies have estimated the magnitude of the agricultural distortions using the available series on domestic and international prices. Unfortunately, the results obtained have varied wildly. Huang, Chen and Rozelle (1999) for example, estimated the protection applying to rice, wheat and maize in the mid 1990s at 4, 20 and 25 percent. By contrast, Tuan and Cheng (1999) estimated these protection rates to be −29, 62 and 15 percent respectively. Carter (2001, p80) relied on producer price data and found generally negative price distortions. Clearly, when top-flight scholars reach such different conclusions from the same facts, a new approach is required, especially given that the policy consequences are so large. Carter (2001) and Martin (2001) felt that WTO accession would require relatively little liberalization in China, while Schmidhuber (2001) and many others believed that the agricultural liberalization would be dramatic.

For this project, Huang and Rozelle adopted a new approach by basing their analysis of policy impacts on detailed interviews with participants in China’s agricultural markets, rather than on readily available price series. This approach provided a much clearer indication of the implications of agricultural trade policies for product prices, and of the real-world impacts of policies, than would otherwise be possible. Their research reveals, for instance, that a major source of the discrepancies in earlier research is differences in the quality of domestic products and those trade internationally. They also identified important features of the trade regime, such as export subsidies on maize and corn, with important impacts on product markets. Finally, they raise an important question about the implications of the manner in which the Value Added Tax is collected, at a 13 percent rate, on imported agricultural commodities. It appears that, for administrative reasons, this tax is not collected on domestic agricultural output at the
farm level, but implemented through a non-rebated VAT, at 17 percent, on intermediate inputs.

Once an assessment of the implications of agricultural policies has been made, it is possible to begin to assess the implications of China’s accession commitments for agricultural markets. For those products protected by ad valorem tariffs, this evaluation is straightforward. The reduction of the tariff indicates quite directly the reduction in the domestic price of the good, and this change, together with information on the slope of the import demand curve, can be used to estimate the cost of protection. For those products protected by both a tariff and an export subsidy, it may be necessary to consider changes in both variables. The situation becomes considerably more complex, however, in those cases where products are being protected, or are to be protected, using tariff rate quotas. In this situation, the impact depends greatly on whether the in-quota or out-of-quota tariff determines the price of the good. Where the quota will be filled in some years, but not in others, the average rate of protection may be a combination of the two tariff rates.

Some key assessments that have been made of the implications of the level of protection and the changes associated with WTO accession are given in Table 1. The statutory tariff rates for 1998 used by Schmidhuber and others are given in the first column, while Huang and Rozelle’s estimates of protection in 2001 are given in the second column. The third column shows anticipated average rates of protection after accession taking into account the reforms required by accession, and likely market outcomes.

Huang and Rozelle estimated the average rate of protection for rice to be slightly negative, implying that China’s system of state trading for rice operated to slightly tax rice exports in 2001. After accession, this rate is expected to remain the same, since accession to WTO does not require reductions in such protection for a state-traded commodity. For wheat, protection averaged an estimated 12 percent—much lower than would be suggested by simple price comparisons. This rate of protection need not be greatly reduced, on average, since it seems likely that wheat imports will exceed the tariff rate quota reasonably frequently (see Martin 2001), allowing imposition of a tariff of up to 65 percent. For maize, the rate of protection was higher, at 32 percent, because of an export subsidy. While the level of import protection need not change greatly, on average,
since there is a significant probability that the tariff-rate-quota will bind by the end of the decade (Martin 2001), the export subsidy must be abolished, implying a potentially substantial reduction in the price support given to maize.

Oilseeds present an entirely different case, where the principal form of protection has been a tariff, and the tariff is being reduced substantially. The protection provided to sugar must be reduced to meet China’s commitments to a bound tariff of 20 percent. In the case of cotton, import protection will not change greatly, but export subsidies such as the 10 percent export subsidy observed in 2001 are ruled out in the future. Protection to livestock and meat could remain negative, as a consequence of export restrictions to markets such as Hong Kong. Finally, protection to dairy products can be expected to decline to meet China’s tariff binding commitments.

