KU LEUVEN
FACULTY OF ARTS
BLIJDE INKOMSTSTRAAT 21 BOX 3301
3000 LEUVEN, BELGIË

China's WTO Accession

An Analysis of the Safety Valves Used to Face the Challenges

Lotte Janssen

Presented in fulfilment of the requirements
for the degree of Master of Arts in Sinology

Supervisor: prof. dr. Jo Van Biesebroeck

Academic year 2015 – 2016

114 940 Characters

Acknowledgements

This thesis represents the culmination of a challenging yet rewarding experience as a master student Sinology. Even though the task was not always easy, I was lucky to have the support of several people. Without their help, I would not have been able to achieve the result presented below.

In the first place I would like to express my gratitude to my thesis supervisor, professor Jo Van Biesebroeck, not only for his guidance throughout the entire process, but also for sharing his extensive knowledge on this research topic. Furthermore, I am grateful to Karen Geurts for her constructive feedback, which allowed me to constantly improve my work.

Furthermore, I would like to demonstrate my sincere appreciation for professor Nicolas Standaert, whose door was always open to provide me with valuable insights, motivational support and wise advice. Not only this year, but for the past five years, his enthusiasm and devotion steered me in the right direction and inspired me to always strive for the best result.

Finally, I would like to thank my family and friends for always believing in me and supporting me in every way possible. Their help and support motivated me to keep going and never give up.

Thank you!

Lotte Janssen

June 2016

Abstract

The last decennia, countries all over the world are increasingly aware of the importance and advantages of free trade and are, as a result, willing to open up their markets to foreign producers, a policy choice that leads to conflicting interests between domestic consumers and producers. The safety valve theory provides a method for governments to harmonize these interests while implementing trade liberalization, i.e. by relying on certain safety valves. Those safety valves are protectionist measures used by governments to legitimize a liberalization policy and gain political support from consumers and producers. Such measures can take many forms, of which anti-dumping and safeguard measures are the most well-known. This paper applies the safety valve theory to China's accession to the World Trade Organization, an important step in China's liberalization process that poses many challenges both to China and the European Union. Whether or not both economic powers made use of safety valves to face those challenges is the main research question of this paper.

This paper separately analyses China's and the European Union's approach in order to get a comprehensive insight in the value of the safety valve theory with regard to China's accession. The first part of this paper analyses three elements in order to examine whether the Chinese government relied on anti-dumping measures or other forms of safety valves before or after accession: (1) the official news coverage of China's accession, (2) the relation between China's liberalization process and the increase in China's anti-dumping use and (3) the sectoral implementation of China's anti-dumping use. The second part focuses on the other side of the coin and uses two case studies to examine the approach of the European Union: (1) the liberalization of the European textile sector and (2) the European Union's approach towards China's request for market economy status.

This study demonstrates that on several occasions both China and the European Union relied on different forms of safety valves to legitimize and implement the opening up of their markets. This leads to the conclusion that the safety valve theory provides a valid framework to analyze and explain how both economies dealt with China's accession and the related challenges. With free trade becoming increasingly important, there is a growing need for such framework that can be used to analyze how governments face the challenges following trade liberalization and the road to free trade.

Abstract

De laatste decennia worden beleidsmakers zich steeds meer bewust van het belang en de voordelen van internationale vrijhandel en zijn daardoor steeds meer bereid hun markten open te stellen voor buitenlandse producenten, een keuze die vaak leidt tot belangenconflicten tussen binnenlandse consumenten en producenten. De *safety valve theory* beschrijft een manier om de onenigheid tussen die twee belangengroepen weg te werken en toch liberalisering door te voeren, namelijk door het gebruik van *safety valves*. Die *safety valves* zijn maatregelen getroffen door een overheid om een liberaliserend beleid te rechtvaardigen en hiervoor politieke steun te verkrijgen van consumenten en producten. Zulke protectionistische maatregelen kunnen verschillende vormen aannemen, waarvan vrijwarings- en antidumpingmaatregelen de meest gekende voorbeelden zijn. Deze thesis past de *safety valve theory* toe op China's toetreding tot de Wereldhandelsorganisatie (2001), een belangrijke gebeurtenis in China's liberaliseringsproces die enorme uitdagingen met zich meebracht voor zowel China als de Europese Unie, en probeert een antwoord te formuleren op de vraag of beide economische grootmachten al dan niet gebruik gemaakt hebben van *safety valves* om het hoofd te bieden aan die uitdagingen.

Om een volledig beeld te krijgen van de waarde van de *safety valve theory* met betrekking tot China's toetreding tot de Wereldhandelsorganisatie, analyseert deze thesis de aanpak van zowel China als de Europese Unie. Deze paper onderzoekt eerst aan de hand van drie elementen of de Chinese overheid voor en na toetreding gebruikmaakte van antidumpingmaatregelen of andere *safety valves*: (1) de officiële berichtgeving omtrent China's toetreding, (2) het verband tussen China's liberaliseringsproces en de toename in het gebruik van antidumpingmaatregelen en (3) de sectorale implementatie van antidumpingmaatregelen. Vervolgens focust deze paper op de keerzijde van de medaille en onderzoekt de houding van de Europese Unie aan de hand van twee casestudies: (1) de liberalisering van de Europese textielsector en (2) Europa's reactie op China's aanvraag voor de status van markteconomie.

Deze studie toont aan dat zowel China als de Europese Unie bij verschillende gelegenheden gebruikmaakten van *safety valves* om de liberalisatie van hun markten te rechtvaardigen en door te voeren. Hierdoor kan men besluiten dat de *safety valve theory* een geldig kader biedt om te verklaren hoe beide grootmachten China's toetreding benaderden. Naarmate het belang van vrijhandel toeneemt, is er stijgende nood aan dergelijk kader dat gebruikt kan worden om te analyseren hoe overheden het hoofd kunnen bieden aan de risico's van handelsliberalisering.

