The People's Republic of China and its Pursuit of Membership into the World Trade Organization

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The People's Republic of China and its Pursuit of Membership into the World Trade Organization

Abstract
China became a member of the World Trade Organization on December 11, 2001 despite serious setbacks and obstacles in its path. China joined the World Trade Organization out of two considerations: one was economic and the other was cultural. Economically, WTO membership was and continues to be important for China's modernization programs. Foreign investment dollars bring in the much-needed financial help and the advanced technology needed in order to continue modernizing. Culturally, WTO membership gives China a voice in the international community and puts it on an equal footing with the industrialized nations of the world. China's WTO membership will bring about both positive and negative consequences in the future. The increase in trade and technology will certainly increase the standard of living for Chinese citizens. However, there will also be increased unemployment and environmental damage.

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By

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ABSTRACT

China became a member of the World Trade Organization on December 11, 2001 despite serious setbacks and obstacles in its path. China joined the World Trade Organization out of two considerations: one was economic and the other was cultural. Economically, WTO membership was and continues to be important for China's modernization programs. Foreign investment dollars bring in the much-needed financial help and the advanced technology needed in order to continue modernizing. Culturally, WTO membership gives China a voice in the international community and puts it on an equal footing with the industrialized nations of the world.

China's WTO membership will bring about both positive and negative consequences in the future. The increase in trade and technology will certainly increase the standard of living for Chinese citizens. However, there will also be increased unemployment and environmental damage.
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The People's Republic of China and its Pursuit of Membership into the World Trade Organization

China cannot develop in isolation of the world, and the world cannot achieve global prosperity without the development of China. ¹

Introduction

The World Trade Organization (WTO) formally accepted China as a member nation on December 11, 2001. China’s pursuit of WTO membership began several years earlier in 1986 when it officially informed the General Agreement of Trade and Tariffs (GATT) of its desire to resume its position as a Contracting Party. GATT was the precursor of the present WTO and was formed after World War II for the purpose of ensuring international peace through trade, raising the global standard of living and guarantying full global employment. The postwar world was understandably concerned about international peace and the need for economic growth. International trade was seen as a means to promote peace and democracy around the world. The establishment of GATT as an organization was also meant to provide a means for reducing trade barriers and tariffs between trading partners.

China began showing an interest in rejoining GATT after the Cultural Revolution when Deng Xiaoping reinstated the Four Modernizations Program. It took approximately fifteen years for China to finally achieve its goal of becoming a WTO member. China made major economic and social changes during this time in order to become a WTO member. The economic changes included the

combination of a market-based economy with the current Communist system.
Economic changes also included opening the previously closed Chinese society to
Western influence by means of foreign investments, technology and education.

**China’s GATT History**

Nationalist China, (Kuomindang, or KMT) under the leadership of Chiang
Kaishek, was one of the original contracting signatories of GATT in 1948. The
Chinese Nationalist government leaders established the Republic of China (ROC)
in 1912 and relocated to Taiwan after being overthrown by Mao Zedong. The ROC
withdrew from GATT in 1950 but regained observer status in 1965. Observer
status allowed visitors an invitation to meetings of the Council when the agenda
contained an item of interest.\(^2\) In 1971 when the PRC joined the United Nations
(UN) the ROC lost its observer status. The People’s Republic of China (PRC)
under Mao Zedong was not recognized by the United States or other developed
nations as the official government of China until the 1970s. Therefore,
membership in GATT, an international organization, was not acceptable
considering the political environment at this time.

It was not until the UN officially recognized the PRC as the official
government of China in 1971 and President Nixon and Henry Kissinger met with
Zhou Enlai in February of 1972 that relations between China and Western nations
began to be repaired. The Shanghai Communiqué was a result of that meeting.
The meeting between the American and Chinese leaders was an extensive and
frank discussion about world affairs.

http://www.fmprc.gov.cn/eng/4475.html
The fact that the leaders of China were interested in improving relations with Western nations proved that there was a genuine interest in becoming involved in world affairs. The hope was to establish a relationship even though there were wide-ranging differences between the two nations. This warming to Western nations also showed that China had a very real need for foreign investment. This led to increased trade with Western nations and China's interest in rejoining GATT. Deng knew that re-establishing China's former position in GATT would be essential to the country's future modernizations.

China began major reforms toward modernization and development in the late 1970s when its last period of isolation, the Cultural Revolution, was ending. The nation had survived the social, political and economic devastation that the Cultural Revolution had left behind. Deng Xiaoping began to try and repair the damage by instituting new plans for rebuilding the economy and the leadership of the PRC. An important and logical part of China's reforms included establishing international trade and relations with other nations. China began moving in the direction of GATT membership when in 1980 they sent officials to economic, trade and commercial policy courses conducted by GATT.

At the end of the Cultural Revolution in the late 1970s Deng Xiaoping was restored to political power and began his economic reforms. Deng was not satisfied with the government and balance of power at this time and wanted to see it genuinely reformed. The Four Modernizations Program was again put into

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3 Taiwan Documents Project, *Shanghai Communiqué*, February 1972. [http://www.taiwandomuments.org/communique01.htm](http://www.taiwandomuments.org/communique01.htm)


practice at this time. Zhou Enlai, premier of the PRC, first instituted the program in 1965 and reiterated it in 1975. This program met with continual frustration because of political campaigns and the national problems that resulted from them. The Four Modernizations were in the areas of agriculture, industry, defense, science and technology. These reforms entailed making great changes in the existing economic system and an opening to the international economic community. An important step in this direction included joining the international Monetary Fund and the World Bank. China intended to take out loans and encourage foreign investment.  

The first area of modernization was in science and technology. Deng Xiaoping realized the importance of this area because without modern technology China would never be able to compete on an international level and lives of citizens would never be prosperous. He called science and technology a ‘productive force’ in the modernization process.

The next of the four modernizations was in the agricultural system. Long-term land leases were encouraged as well as permission for farmers to specialize in cash crops. Formerly peasants had been grouped together in communes but poor farming management and a lack of general agricultural knowledge led to the failure of these communes. The next modernization was in the area of industry. In the early years of Communism the Chinese had followed the Soviet Union’s example of increasing heavy industry. The path of industry changed greatly after

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7 Ibid., p.55.
8 Department of State Website, China Notes, October 1997. www/background_notes/china_1997_bgn.html
the modernization program began. The last modernization was in the area of national defense. This area has also developed greatly in the last few decades.