Table 1. Some measures of import protection in China’s agriculture

<table>
<thead>
<tr>
<th></th>
<th>1998 Statutory Tariffs</th>
<th>Actual 2001</th>
<th>Post-accession</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Rice</td>
<td>127</td>
<td>-3.3</td>
<td>-3.3</td>
</tr>
<tr>
<td>Wheat</td>
<td>133</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Maize</td>
<td>130</td>
<td>32.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Vegetables &amp; fruits</td>
<td>15</td>
<td>-4.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>132</td>
<td>20.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Sugar</td>
<td>30</td>
<td>40.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Cotton</td>
<td>3</td>
<td>17.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Livestock &amp; meat</td>
<td>35</td>
<td>-15.0</td>
<td>-15.0</td>
</tr>
<tr>
<td>Dairy</td>
<td>46</td>
<td>30.0</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Note: Average statutory rates taken from Schmidhuber (2001) and www.chinavista.com

The reductions in protection between columns 2 and 3 in Table 1 are just one possible outcome in a situation where rates of agricultural protection can vary substantially, particularly if import levels exceed the tariff-rate-quotas. However, the agricultural protection measures illustrate the importance of the discretion remaining to China’s policy makers even after implementation of such comprehensive commitments on agriculture. Removal of the negative protection applying to labor-intensive products would also be consistent with WTO rules, and is likely to be particularly helpful for employment in rural areas, as well as to economic efficiency. Participation by China in the WTO agricultural negotiations being conducted under the Doha Development Agenda could potentially reinforce these benefits by opening large, and currently highly
protected, markets for China’s labor-intensive agricultural exports. Unfortunately, the high rates of agricultural protection that arose when GATT rules on agriculture were extremely weak mean that China faces barriers to its agricultural exports that are four times as high as those it faces on its other merchandise exports (Martin 2001).

Chen explores the situation of the agricultural sector in China from the perspective of a senior policy maker. He emphasizes the shift from a supply-constrained to a demand-constrained environment in terms of basic foods. Demand for food has grown very slowly, while the supply growth has accelerated, with farmers’ incomes growing only very slowly in the second half of the 1990s. He sees key priorities for agricultural police as including improvement in the quality of food produced, and a move to higher-value and labor-intensive commodities more suited to China’s comparative advantage and to raising farmers’ incomes. Clearly, it is important to allow many farmers to leave the agricultural sector, and he sees coordinated expansion of cities and small towns as the key to achieving this relocation of labor.

Anderson, Huang and Ianchovichina examine the implications of China’s agricultural commitments for agricultural protection, and for the agricultural sector. They find that the basic WTO accession commitments to reduce agricultural import protection and eliminate agricultural subsidies will make farm households dependent on agriculture worse off relative to urban households. If China elects as well to remove the negative protection of key commodities such as rice, vegetables and meats, then returns to unskilled rural labor, and to farm land would rise slightly, with the impact of accession and elimination of negative protection on rural wages being –0.5 percent instead of the –0.7 percent observed in the accession case. They also highlight the importance of China pursuing improvements in agricultural market access, citing results from Yu and Frandsen (2002) that suggest OECD agricultural liberalization would benefit China, and improve its agricultural trade balance.

**Industrial Products**

Ianchovichina and Martin examine the reductions in protection being undertaken in manufacturing and services as well as in agriculture. Within industry, they find that
accession builds on the substantial reductions in tariffs undertaken during the 1990s. They find that weighted average tariffs on manufactures fell from 46.5 percent in 1992 to 25 percent in 1995. By the time of accession in 2001, weighted average tariffs on manufactures had fallen to around 13 percent. With full implementation of China’s accession commitments, they will fall to 6.8 percent. The six percentage point reduction in average tariffs that remains to be implemented is important, but very small relative to the 33 percentage points undertaken since 1992.

The largest reductions in industrial tariffs are required in beverages and tobacco, where close a 28 percentage point reduction from 2001 levels is required, and in automobiles, where the reduction is just over 15 percentage points. While large, these reductions are very much smaller than those undertaken since 1995. The reduction in protection to the automobile sector is particularly important given the high profile of this industry and its pervasive linkages throughout the economy. Other industries where substantial reductions in tariffs will be required include textiles, clothing, electronics and light manufactures. In many cases, these are relatively labor-intensive industries in which China has a comparative advantage, where liberalization will help maintain efficiency and competitiveness.

