

Shanghai's WTO Affairs Consultation Center: Working Together to Take Advantage of WTO Membership

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Shanghai has been at the forefront of China's economic reforms and opening-up to the outside world, and has played the leading role in China's adaptation to world trade rules. It was experts from the Shanghai Institute of Foreign Trade who, in early 1985, first proposed to the Chinese central government that China's GATT membership be resumed. This was followed by the establishment of a Shanghai Research Centre on GATT, which drew upon the expertise of researchers from Shanghai and other Chinese universities.

The Shanghai WTO Affairs Consultation Centre (the Centre), sponsored by the Shanghai People's Municipal Government, is a professional, non-government consulting institution set up to provide legal and policy advice on WTO affairs, as well as WTO-related training services. Since its establishment, the Centre has contributed greatly to the fulfilment of China's WTO accession commitments, especially through support given to the central and regional governments in their adaptation to the WTO regime.

This case study examines the underlying rationale for the establishment of the Centre, the people in Shanghai and elsewhere who have contributed to the work of the Centre and the challenges faced by the Centre since its establishment. It is overall a story about how local government (supported by the central government) has been able to work with universities and trading enterprises successfully to establish and maintain an institution that is a model within China for how to organize to take full advantage of WTO membership. It is a model that should also be adaptable to other countries' situations.

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A combination of external developments and local visionaries contributed to the eventual establishment of the Centre. Even then, it was not a project that could be realized overnight. In retrospect, Shanghai was probably the only city in China where progressive local government officials, academics and the business community could have achieved the critical mass necessary to set the Centre's establishment in motion in the pre-WTO period.

When China and the European Union (EU) reached bilateral agreement on the terms of China's WTO accession and signed an accord to this effect in May 2000, it became clear that China's WTO accession process was being accelerated. At the important annual Chinese central government Economy Work Meeting, then President Jiang Zemin and Premier Zhu Rongji declared that preparation for WTO accession should be actively carried forward. To step up preparation for WTO accession, the Development Research Centre of the Shanghai People's Municipal Government, the Shanghai Planning Commission, the Shanghai Economy Commission and the Shanghai Foreign Relations and Trade Commission led the development of a 'Shanghai Action Plan Regarding China's Accession to WTO', which contained eighteen guidelines on WTO accession preparation. The publication of this action plan by the municipal government in August 2000 symbolized an important shift in Shanghai's WTO preparation work from a research phase to a more active implementation phase.

One of the major initiatives of the Action Plan was to set up a professional WTO consulting institute in Shanghai. In October 2000 this initiative culminated in the founding of the Shanghai WTO Affairs Consultation Centre. Those core individuals who planned the organization and activities of the Centre in these early days decided that the broad scope of the Centre's planned activities called for a management team that would be interdisciplinary in nature. In line with this thinking, the chief officers of the key divisions of the Centre come primarily from Fudan University, the East China Institute of Politics and Law and the Shanghai Institute of Foreign Trade. All of these individuals work for the Centre on a contract basis. Overall, there are six divisions in the Centre: the Consulting Services Division, the Information Services Division, the Training Services Division, the Monitoring and Early-Warning of Trade Remedy Measures Division, the Research Services Division and the Post-doctoral Programme Division. The Centre also has a high-level advisory committee with members from home and abroad, including the former director general and deputy directors general of the WTO, and some renowned WTO experts and scholars from China.

The peak decision-making body of the Centre is the Board of Trustees, which comprises representatives from Shanghai's various WTO-related government departments and industry associations. Under the leadership of the Board of Trustees, the president of the Centre takes care of daily business matters. The current president is Dr Xinkui Wang, who is also the president of the Shanghai Institute of Foreign Trade.

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During the period in which China's GATT status and the Uruguay Round were negotiated, the Development Research Centre of the Shanghai Municipal People's Government arranged for foreign trade and international law specialists to conduct a number of policy-focused research projects on the implications for Shanghai of resuming China's GATT membership and the Uruguay Agreements. Following the creation of the WTO in 1995, these specialists extended their work to cover issues related to the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Research experts in Shanghai continued their work after the WTO's establishment and began to focus on the eventual implications for China and their region of the country's planned accession to the WTO. Through the research and monitoring of the negotiations, it became clear that joining the WTO and adequately implementing the commitments that China would be asked to undertake would not be an easy task. In the late 1990s it was also becoming clear that China's growing industrial export base and highly competitive position in world markets would increasingly subject Chinese exporters to trade harassment in other markets — in particular to anti-dumping actions where China was often discriminatorily treated as a non-market economy.