After pursuing an interest in rejoining GATT, the PRC received permission in July of 1981 to serve as an observer of a GATT meeting on the renewal of the Multifibre Arrangement (MFA), which established governing rules in the trade of textiles. One year later China requested and received permission to serve as an observer in the ministerial session that drew up the priorities for GATT in the 1980s. In 1983, China applied and was approved for membership in the MFA. This membership was important to China because of its developing textile industry and future plans in international trade. Membership in the MFA was intended to enhance China’s hopes to export its products to industrialized countries. In 1984, China was given general observer status in GATT but in the end it was not useful to their quest to become a permanent member because it still remained outside of GATT rules and regulations.

In 1987, a formal working party was established to determine the exact terms and conditions under which the PRC would be allowed to enter GATT. The members of the working party consisted of WTO member nation representatives with an interest in specific areas of China’s accession. Specific issues that had to be resolved in order for China to be accepted as a WTO member were addressed by working party members and worked out to their satisfaction. Some important issues included whether China should enter GATT as a new member or if they would resume their prior position as one of the original contracting parties from 1948. The PRC claimed that the deposed regime in Taiwan withdrew from GATT

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in 1950 and that its withdrawal as well as the government was illegal and invalid. Therefore the government of the PRC considered it its right to regain its position as one of GATT’s original signatories. This right was given consideration in China’s WTO accession document. Other issues included whether China would be given developing nation status and the problem of its intellectual property rights abuses.

In the course of my research I have found the literature on the subject of China’s entry into the WTO plentiful but also limited in scope. I found official WTO documents sometimes vague and tedious to read, but optimistic concerning the changes China has made in order to be ready for WTO membership. Again, because China’s WTO membership is so recent it may account for the lack of relevant literature. At the press conference that followed China’s official acceptance into the WTO, Director-General Mike Moore congratulated China for the progress it had made in preparing for WTO membership and mentioned that China would enhance international global trading. Considering the fact that China accounts for a large part of international trade it seems logical that its WTO membership would be considered valuable to existing members.

Official public literature coming from China was and continues to be very confident concerning its ability to make changes in order to comply with WTO membership. Articles written in the China Daily, an official state run newspaper, stress the positive effects of WTO membership and publish speeches from

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11 Ibid., p. 15.
12 World Trade Organization Website, Protocol on China’s Accession to the WTO. http://www.mac.doc.gov/China/ProtocolandDecision.pdf
13 WTO Website, Speech by Mike Moore. http://www.wto.org/english/news_e/pres01_e/pr252_e.htm
Chinese leaders emphasizing the importance of China becoming a part of the international community. Even though there is criticism among some Chinese scholars and political leaders, it is not made public in state run publications but rather published outside of Mainland China.

The current leadership has pushed very hard to achieve the goal of achieving WTO membership whether or not it will be beneficial to Chinese citizens as a whole. Therefore, any articles written in state run newspapers are consistently positive about the ability of the country to deal with problems that will arise because of WTO membership. This statement made by President Jiang Zemin gives positive news about China's economy.

Jiang said that China has a good start for its Tenth Five-Year Plan that begins this year, with its GDP growing by 8.1% in the first quarter. This is in sharp contrast with the slowdown of the world economy. He said China has successfully fulfilled its Ninth Five-Year Plan (1996-2000), established a socialist market economic system, improved the state's macro-economic control system, further pushed forward its opening-up drive, and scored notable growth in foreign trade and use of foreign capital. ¹⁴

Most of the secondary literature is written from a very recent perspective and gives little indication of China's long-term goals for entering the WTO. The literature I used in my research from newspapers and magazine articles were mainly concerned about the future effects of China's WTO membership. The books that I found concerning China's WTO entry were written from a very recent perspective and were either very alarming emphasizing negative effects of WTO membership or unrealistic, ignoring real dangers ahead.

WTO membership for China is exciting yet troubling and there does not seem to be much written from this perspective. Many articles have been written

criticizing the U.S. approval of China’s WTO membership and Permanent Normal Trade Relations between the U.S. and China. This is mainly due to the human rights violations in China and the possible future security risk China may become. Yet little is written about the possibility of democratization in China due to membership in the WTO. China will have to become more transparent politically and economically in order to maintain satisfactory bilateral relations with its trading partners. The current Communist government will have to make many changes in order to avoid conflicts with its trading partners. There is a good possibility that democratization will take place slowly because of these necessary changes. Yet, it will also depend upon the reaction that the Communist government has to social unrest or demands for better human rights from its citizens.

An important factor concerning the lack of relevant material written so far about China’s WTO membership is that it has been a short time since its accession into the WTO. In addition, China is one of the first non-market economies entering the WTO while maintaining its socialist system of government. Therefore, literature written concerning China’s WTO membership is based on facts from the past and speculation about the future.

**China’s Motivation for Gaining WTO Membership**

For fifteen years the leadership of China maintained its pursuit of WTO membership despite many obstacles in its path. Motivation for WTO membership was primarily for economic and cultural reasons. The Modernization Program that began decades earlier was dependent upon economic growth and development. Therefore, WTO membership was seen as an important
contribution to the continued success of China’s modernization program that began in the 1970s.

**Economic Motivation**

Shi Guangsheng, the Chinese Foreign Trade Minister stressed the economic importance of China’s WTO membership in the following statement concerning Foreign Trade and Economic Cooperation. He made it clear that WTO accession was essential for China’s continuing modernization program. By being a WTO member, China’s leadership was convinced that its economy would get stronger and remain stable without interruption.

After its accession to the WTO, China’s reform and opening drive will enter a new historic era. Joining the WTO is the requirement of our reform and opening up that is in the fundamental interest of China. Joining the WTO will enable China to conduct international trade and economic cooperation under the multilateral, stable and unconditional MFN principle provided by WTO members, thus cultivating a favorable international environment for the development of China’s national economy and foreign economic and trade relations. Joining the WTO will further accelerate China’s opening to the outside world and advance the establishment and perfection of the socialist market economic system.  

Chinese president Jiang Zemin made the following statement during a speech he gave at a luncheon hosted by the American-China Society and five other organizations on October 30, 1997. It clearly sums up the motivation of China’s modernization program and accession as a member of the WTO.

The overall goal of our political restructuring is to build socialist democracy with Chinese characteristics while upholding and improving our basic political system. We will build a national, scientific and popular socialist culture that is geared to modernization, the world and the future, and endeavor to raise the ideological, ethical, scientific and educational standards of the whole nation. At the same time, we should conduct multi-formed cultural exchanges with other countries, drawing on their strong points while introducing our own achievements to the world. 