论文摘要

随着经济全球化的到来，世界各国的经济都趋于互利互惠。因此，越来越多的国家为加入世界经济体系而进一步开放市场，包括中国。在开放市场过程中，政府面临的最大困难是协调消费者与生产者之间的利益冲突。研究者经常运用 “安全阀理论”来解释政府应如何处理此种冲突。该理论认为政府为获取人民的政治支持而开放市场，同时如果国外竞争过于激烈时政府同意采用保护国内生产者的措施，这些措施被称之为“安全阀”措施。这些安全阀措施采取许多形式，其中最广为人知的是反倾销措施。这篇论文运用安全阀理论来分析中国贸易自由化进程中的关键步骤，即中国加入世界贸易组织。这篇论文研究中国与欧盟这两个经济体针对中国入世带来的挑战是否采用过安全阀措施。

本文共分六章，头三章包括序言、文献综述和背景信息。有关安全阀理论现有文献能根据安全阀措施所采取的形式分为两类。其一把保障措施看作安全阀，认为此种措施可当作协调消费者与生产者之间利益冲突的工具。其二注重于反倾销，认为保障措施没有反倾销措施那样能有效获取人民的政治支持。虽然已有文献对安全阀理论进行初步研究，但对该理论适用于中国加入世贸组织的研究不够充分，因此本论文试图填补这一空白。

第四到第六章为本文最重要的部分，即研究的两个案例及其分析和本文的结论。本文使用两个案例来分析两个世界经济体对中国加入世贸组织的处理方法：中国与欧盟。第一个案例为分析中国政府在加入世贸组织前后是否利用过反倾销措施来保护国内企业而解析三个要素：关于中国加入世贸组织的新闻报道、中国使用反倾销的趋势与改革开放的密切关系、以及中国所采取的反倾销措施的行业分布。从官方报纸中可以得出中国政府加入世贸组织之前已意识到世贸组织的框架下有为保护国内企业而能采用的安全阀措施。中国使用反倾销措施的趋势明显表明中国一加入组织就开始采用此种安全阀措施，从而证实了中国政府的处理方法符合安全阀理论。在行业层面上，研究的结果并非如此确凿。虽然中国所采取的反倾销措施集中于某几个行业类别，但本项研究无法对此现象给出全面解释，因而无法为安全阀理论提供有利的证据。

第二项案例研究问题的反面，即欧盟如何处理由中国加入世贸组织而加剧的外来竞争。这一部分首先把纺织行业作为个案研究，证明欧盟在开放此行业的大部分阶段中都采取过不同措施来保护欧盟企业。接下来，本文用安全阀理论来分析关于中国加

入世贸组织的一个新现象，即中国希望并要求欧盟尽快承认中国的市场经济地位。在证明了欧盟是否决定承认中国的市场经济地位属于安全阀理论之后，本文进一步使用该理论来提供对此问题的解决办法。

以上两个案例证明中国和欧盟两个经济体采用过不同安全阀措施来促进贸易自由化，从而，本文推断出安全阀理论能有效了解并预测两个经济体如何能处理由中国成为世贸组织正式成员而带来的挑战。虽然上述两项个案研究的大部分结果验证了安全阀理论的结论，许多问题仍未得到解答，比如 “除了反倾销措施之外，中国政府还利用过哪些安全阀措施?”等等。本文认为由于全球化进程的加速，自由贸易的益处无可争辩，在此种环境下，安全阀理论提供了分析政府如何处理贸易自由化带来的挑战的有效框架。

Table of Contents

List of Abbreviations

AD	Anti-dumping
ATC	Agreement on Textiles and Clothing
EC	European Commission
EU	European Union
FDI	Foreign Direct investment
GATT	General Agreement on Tariffs and Trade
HS	Harmonized System
MES	Market economy status
MFN	Most-favoured-nation
Mofcom	Ministry of Commerce
NMS	Non-market status
NTM	Non-tariff measure
POE	Private-owned enterprise
SIGL	Système Intégré de Gestion de Licenses
SOE	State-owned enterprise
SSM	Special safeguard mechanism
US	United States
WTO	World Trade Organization

List of Figures and Tables

1. Introduction

In a world more integrated and interdependent than ever, free trade is increasingly important. Even though more and more countries are aware of the importance of free trade and increasingly liberalize their markets, governments are often faced with conflicting interests between domestic producers and consumers. A theory often used to explain a government's approach towards resolving this conflict while implementing trade liberalization is the safety valve theory. This theory suggests that governments, in the process of trade liberalization and in order to justify this policy, open up their markets to foreign producers, thus benefiting the domestic consumer, with certain measures in mind that can be adopted if domestic producers suffer from severe foreign competition, i.e. the safety valves. Anti-dumping (AD) measures are the most well-known example of such safety valves, but safeguard measures and import quota are other examples. This theory is increasingly used to explain the recent rise in the use of protectionist measures, and specifically the rise of developing countries as main users of such measures. This paper analyses whether this theory can be used to explain China's and the European Union's (EU) approach towards China's accession to the World Trade Organization (WTO) and the challenges resulting from this. Accession to the WTO was an important step in China's opening up and reform policy requiring large-scale trade liberalization, but at the same time created concern among Chinese producers. Also for the EU and European producers, China's WTO accession posed several challenges and risks, therefore making this an interesting topic for research on how both sides dealt with this situation and whether they made use of safety valves to face these challenges.

The first part of this paper provides an overview of the existing literature concerning the safety valve theory in order to formulate a general definition for the theory that is used throughout the rest of this paper. Kohler (2001) provides the first theoretical explanation for the safety valve theory as a way to resolve conflict among domestic political objectives. This explanation is further specified by Kuno (2004) who argues that safeguard measures serve as a safety valve in containing the rise in protectionist pressures when a country faces an increase in imports as a result of trade liberalization. Bown (2005) focuses more on the temporary aspect of safeguard measures desired by the government to serve as safety valves in the presence of political or economic pressure. Niels and ten Kate (2006) use the same definition of the safety valve theory, but introduce AD measures as safety valves instead of safeguard provisions. This focus on AD measures is continued by Wu Mark, who examines whether the spike in AD use in India and China can be explained by the safety valve theory, thus delivering an initial insight

in the merit of this theory in the case of China (Wu, Mark, 2012). The second part of this paper provides background information on the different types of safety valves governments can use to limit foreign imports and protect domestic producers, as well as a short overview of China's road to WTO accession.