The liberalization considered in this project is, apart from the export quotas on textiles and clothing, focused entirely on tariffs. This clearly understates the degree of liberalization resulting from China’s accession, since it ignores the abolition of nontariff barriers such as Designated Trading, Quotas, and Licenses. The seriousness of this exclusion is much less than previously, because of the dramatic reduction in the coverage of nontariff barriers in China—the frequency of import licenses, in particular has fallen from around two-thirds of tariff lines in the late 1980s (Lardy 2001) to under five percent in 2001. Given the great uncertainty about the protective impacts of nontariff barriers in China, and their limited remaining coverage, Ianchovichina and Martin concluded that it was perhaps better to use tariffs only when considering liberalization, and therefore to present something of a lower-bound estimate of the benefits of the liberalization associated with accession.

As well as considering the implications of tariff liberalization in China, it is important to take into account the reduction in the barriers facing China’s exports of
textiles and clothing. Since these barriers require an exporter to purchase an export quota—or to forego the opportunity to sell quotas she holds—they impose a cost on exports that is analogous to an export tax. This tax was estimated based on detailed information on quota prices to be around 15 percent for clothing and 10 percent for textiles.

The estimates of the extent of merchandise trade liberalization used in this study omit some important elements and potential elements of trade policy. One is the possibility of antidumping and safeguards measures being applied against China. Another is the increasing use of measures of this type in China. The introduction of the Product-Specific Safeguards against China is particularly important in this respect since no such measure targeted specifically at China existed prior to China’s accession. The risk that China will increase its use of antidumping and safeguard measures beyond the currently high levels of use is also a concern for development policy. Such an action would be a triumph of a rules-focused approach to WTO implementation—it is legal therefore we should do it!!!—over the sharp focus on development that has characterized China’s trade reform agenda since the beginning of the reform era.

Services

Services trade was a key area in China’s WTO accession negotiations. To obtain a clear understanding of the implications of China’s commitments in this area, and the potential usefulness of the WTO process for China’s economic development, we consider first Mattoo’s overview of China’s commitments in services, and then detailed case studies of Logistics, Telecommunications, and the Financial sector.

The survey paper by Mattoo compares the liberalization undertaken by China in Service with that undertaken by other groups of countries, and concludes that China’s is the most radical services reform ever negotiated in the WTO. In cross-border trade (Mode 1), consumption abroad (Mode 2); and establishment trade (Mode 3), China has made more commitments in more service sectors than the industrial countries, other developing countries, or the group of recent countries acceding to the WTO. However, he notes that

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2 See www.chinaquota.com
China has not done this indiscriminately. The number of sectors with guaranteed unrestricted access is lower in the first two modes than in most other countries, and essentially zero in Mode 3. An important feature of China’s commitments is that they focus on market access, and provide national treatment in not discriminating between domestic and foreign suppliers.

Frequently-applied restrictions on establishment include:

- Restrictions on the form of establishment,
- Restrictions on geographic scope,
- Restrictions on business scope, and
- Regulatory requirements.

Restrictions on the form of establishments, such as requirements for joint ventures, have a long history in China, and have frequently been justified as a means of achieving technology transfers, or as means of obtaining a share of monopoly rents. Mattoo, however, points out that requirements to form joint ventures might inhibit transfers of technology. He also points out that a more thoroughgoing approach to the problem of monopoly rents would be to ensure that competition between firms, whether domestic or foreign, eliminates these rents.

Restrictions on geographic scope also have a long history, from an era when experimentation with market-oriented approaches needed to be isolated because of the inconsistencies between, for instance, planned and market prices. Confining foreign ventures to five cities for five years, as in the case of insurance, might encourage agglomeration of these activities in these cities, which will not be reversed when these restrictions are subsequently lifted. This may reduce the opportunities for other parts of China, such as interior cities with a potential comparative advantage in these activities, to get started in these activities. Of course, China’s WTO commitments represent only a lower bound, and do not prevent China’s authorities moving ahead faster than the minimum to which they have committed, as they have frequently done. Given the risks of exacerbating the already substantial inequalities between coastal and interior provinces, there would appear to be good development reasons to phase out these geographical restrictions more quickly than is required by the WTO commitments.
It is clear, in many cases, that imposing regulatory requirements is an important role of government. Regulations may have a number of objectives, of which some of the most important are: making competition work; improving the availability of information to consumers; and ensuring universal service. Making competition work is particularly important in network industries such as telecommunications, where individual firms frequently do not find it in their interests to allow interconnection by new firms. Improving the availability of information is particularly important in financial services, as is approaches to dealing with some of the adverse consequences of inadequate initial information. Developing efficient provisions on universal service is important for ensuring that all parts of China have access to telecommunications services.