The plan of the Chinese government is to modernize in all areas of society while maintaining the communist system. The idea is to build a socialist democracy with unique Chinese characteristics and raise the levels of technology and education. During this process China is also willing to exchange ideas with other nations. WTO membership will not only put China into the international community but will also put the WTO into China. Having the right to resolve conflicts within the system of the WTO will help China to avoid unfair trading practices. On the other hand it will pressure China to comply with WTO standards in order to remain in good standing with its trading partners.

The recent membership into the WTO has put China on a risky one-way road to modernization. Yet, despite all the risks that China faced it did not given up on its fifteen-year quest for WTO membership. PRC leadership continues to believe that this membership will put China on an equal footing with the rest of the world. Skeptics doubt that WTO membership will be the economic wonder that future foreign investors and the PRC leadership have hoped it to be. Author Gordon G. Chang in his recently written book *The Coming Collapse of China* is not at all hopeful that WTO membership will increase the modernization program or make it successful.

China's economic miracle has been built largely on one-way trade with the world. Deng Xiaoping wanted to make China “rich and strong,” and that desire translated into ever-increasing trade surpluses. Selfish trade contributed to staggering foreign exchange reserves of U.S.$165.6 billion at the end of 2000, the second highest in the world behind Japan. Yet the days of unequal trading will end, and China will need its hoard of foreign currency for the trade deficits that will occur. That’s precisely why countries around the world have been pushing for China’s admission to the WTO.  

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This view gives an interesting analysis to the excitement among members of the international community associated with China’s WTO entry. A recent interview with the WTO director-general Supachai Panitchpakdi, gives a common view of China’s WTO entry among China’s trading partners. “China’s WTO entry would be a boost to the world’s trading system, and that would be good for the Chinese economy as well as the rest of us.” The WTO leadership and other business enthusiasts do not mention the possible risks that China is making in order to be on an equal footing with the rest of the world. The fact that China will be giving up sovereignty in some areas because of WTO rules and regulations is also not addressed by the Chinese leadership and other enthusiasts. The authority to control subsidies and tariffs will be given over to an international organization. Yet, with these major risks in mind, China has been determined to not only enter the WTO but also to adhere to the rules and regulations of the organization after entry.

In a speech given to an ASEAN meeting in Shanghai on October 19, 2001, Wang Guangya, the Vice Minister of Foreign Affairs of The People’s Republic of China made this statement,

China’s economy will converge with that of the world faster with more solid strides. China’s WTO entry will open a new page for our economy. As we enjoy our WTO rights, we will fulfill our obligations and honor our commitments. We will accelerate the opening of the infrastructure sector, such as energy, communications and telecommunications and provide, step by step, more opportunities for foreign businessmen to invest in such areas as banking, insurance, tourism, retail sales, foreign trade and legal consulting services. We will improve our laws and regulations regarding foreign investment and provide better services to overseas-funded ventures.

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In March of 2000, Charlene Barshefsky the U.S. Trade Representative said China would be making all the concessions in trade agreements with the U.S. Agreements would include an opening of China’s markets in the areas of services, industrial goods and agriculture. The long-term benefits for China will far outweigh the short-term benefits. WTO member nations were anxious for China’s membership because it would give their industries and businesses easier access to China’s markets. With the largest population in the world, China is seen as a huge consumer market by Multinational Corporations (MNC’s). China also has the largest labor force in the world and pays its workers very low wages. With these reasons in mind it is clear why MNC’s find the opening market in China very appealing.

The rules and regulations of the WTO are expected to partially eliminate the trading inequalities between China and the U.S. over the long-term. Even though it is true that Chinese exports to the U.S. far outweigh U.S. exports to China new markets in China will be opened to foreign competition for the first time. Overall, concessions made by China outweigh those made by the U.S. The bilateral trade agreements made between the U.S. and China are giving U.S. corporations greater access to developing Chinese markets. This will clearly allow U.S. corporations the advantage of eliminating Chinese trade barriers. At the same time China is eliminating new agricultural subsidies for struggling Chinese farmers. Chinese domestic agricultural products will be competing for the first time with agricultural products imported from American farmers. WTO

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membership will benefit China in the long-term only if it can survive the transition from a communist economic system to a market economy.

Now that China is a WTO member domestic insurance and banking opportunities will also be open to foreign businesses for the first time. These foreign businesses have been setting up offices in China and waiting for the agreed upon five-year period to expire so they could extend services to the public. State run banks in China could lose business when foreign banks are able to offer Chinese citizens new banking benefits. Yet despite these disadvantages China's motivation to be a member of the WTO has been unwavering.

Not only has China received urging from members of its own government but it has also received urging from outside forces. The WTO itself has given China positive reinforcement for membership. China's current trading partners also hoped for its WTO entry in order to implement fair trade practices. In addition, believers of democracy resulting from increased trade also hope the opening of China's markets will force changes within the current Communist government.

An article written by Catharin E. Dalpino makes the point that in the post-Cold War era, an inevitable result of globalization in the most closed countries is democratization. Even though enough time has not yet passed for this theory to be proven it has credibility.

Thus, for more than a decade successive U.S. administrations have claimed that broadly maintaining trade with China, and specifically encouraging China's entry in the World Trade Organization, would provide a backdoor route to political reform. Adhering to WTO rules would require the regime in Beijing to
provide more transparent and accountable government and would strengthen the concept of the rule of law, two fundamentals in modern democratic system.\textsuperscript{21}

She also goes on to say that the increase of foreign telecommunications companies in China will lead to the spread of their technology and the loosening of the government’s hold upon society. On the negative side the government can manipulate the population by using this technology. This is especially true since many technocrats are now involved in politics and have a great amount of influence over Internet and communications regulations. This is also correct because the media can be manipulated and news can be used for spreading propaganda to the population.

Is a poverty stricken nation any more secure than a prosperous nation? It is a good question to consider because if we measure China’s accession to the WTO by its human rights record or its system of government than we know they do not deserve to be a part of the international community because of the way its citizens are treated. But if we look objectively at the situation, a thriving economy will eventually force changes within the government that would not take place in a closed society. Eventually a thriving economy will not only make Chinese citizens prosperous but the CCP will have an improved international image.

It has been predicted that a new middle class will be formed in China and maybe they will have the power to demand more democracy. The remaining question is whether the government can contend with the possible new changes ahead and as citizens’ demand more freedoms will the CCP will continue its oppression?