The main part of this paper describes the research I carried out in order to provide evidence that the safety valve theory is applicable to both China's and the EU's approach towards China entering the WTO. The first part examines whether the safety valve theory can explain China's attitude before and after WTO accession and whether AD measures served as safety valve for the Chinese government. Three aspects were examined in order to provide a comprehensive insight into this issue: (1) news coverage on WTO accession, (2) the relation between China's trade liberalization and its increase in AD use and (3) the sectoral implementation of AD measures. The second part discusses the other side of the coin, namely how the EU approached China's WTO accession and the associated challenges it posed for European producers. With regard to the EU, two different cases are examined: (1) the EU's approach towards the liberalization of the European textile sector and (2) its approach towards China's request for market economy status (MES). After providing evidence for the safety valve theory regarding the first case and establishing the similarities with the second case, this paper applies the safety valve theory to the current debate surrounding China's request for MES in order to suggest possible solutions for this challenge the EU is currently facing.

Even though several researchers have used the safety valve theory to explain a country's approach towards trade liberalization and the use of trade remedies, the research is still limited because of three reasons. First of all, existing literature uses the safety valve theory to explain a country's excessive use of trade remedies, rather than using it to explain a government's approach to trade liberalization. Even though such method provides valuable insight, it only shows part of the picture. Secondly, until now researchers have only examined two types of safety valves, namely safeguard measures and anti-dumping measures. However, there are several other types and forms of measures that can also serve as a safety valve. Thirdly, Wu Mark (2012) is the only researcher that applied the safety valve theory to China. Even though his research provides an initial insight in the merit of the theory in the case of China, his research has the same two limitations that were mentioned above. With these three limitations in mind, this paper attempts to fill this gap in the existing literature and comprehensively analyse the safety valve theory by adopting a broader definition for the theory and the different forms of safety valves and by examining how two opposing economic powers dealt with an event that was crucial in China's road to trade liberalization, i.e. WTO accession.

2. Literature Overview

Literature on international trade policy and the use of trade remedies has long been focused on industrial economies, like the United States (US) and the European Union (EU). Since its accession to the WTO in 2001, China's unique case is getting more attention worldwide, and is emerging as a popular research topic. The literature overview of this paper is divided in three parts: research on the use of trade remedies against China, research on the use of trade remedies by China and literature on the safety valve theory.

First of all, many researchers examined the use of trade remedies, and AD in specific, against China. For example, Bown (2010) examined China's political-economic experience in the face of friction in the international trading system during its transition to full WTO membership. He presents data on the discriminatory nature of trade remedies against Chinese exporters before WTO accession, and no evidence of improvement since accession. Han (2011) presents four reasons for this discrimination in AD use against Chinese producers. First, the rapid increase in Chinese exports after WTO accession has led to increasing pressure on domestic producers in importing countries. Since 2001, China's annual export rate has increased up to 30 percent, leading to concern among other WTO members. A second cause is related to China's export structure that is centered around labour-intensive industries. This export structure is similar to the ones in other developing countries, which leads to extra incentives for those economies to use AD as a protectionist measure against China. Thirdly, China's non-market economy status (NMS) allows other WTO members to adopt discriminatory measures against China (See also part 5.2 of this paper). Han's last argument surrounds China's imperfect accounting system that raises difficulties for domestic firms facing AD measures. According to Han, many domestic producers lose AD cases because of difficulties with providing credible evidence. Zeng and Liang (2013) also point to the importance of China's non-market economy status. They focus on three specific provisions in China's accession protocol that are unfavourable to China's foreign trade. Provision 15, concerning price comparability in determining subsidies and dumping, implies that China would be treated as a non-market economy until the end of 2016 (See also part 5.2 of this paper). Second, provision 16 includes a specific products and safeguard mechanism for 12 years after accession, allowing WTO members to invoke special safeguard measures against Chinese exports. Thirdly, article 242 of the Working Party Report refers to special restrictions on textile goods valid for 8 years after accession (See also part 5.1 of this paper). In general, those provisions allow WTO members to adopt discriminatory measures against China.

Since China's WTO accession in 2001, the country's own use of trade remedies has increased significantly, forming an interesting research topic. In his research paper "Antidumping in Asia's Emerging Giants", Wu Mark (2012) examines two questions: "Why is the rise of trade protectionism in Asia's two emerging giants (China and India) not of greater concern to the US and the EU?" and "Is this complacent attitude warranted?". As an answer to the first question, Wu argues this is because the existing international legal regime favours the interests of US and EU producers. To answer the second question, Wu tests two leading theories that explain a government's use of AD: the safety valve theory and the retaliation theory. For both China and India, he finds evidence that the explanatory power of the safety valve theory is minimal, and that the willingness to use AD laws varies widely by industry, concluding the use of AD measures is likely to increase even in the absence of further tariff cuts. Wu argues that China's and India's AD use is not a temporary phenomenon, as opposed to what is commonly believed in developed economies, but is likely to further increase in the future. Therefore, he recommends WTO members to reverse their opposition to the reformation of AD rules and instead enact proposals that restrict anti-dumping laws.

The safety valve theory as used by Wu Mark in his paper also forms the basis for my paper. Remarkable is that, even though the use of trade remedies, and AD in specific, is a commonly examined topic, only limited research has been done on the value of the safety valve theory for answering the essential question of why countries, and China in particular, resort to the use of such protectionist measures. Early research mentioning the safety valve theory focuses on safeguard measures instead of anti-dumping as safety valves. Kohler (2001) was the first to consider the safeguard clause in the WTO agreements as a way for governments to resolve conflicting domestic political goals between domestic producers seeking protection from foreign competition and domestic consumers seeking the lowest costs. Kuno (2004) further examined this safeguard clause and its function as a safety valve in the specific case of Japan. The definition he uses for the safety valve theory states that governments implement safeguards as safety valves in order to contain a rise in protectionist pressures when a country faces an increase in imports as a result of trade liberalization. Another definition is provided by Bown (2005), namely that governments seek temporary escape from an agreement in the presence of heightened political or economic pressure, thus adopting safeguard measures as a safety valve.