In response to this research, the Shanghai Municipal People's Government recognized that Shanghai's preparation for China's WTO accession needed to be made as early as possible, and that further and more detailed work was needed on the challenges and opportunities that would follow accession. This work was initiated by the Development Research Centre of the Shanghai Municipal People's Government, the Shanghai Planning Commission, the Shanghai Economy Commission and the Shanghai Foreign Relations and Trade Commission, and was undertaken by a number of departments and WTO specialists. A research report on the impact on Shanghai of China's WTO accession was completed by the time the Sino-US WTO accession agreement was signed in November 1999.

When the decision was finally made on 26 October 2000 to establish the Shanghai WTO Affairs Consultation Centre, it was done purposefully, with the Centre being backed both by a written constitution and also by a clear statement of its mandate. In the documentation issued at that time by the original executives of the Centre, it was described as being the new 'driving force behind Shanghai's endeavour to turn itself into "One dragon head and three centres" and provide the city greater room for growth in the world'. The objective of the Centre was clearly described as taking active measures to cope with the opportunities and challenges that Shanghai would face after accession to the WTO. It was decided at the start that, constitutionally, the Centre's main functions would be to provide training, information, study, information and legal aid services which are related to WTO affairs; to assist governments, enterprises and public institutions to familiarize themselves with and to adopt practices that are in accordance with the relevant WTO rules; and to expand trade and economic co-operation with other countries around the world.

From the outset, the presence of the Centre appears to have been beneficial for Shanghai, in view of the clear need to strengthen and promote both Shanghai's and China's very important WTO accession-related work. In this respect, the Shanghai Municipal People's Government has made a point of consulting the Centre before promulgating its WTO-related regulations and policies. The Centre has also received strong praise for its work from abroad. The embassies of WTO members — including those of the United States, the European Union, Japan and Australia — have all communicated actively with the Centre. Indeed, the Centre has become a significant channel for communicating information related to WTO affairs.

In terms of its operations, the Centre provides the following major services to governments, enterprises and the public:

1. Consultancy services. Since its foundation, the Centre has provided consultancy services in relation to the central government's participation in WTO multilateral trade negotiations; supported the central government in efforts to modify laws and regulations to conform with China's accession commitments; supported local enterprises in defending their rights under WTO rules through remedies such as anti-dumping and other safeguard measures; formulated development blueprints for domestic enterprises to cope with anti-dumping barriers; and provided early warning in relation to various trade or other safeguard measures. The 'WTO Consultation Online Hotline' set up by the Centre has also become a major resource for its stakeholders.
2. Information services. The Centre has been collecting and disseminating WTO-related information through various channels since its establishment, and has become an important information source for the central and regional governments, enterprises and scholars alike. The Centre's website(J) reports WTO-related news from both home and abroad. Its 'WTO Reference Centre in Shanghai', set up by the WTO Secretariat, has become the major collection of WTO-related materials in Shanghai. The *WTO Newsletter* edited by the Centre is issued every two weeks, and covers a wide range of both domestic and foreign WTO-related news. The Centre also translates and publishes the WTO Appellate Body's reports and other monographs concerning WTO issues on an annual basis, to provide its readership with a timely and in-depth understanding of WTO affairs.
3. Training services. The Centre provides training programmes on WTO affairs for various WTO specialists and participants, such as government officials and lawyers. Since 2001, the Centre has delivered the '50/100 Senior Expertise Training Project on WTO Affairs' to more than 1,000 trainees. More than one hundred of these trainees have undergone further professional training in other major WTO member countries. Some of these have returned to take up key WTO-related posts in government and business enterprises.
4. Research work. The Centre benefits from a far-reaching research network made up of doctorate advisers, professors, and well-known experts and scholars in China and overseas who collaborate in their research into WTO-related issues.
5. Forum on WTO affairs. A major success of the Centre over the years has been the establishment of its annual WTO affairs forum as a globally recognized forum on China and WTO issues. An initiative of the municipal government, the WTO affairs forum takes place annually in November during the Shanghai International Industrial Fair. Advisors to the Centre and WTO experts from China and overseas are invited to the Centre for the forum, which provides a unique opportunity to review the problems and opportunities associated with China's progress in realizing the benefits of WTO membership.
6. In providing its information and consultancy services the Centre relies heavily on a network of WTO liaison officers in government, business enterprises, intermediary organizations, industry associations and related departments across Shanghai. This provides the Centre with both a feedback mechanism on the state of compliance with WTO accession requirements and, potentially, a vehicle for addressing particular issues that arise in this context. To the extent that such problems are then addressed, this has the potential to result in far-reaching improvements to Shanghai's business environment.
7. The practical orientation and value of the Centre are illustrated by two case studies on issues on which it has focused in recent years. Both the case studies addressed here demonstrate not only the expertise developed by the Centre on WTO issues over the years but also the direct and practical ways in which enterprises can benefit from the Centre's expertise.