Peter Drucker makes this statement concerning the risk of the China market. "China offers more dangers than any other market...and opportunities too great to be ignored. Coastal China is the fastest growing area in the world economy." It is important to look at the risks China's is taking by being a WTO member in order to measure the importance of this membership to the government. The biggest risk may be the unemployment problem that has resulted in part because of the failing SOE's. Government banks have heavily subsidized these industries. In preparation for China's accession to the WTO, the government has decreased subsidies and stopped unnecessary loans to these failing industries. This step has resulted in mass unemployment and social unrest. It's important to note this in order to appreciate the fact that the government is risking so much for this membership. Their motivation is very strong and clear. In order to modernize and gain international respect these risks are considered necessary. By being a WTO member, China will have equality in trade agreements and in the dispute process. The process for arbitration in the WTO is fair and balanced compared to a trade relationship in which there exists the possibility that China would again be exploited. China has tried to make changes in trade laws that will make the transition to WTO membership easier.

Opening markets to foreign competition under WTO regulations will bring considerable risks to the stability of China. The question may be asked why with all the risks involved China would be so persistent in opening their markets to foreign corporations. One reason as already mentioned is because the Chinese leadership realizes that in order to modernize they need to develop new

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technology and new markets inside of China as a matter of economic survival.
Another reason that is more basic is that China wishes to regain their international
status that was lost during the industrialization period. The Chinese Vice Foreign
Minister made the quote under the title of this paper and it correctly sums up the
attitude of the nation. With over one quarter of the total population, China
represents an integral part of the human race as well as the Globalization process.
Without China as part of the developed world, globalization would be missing an
important component.

Cultural Motivation

The culture of China is a proud reminder of its history and civilization. The
history of China is relevant to this research because for over four thousand years
its culture and values have influenced its behavior. The following is a quote from
Chinese President Jiang Zemin when he spoke at Harvard University in 1997.

To know China better, one may approach it from different angles. China
today has been evolved from its past. China is a country with 5,000 years of
civilization. Therefore, it is important to approach China from a historical and
cultural perspective. 23

The original Chinese name for China is Zhong Guo meaning (Middle
Kingdom). Believing for centuries that China was the center of the world has
instilled a great amount of pride in the nation. It is not only this belief but also
the fact that for centuries China was a major leader in the world and achieved
many great things that should not be forgotten. China fell behind and lost its
leading place in world affairs because of exploitation by western nations and
various natural disasters. By being a part of the WTO China not only hopes to

23 A speech by Chinese President Jiang Zemin at Harvard University.
http://www.china-embassy.org/eng/7165.html
regain some of their dignity but also gain a voice in the matters of international trade. By having a voice in the international community, China will be able to have a part in making changes in international trade and also protect its economy. China will also be an example to other non-market economies that hope to enter the WTO in the near future.

**China Overcomes Obstacles for WTO Membership**

China has not only overcome obstacles in its development over the centuries but also very recently while pursuing WTO membership. At the beginning of 1999 it seemed unlikely that China would enter the WTO because of its refusal to make key concessions on market reform access for foreign firms. During his visit to Washington, D.C. in 1999, Zhu Rongji and American officials agreed to double the frequency of commercial flights between the two countries and to increase the number of Chinese cities the U.S. carriers can service with direct connections. This was done in preparation for the increased trade that was expected.  

24 The bilateral trading agreement between the U.S. and China looked favorable until the bombing of the Chinese Embassy in Belgrade. Chinese citizens were enraged by the incident. The bombing also refueled feelings of Nationalism in the Chinese population and caused a setback in negotiations. In addition to this hindrance, President Clinton did not go ahead with the bilateral agreement between the U.S. and China because of pressure from various groups that were against China’s WTO membership.

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Developing Nation Status

Entering the WTO with developing nation status was a continual issue for China. Nations that are able to enter the WTO with a developing nation status have fewer responsibilities than member developed nations. For example, developing countries may receive other benefits such as technical assistance to help them develop their markets.\(^\text{25}\) China was adamant about entering the WTO as a developing nation. In the area of agriculture, developing nations are required to reduce tariffs by twenty-four percent while developed nations are required to reduce them by thirty-six percent. The most worrisome area for China was its agricultural sector. With a population of nine hundred million farmers, China was mainly concerned about not being able to raise agricultural subsidies when needed.\(^\text{26}\)

The PRC believed strongly that it should be considered a developing nation because of the ongoing modernizations within the country. WTO member nations disagreed because some parts of China are very developed while others remain far behind economically and technologically. For instance, the eastern seacoast has several large thriving cities with numerous industries. Special Economic Zones (SEZ’s) also exist along the coast because of the ports for international trading. Going farther inland, the picture is quite different because many areas throughout the country are poverty stricken, fighting unemployment and without modern conveniences. This situation has caused the serious problems already mentioned earlier in this paper: unemployment and eastward migration.

\(^{25}\) Groombridge and Barfield, p.18.
In final negotiations with the WTO working party in Geneva, China agreed to concessions concerning developed nation status. The working party had two main tasks – to compile a report based on its deliberations and to complete a protocol of accession. Concessions on China’s part will be most considerable in the agricultural area. For example, the competition between American and Chinese farmers will be disproportionate. Chinese farmers have small plots of land available to them whereas American farmers for example have very large areas with advanced equipment. When China entered the WTO it was agreed that subsidies would be lowered to 8.5 percent and no new subsidies on agricultural exports would be introduced. The subsidies that the Chinese government had been issuing before WTO entry were helping to alleviate some of the problems associated with the modernization process. Now with a freeze on subsidies this will further increase China’s unemployement among its uneducated and already poverty stricken peasants.

China also agreed to eliminate dual pricing policies that account for the difference between the prices of products for sale in China and the prices for the same products being exported. China also agreed not to use price controls for the purpose of protecting domestic industries. These commitments along with several others are meant to aid China in integrating its system into the world economy.

**Intellectual Property Rights**

China’s abuse of intellectual property rights was another problematic area that delayed China’s entry into GATT and later into the WTO. Intellectual property

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27 WTO Official Website. *WTO Successfully Concludes Negotiations on China’s WTO Entry.* http://www.wto.org/english/news_e/pr01_e/pr243_e.htm

28 Ibid.,
rights include copyrights, trademarks and patents for articles of artistic expression and ingenuity. This has been a serious issue for many nations trading with China including the U.S. Losses from piracy for U.S. software industries reached eleven billion dollars in 1998 from China.\(^{29}\) Publishing industries, chemical and pharmaceutical industries were also affected by the piracy problem in China.