Luo and Findlay provide a detailed assessment of the reforms required by WTO accession in the range of service activities that make up the logistical chain. They note that China has made substantial progress in a range of the component activities. They conclude that logistics costs are disproportionately high in China, and that service quality lower than is desirable, in part as an enduring legacy of the planned economy. Logistics account for 30-40 percent of the wholesale costs of manufactured goods, as against 5-20 percent in the United States. High logistics costs are a particularly important problem for people in the poorer areas of China, whose ability to trade, and consequently their real incomes, are significantly reduced by these excessive costs.

China’s WTO commitments on logistics are included under a range of GATS service sectors, including packaging and courier services; maritime and rail transportation; freight forwarding; and storage and warehousing services. The commitments made in these sectors promise to increase competition in a number of key areas, including road transport, rail transport, warehousing, and freight forwarding. The breadth of these commitments also provides a much stronger basis for the development of the integrated third-party logistical firms able to reduce the costs and increase the quality of logistical services in China. If the envisaged reductions in logistics costs are brought to fruition, Luo and Findlay believe that the costs of a wide range of goods and services might be reduced by an amount in the order of 10 percent of their current total cost.
Of course, the commitments outlined in the GATS agreement are not sufficient to achieve the full potential of logistics in China. Regulatory reforms are needed to remove discrimination against enterprises of particular enterprise types, to separate local administrations from enterprises, and to eliminate local protectionism. In addition, substantial investments in infrastructure will be needed to improve the timeliness and reduce the cost of providing logistical services.

The paper by Pangestu and Mrongowius deals with China’s commitments in telecommunications, commitments that take on particular importance given that China is expected to be the largest market for telecommunications in the world by 2010. These commitments are profound, in that they allow foreign entry to a wide range activities that are currently closed to foreign investment. Further, this entry takes place in a sector that was monopolized by China Telecom until 1994, and is currently dominated by a small number of state-owned firms.

In basic telecommunications, China has committed to the disciplines of the WTO reference paper on the regulatory framework for telecommunications. This aims to ensure a competitive environment, in which interconnection between systems is allowed under reasonable and nondiscriminatory conditions, and allows for universal service provisions. It also requires the existence of a regulator independent of the telecom provider, and sets criteria for licensing of entry, and allocation of scarce commodities such as the mobile telephone spectrum.

In the context of a basic telecommunications system governed in line with the regulatory paper, China’s other GATS commitments cover value-added services such as voice mail and on-line information services; mobile voice and data services; and domestic and international services such as private leased circuit services. Most of these services are initially subjected to a combination of ownership restrictions and geographical restrictions within China. While the geographic restrictions will be phased out over several years, China has not committed to allowing more than 49 percent foreign ownership for important services such as mobile telephony. Allowing higher levels of foreign ownership would, of course, be consistent with China’s GATS obligations, so China still do this in the future if this appeared to provide worthwhile gains in a particular activity.
Clearly, the challenge of developing a telecommunications sector that makes the maximum contribution to China’s development will require further development of the regulatory framework. Pangestu and Mrongowius believe that key issues here will include ensuring the independence of the regulator, ensuring that interconnection works adequately, and making pricing regulations more flexible.

Bhattasali examines the implications of China’s commitments in the financial sector, including banking, security trading, fund management, and insurance. He sees reforms up to 1997 as having focused on institutional diversification and strengthened administrative oversight. Since 1997, reforms have addressed the portfolio problems of the banks, and governance of the financial sector in preparation for WTO accession. However, in 2001, the four large state banks still accounted for 67 percent of bank deposits and 56 percent of total financial assets. The share of loans going to small and medium non-state enterprises—the most dynamic part of the economy—remains small, a finding evident in enterprise survey work reported by Dollar (2002). Another key concern is the dearth of the information needed to assess the performance of the financial sector.

Although a large number of foreign banks were active in China on the eve of accession, they operated almost exclusively on an offshore or enclave basis, and accounted for less than three percent of bank assets. However, within two years of China’s accession, they will be able to provide local-currency services to Chinese enterprises, and to individuals within five years. Other areas of financial services, such as stockbroking, fund management and insurance are also being opened up on quite short timetables.