Those three definitions all consider safety valves to have a political function in gaining support for trade liberalization. Niels and ten Kate (2006) call this type of safety valve the political-support safety valve, and distinguish two other types of safety valves: the unfair-

practices safety valve and the temporary-adjustment safety valve. The argument of the unfair-practices safety valve is often made by policymakers, WTO officials and AD supporters stating that AD measures are necessary to protect the international trading system from trade practices that are pervasive in international trade. The third type of safety valve corresponds to the definition of the safeguard mechanism in Article XIX of the General Agreement on Tariffs and Trade (GATT), namely that domestic industries that are suddenly exposed to external competition may legitimately need some (temporary) protection to adapt to the new competitive environment. Opposed to the above mentioned researchers, Niels and ten Kate focus on anti-dumping as the main form of safety valve instead of safeguard measures and examine the political aspect of the safety valve theory by arguing that AD is a politically more attractive protection tool than the safeguard mechanism. They use Mexico as a case study, but find little evidence on the importance of AD as a safety valve. More evidence, however, is provided on the costs of AD as it is becoming an increasingly important obstacle to trade in the developing world. They do, however, highlight the necessity for further empirical research on this topic.

The definition used in this paper combines the three types of safety valves distinguished by Niels and ten Kate: the safety valve theory suggests that governments, in the process of trade liberalization and in order to justify this policy, open up their markets to foreign producers, thus benefiting the domestic consumer, with certain measures in mind that can be adopted if domestic producers suffer from severe foreign competition, i.e. the safety valves. In this definition, the term safety valve is not limited to anti-dumping or safeguard measures, but is rather a collective term for all methods used to protect domestic industries, for example also including import quota.

3. Background Information

For the purpose of examining the safety valve theory, two elements are important and need some further explanation in order to provide the reader with the necessary background information. The first element concerns the different types of trade barriers that can serve as possible safety valves for a country or government facing conflicting interests in light of trade liberalization. Secondly, China's WTO accession, the event to which the theory is applied in this paper, is a very complicated and unique case. Therefore, it is necessary to elaborate on China's accession process as well.

3.1. Trade Barriers

Even though countries are increasingly active in international trade, governments are often still reluctant to remove all trade barriers and completely open up their economies to foreign competitors. To limit the amount of foreign imports, governments can impose either tariff or non-tariff barriers. The increase in free trade has thus been accompanied by an increase in the use of such trade remedies, i.e. measures adopted by governments to serve as a safety valve when domestic producers are facing increased foreign competition.

3.1.1. Types of Trade Barriers

Trade barriers can take many forms and can be divided into two groups: tariff barriers and non-tariff barriers. As the name says, tariff barriers are tariffs levied on imports (or exports), while non-tariff barriers are barriers that restrict imports but take another form than the traditional tariffs. For governments implementing trade liberalization and wanting to protect their domestic producers, both types of trade barriers can be used as safety valves.

Tariff Barriers

Within the international trading system, the use of tariffs is a traditional method to restrict foreign imports into a country. Under the WTO, the most-favoured-nation (MFN) applied tariff rate is the tariff rate applied by all WTO members. Based on the non-discriminatory principle, all members are required to identically apply this tariff rate across all WTO trade partners. The majority of those MFN tariff rates are applied in the ad valorem form, i.e. calculated as a percentage of the value of the imported product, as opposed to specific tariffs which are calculated on the physical quantity of the imported good (The World Bank, 2010).

When entering the WTO, countries agree to make a number of commitments with respect to their tariff rates. According to the World Bank, three different types of tariffs can be distinguished. First of all, the MFN applied tariff rate is what members promise to impose on imports from other WTO members. In practice, MFN rates are the highest, most restrictive rates that WTO members charge each other. The second type of tariff rate is the preferential tariff, a tariff rate applied under preferential trade agreements. Countries that join in preferential trade agreements, promise to give another country lower tariffs than their MFN rate. The extent of the preferential rate differs between partners and agreements, ranging from a zero preferential tariff to a certain percentage reduction from the MFN tariff. Third, governments make specific commitments with respect to the binding tariff. Binding tariff rates are the maximum MFN tariff level for a given product line. In practice, those bound tariffs are not necessarily the applied rate by a WTO member, governments are free to increase or decrease their tariffs, as

long as they do not raise them above the bound tariffs. If tariffs are raised above bound levels, other WTO members can take the country in dispute settlement. In other words, the applied tariff has to be less than or equal to the binding tariff in order to be legal under the WTO. The difference between the bound and applied MFN tariff rate, is known as the binding overhang. The share of tariff lines to which the bound rates apply, is known as the binding coverage. Until the Uruguay Round of the GATT (1986-1994), countries agreed to bind tariffs only on manufactured goods. During the Uruguay Round, commitments were made to bind tariffs on all agricultural products as well. New members of the WTO are also required to bind all manufactured tariff lines. The binding coverage varies greatly per country, but in general, developing countries tend to bind fewer tariff lines than industrial countries (The World Bank, 2010).

Table 1, compiled by Bown and Crowley (2015), provides data on the above mentioned tariff rates. For the purpose of this paper, the sample of countries is limited to four developed economies that are often considered as the historical users of trade remedies (Australia, Canada, the EU and the US) and a number of emerging developing countries (Argentina, Brazil, China, India and Mexico). This selection of economies is often used in research into trade remedies and will be used throughout the rest of this paper (Prusa, 2001; Zanardi, 2004; Bown, 2010).