In the final negotiations for WTO membership China agreed to immediately implement the Trade Related Aspects of Intellectual Property Rights agreement (TRIPS) after accession. The TRIPS agreement is a WTO agreement that prevents measures and procedures in enforcing intellectual property rights from becoming barriers to legitimate trade.\(^{30}\) Through this agreement the WTO seeks to establish a stronger relationship with the World Intellectual Property Organization (WIPO) and other similar organizations. Through these organizations disputes concerning intellectual property rights can be solved among member nations.

As already mentioned in this paper, China agreed to immediately implement the TRIPS agreement and follow through with making changes to correct violations within the nation. The problem of intellectual property rights violations is widespread within China. In an article written by Richard Behar for Fortune Magazine in October of 2000, he told the story of China’s serious problem in this area. According to the article raids that have been taking place in China upon suspected counterfeiting rings are even sometimes phony themselves. The problem, as also mentioned previously in this paper, concerning corruption has

\(^{29}\) Groombridge and Barfield, p.39.
cost foreign investors in China millions of dollars. The corruption extends this time to a very complex illegal business that even exports their counterfeited products.  

When China first opened the door to the Western world after the Cultural Revolution, Chinese citizens were surprised to see just how rich the rest of the world really was. A realization arose that erased some of the propaganda they had been fed concerning the evils of Capitalism. With this realization also came a desire to have better things for themselves and their families. I personally believe this is a major reason why name brands and copycat or counterfeit products are so popular among the Chinese population. From personal experience of traveling in China and Hong Kong I have been offered counterfeits of several products including Rolex watches, Nike shoes and Levi jeans. This is not considered morally wrong among the Chinese population because they look at it as a harmless way to make a living. The manufacturers of the genuine products see it very differently. Solving the counterfeiting problem in China will be very difficult and time consuming.

More shocking than seeing fake Rolex watches being sold on street corners for U.S. twenty dollars is the fact that these counterfeit products are actually being exported to other nations. Since the unemployment problem is becoming so severe in China many workers are depending upon this illegal business as their livelihood. These exports are going to places like South Africa, the Netherlands and Brazil. Actually these products can reach anywhere in the world. Some of the offended companies have had to hire secret investigators to go deep into China

and uncover the counterfeit rings. Unfortunately the local governments have not been very supportive and some local officials were found to be a part of the illegal business. 32

In an article from the Peoples Daily, the rectifications of six new laws were announced that make its domestic laws compatible to WTO regulations. "The six laws concern the use of foreign capital and the protection of intellectual property rights." 33 These laws also change the regulations of foreign owned enterprises and the last paragraph of the article admits that the Chinese government still has a long way to go in amending laws and implementing them.

The Positive Aspects of China's WTO Membership

China's WTO membership and the continuation of the Four Modernizations Program will bring both positive and negative effects on the nation. Enforcing new regulations and negotiating with its trading partners through the WTO system will be challenging for the Communist nation. The influence of developed Western nations on China has already been significant and will continue to increase with WTO membership.

Changes brought about by the modernization reforms that began in the 1980s touched every part of Chinese society and government including the Chinese Communist Party (CCP). In order for the modernization program to be successful it had to be a genuine effort including: government organizations, the economy, the military, culture, art, education, industries, agriculture, science, national defense and technology. Another important aspect of the reform was to

32 Ibid., p.189.
file://c:\windows\TEMP\triEAPEI.htm

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bring China into the forefront of international economics by the new millennium and also to make China a recognizable world power.

**Economics Placed above Ideology**

This was another positive aspect of the Four Modernization Program. Deng Xiaoping realized China would never achieve greatness on an international level if it remained a poor developing nation isolated from the developed nations of the world. Therefore, Deng promoted changing the basic economic principles of the Communism system to a market based economy. A major part of a market based economy included free trade that was very similar to the Capitalist system that was considered the reason by Communists for much of the economic inequality in the world. It also shifted some decision-making responsibility for running businesses from government officials to local managers. It would seem then that he was instituting a program that was in direct conflict with the Communist system that was in place in China. A market-based economy with Chinese characteristics was a new idea and confusing in nature to both Chinese and Westerners alike. The fact that the PRC was not a market economy but an economy based upon Marxist ideals made it difficult for it to be incorporated into the international community and GATT.

The major changes that Deng Xiaoping initiated mainly took place in the areas of economics, education and technology. These changes took place slowly compared to the very to the drastic changes the Soviet Union made in a short amount of time. China did and continues to make these changes without replacing the Communist system. Peter Drucker, the Economist and well-known Author described China's modernization in comparison to the changes the Soviet
Union made when it was trying to modernize. 'While Russia started its entry into modernization by changing politically, China is transforming its economy first.'

It may be for this reason that China has so far avoided the instability Russia experienced when it reformed its political system first.

**Replacing Isolation**

The continuance of replacing the isolation of the previous decades with the open door process was a very positive aspect of China's modernization process. It will continue to be important with China's WTO membership. This process involved inviting foreign specialists and advisors to China to assist in the modernization process. Foreign investors were also welcomed to form joint ventures with state owned enterprises. Foreign investment was encouraged after the PRC joined the International Monetary Fund and the World Bank. Special economic zones were set up in Guangdong, Fujian, Shenzhen and Zhuhai. These areas were meant to encourage foreign investment by allowing special trade benefits.  

The door also opened for Chinese students to study in other countries and earn degrees in science and technology. The hope was that these Chinese students would return to China and aid in the modernization process.

Opening to the outside world has brought significant advantages to China. In the last two decades not only have they grown economically but technology and education have also modernized. The top leaders in the government now embrace the Capitalism that was once despised and blamed for many the economic inequalities in the world. Many of the current leaders in China are now technocrats; those with higher educations and training in areas of business and

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34 Drucker and Nakauchi, p.4.
35 Brugger and Reglar, p.56.
technology. These leaders have played an important part in the pursuit of WTO membership. This membership will not only allow but also force China to open its industries, banks and society to the world like never before. In the eyes of the Chinese government the reaching of this goal has fulfilled its promise of not only opening to the outside world and give China an elevated international status but also allowing its citizens the possibility of becoming prosperous.

**Importance in Asian Region**

China has become an important leader in the Asian Pacific region as well as in the world. It is expected to account for a third of the global economic output by the year 2010. WTO member nations in Asia and around the world now consider China’s membership a very important aspect for the future of international trade. This membership will not only increase the level of development in the area but also help to promote peace among Asian nations.