Bhattasali believes that the reforms agreed in this sector were a clear attempt to increase competition, performance, and the range of products available in this vitally important sector. The key challenges will lie in managing this transition to a market-based system without serious problems or even a financial crisis. He believes that the state banks will come under serious pressures from their non-performing loan problems, weak management systems, low operating margins, and the strong competitive pressures they will face. His assessment is that fairly radical actions to reduce operating costs, and
financial re-engineering, will be required, but that, given suitable reforms, the rehabilitation of the state banks is unlikely to present major problems.

**Impacts on the Economy and on Households**

Because the reforms undertaken by China as a consequence of accession are so broad-ranging, and their economy-wide interactions so extensive, it is important to evaluate them on an economy-wide basis. In their paper, Ianchovichina and Martin assess the impacts of liberalization in agriculture, manufactures and services.

In his contribution to this study, Francois concludes that the present structure of the motor vehicle industry in China has been shaped by policies that have encouraged inefficient production and allowed for market segmentation—a structure that is very frequently seen in countries with highly-protected automobile industries. As a result, the industry is very inefficient, with most plants operating well below global standards for efficient production. Unless these problems can be overcome, the industry can be expected to respond to the fall in protection, and the increased competition for labor from expanding sectors such as textiles and clothing, with a sharp decline in output achieved through widespread plant closures. In an analysis where they did not account for restructuring of this industry, Ianchovichina and Martin (2001) concluded that output in this industry would decline absolutely over the period to 2007, despite the strong increases in Chinese demand for automobiles, and the shift in China’s comparative advantage to more capital and skill-intensive products such as motor vehicles.

Francois concludes that restructuring in the industry to achieve scale economies in final assembly would allow a cost reduction in the order of 20 percent. This would more than reverse the negative impact on output of the reduction in protection from 1997 levels, allowing the industry to expand relative to the no-accession case—and to expand dramatically as China’s growth and shifting comparative advantage shift resources into sectors such as motor vehicles. There would also be important changes within the motor vehicle sector. The increase in efficiency of the final assembly industry relative to production of intermediate parts is likely to increase the demand for imported parts substantially, with their share rising from 39 percent to 52 percent in Francois’ analysis. If the restructuring of the industry is achieved successfully, exports of finished motor
vehicles are projected to increase very rapidly—resulting in an increase in total exports of vehicles and parts of over $4 billion per year. Clearly, the adjustments throughout the industry will be profound, and considerable painful restructuring, such as the closure of inefficient plants in many cities, will be required. However, there seems no alternative if China is to move to an efficient and internationally competitive motor vehicle sector.

Ianchovichina and Martin analyze the impacts of liberalization of associated with accession in agriculture, manufactures and services\(^3\), and the opportunities arising from the elimination of the quotas against China’s (and other countries’) exports of textiles and clothing. Their analysis takes into account China’s important export-processing arrangements, and builds on the labor market study undertaken by Sicul and Zhao for this project, by Shi Shinzheng (2002) on labor markets, and Francois’ analysis of automobile industry restructuring. The resulting changes in the specification of their model greatly increase the realism of their analysis, and have very important implications for their results.

They divide the effects of WTO accession into a component of liberalization undertaken between 1995 and 2001, in preparation for accession, and the remainder to be undertaken after 2001 in order to meet China’s accession commitments. The choice of 1995 as a starting period is somewhat arbitrary, given that China reformed its trade regime throughout the 1990s. However, 1995 was an important turning point, when China had to forego its hopes of resuming its seat in the GATT, and apply as a newcomer to the World Trade Organization, under a process much more focused on the commercial implications of the accession package. Ianchovichina and Martin recognize that China’s product mix, and the world’s demand for China’s exports are changing rapidly. They therefore superimpose the impact of liberalization on a situation in which China’s industrial structure, and output and trade patterns are changing sharply towards more capital and skill-intensive goods in response to high rates of investment and rapid growth in educational levels.