Table 1: MFN AD Valorem Import Tariffs for Selected Economies, 2013 (%)

Country/Territory	MFN applied rate, simple average	WTO binding rate, simple average	Binding coverage
G20 High-income			
Australia	2.7	10.0	97.0
Canada	4.2	6.8	99.7
European Union	5.5	5.2	100.0
United States	3.4	3.5	100.0
G20 Emerging			
Argentina	13.4	31.9	100.0
Brazil	13.5	31.4	100.0
China	9.9	10.0	100.0
India	13.5	48.6	74.4
Mexico	7.9	36.2	100.0

Source: Bown and Crowley, 2015.

The first column of table 1 presents the simple average of the MFN applied rate for the selected economies. Average applied rates range between 2.7 percent (Australia) and 5.5 percent (the EU) in developed economies, while the applied rates in developing economies are substantially higher, ranging between Mexico (7.9 percent) and India (13.5 percent). The second column lists the legal commitments made under the WTO, known as the binding tariffs. The data in column 2 illustrate the heterogeneity in average upper limit tariff rates between different countries, even when they agreed to bind the majority of their tariffs under the WTO. Even though two third of the sample economies apply MFN tariff rates lower than 10 percent, only five out of the nine countries have undertaken WTO legal commitments to keep those tariffs at an average of 10 percent or less, as can be seen in the second column. The third column lists the binding coverage, the share of imported products over which the country agreed to take on an upper limit binding commitment. Almost all sample countries agreed to bind 100 percent of their tariff lines, only for Australia, Canada and India, respectively 3 percent, 0.3 percent and 25.6 percent of the imported products are subject to tariff upper limits that are unbound. Aside from Australia, there is only a small difference between the binding and applied rate in industrial countries, while developing countries have binding tariffs that are significantly higher than their average MFN applied rate. The existence of such binding overhang is particularly prominent in emerging economies, as bound rates are two to five times higher than the average applied rate (Bown and Crowley, 2015). When focusing on China, an important conclusion can be derived. Although the average MFN applied tariff rate of 9.9 percent is higher than the rates applied by the high-income economies, the tariff rate is already rather low when comparing to other developing economies. Remarkable is that, even though the binding overhang is generally very prominent in developing economies, it is practically non-existent in China, where binding rates are only 0.1 percent higher than the MFN applied tariff rates. This low binding overhang reflects China's stringent commitments made for WTO accession, as binding overhang is often argued to reflect a country's policy flexibility (The World Bank, 2010).

Analysing the evolution of applied MFN tariff rates through history provides good insight in a country's trade liberalization and trade regime. Table 2 presents a cross section of data on the average applied MFN tariff rate for the same sample of economies used in table 1 for three key years: 1993, 2003 and 2013 (Bown and Crowley, 2015). Those three key years provide evidence on changes to MFN tariff rates across three decades in the GATT/WTO era: before the Uruguay Round negotiations, after implementation of the Uruguay Round tariff liberalization commitments and more recent data. As China joined the WTO in 2001, those datasets provide applied MFN tariffs pre-WTO and post-WTO accession.

Table 2: MFN Applied Tariff Rate for Selected Economies, 1993, 2003 and 2013 (%)

	GATT membership year	WTO membership year	Simple average applied MFN tariff for		
			1993	2003	2013
G20 High-income					
Australia	1948	1995	8.8	4.2	2.7
Canada	1948	1995	9.0	5.1	3.7
European Union	**	1995	7.0	4.4	4.4
United Stated	1948	1995	5.6	3.7	3.5
G20 Emerging					
Argentina	1967	1995	11.2	14.2	13.4
Brazil	1948	1995	14.0	13.5	13.5
China	NM	2001	39.1	11.4	9.6*
India	1948	1995	56.3*	26.5	13.3
Mexico	1986	1995	13.7*	18.0	7.7*

Source: Bown and Crowley, 2015.
Notes: *data for that year not available and so chosen as the closest available year. G20=Group of 20. NM indicates GATT or WTO non-member. **Different European Union member states became GATT Contracting Parties in different years. For the purpose of this table, ad valorem equivalent rates of tariffs applied as specific duties are omitted from the calculations.

From the data in the table, Bown and Crowley derive conclusions for both the G20 high-income and G20 emerging economies. The data for the developed countries show that their average applied MFN tariff rates were relatively low in 1993, ranging between 5.6 percent in the US and 7 percent in the EU. Even though all four economies cut down their tariffs with 2 to 4 percentage points after the Uruguay Round, both the tariff rates in the US and the EU remained practically steady between 2003 and 2013. Australia and Canada, on the other hand, lowered their tariffs a bit more, respectively with 1.5 and 1.4 percentage point. The data for the emerging economies show more striking, but also more mixed results. There is a slight change in tariff rates in Brazil, with a decrease of only 0.5 percentage point between 1993 and 2003 and no difference after that. Both Argentina and Mexico had relatively low tariff rates in 1993, respectively 11.2 and 13.7 percent, but increased their rates with respectively 3 and 4.3 percentage points between 1993 and 2003. The data for 2013 show a decrease in rates for both countries, with Argentina's decrease of 0.8 percentage point rather insignificant compared to Mexico's decrease of 10.3 percentage points. The most substantial evolution in applied tariff rates occurred in China and India. Both countries started with high tariff rates in 1993,

respectively 39.1 and 56.3 percent, but underwent significant tariff liberalization and had much lower tariff rates in 2013, respectively 9.6 and 13.3 percent. This evolution shows most countries underwent significant tariff reductions the last two decades.

Non-Tariff Trade Barriers

Since the WTO regulates most of the traditional protectionist tools including the above tariffs, governments are increasingly turning to non-tariff measures to protect their domestic producers. The following three types of trade remedies are seen as exceptions to the WTO principles and are allowed under certain circumstances, thus often used by governments: anti-dumping measures, countervailing duties and safeguard measures. Even though those measures are somewhat allowed within the WTO, there are still detailed procedures in place that establish specific situations in which they can be imposed by an importing nation.