The growth of the consumer market in China has increased considerably since the 1980’s when the door really began to open to the outside world and foreign investment began pouring into the country. In a recent New York Times article entitled, Japan’s Export Power Drifts Across the China Sea, the author, James Brooke, stated that China is expected to replace Japan as the leading exporter to the United States this year. China is also expected to replace Japan as the largest economy within the next twenty years. Chinese factory workers earn only five percent of the amount Japanese workers earn and the quality of Chinese

In another article in the New York Times written by Jane Perlez, she makes the point that China is bound to replace the United States as Asia’s major trading partner because China is buying its goods, parts and raw materials from countries
like Singapore, Taiwan, Japan, Malaysia and Indonesia. These Asian nations see their relations with China as improving and on a good level. It seems that they are resolved to the fact that China's market is a growing force in the region and it is best to accept its future leadership role in the Asian economy. Yet with all of China’s growing power in the region it is dependent upon its Asian neighbors for trade and raw materials. 37 China’s dependence upon its Asian neighbors increases the importance of the WTO because each member nation in Asia will be following the same trading rules and regulations. Another positive aspect of China’s WTO membership is that disagreements will be settled within WTO guidelines. This aspect should help to ensure peace in the area.

There is a good possibility that if China can continue to maintain internal stability as well as stability in foreign relations they will not only be the largest market within Asia but also one of the largest in the world. It is also for this reason that China’s Asian neighbors as well as developed Western nations are reluctant to confront China on issues of conflict such as human rights and instead attempt to remain unbiased in areas of disagreement. Knowing that in the not too distant future China may have the upper hand in trade makes WTO membership essential. Napoleon once said, “China is a sleeping giant. When it wakes, it will move the world.”

**Negative Aspects of China’s WTO Membership**

Along with the positive aspects of China’s WTO membership there will be inevitable problems accompanying its international status. Opponents both inside and outside of China have reasons to be apprehensive about the future of China’s

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http://query.nytimes.com/search/abstract?res=F00C1EF6385A0C7B8EDDAF0894DA404482
WTO membership. Maintaining stability within China while unemployment continues to rise and surviving the increased competition from foreign corporations will be a challenge to the current Communist government. Considering the fact that China has the largest population in the world, instability will cause problems not only for Asia but also for the world.

Peter Drucker in his book of a conversation between himself and Japanese economist Isao Nakauchi makes the following statement that expresses some problems China could face in the future.

Terrible choice between inflation and social upheaval – unemployment in state run enterprises. Halting inflation would mean sending millions of people into unemployment. Peasants out of work have caused unrest before.\(^{38}\)

While these issues are truly distressing, China is now a WTO member and on the road to modernization with no turning back.

In the past two decades corrupt business practices have become a problem in China. In a recent New York Times article entitled, Russia and China Called Top Business Bribers, Transparency International, an independent anticorruption organization made the statement that in the eyes of business analysts China and Russia were at the top of the list as the most corrupt developing nations in the area of business dealings. The reaction from these developing nations was that someone has to agree to pay the bribes in order for the transaction to take place.\(^{39}\) So, in their eyes not only are the Chinese business people at fault but also its foreign trading partners.

The seriousness of the problem has cost the Chinese economy large amounts of money. Economist Andy Xie of Morgan Stanley Dean Witter estimated

\(^{38}\) Drucker and Nakauchi, p.12.  
\(^{39}\) Transparency International Website, Regional Reports.  
www.globalcorruptionreport.org/download/rr_east_asia_pacific.pdf
that corruption cost the economy of China 2-3 percent of the country’s GDP. According to Professor Hu Angang of Tsinghua University in Beijing, the cost is as high as 13-16 percent of China’s GDP, and that 15-20 percent of public project funds ‘leak’ into private hands.\textsuperscript{40}

This problem could increase as foreign trade increases with China’s WTO accession. Since the Chinese government has tight control of media and all areas of privatization it restricts Non-governmental Organizations (NGO’s) from exposing problems of corruption. With China’s WTO accession, many new opportunities for corruption will be available. On the other hand, with the WTO in China there will be an opportunity for corruption to be reined in and controlled because of new membership regulations. This presents a challenge to the ruling Communist Party (CCP) in China and for foreign investors to condemn this practice, enforce laws against it and abide by them.

\textbf{Environmental Damage}

In a hurry to modernize China has not dealt with the environmental damage that has been taking place since the 1980’s.\textsuperscript{41} Poor environmental equipment standards have already caused severe damage to China’s atmosphere, water and land. Now that China is a WTO member the problem will increase because of the increase in industrial production and even automobile emissions. Awareness is growing within China about the possible environmental problems in the future. Recent studies in Shanghai show that if changes are not made soon the greenhouse gases emitted from automobiles could increase seven times the


\textsuperscript{41} World Bank. \textit{China Country Brief}. http://lnweb18.worldbank.org/eap/eap.nsf/Countries/China/6DEA\textsuperscript{F}1C\textsuperscript{89A}2\textsuperscript{9A}3\textsuperscript{C}8852\textsuperscript{5}B2\textsuperscript{1}006\textsuperscript{C}13A\textsuperscript{7}?OpenDocument
current level by the year 2020. Although China is the world's fourth-largest country, it has only seven percent of the world's arable land and this has continued to decrease since 1949. The major causes of the damage have been soil erosion, deforestation, desertification and economic development.

As mentioned in the above paragraph China has been modernizing for the last two decades and similar to other developing nations has not been able to make environmental concerns a major priority because of the cost of environmental technology. With this already problematic foundation China will be responsible for maintaining current regulations, which are few, and also instituting new ones in the future. According to an article written in 2000, in the China Daily titled, New Laws to Ensure Better Environment, the five-year plan included new laws to protect the environment especially in the west where development will be taking place in the near future in order to eliminate poverty. The mistakes made in the development of the coastal areas will hopefully be avoided in this new area of development.

China's largest cities continue to have the world's most polluted air and water. Water for public consumption must first be boiled and filtered before drinking and acid rain in China's major cities is the worst in the world. The seriousness of the present situation is alarming but the future will be even worse if environmental issues are not addressed. According to an article written for the

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World Resources Institute that reviews and analyzes Chinese reports on public health, stated that approximately half of the population in China drinks water that is contaminated by animal and human excreta. So, who should be held responsible for cleaning up China? Ultimately, the responsibility rests with the Chinese government because that is where the power rests. Yet, foreign corporations and investors in China also have a responsibility to maintain the same standards in China as they do in developed nations. Also, citizens in China and the citizens in the developed world have a responsibility to become and remain conscience about the problem of pollution in China and in other developing nations.