Their results for the liberalization associated with WTO accession show that it results in substantial growth in trade relative to output, with the total volume of exports

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\(^3\)The estimated liberalization of services is very crudely approximated by halving the barriers to trade in these activities estimated by Francois.
rising by 17 percent as a consequence of the liberalization after 2001. The most rapid growth rate for exports is in apparel, which grow by over 100 percent after 2001 in response to the abolition of the export quotas on clothing. Exports of most agricultural products rise, given the decline input costs to agriculture, and constraints on the out-migration of labor from the agricultural sector. However, exports of plant-based fibers (predominantly cotton) are projected to fall in response to the increase in demand for cotton to be used in export production. Feed grain exports also fall because of the abolition of the export subsidy on exports of maize. Exports of automobiles rise substantially because of the increase in the efficiency of the sector as it exploits economies of scale, and the greater trade exposure of the industry in the more liberalized post-accession economy. None of the increases in exports take into account the possible benefits to China of being able to expand its market access through participation in WTO market accession negotiations. The expansion in textile and clothing exports is, in fact, a delayed benefit from the Uruguay Round, previously denied to China as a non-member of the WTO.

Imports rise in a range of sectors in which there are substantial reductions in trade barriers—including beverages and tobacco, processed food, textiles, clothing, oilseeds, dairy products and sugar. Because they have represented trade liberalization in services as reducing trade barriers, there are also substantial increases in imports of services. The increase in imports of beverages and tobacco is the largest, because of the sharp reduction in tariffs of these commodities.

The biggest change in employment following accession is an increase in employment in the apparel sector of more than 50 percent. Employment in the textile sector and in plant fibers used in the textile sector also rise to meet the demand from the apparel sector. Trade reform leads to small reductions in employment in most agricultural sectors, and in manufacturing sectors such as petrochemicals, metals and automobiles. Overall, however, the movements of labor between sectors are generally relatively small relative to the changes in trade patterns.

There are substantial overall welfare gains to China, particularly from the liberalization undertaken between 1995 and 2001 to prove China’s bona fides and to prepare for accession. The benefit from the liberalization undertaken during this period is
estimated to be a continuing gain of $35 billion per year. The smaller reduction in protection between 2001 and the end of the implementation period will generate smaller gains to China, of $10 billion per year. The measured gains in export and income growth are very much lower bound estimates, in that they ignore the benefits from abolition of nontariff barriers, they involve serious aggregation biases, and models of this type appear to greatly underestimate the implications of major trade liberalizations (Kehoe 2002).

These gains do not accrue evenly within China, with wages of skilled and unskilled urban workers rising modestly, and wages for unskilled farm workers declining by 0.7 percent in real terms. Ianchovichina and Martin also examine the implications of a number of potential complementary policies that might be able to deal with this problem. Reform of the hukou system is highly desirable because of the inefficiencies and inequities associated with this segmentation of the labor market. However, it increases in importance following WTO accession because of the partial liberalization of the agricultural sector, which increases the pressures for workers to leave agriculture. Adding abolition of the hukou system to the policy package is found to result in an increase in rural wages of almost 17 percent. The hukou removal completely overwhelms the reduction in rural wages associated with trade liberalization, as an estimated 28 million agricultural workers leave the agricultural sector. Complete abolition of the hukou system would put downward pressure on unskilled wages in urban areas, although this reduction of an estimated 3.8 percent would be much smaller than the gain to rural workers.

Another complementary reform that Ianchovichina and Martin consider is an expansion in access to education— a change that would help raise unskilled wages in both urban and rural areas. Improving agricultural technology is another policy option with potentially large benefits to poor rural households who are able to adopt the new production techniques.

The results of this quantitative analysis are highly stylized, since they assume that enterprises and households are able to adjust successfully to the changes in incentives created by WTO accession. As the OECD (2002) has recently pointed out, successfully making these changes is likely to require considerable strengthening of the economic system in areas such as enterprise governance and reform of the banking system.
Effects at the Household Level

The simplest possible approach to capturing the effects of WTO accession at the household level requires an assessment of its impacts on the prices consumers pay; the prices that owners of labor, capital and other factors receive for their resources; and impacts on the government’s ability to provide transfers or public goods. In addition, it is useful to be able to assess the ability of households to adjust to the changes resulting from accession, perhaps by changing occupations or activities.

Given that ongoing work on trade and poverty has found that impacts through factor markets are consistently more important than impacts through consumer prices, it is particularly important to examine factor market effects carefully. This is particularly the case in China because of the large income differences between urban and rural workers, and the explicit policy barriers resisting the movement of labor between urban and rural sectors.