Case study 1: automobiles — auctioning licence plates and national treatment [back to top](#)

In Shanghai, individuals seeking to purchase and register an automobile for their own use must obtain a licence plate for the proposed vehicle through a monthly auction conducted by the municipal government authorities. The system is designed both to reduce the total number of automobiles released onto the streets of the city at any one time and also to act as an important revenue source for the municipality. The reasons for the auction are domestic, and nothing in the system is supposed to be designed in a way that would affect international trade.

On 7 August 2002, US consulate staff informed the Centre that, to their knowledge, Shanghai's monthly licence plate auction for individual and private-company buyers was relying on one method of auctioning and allocating licence plates for domestically produced cars and that another method was being employed in the case of licence plate auctions for imported cars. The US authorities alleged that the imported cars were being subjected to discriminatory treatment that adversely affected market access for imports.

After being informed of the allegations, the Centre's specialists immediately began an investigation, and notified the Shanghai Municipal Development Planning Commission. An examination of the July auction rule used by the Shanghai International Commodity Auction Co. Ltd, as outlined on its website, showed that plans called for 3,000 licence plates for domestically produced cars to be auctioned, compared with just thirty licence plates for imported cars. On further investigation it also became apparent that the Commodity Auction Co. had set a floor price at auction for imported cars (26,000 yuan), but that no similar floor price existed in the case of domestically made cars. The practical effect was that domestically made cars were available at considerably lower prices (the average winning sealed bid at auction was 20,904 yuan).

In terms of the relevant laws and regulations, the Centre's specialists acknowledged that the Chinese government's accession commitments required imported cars and auto parts to be given 'national treatment'. The Centre's specialists also recognized that there was an indispensable relationship between a car and its licence plate, such that any restriction applied to a licence plate also applied to the car. Accordingly, given the WTO national treatment principle(2) and the general elimination of quantitative restrictions,(3) the different systems put in place by the regional government for the acquisition of domestically made and imported cars resulted in different treatment and were therefore inconsistent with China's WTO commitments. Under WTO rules, this had a direct effect on the extent to which the Chinese government was meeting its WTO obligations, as it is responsible for abolishing 'regional regulations, rules and other regional measures that contradict WTO obligations and duties' (4)

To avert a potential trade dispute and protect Shanghai's reputation as a place to do business, the Centre was committed to addressing this particular example of non-compliance. It entered into negotiations with the Shanghai Municipal Development Planning Commission and suggested that any different treatment by the licence plate auctioning systems be discontinued. As a result, since October 2002 there has been no floor price for imported cars and no difference between domestically produced and imported cars in terms of limits placed on the number of cars auctioned.

In this case, the Centre's approach was to build up a contact network, and seek a number of opinions on whether the relevant laws and regulations were in line with WTO rules. This included the opinions of representatives of foreign enterprises. At the same time, the Centre carried out its own investigations and analysis, and was able to work with the relevant government departments on a quick and practical solution. In this respect, the Centre was an important link between government departments and the business sector.

Case study 2: an early-warning system for anti-dumping disputes in China [back to top](#)

China's enterprises have exploded onto the international trade scene in recent years and have rapidly established major footholds in most major export markets. By the end of 2003, China's total trade volume reached US\$850 billion. At the same time, Chinese exporters became the number one target of trade remedy measures taken by other governments around the world. Based on official statistics, counting from the first anti-dumping action taken against Chinese exporters in 1979 up to July 2004, Chinese exporters have been subjected to a total of 643 investigations covering regular and specific trade remedy measures initiated by thirty-four countries and regional groupings. More than 4,000 individual export products have been involved in these investigations.

