

**WTO Accession and Chinese Economy:
Impacts on Agriculture, Financial Sector,
and State-owned Enterprises**

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WTO Accession

- China has concluded the Fifteen years' negotiation and becomes a full member of WTO on December 10, 2001
- The main spirits of WTO are to lower tariff rates, to eliminate quantitative restriction, and to give direct access to domestic markets

Dissentient Voice against WTO Accession in China

- Small peasants and inefficient SOEs
- Cold war mentality

Overall Judgement

- Long run--beneficial because of better access to foreign market, capital, technology, and competition pressure
- Short run--beneficial because of expected large inflow of FDI
- Medium run will be the real challenges. How large will the challenge to each sector, depending on whether it is an export sector or import sector.

Agreements on Agriculture

- Elimination of sanitary and phyto-sanitary barriers on U.S. exports of wheat, citrus and meat
- Elimination of export subsidies
- Liberalization of state trading companies' monopoly
- Reduction of agriculture tariff to 14.5%-15%.
- Set up a tariff-rate quota system for grain

Agreements on Industrial Goods

- Elimination of all quotas and all quantitative restriction
- Reduction of overall tariff level from 22.1% to 17% .
- Lower automobile tariff from 80-100% to 25% by 2006
- The rights to import and export directly without Chinese middlemen
- The rights to market through distribution, wholesale, retail, and after sale service

Agreements on Telecommunication

- Rights to invest on ISP and ICP
- Allowing 49% investment on telecom upon date of accession and moving to 50% in the second year of accession

Agreements on Services, I

- Rights of foreign banks to conduct local currency business with Chinese enterprises two years after accession and to individual five years from accession
- Rights of foreign banks to setup branches
- Rights of minority JV financial institutions to underwrite domestic securities issues and underwrite trade in foreign securities

Agreements on Services, II

- Allowing foreign non-bank financial institutions to provide auto-financing from the date of accession
- Rights to provide full range of professional services, including law, accounting, tourism, transportation.

Gains of Chinese Economy

- Enhancement of foreign investors' confidence and investment
- Facilitating the infusion of technology
- Increasing China's exports
- Strengthening the position of reformers in China's domestic politics

Challenges to Chinese Economy

- China needs to strengthen/setup modern domestic commerce and international trade systems.
- China's needs to accelerate the reforms on SOEs
- China needs to restructuring its financial sector.
- China's economic development needs to follow more closely with her comparative advantages

General Implications

- China will carry out those reforms even without accession to WTO
- China will be the most open, large developing economy. It's huge domestic market will be fully accessible to foreign firms
- Business operation in China will base on Rule of Law