In their paper, Sicular and Zhao examine the options households in China face in selling their labor—the most important resource of the poor. They find that there are substantial differences between the earnings of rural and urban households. While part of this difference is due to differences in the quality of labor and other resources, much is due to differences in the earnings they receive for resources of the same quality—a finding that is consistent with the existence of substantial barriers between urban and rural labor markets. These barriers appear to be particularly strong for poorer households, contributing both to depressed income levels, and difficulty in adapting to changes in economic opportunities.

Another important feature of labor markets in China is captured in the Sicular and Zhao paper—the alleged reluctance of China’s farm households to transfer labor from agriculture to other sectors. While this reluctance is frequently observed in countries that are attempting to transfer labor out of agriculture, it is exacerbated in China by restrictions on the sale of farmland usage rights. Permanent movement is likely to require families to relinquish their land rights without compensation. They find that the supply of labor from agricultural to non-agricultural employment is much more responsive to changes in agricultural returns than to changes in non-farm wage rates. While labor is not
perfectly mobile between urban and rural labor, these results make clear that it is also far from immobile.

The study by Chen and Ravallion considers the impact of WTO accession on income distribution and poverty drawing on the simulation model results provided by Ianchovichina and Martin. This study uses a sample of 84 thousand households—17 thousand urban and 67 thousand rural—from the National Bureau of Statistics’ surveys. The results of the GTAP model analysis are applied to the household endowments, taking into account the impacts on the prices households must pay for their consumption goods and purchases of inputs, and the prices they receive for their sales of goods and of labor and other factors. The loss of government revenue from falling tariffs is restored very simply by increasing the price of all consumption goods to maintain government revenues, so that linkages through either increases in taxes or falls in the provision of public goods. This likely overstates the extent to which tax rates would need to rise, since government revenues from tariffs as a percentage of the value of imports were only about half the 8 percent that would have been implied by the statutory tariff rates.

Chen and Ravallion’s analysis is focused on the short run, in which households are limited in their responses to changes in prices. They find a sharp contrast between the experience of urban and rural households. Most urban households, and particularly the relatively poor urban households, gain from WTO accession. This is not the case for rural households. The poorest rural households experience a quite sharp reduction in their living standards—around a 6 percent reduction for the poorest percentile. This reflects a combination of falling rural wages and increases in the prices of consumption goods for which members of this group are substantial consumers.

The study by Hertel, Zhai and Wang provides some important insights into the impact of trade reform on poverty. It uses a model of the Chinese economy that takes into account important features such as the duty exemptions for intermediate goods used in the production of exports. Because of limitations on the availability of household data, it focuses on Liaoning, Sichuan and Guandong, three relatively diverse provinces. This study analyzes a similar scenario for agricultural tariffs as the Ianchovichina and Martin study, but focuses on the longer run, in which households are able to adjust within the model to their changed circumstances, and labor is more able to adjust between
agriculture and other activities. In aggregate, its conclusions are much more optimistic than the Chen and Ravallion study, with virtually all households benefiting from the reform. At least in part, this is due to greater mobility of households from rural to urban employment in their longer-run analysis. Despite the greater adaptability of rural households in their model, their results still imply an increase in inequality following accession. Urban households benefit substantially more than rural households and, within agriculture, are greater for households with diversified income sources than for those that are agriculture-specialized.

Hertel, Zhai and Wang consider a range of complementary policies. Abolition of the *hukou* system is found to be strongly beneficial for rural workers, as are expansions in education. Both of these reforms are found to be substantially favorable for rural households.

Hussain analyzes the Chinese system of social protection and its value as a safety net for shocks of the type involved in WTO accession. In his view, the objective of social protection systems should not be to attempt to compensate losers from the reforms. It is simply too difficult to determine the magnitude of compensation that is appropriate. Rather, he feels the focus should be on the prevention of poverty. He notes that the wide distribution of ownership of land by rural households has played an important role in maintaining living standards and providing insurance against adverse shocks, but views this insurance as less valuable for shocks to grain prices resulting from liberalization than against shocks such as the loss of an urban job.

Hussain observes three features of China’s systems for income maintenance and poverty relief. Three broad characteristics are evident: a stark dichotomy between urban and rural systems; a focus on reducing absolute poverty; and a high degree of decentralization in financing. He sees the system in urban areas as relatively comprehensive, but views the system in rural areas as seriously deficient. The locally funded system found in many areas is highly unable to be able to deal with a large-scale shock of the type likely to occur with accession to WTO—“the social safety net is full of holes”. He argues for extension of basic safety-net protection into rural areas. One feasible first step might be to extend a mechanism like the urban Unemployment Insurance schemes to wage employees in township and village enterprises. But he sees
the key as development of a national scheme like the Minimum Living Standard Scheme targeting poor rural households.

