



WTO Trade Policy Review of China Statement by Australia

Australia welcomes this Trade Policy Review – twenty years on from China’s accession – as an important opportunity to take stock of China’s contributions to the WTO and how it has aligned its trade policies to its WTO obligations.

China has benefited significantly from the transparent and predictable access to markets that WTO membership offers – boosting its prosperity and furthering its integration into the global economy. Reliable access to the Chinese market has also greatly benefited other Members and encouraged foreign investment in China. Australia has welcomed China’s growth for the better economic outcomes and standard of living it delivers to the people of China, across the Indo-Pacific region and around the globe. Australia is pleased to have played a role in China’s economic development.

Australia also recognises China’s efforts to engage actively in WTO rulemaking. We welcome the participation of China in all Joint Statement Initiatives, and particularly welcome China’s leadership in the Investment Facilitation for Development JSI – the first major WTO initiative China has led in recent years. Australia also values China’s co-sponsorship of the Trade and Health Initiative (TAHI), the Plastics Initiative and its participation in the Multiparty Interim Appeals Arbitration Arrangement.

China’s contribution to WTO rulemaking and reform efforts is not yet commensurate with its economic weight. We encourage China to play a more constructive leadership role in the WTO, including by relinquishing its access to special and differential treatment.

Unfortunately, since its last Review, China has increasingly tested global trade rules and norms by engaging in practices that are inconsistent with its WTO commitments. Australia is one of numerous WTO Members that has experienced this first-hand.

Over the past 18 months, China has increasingly implemented trade disruptive measures targeting a wide range of Australian products. These include increased and arbitrary border testing and inspections; unwarranted delays in listing and re-listing export establishments, issuing import licences and other restrictions, and the imposition of unjustified anti-dumping and countervailing duties. Such measures have severely limited or ended Australia’s trade with China across more than a dozen commodities, including barley, coal, cotton, hay, logs, meat, rock lobsters and wine¹. China has not provided satisfactory answers on how these actions align with WTO rules. We have initiated WTO dispute settlement proceedings in relation to China’s imposition of anti-dumping and countervailing duties and measures on Australian barley and wine.

In discussions in the WTO, China says that these actions reflect legitimate trade concerns; but there is a growing body of information that demonstrates China’s actions are motivated by political considerations.

¹ China’s measures have severely limited Australia’s trade with China of barley, coal, copper ores and concentrates, cotton, hay, logs, rock lobsters, sugar and wine; and also hindered or disrupted Australia’s trade with China of other commodities, including beef, citrus fruit, grains, and table grapes. Further, China has limited Australia’s market access for dairy, infant formula and meat, among other commodities.

As part of the large scale of trade measures taken against Australia, there are credible reports that Chinese authorities have instructed importers not to purchase certain Australian products, contrary to WTO rules. Several official Chinese statements have directly linked these trade actions to wider issues in our bilateral relationship. For example, when asked in July 2021 how Australia should handle relations with China, a spokesperson for China's Foreign Ministry said: "We will not allow any country to reap benefits from doing business with China while groundlessly accusing and smearing China and undermining China's core interests based on ideology."

WTO rules do not permit a Member – however large – to impose conditions such as these on trade with another Member.

The implications of China's actions go beyond their impact on Australian exporters - they raise the risk and uncertainty of the China market for the global business community. By undermining agreed trade rules China also undermines the multilateral trading system on which all WTO Members rely. These rules have underpinned Members' growth and prosperity for decades. They protect the rights of Members regardless of their size and power. China has assured Members of its commitment to the rules-based order; but from our viewpoint there is a growing gap between China's rhetoric and its actions.

Australia believes an adherence to market-oriented policies underpins membership of the WTO. Australia notes the earlier progress that China had made on this front, including its reduction of tariff rates on imports, the elimination of many non-tariff barriers, and efforts to open up the Chinese economy to foreign investment.

We are concerned, however, that market-oriented reforms have not progressed since Australia raised its concerns during China's 2018 Review, including the need to embrace market-oriented principles to ensure exporters, consumers and domestic producers can fully benefit from the multilateral trading system. We note the Secretariat's Report recognised that China's State-Owned Enterprises, and their high rate of financial support, may affect the functioning of market-oriented policies in China.

China's businesses stand to make greater gains through further reform. Chinese importers of Australian goods are negatively impacted by the Chinese Government's reported interventions in commercial decision-making – a practice that contravenes market principles. It is critical that enterprises make their own purchasing decisions to enable open, market-based trade. Australia therefore urges China to adhere more closely to market-oriented principles in its approach to trade policy.

We also encourage China to comply fully with the letter and spirit of its transparency commitments. Despite assurances in the Chinese Government report that it has 'fully fulfilled' its notification obligations, we note the Secretariat's Report identified outstanding notifications. Meeting one's transparency obligations provides other Members and traders with visibility and confidence that a Member is complying with WTO commitments. Australia remains concerned with the quality and timeliness of China's notifications, especially for industrial subsidies and agricultural domestic support. China's large subsidy programs, along with other nonmarket practices, distort global markets for major commodities. Improving the transparency of China's policies would strengthen its contribution to the multilateral trading system.

Australia urges China to fully align its trade policies with its WTO obligations, for the benefit of all. We look forward to reviewing China's answers to our questions carefully.