In a meeting of the High Level Symposia on Trade and Environment and Development a spokesman on behalf of the United Nations Environment Program spoke concerning the link between trade, environment and development. The maintenance of a safe and healthy global environment should be a major concern of industrialized as well as developing nations. For without a habitable planet what good is international trade? Since the WTO is the major trading organization it should be concerned about and involved in environmental issues.

The WTO cannot and should not be held totally responsible for the actions of industries in developing nations, but limits should be set and rules should be made in order to control the amount of pollution due to industrialization in developing nations. China, as a developing nation has been more concerned with modernization than providing a safe environment for its citizens. Clearly, this will

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lead to disaster for vulnerable Chinese citizens and an obstacle to the continuing economic growth in China.

Corporations investing in China also have a responsibility to maintain the environment in the host country. Kodak is a good example of a positive environmental influence in China. Kodak acquired a former state owned enterprise in Wuxi, a city in eastern China and formed Kodak (Wuxi) Co. Ltd. (KWCL) producing medical x-ray films. The plant was built near Lake Tai, which became an environmentally protected zone after Kodak began renovations. Consequently, the area became off limits to Kodak and the plant was shut down. This was after Kodak invested U.S.$1 billion for renovations and the installation of new equipment. In addition to the initial investment, many improvements were made to the site area including the construction of a new water recycling facility. Even though Kodak lost a large amount of investment dollars after the plant was closed, employees were given re-training and re-employment opportunities.¹⁴⁷ Unfortunately, not all industries will be as considerate and responsible as Kodak has been and are only concerned with making a profit and then moving on to pursue a better deal.

Current International standards in Environmental education need to be included in the curriculum of China’s colleges and universities. Peter Drucker in his book makes the following comment concerning higher education in China “Higher education in China is outdated – controlled by the government and not international standards, it’s not practical.”¹⁴⁸ Important changes need to be made in this area if China is going to move along on the road to modernization.

¹⁴⁸ Drucker and Nakauchi, p.9.
Education reforms will present challenges to the current Communist government mainly because Communist ideals may be challenged while introducing Western education. The next generation of Chinese that are still in school can be influenced in an environmentally positive way if knowledge is introduced along with the freedom to make necessary changes in their society.

The Chinese government has already begun to institute environmental education in primary and middle schools in the country. The Beijing Youth Daily will hold a contest related to environmental questions. The students getting the top grades will be given financial aid to visit the United States for environmental education programs. This is a joint effort with U.S. environmental organizations and colleges. 49 Not only students but also citizens in general will need to understand the seriousness of the environmental problems at present and in the future. Most importantly, government regulations should be created and enforced to try and undo the damage already done and lessen damage in the future.

Author Callum Henderson in his book, China on the Brink, devotes a section to the current environmental problems in China and possible problems in the future.

Meanwhile millions of tons of untreated industrial waste and sewage are being dumped into Chinese rivers everyday, and the available water supply and food resources-fish stocks-continue to decrease. The air, for its part, does not escape this environmental and ecological degradation. While the smog in Beijing or Shanghai is an obvious reminder, more fundamentally China produces every year around 10% of world emissions of sulfur dioxide, 10% of carbon dioxide, and 15% of ash. The result is not only increased global warming but acid rain—which further increases ecological deterioration through damage to water supplies and forests, and so it goes on. 50

The pollution problem is evident when traveling in China and other parts of Asia. The solution will not only come from the Chinese government or MNC’s investing in China but from the citizens living in China and other Asian nations. Who better to make changes than those directly affected by the lack of clean air, land and water? Chinese children now live in poverty and a polluted environment but their children may have a better world if changes are made now. Although the WTO is not primarily responsible for the pollution problem in China and other developing nations there is a chance member nations trading with China can encourage and help to bring about that change.

Recent studies have shown that there is an increased interest in environmental issues among Chinese citizens. For example in an article written in 1999 by Marsha Walton titled, China Hosts Expo to Heighten Environmental Awareness, Chinese citizens participated in an exposition designed to not only show off their horticulture but also to learn about the importance of environmental awareness.51

The environmental problem in China is not unique in Asia. Asian environmental groups have voiced concerns about the area. A meeting was held in Beijing to combat the acid rain problem in February of 2000. According to the article written for the China Daily, due to Asia’s industrialization, environmental experts predicted that by 2020 sulphur dioxide emissions in East Asia will triple the 1990 level and amount to 75 million tons if present trends continue.52 The situation is too serious to be ignored anymore. In addition, it seems logical that

http://europe.cnn.com
52 "Asia Reins in World to Combat Acid Rain," China Daily (February 2002).
pollution will increase considerably now that China is a WTO member because industrialization and auto emissions will also increase.

In a book written by C. Ford Runge, Freer Trade, Protected Environment, study groups explore the possibility of balancing trade liberation and environmental interests. One thought provoking question that is asked is whether trade liberation is likely to harm the environment or whether it is part of the solution.\textsuperscript{53} Although the volume of trade will increase, the increase of technology should also promote safer and more productive uses for waste. Improved technology can and should be a part of the solution for China in the future.

The increase in trade and modernization that China will experience now that it is a WTO member will leave it more of an opportunity to modernize and institute new environmental protection technologies. MNC's investing in China should not only be required to follow the same rules they follow in the United States or other Western nations but also aid China in investing in this technology for the public good. It should be the responsibility of developed nations and organizations to aid developing nations in this area for the future of humanity. Profits that China will make by having WTO membership advantages should be reinvested into technology for pollution control.

The WTO has received severe criticism for the problem of creating pollution in developing nations but it has also implemented programs to aid developing nations in their quest for economic success. The Doha Conference Ministerial meeting that took place on November 14, 2001 implemented programs to aid developing nations in their quest for improved technology and plan to hear reports


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from working parties on their progress in the next meeting in September, 2002 of
the fifth session of the WTO in Africa. Developed nations were asked to share
technology in this area.\textsuperscript{54}

\textbf{Unemployment}

The most unsettling problem China is currently facing and will increasingly face in the future is unemployment. This crisis is mainly due to the restructuring of State Owned Enterprises (SOE’s). Part of China’s modernization and reforming process has been to transform SOE’s into self-sufficient enterprises. These SOE’s not only supply jobs but also welfare benefits for Chinese citizens. The Communist system depends heavily upon the work unit to take care of its members and provide safety nets. Now that SOE’s are failing there are no safety nets for unemployed workers. Those that have been laid off will also have a difficult time finding new jobs because they may not be prepared and trained for the changing job market. This has caused not only more poverty but also an eastward migration to the coastal areas where there are more jobs. There is also more rising discontent among those that cannot join the floating population moving eastward.