Conclusions

China’s WTO accession agreement provides a comprehensive road map for many aspects of reform in China’s trade regime. In particular, it provides for a substantial reduction in protection, for strengthening of intellectual property rights protection and for adoption of a framework of trade rules, at home and abroad. However, this agreement is not all-inclusive, and China needs to keep a strong focus on its development needs—the key perspective that has guided the steady transformation of its trade regime, and economy generally, from the plan to a market economy.

One key concern in the accession agreement is the provisions on antidumping and safeguards. The non-market provisions that countries are permitted to invoke against China for up to 15 years are likely to result in antidumping duties substantially above those in other countries—in a situation where China faces seven times as many antidumping actions per dollar of exports as the United States. The transitional product safeguards applicable against China for the next 12 years are a new form of protection, applicable only against China. The provisions on trade diversion lack even basic procedural restraints, and pose a potentially serious threat to China’s export development. The temptation to retaliate, particularly with antidumping actions of its own, will be strong, but would damage China more than others. A better option would be to seek reform of WTO’s rules in these areas.

China’s TRIPS arrangements generally appear to have been implemented in a manner consistent with both the legal requirements of the agreement, and China’s development needs. They generally provide a reasonable balance between incentives to innovate, and incentives for innovation. Some concerns arise in areas such as the proposals for patent protection on software, and in the level of enforcement in some regions.

Agriculture is being liberalized by less than was suggested by some earlier studies that began from the assumption that agricultural tariff were being reduced from their
initial, statutory levels. However, there are significant liberalizations in areas such as maize, cotton, and sugar, and it appears that there will be significant adjustment pressures in these industries. There will, however, be opportunities to expand exports of some labor-intensive exports as part of a broader policy reform, and by seeking increases in agricultural market access in the Doha negotiations.

The industrial sector will face substantial adjustment pressures in key sectors such as automobiles, and beverages and tobacco, where external protection is being substantially reduced. Restructuring of scale-intensive sectors such as the automobile sector will be essential, and can generate substantial productivity gains. Overall, however, most of the adjustment in this industry has already occurred, and what remains involves an expansion in both imports and exports.

China’s GATS commitments represent perhaps the most thorough-going liberalization of services trade ever undertaken in the GATT. Its range of offers is extremely broad, although some commitments involve restrictions on ownership, business scope or region. Critical sectors such as telecommunications, logistics and the financial sector, are to be confronted with renewed competition, and are likely to see a burst of innovation and productivity growth as these sectors are restructured.

China’s labor markets are adversely affected by a range of regulations, such as the hukou system of residence permits regulating movement between urban and rural employment. This system, and its related measures inhibit the adjustment needed following accession and increase the vulnerability of poor people to downturns in agricultural prices. Other features of the labor market, such as the “tie” to the land where households have use rights to land, but cannot sell it because property rights are not sufficiently well defined, restrict the mobility of labor out of agriculture.

We report two studies focused on evaluating the impacts of trade reform on poverty. Both find that the rural sector is more vulnerable to this reform than is the urban population. One provides a relatively optimistic longer-run picture, where virtually all households gain from the reform. The other provides a more upbeat picture, but one where rural households are more subject to negative shocks such as those resulting from reductions in protection on some agricultural commodities. A good part of the problem
arises from labor market distortions, which discourage large numbers of people leaving the agricultural sector when returns fall.

Both models suggest that the key to mitigating these problems is to include reforms such as reductions in the barriers against movement of labor out of agriculture. Removal of the *hukou* system would increase rural wages substantially, with a relatively modest negative effect on higher-income households. Similarly, expansion of educational opportunities could have powerful beneficial effects in both the short and long run. In the longer term, China will have the opportunity to press for greater market access for its labor-intensive product exports.

The network of social protection measures in China is quite underdeveloped, and a constraint on her ability to grow while dealing with widely-held concerns about the need to compensate the potential “losers” from the policy reforms. Particular attention needs to be given to strengthening the social welfare systems available to rural residents.
References


