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WORLD TRADE ORGANIZATION

China touts trade performance ahead of talks with U.S.

On the fifth anniversary of its entrance into the WTO, China boasted about its trade record.

By Tim Johnson

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BEIJING - On its fifth anniversary of entering the World Trade Organization, China on Monday touted its "stellar performance" as a global engine for growth and prepared to tussle with unhappy U.S. officials arriving this week for new trade talks.

Government-controlled television aired a 16-hour program to celebrate the half decade since WTO accession.

"China has made great achievements in its economic and social development during the past five years of membership in the WTO," Deputy Commerce Minister Yi Xiaozhun said on the TV program.

Since China joined the rules-making WTO, the output of the Chinese economy has nearly doubled to \$2 trillion. The nation has leapfrogged past Britain and France to become the world's fourth-largest economy.

China got high ratings from the WTO's director general, Pascal Lamy.

"There still are a few problems here and there, but overall it's a very good track record," Lamy said. "China's trade has been multiplied by three since China joined."

China is bracing for the "Hank and Ben Show" later this week, when Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke arrive for trade talks. Ahead of the talks, U.S. Trade Representative Susan Schwab blasted a slowdown in reforms here that she said threatens global growth.

"The record is profoundly mixed," Schwab wrote in a column for the Financial Times newspaper. She hailed tariff reductions in China and said WTO accession strengthened the rule of law. But she warned that China isn't removing subsidies quickly enough and that it's protecting areas such as steel, telecommunications and service industries.

"We see troubling indications that China's momentum towards reform has begun to slow," Schwab wrote, adding that it "undermines the health of our bilateral ties."

GROWING SURPLUS

Adding urgency to the high-level talks, China posted a trade surplus of \$22.9 billion in November, growing 32.8 percent from a year earlier.

In the past five years, life has changed for average urban Chinese. Passenger cars, once luxury items, now fly out of showrooms at a pace of 3 million units a year. Foreign travel is now common. And other factors have left Chinese feeling more prosperous.

"The Chinese stock markets are the highest performing markets in the world this year," said Tim Condon, the Singapore-based chief Asia economist for Dutch bank ING.

Condon downplayed U.S. criticism of China.

"China is doing its part. It's growing rapidly. It's integrating to the rest of the world. Import growth is booming," he said, adding that the currency, the yuan, is also appreciating slowly.

Since joining the trade group, China has slashed average tariffs from 14.8 percent to 9.1 percent and junked or overhauled more than 3,000 rules and regulations.

"Privately owned enterprises have developed faster. Their foreign trade volume has increased by fivefold," Commerce Minister Bo Xilai told state television.

OBLIGATION MET

China met a final WTO obligation Monday by accepting the application of eight foreign banks to do retail business in local currency. The eight are SBC, Citigroup, Standard Chartered Bank, Bank of East Asia, Hang Seng Bank, Japan's Mizuho Corporate Bank, Singapore's DBS Bank and ABN AMRO, a Dutch bank.

The banks have complained of regulatory challenges to doing retail business in China.

Three of China's leading four state-owned banks -- the Bank of China, China Construction Bank and the Industrial and Commercial Bank of China -- have received overseas listings, shoring up confidence in the once-troubled banking industry.

In a report Monday, Citigroup said banking reforms have occurred in a closed market, and foreign competition might bring new turmoil to the sector. "Competition is necessary medicine to improve banking sector efficiency and reduce financial crises. In a competition environment, bankruptcy is inevitable," the report said.