The Communist government in China has a serious problem to deal with at this time in their history. Providing for the people has been one of the major responsibilities of the current Communist government but the recent rise in unemployment has caused economic causalities.\textsuperscript{55} These unemployed workers and in some cases retired workers with no pensions are already taking to the streets to protest. How will the government deal with these citizens especially

\textsuperscript{54} WTO Website, \textit{Doha Ministerial Declaration}.
http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm#tradeenvironment

\textsuperscript{55} Henderson, pp.44-45.
those in the rural areas where Communism began and received most of its support? These unhappy citizens have already organized workers rights groups that coordinate the protests. In June of 2002, two leaders of the banned democratic Democracy Party were given long prison sentences for organizing protests of unemployed and unpaid workers. \textsuperscript{56} This act by the government of the PRC gives an indication of the intolerance that may increase in the future.

It is estimated that entry into the WTO will create twelve million jobs in certain areas of China but will also reduce approximately ten million jobs in other areas. This unemployment problem has become an increasingly important issue in China since they began restructuring their economy. It has also caused an ever-growing gap in development between rural and urban areas. \textsuperscript{57}

Unemployment has increased in the rural areas, as state owned factories are being closed to open the market for MNC’s. Displaced peasants have been forced to leave their villages and even provinces to look for work in the cities. According to the 1999 Human Rights report there are between eighty and one hundred thirty million persons who make up this floating population, many major cities have counted one million or more such persons. \textsuperscript{58} From my own personal experience many of these people are children who leave their homes by train and live in or near the train stations making money by begging and stealing.

Not only has unemployment risen but also those who have retired are facing retirement without any pensions. China’s one child policy has increased the


strain to provide retirement pensions for its aging population. China now has one of the world's fastest growing aging populations. By 2030 it is expected that nearly twenty-two percent of its population will be over age sixty.\footnote{Michael Tanner, “Private Provision of Retirement Security and Health Care.” http://www.cato.org/eento/china/papers/tanner.html} At the same time the worker population will be shrinking because of the one child policy. As mentioned above SOE's not only provided jobs but also provided welfare benefits including retirement pensions. Now with the increase in unemployment and the closing down of factories many retired workers are facing the future without retirement benefits.

It is not feasible for China to depend on the pay as you go system of providing retirement benefits for its citizens. This system relies on the younger workers to pay taxes used for retirement benefits. The concept of saving for retirement is new to the Chinese since they have been so dependent upon the government to supply their needs. The government has supplied these benefits along with other basic needs through the work unit for their entire lives. Since many work units do not even exist anymore many citizens are left with nothing for the future. Unless a new system is devised and put into place the future will not be bright for China's aging population.

WTO membership will bring even more changes to the unemployment and pension systems in China. This membership will increase the number of SOE's and more importantly work units closed down and in turn increase the number of unemployed workers. These changes will happen quickly because of the amount of MNC's waiting to be a part of the China market. Even though this situation seems overwhelming it can provide some positive prospects to Chinese workers.
Since many will need to be retrained and employed in these new foreign owned businesses this will be provided by the investors. Part of the solution rests with the WTO to watch over the situation as China is making these changes. Another interesting aspect of this situation is that foreign companies will have more rights to run their businesses in China under WTO rules and regulations. The foreign companies may influence changes within China.

Another cause of unemployment is related to the changes in the area of agriculture. When the communes of the Cultural Revolution Days were eliminated subsidies from state runs banks replaced incomes made by farming. Then recent bank closings due to restructuring have resulted in more unemployment and a lack of funding for farmers. An eastward migration of former farmers to the thriving coastal areas has taken place and is partly responsible for the regional disparity.

Regional disparity in China is a continuous problem not only difficult to solve but also to assess. Even though citizens living inland are living in poverty many of those living on the coastline and in Special Economic Zones (SEZ’s) are prospering. This was part of the disagreement of whether China should be considered a developing or developed nation when entering the WTO. For example, the telecommunications industry is developed in coastal areas and SEZ’s but not throughout the whole country. Therefore, development in China is difficult to assess in a consistent manner. Peter Drucker in his book describes the problem of the growing discrepancies.
Tension between coastal cities and inland areas – levels of discrepancies between rich and poor is growing. If China survives – unemployment and inflation it will offer great prospects to the international community. It is a risk that cannot be ignored – foreign entrepreneurs have a 1 in 3 chance of success.\textsuperscript{60}

The financial gains for Chinese citizens will also be unevenly distributed because most of the benefits will be felt in the cities along the coastline. But again as in history, Chinese citizens have to sacrifice in many ways for the wishes of their leadership in order to survive. A small percentage of Chinese citizens will be financially successful but most will feel the negative affects and be forced to accept the changes in their lives without the possibility of resistance.

**Conclusion**

China was one of the original signatories of GATT in 1948, but lost its status due to political changes. After surviving the devastation of the Cultural Revolution, China began pursuing GATT membership and then WTO membership. This goal was finally reached after fifteen years of overcoming obstacles and making important domestic economic and political changes in order to conform to WTO regulations.

China’s motivation to be a member of the WTO was economically important to the Communist government in order to support its modernization efforts. It was also important culturally in order for China to regain its status as a world leader. The future of China’s WTO membership will be dependent upon many factors and the effects of this membership will be both positive and negative.

China’s modernization evolution will increase even more now that it is a WTO member. Abiding by the rules and regulations of an international organization will be a new challenge for the fifty-year-old Communist regime. If

\textsuperscript{60} Drucker and Nakauchi, p.14.
the intentions of the PRC are to become a contributing member of the WTO and the international community more political and economic changes will have to be made. By allowing the entrepreneur atmosphere to grow the standard of living for Chinese citizens will flourish and democracy will evolve. The results therefore are not going to be dependent upon the WTO but upon the Chinese government. The WTO will only provide China with a means to become successful not only in international trade but as a nation.

The outlook for the immediate future may not be positive for China but the process has begun whether or not it is too soon. The international finance community interested in investing in China is enthusiastic about the opening markets but they may be viewing the immediate future unrealistically. Recent history has been positive for China because the consumer market has grown considerably since the 1980's when the door really began to open and foreign investment began pouring into the country. The future will be complex as the current Communist government competes with the international community and solves complicated domestic problems that will accompany WTO membership.
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