Dumping of a product occurs when a company exports its product at a lower price than it normally charges in its own home market (WTO, 2016). In this situation, the government of the importing country can adopt AD measures to protect its domestic producers from the unfair foreign competition they face. Because dumping can be perfectly rational economic behaviour, the WTO focuses not on the dumping actions itself, but on how governments can or cannot react to this kind of behaviour. GATT Article VI allows countries to react when dumping actions occur and is further clarified and expanded in the Agreement on Implementation of Article VI of The GATT 1994 (simply known as the Anti-dumping Agreement). Countries are allowed to act against dumping when there is genuine material injury to the competing domestic industry. Before AD measures can be adopted, an investigation has to be initiated to determine whether dumping occurred, calculate the extent of the dumping and prove the dumping is causing injury. The AD agreement provides detailed regulations on all steps in an AD case, from the determination of dumping to the implementation and duration of AD measures.

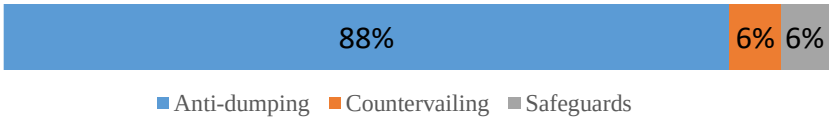
Another form of unfair competition occurs when governments award subsidies to domestic producers in order to help them export their products at a lower price. Under these circumstances, the importing government can adopt countervailing duties, which are tariffs levied on imported goods to counter the effects of subsidies, thus levelling the playing field between domestic and foreign producers enjoying the benefits of subsidies. Similar to the anti-dumping agreement, the Agreement on Subsidies and Countervailing Measures (1994) also requires a detailed investigation to determine whether the imported products are subsidized and whether they cause injury to domestic producers, before concrete measures can be adopted. Again, detailed rules concerning the investigation and the measures itself are included in this

agreement. Different than with anti-dumping, the agreement not only regulates the actions to counter the effects of subsidies, but also provides detailed rules on the use of subsidies. Two categories of subsidies are defined in the agreement: prohibited and actionable subsidies (WTO, 2016). Prohibited subsidies are subsidies that require recipients to meet certain export targets, or to use domestic goods instead of imported goods. These subsidies are specifically designed to distort international trade and are thus prohibited. In case of actionable subsidies, on the other hand, the complaining country is required to prove it is causing injury to its domestic producers, if not, the subsidy is permitted. According to the agreement, actionable subsidies can cause three types of damage: injury to a domestic industry in an importing country, injury to rival exporters from another country when competing in a third market and injury to exporters trying to compete in the subsidizing country's domestic market (WTO, 2016). In all cases, when imports of subsidized products cause damage to domestic producers, countervailing duties can be imposed.

The last type of trade remedy, safeguard measures, are measures adopted to temporarily restrict the imports of a product if the domestic industry is injured or threatened with injury caused by a surge in imports. Those safeguard measures usually take the form of import quotas (WTO, 2016). In this case however, the injury has to be serious. Safeguards were already available under GATT Article XIX (1947), but were rarely used because of the available grey-area measures, e.g. voluntary export restraints[1]. The Agreement on Safeguards (1994) sets forth the rules of Article XIX, while limiting the use of grey-area measures. Again, the agreement provides detailed requirements concerning a safeguard investigation, criteria for assessing whether a surge of imports occurred and whether this resulted in serious injury, as well as regulations concerning the implementation of safeguard measures. Safeguard measures are used less than anti-dumping measures and countervailing duties because it is harder to prove that serious injury was caused. On top of that, countries adopting safeguard measures to protect their domestic producers can be required to give compensation to the exporting country. When the exporting and importing country do not achieve an agreement concerning the compensation, the exporting country can retaliate by taking equivalent action, e.g. raising tariffs. Those compensation costs and the risk for retaliation make safeguard measures a less popular protectionist instrument.

[1] Voluntary export restraints are arrangements between exporting and importing countries in which the exporting country agrees to limit the quantity of specific exports below a certain level in order to avoid imposition of mandatory restrictions by the importing country. For more information, see OECD, *Voluntary Export Restraints (VER)* (2014), Retrieved on 18/05/2016 from OECD: https://stats.oecd.org/glossary/detail.asp?ID=2882.

Figure 1: Share of Trade Remedies, 1995-2013



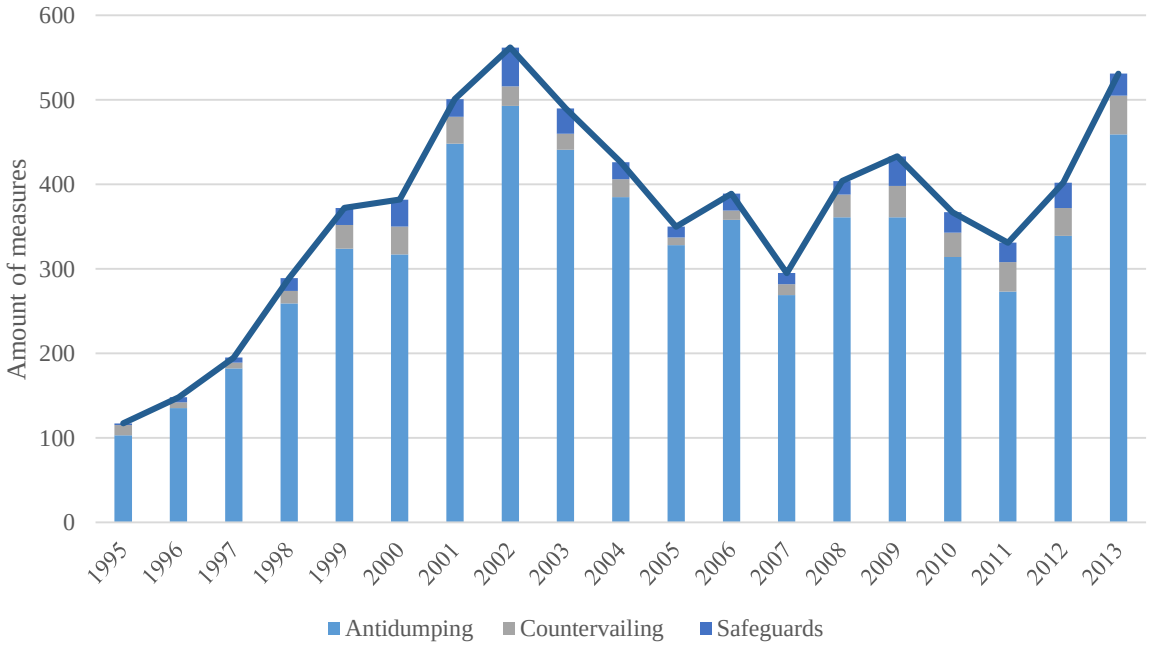
Source: Figure compiled by the author with data from WTO Statistics (2016).

