**Cooperation Between China and EU in WTO Reform**

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**I. The Background of WTO Reform**

Since the global financial crisis in 2008, the world economy has been growing at a much lower rate, and economic globalization has been subject to bottlenecks and even headwinds. Meanwhile, the World Trade Organization (WTO), an important institutional basis for economic globalization, is also facing severe challenges. The Doha Round of negotiations launched in 2001 has failed in practice, while the United States has been keen on negotiating mega-regional trade agreements since 2009. The Trump administration has completely shifted to unilateralism and protectionism since 2017, directly using its domestic laws to adopt a series of large-scale sanctions, such as Section 232 of the Trade Expansion Act on the grounds of national security and Section 301 Tariffs targeted at China, which have caused substantial damage to the authority and effectiveness of the WTO. Furthermore, the US has long obstructed the appointment of judges to the WTO Appellate Body, deliberately paralyzing this independent, non-politicized and generally well-functioning international judicial system.

Fundamentally speaking, the biggest crisis currently facing the WTO is the challenge of unilateralism to multilateralism, the result of overriding domestic law over international law, and the act of transferring the responsibility for the failure of domestic governance to international mechanisms. However, it is undeniable that the current WTO rules were mainly established in the early 1990s at the initial period of rapid globalization, featuring the combination of information technology and manufacturing. After more than 20 years of global trade and investment liberalization and the rapid development of information technology, the Internet, and digital trade, tremendous changes have taken place in the economic development, industrial structure, employment rate, and income distribution of various countries. At the same time, the relative economic strength in various countries has also undergone great changes. The rise of China and other emerging countries has broken the original international economic and trade relations and the world economic pattern. On one hand, these changes have put forward urgent requirements for the WTO to formulate new rules and adapt to the new situation. On the other hand, they have caused a great impact on the WTO’s original operating mechanism and mode. Therefore, reforms are necessary whether in terms of its operating mechanism or its system of rules, as responding to the changing situation.

**II. China's Basic Position on WTO Reform**

2021 marks the 20th anniversary of China's accession to the WTO. Over the past 20 years, China's economic miracles attract world attention. As one of the biggest beneficiaries of the WTO, China has no reason to undermine it, but has every reasons to support it.

Firstly, as an international obligation, China’s commitment to joining the WTO ensures the achievements of domestic reform and opening up, making China a model for accepting international rules and integrating into the international order, attracting global trade, investment and technological resources, and enabling China to grow into a key part in the global value chain. Secondly, China's industrial structure is complete and the proportion of manufacturing is high, which makes China highly dependent on global resources and markets. The WTO is the key mechanism for ensuring the stable operation of the global market. The WTO is the most efficient and effective platform to guarantee China's global commercial interests. Other regional, bilateral or sectoral trade integration arrangements are further targeted improvements on this basis. Thirdly, the WTO is also the best multilateral framework for expanding China's global interests. The WTO has a broad membership structure that covers all developed countries and the vast majority of developing countries. With China's current industrial structure and international competitiveness, such a structure is most conducive to the realization of China's trade interests.

For this reason, China has always maintained an open, inclusive, and constructive attitude towards necessary WTO reforms. Maintaining a strong multilateral trading system also truly conforms to China's economic and trade interests and governance needs. The Chinese government has submitted two official documents on WTO reforms, expounding China's principles and position. At the same time, with the help of the force of WTO reform, it is possible to create an external institutional foundation for China's economic transformation, industrial upgrading and technological innovation, contribute to high-quality, innovative, and sustainable development in China’s economy, and enhance China's ability to participate in the global economic governance system. On the whole, China believes that the WTO is still an important pillar of the international economic governance system. The multilateral trading system provides a safe and healthy environment for global trade development and promotes economic growth and sustainable development. It is necessary for WTO to carry out reforms. Instead of overthrowing the multilateral trading system, it should maintain its core position, and strive to solve its existing problems in order to improve its operational efficiency and the effectiveness of its rules. Especially with regard to individual members’ abuse of hegemony and arbitrary implementation of unilateral and protectionist policies, the overwhelming majority of WTO members should firmly uphold multilateralism, defend the hard-won achievements of multilateral trade liberalization, oppose turning back the wheel of history, and resolutely advance the healthy and inclusive development of economic globalization.

**III. The EU's Basic Position on WTO Reform**

As a product of multilateral cooperation, the EU is the most integrated regional economic group in the world today. Therefore, it has always firmly supported the rules-based multilateral trading system and has always been a constructive force for WTO development. The lessons of Brexit have made the European Union aware of the harm of individual countries imposing unilateral measures, and the Trump administration’s steel and aluminum tariffs have directly hurt the EU’s trade interests. Therefore, the EU and China are both victims of unilateralism.