While there has been this steep rise in trade remedy cases against China, many Chinese exporters lack the knowledge of the trade rules or the financial resources required to defend their interests. The Shanghai municipal government and the Centre recognized trade remedy actions early on as an area where the Centre could provide practical assistance to Chinese manufacturers and exporters. Working with the Ministry of Commerce in Beijing (MOFCOM) and with the Shanghai municipal government, the Centre started a project in mid-2002 aimed at developing a monitoring and early warning system on trade remedy measures with the objective of providing professional services to governments, exporters, manufacturers, chambers of commerce and trade associations.

Under the leadership of Dr Wang Xinkui, president of the Centre, Dr Yao Weiqun, associate president, and his professional team at the Centre were charged with developing a unique online monitoring and early warning system on trade remedy measures against China based on the use of information technologies. Prior to implementing the system in practice, the design team proceeded in phases. In the first phase of the design stage (Version 1.0, setting the United States as its subject), the monitoring and early warning system (V1.0) covers bilateral trade conflicts between China and the United States involving anti-dumping, and all the past and ongoing cases in this field are analyzed online to provide basic information for an early warning of future possible conflicts. At the same time a sub-system of this Version 1.0 was developed for transitional textiles safeguard measures taken by the United States against Chinese textile exports.

Over a two-year development period, the team gained a rich experience working with companies, chambers of commerce, trade associations and other professional services as it sought to hone its information technology interface with aspects of economic and trade patterns in combination with WTO rules. Over time, a system has gradually evolved that integrates computer science with the operation of trade and economic variables. In July 2003 the Centre launched the two prototype early warning systems in trial form. The first sign of success came with the issuance by the Centre's experts of an early warning report based on a petition by six US textile manufacturers' associations to the US Department of Commerce, aimed at initiating a procedure for transitional textile safeguard measures.

In June 2004 the Centre announced the establishment of V1.0 for anti-dumping disputes between China and the United States, in response to the increasing number of anti-dumping disputes with developed countries following China's WTO accession (WTO statistics show that of 2,416 anti-dumping cases being investigated at the end of 2003, about one-seventh involve China).

In its first stage, the V1.0 system covers 189 varieties of export goods in eighteen categories (mainly textiles, home appliances, steel and furniture) which are contained in the items accounting for some 60 per cent of China's annual total exports to the United States. Registered companies receive information on the quantity, future prices and dumping margins of Chinese products exported to the United States. Companies can also obtain monitoring reports on US trade remedy measures, and receive training services to help them respond to anti-dumping investigations or charges. They can register as members and access the information by logging on to two websites.(5)

One measure of the Shanghai Centre's success with the system is news that the Chinese Ministry of Commerce is now considering plans to develop early-warning systems on trade disputes in other major harbour cities, as a precursor to a nationwide world trade services system.

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The Shanghai WTO Affairs Consultation Centre is practically unique in the world in terms of its organization, focus and role. It is an important example of how government, business, academia and outside experts can think ahead to both the problems and opportunities likely to arise in connection with participation in the WTO system and then take action to organize themselves to deal with these problems and opportunities.

Although China is a developing country, Shanghai is undoubtedly a relatively rich region, both within China and in comparison with many other areas around the world. Clearly, there may not be many others (inside or outside China) with the resources to develop the high technology trade remedy measures early-warning system that the Centre has put into place. But there are surely less resource-intensive alternatives that could still provide value for money as government, business and outside experts work together to provide practical assistance to those seeking to draw maximum benefit from the rights and obligations of the WTO system.

Within China, the Shanghai Centre has been recognized both by the central government in Beijing and by other neighbouring authorities as a valuable model for co-operation. The Centre's influence, therefore, is not limited to Shanghai but extends throughout China and beyond. Its experience vindicates the decision by the Shanghai Municipal People's Government to establish the Centre. Its example is one that could be followed by other countries striving for WTO membership, as well as those already in the WTO seeking to draw greater benefit from the opportunities provided by the multilateral trading system.

NOTES:
1- www.scwto.net. [back to text](#)
2- GATT Art. III (national treatment) states: 'The contracting parties recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.' [back to text](#)
3- GATT Art. XI (General Elimination of Quantitative Restrictions) states: 'No prohibitions or restrictions other than duties, taxes or export charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.' [back to text](#)
4- Report of the Working Party on the Accession of China, para. 70. [back to text](#)
5- www.scwto.net and www.shcei.gov.cn. [back to text](#)