Figure 1 illustrates the share of anti-dumping measures, countervailing duties and safeguard measures by WTO members over the 1995 to 2013 period. With 88 percent of all measures being AD measures, this type of instrument is obviously the most used one. Both countervailing duties and safeguard measures are used to the same extent, i.e. 6 percent.

3.1.2. Rise of Trade Remedies

Since 1995, there has been a steady increase in the use of the trade remedies discussed above. Figure 2 illustrates the evolution in total initiated and enforced protectionist measures by WTO members over the 1995 to 2013 period. The data demonstrate a sharp increase in the use of trade remedies from 1995 to 2002. From 2003, trade remedies have been decreasing until 2007, except from a slight increase in 2006. In 2008 and 2009, trade remedies seemed to be on the rise again, with a decrease in 2010 and 2011, before again a rapid rise in 2012 and 2013. A lot of research has been devoted to explaining these fluctuations in trade remedy activity.

Figure 2: Total Use of Trade Remedies by WTO Members, 1995-2013



Source: Figure compiled by the author with data from WTO Statistics (2016).

First of all, the increase started in 1995, right after the implementation of the Anti-dumping Agreement, the Agreement on Subsidies and Countervailing Duties and the Agreement on Safeguards. Second, the decrease in trade remedies activity between 2003 and 2005 could be due to active talks on trade remedies in the Doha Development Agenda (Jones, 2010). Some scholars use the presumption of the counter-cyclicality of trade protectionism to explain the fluctuations in trade remedy activity. When the world economy is thriving and booming, countries have strong incentive to maintain open trade policies. In times of economic regression however, governments are more likely to resort to the use of protectionist measures (Han, 2011). This could explain the increase in trade remedies in 2008 and 2009, right after the global economic crisis struck. Nonetheless, there has been no large-scale outbreak of trade remedies after the economic crisis, which, according to the 2014 World Trade Report of the WTO, can be explained by four factors. First of all, risk averse governments have more to gain by abiding by their WTO commitments when the economic environment becomes more volatile, being a member of the WTO thus acts as a restraint to the use of trade remedies. Secondly, other policy instruments to manage the falling demand and macroeconomic volatility were available, e.g. the coordinated response by the G20 countries on macroeconomic policy and on trade with their commitment to refrain from adopting new trade barriers. Thirdly, the wide spread of global value chains has led to more interdependence and linkage between countries, creating a common interest in preventing the spread of protectionism. Finally, raising trade barriers would have proven to be ineffective in promoting economic recovery in the medium to longer term (Word Trade Report, 2014). After a decline in trade remedy activity until 2011, the use of protectionist measures has been on a rise in 2012 and 2013. Even though trade remedy usage is characterized by ups and downs, a general upward trend is clearly visible.

Table 3 illustrates another shift that is taking place concerning the use of trade remedies, namely a shift in the users of those measures from developed to developing economies. The table provides country-level data on AD use by two standards (initiated and enforced measures) over three periods of time (1995-2001, 2002-2006 and 2007-2013). According to WTO (2016), forty-four different WTO members have initiated AD measures between 1995 and 2013. Nonetheless, this table focuses on the same sample of countries used in table 1. As the data in the table suggest, the AD measures adopted by the included nine countries account for roughly 60 percent of all initiated and imposed measures in the period 1995 to 2013. The total share of AD measures used by developed countries decreased since 1995, while the use by developing economies increased. A special focus is laid China's use of AD measures, in order to demonstrate the significant rise in the use of AD measures since its WTO accession in 2001.

Table 3: Use of Anti-Dumping Measures by WTO Members, 1995-2013

	Initiated measures			Enforced measures		
Country	1995-2001	2002-2006	2007-2013	1995-2001	2002-2006	2007-2013
	"Historical" developed economy users					
Australia	51	44	73	34	30	32
Canada	78	39	42	54	17	29
EU	128	120	97	123	88	88
US	164	113	130	106	79	78
Share of total	0.35	0.25	0.20	0.40	0.23	0.22
	"New" developing economy users					
Argentina	76	43	103	41	48	71
Brazil	56	38	200	34	15	100
India	178	191	241	106	175	177
Mexico	33	42	24	41	33	10
Share of total	0.29	0.25	0.34	0.28	0.29	0.34
China	24	113	68	2	94	62
Share of total	0.02	0.09	0.04	0.00	0.10	0.06
Other WTO members	403	510	712	254	363	395
Share of total	0.34	0.41	0.42	0.32	0.38	0.38
Total	1191	1253	1690	795	942	1042

Source: Table compiled by author with data from WTO Statistics (2016).
Note: For the purpose of this table, data on Chinese Taipei is not included in the data for China.

3.2. China's WTO Accession

The previous part of this paper introduced some specific forms safety valves can take in international trade and demonstrated that China became a main user of such measures after its accession to the WTO. This part provides a brief introduction to China's road to admission and current position in the WTO, which is necessary in order to apply the safety valve theory to China's WTO accession and China's increased use of trade remedies.

China's road to WTO accession was long and not without its bumps, going back to 1948 when its predecessor, the General Agreement of Trade and Tariffs (GATT), was established.

