



International development: challenges for a world in transition

Negotiating China's accession

Narrator: In order to join the World Trade Organisation, a country has to make multi lateral agreements with potential trading partners from around the world. Among these trading partners there are big differences in the impacts of China's joining up. John Taylor is a China specialist and Professor of Politics at London's South Bank University.

JT: In terms of China entering the World Trade Organisation, and obviously some countries are going to benefit more than others. The most important ones won't be regionally. But I should think the most important country to benefit will be the United States and some European countries. But then they're obviously benefiting from it already. But there will just be a massive opening up of China's domestic market. So they will benefit from China joining the World Trade Organisation.

I think there is some concern regionally, within Japan, about competition from China. And there's certainly a lot of worries within east Asia and south east Asia. Simply because China will be able to produce things much more cheaply than commodities are being produced in other countries in south east Asia. So there's a tremendous concern about that. Particularly from countries like Thailand. And much more so countries like Indonesia.

Narrator: But what about the impact on China itself. Jun Woo is a radio Journalist, working for BBC World Service. He's covered the story of China's accession to the WTO in detail. And has been out to China to interview business leaders, academics and ordinary people there.

JW: Yes. From the people I talked to in China, the general impression is that they are all quite on the whole positive about the prospect of China joining the WTO. They think this will do China good. Not just in terms of economy. Also in terms of China's economic reform. And they also think the major beneficiaries will be the consumers. Of course nobody denies China will experience some difficulties. Especially initially, immediately after the joining of the WTO. But it seems they all think in long term this is a good thing for China.

Narrator: So, if China's accession to the World Trade Organisation is welcomed by China, and also welcomed by at least some of the world's most powerful economic forces. Then why have the negotiations taken so long? Peter Nightingale.

PK: Accession to the WTO for China goes back 15 years. So it's been a long and tortuous process. And of course at the beginning there was no WTO. It became the WTO during the course of negotiations. It started off as a very very different economy to the type of economy it is now. It was a strict communist government. A centrally planned economy. Which of course has changed over the course of the years. Particularly over the 15 years that they've been negotiating. So I think that has been one of the reasons why the negotiation has taken so long.

JW: The sustain the economic development has been the key for the survival of China's communist government. This has been obvious. Especially since 1989, the Students Democratic Movement in China. And they have also learned from the experience for the former Soviet Union and Russian. They realised that to stay in power, you have to develop the economy, keep the economy going. Otherwise you can easily lose the grass root support.

PK: I think the negotiations have been difficult, essentially for three reasons. One of those is that China as always, in all its negotiations, holds on for as long as possible to get the best deal. And very often the people with whom it's negotiating don't like that. Secondly, the World Trade Organisation proposals have to be in a sense sold to most groups within China. And because there are some concerns about that, the longer they could take to do it, the more the disseminated information through television and the newspapers. And then thirdly, it's political really. Under the Bush administration in the early months, there were a whole number of difficulties. In terms of the spy plane incident. In terms of the Olympic games and all those kind of decisions. And once those were out of the way, then when we got through the middle of 2001, it became easier for the Chinese to join.

Narrator: But the difficulties are not just political. They also economic.

PK: The negotiations have been so difficult because China is this unique country. With the potential to be a huge economy power. People estimate that if China's growth differential with the United States continues for the next 15 or 20 years. Then China will be the world's biggest economy. Bigger than the United States. Not per capita, but in total. So that with a country with that sort of potential, of course every sector, every government has had an interest in making sure that the terms upon which China enters the WTO are the right terms for a country with that potential economic power.

Narrator: It's this huge potential that gives China its clout. And it could even have repercussions for the WTO itself.

PK: WTO I think has always said that it can't genuinely be called the World Trade Organisation, until it has China. Which represents a fifth of the world's population as one of its members. There are those of course who say that China joining the WTO is going to break the WTO. Because its disputes procedure just won't be able to cope with the number of disputes that will arise. There is no doubt that the WTO has got to accommodate this. and now they've got this enormous great mammoth of a country joining, which is covering everything from the highly developed to the highly under developed. And the WTO has got to cope with that.

Narrator: But the changes within the WTO are dwarfed by the changes that will have to be made by China. The specific nature of these changes will differ from sector to sector. And our survey can only include a few. We'll start with farming, since China still has a very large agricultural sector.

JW: One of the areas I focussed on was agriculture. It was a difficult area in China that [one word] negotiation. Reforms in agriculture in China was most impressive in the early 80's. And since then as many people pointed out, it has been taken over by reforms in other sectors of economy. Like industry and trade. The whole structure of agriculture will have to change. Because the government now is too manipulative from the various levels of government. This will have to be changed and leave the decision to be made by people who are directly involved in the everyday running of the agriculture. Leave them to the farmers.

Narrator: Jude Howell lectures at the Institute of Development Studies at the University of Sussex. She's made a special study of China's reform in the rural sector.

JH: I think for those agriculture products that are likely to have to compete in the international economy, China is going to face a lot of challenges. Already China faces great constraints upon agricultural production. And will find competition in the international economy intense. But we also have to remember that China has a large local market. So we have to look carefully at how the WTO is also going to rebound upon those farmers who are not engaged directly in export. But who may be facing cheaper input from abroad, for certain products.

Narrator: China also has a distinct urban population. And traditionally this was focussed on manufacturing. China's giant state run industries will also be affected.

JH: Yes. There are going to be winners and losers as China enters a WTO and in the period after accession. Most obvious loser in the urban areas are going to be some of the state owned enterprises in China. Of course those that are already doing pretty well, are going to face increased competition. And may survive and do very well. But the majority of state owned enterprises have been meeting difficulties. And in the 1990's have already been retrenching workers on quite a massive scale. And this will particularly hit workers from age 40 and over. They're going to be quite significant generational differences. And also gender differences. Problems for women workers, who have enjoyed a secure income over a number of years. And are thrust out into the market place to look for new employment.

Narrator: Rising unemployment brings huge challenges for social security provision.

JH: Well for laid off workers, the government had a scheme over a three year period, of providing them with some benefits. Which were a reduced amount of payment, monthly payment. In some instances, unfortunately workers did not actually receive these benefits. Particularly where enterprises had gone bankrupt and assets had been sold off. One of the biggest challenges as well is of course in the old state enterprises. That they were units not only of production but also of reproduction. And by that I mean that they provided numerous welfare benefits for their workers. So for those workers who have been retrenched. They have also deep concerns about what are they going to do when they are sick. What are they going to do about their dependant relatives. And for retirees also, are their pensions secure. Are they guaranteed.

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