It is precisely because it cherishes the value of the WTO that the EU also takes a positive stance on WTO reform. On September 18, 2018, the European Union published a conceptual document on WTO modernization, covering rulemaking and development issues, daily work and transparency, and dispute settlement mechanisms. On November 29, 2018, the European Parliament passed a resolution on "WTO: The Road Ahead", which emphasized the importance of WTO in rulemaking and dispute settlement, but also pointed out that the WTO is currently facing a deep crisis. On February 18, 2021, the European Commission issued a policy document on *Reforming the WTO: Towards a Sustainable and Effective Multilateral Trading System*, highly appraising the value of the WTO, and advocating the rebuilding of consensus, the restoration of the normal operation of the Appellate Body, the establishment of a more effective negotiation mechanism, the improvement of the WTO’s operating mechanism, etc.

**IV. Consensus, Differences and Cooperation Prospects Between China and the EU on WTO Reform**

China and the EU have a solid and broad consensus on the issue of WTO reform. First of all, both China and the EU are firm defenders, supporters and practitioners of multilateralism, and both hope to maintain the stability and development of the multilateral trading system. Both China and the EU believe that no member should enjoy unconstrained privileges in the WTO. The amendment and formulation of WTO rules require broad consensus among members. Second, both China and the EU strongly call for and support the normal operation of the dispute settlement mechanism and resuming the appointment of members of the Appellate Body as soon as possible. An independent, professional, and non-politicized dispute settlement mechanism is essential for maintaining the fairness and effectiveness of the WTO. Third, both China and the EU actively support the expansion and upgrading of WTO rules, especially the negotiation and rule-making on some new issues. Both China and the EU have participated in all four ongoing plurilateral negotiations, including investment facilitation, domestic regulation of services, e-commerce, and small, medium and micro enterprises, and they have a high degree of agreement in their principles and position. Both China and Europe hope to foster the largest consensus among members through flexible and various forms of negotiation, and continue to update and expand the WTO rules system, and continuously improve the relevance of the WTO. Fourth, China and the EU both strongly support the concept of sustainable development. They not only play a constructive role in the UN climate change negotiations, but are also active participants in the WTO *Environmental Products Agreement* negotiations and fisheries subsidies negotiations. They advocate the coordination of trade policies to support global efforts to combat climate change and environmental degradation through trade policy coordination.

However, it must be recognized that China and the EU also have certain differences on the causes and solutions to the challenges facing the WTO. In particular, the tripartite mechanism established by the European Union, the United States, and Japan continue to criticize the so-called "non-market-oriented behavior", and it holds certain doubts about the principle of special and differential treatment for developing countries. In this regard, we believe that as long as we can discard ideological prejudice, these issues can be resolved through negotiation. First of all, the WTO's existing subsidy rules are capable of tackling trade-distorting subsidies well, and it is entirely feasible to make appropriate improvements on this basis. Secondly, Chinese President Xi Jinping has promised at the 2021 CIIE that China will be active and open to negotiations on issues such as industrial subsidies and state-owned enterprises. Moreover, China has already applied to join the CPTPP and has shown its sincerity with practical actions to continue to promote market-oriented reforms and accept general international rules. Third, China has always been one of the most open and active participants in WTO negotiations among all developing countries. Although China is undoubtedly still a developing country, it has not used that as an excuse to avoid its due obligations. China is the only BRICS member to participate in all plurilateral negotiations, which has fully demonstrated China's attitude.

It is precisely based on the common belief in multilateralism and the common aspirations to safeguard the multilateral trading system that China and the EU have adopted various forms of cooperation on issues related to WTO reform. China and EU firmly oppose the U.S. protectionist measures under the cover of national security, and have filed dispute settlement complaints against the U.S. under the WTO framework. In October 2018, China and the EU established a joint working group at the deputy ministerial level for WTO reform to continue to exchange views on advancing WTO reform. In March 2020, China, the European Union and more than a dozen other WTO members jointly issued a ministerial statement, deciding to establish a multi-party interim appeal arbitration arrangement in the WTO. This arrangement will use the arbitration procedure stipulated in Article 25 of the WTO's *Understanding on Rules and Procedures Governing the Settlement of Disputes* during the suspension of the Appellate Body to hear disputes appealed by the participating parties. In addition, China and Europe continue to expand bilateral trade and investment, becoming each other’s one of the largest trading partners. At the end of 2020, the two sides negotiated and reached the *China-EU Comprehensive Agreement on Investment*, injecting new vitality into the troubled economic globalization. Unfortunately, due to some political and ideological differences, the process of ratifying the agreement has stalled.

Therefore, The key to China-EU economic and trade cooperation including cooperation in WTO reforms lies in avoiding the politicization of economic and trade issues, getting rid of the interference of ideological differences, and carrying out candid dialogue and pragmatic cooperation in response to specific issues between China and the EU and within WTO. The economic foundation of China-EU cooperation must be strengthened, so that the two sides can jointly make more and greater contributions to the maintenance of world peace, stability, as well as common development and prosperity.