Even though China was one of the contracting parties in the establishment of the GATT, the Chinese Communist Party pulled out of it in 1950 after their victory in the civil war against the Nationalist Government. For more than 30 years, the GATT was seen as the image of Western capitalism, a club Communist China refused to be part of (Feng, 2006). It is only in 1986, with the Reform and Opening Up policy, that the Chinese government filed an application to resume its contracting party status, a decision triggered by both internal and external forces. After the Cultural Revolution (1966-1976), China's domestic economy was left in ruins, leading to a new way of thinking among top Chinese leaders. Deng Xiaoping with his Reform and Opening up strategy stood at the forefront of this new liberal thinking. However, this new direction in China's foreign trade strategy of liberalizing trade and making the shift from import-substitution to export-orientation, required the Chinese economy to be integrated into the world economy (Feng, 2006). And what better way to do this than to join the world's only international organization dealing with the rules of trade. It seemed China's relaxed relationship with the West and the recent tariff cuts would ease China's accession to the WTO. Nonetheless, it still took 25 years, several rounds of negotiations and many compromises before China officially joined the World Trade Organization on 11 December 2001 (WTO, 2001).

The first years of negotiations went surprisingly smooth. Some concerns about the planning mechanism, policy transparency, domestic product pricing and (non-) tariff measures were expressed, but Beijing's commitment to conform with the rules and spirit of GATT made up for most of them. However, the recent reforms and further tariff cuts ended in inflation, which together with the protests on Tiananmen square in 1989, formed a serious setback to the negotiations (Ostry, 2002). After the incident on Tiananmen, negotiations gradually started again, nonetheless with a certain degree of doubt. Deng's tour to the South in 1992 promoting the establishment of a market economy, marked a turning point in China's domestic reforms. This tour introduced a new stage in the accession process, namely the beginning of the bilateral negotiations with member countries on market access. Several important events took place in this period, including the enactment of China's new Foreign Trade Law in 1994 and the signing of the Final Act Embodying Results of the Uruguay Round of Multilateral Trade Negotiations and Agreement on WTO (Feng, 2006). Nonetheless, internal and external forces again stood accession in the way, including the end of the Cold War which left the United States as the biggest power in the world, discussion about China's country status and domestic frustrations regarding some terms and conditions of WTO entry.

With the establishment of the WTO in 1995, China was hoping to revive its former position by becoming a founding member, but again China was left out. Following the

frustration resulting from this disappointment, it was China that pulled out of bilateral negotiations this time. On top of that, the WTO's rules concerning market access were even stricter than under GATT, demanding China to make more compromises in order to receive admission. After the US and the EU expressed hope for new accession talks by sending delegations, talks started again. Even though the process was hindered by deteriorating relations with the US because of conflicts concerning Taiwan, progress was made and China showed commitment to opening up their market when it joined the International Monetary Fund's rescue program during the Asian financial crisis in 1997 (Feng, 2006). From 1999 onwards, China was prepared to offer substantial and necessary concessions, reaching bilateral agreements with the US, Europe and 37 other WTO members by 2000. At the Fourth WTO Ministerial Conference in Doha in November 2001 China signed the membership agreement, thereby becoming the WTO's 143rd member (WTO, 2001).

4. Safety Valve Theory Applied to China

China's WTO accession was an important, but also challenging event for China. Opening up its market would boost the domestic economy as well as help the country establish a more leading position in the international economic system. On the other hand, some challenges inevitably accompany this kind of commitment, e.g. increase in foreign competition, discriminatory provisions and agreements etc. This part of the paper focuses on how China dealt with those challenges and more specifically whether the Chinese government turned to the use of AD measures to shield domestic producers from foreign competition and legitimize its drastic reform and opening up policy, thereby substantiating the safety valve theory. Three different methods were used to examine whether that was the case: news coverage of China's WTO accession, the relation between China's trade liberalization and its use of AD measures and the sectoral implementation of AD measures.

4.1. News Coverage

Analysing official news coverage is a valuable method to gain insights in the Chinese government's approach to an important matter like WTO accession. According to the safety valve theory, the Chinese government used safety valves, e.g. AD measures, for two different purposes: on the one hand to justify its decision for further trade liberalization, and on the other hand to reassure and protect its domestic producers from foreign competition. Two types of statements in news articles demonstrate that the Chinese government adopted this attitude, thus substantiating part of the theory. A first type of statements indicate that the Chinese government

used access to the WTO's regulations, including the regulations concerning the use of trade remedies, to justify and emphasize the importance of both the decision to apply for WTO membership as well as the further implementation of the reform and opening up policy. Other statements illustrate that the Chinese government was aware of the access it would get to multilateral regulations which could be used to protect national interests and used the availability of such trade remedies as a tool to assure the Chinese people and Chinese producers that return to the GATT or WTO would not be harmful to national industries, but that with adequate preparation the advantages would outweigh the challenges.

This paper examines the news coverage published in the *Renmin ribao* 人民日报 (People's Daily), the official newspaper of the Chinese Communist Party. As this paper is owned and controlled by the Chinese government, it is safe to assume any statements made in articles of this newspaper reflect the official position of the Chinese government concerning WTO accession. From the online database of the *People's Daily*, I created a database of all articles mentioning the GATT or the WTO (Renmin ribao, 2012). From those articles, I further selected the ones covering events or issues related to China's WTO accession. The remaining articles can be clearly divided in factual articles on the negotiation process and articles addressing topics of concern to the normal Chinese people and enterprises. As the safety valve theory focuses on whether or not the Chinese government used safety valves to reassure its people and enterprises, this paper focuses on the latter type of articles. The articles discussed below are chosen because of two elements: their publication date and their relevance. The included articles clearly substantiate the theory during different periods of the negotiation process.

In March 1993, an article was published on the specific benefits of returning to the GATT (Tong Zhiguang, 1993). In this article, the author emphasizes three general benefits of GATT accession: the protection and improvement of China's international status, the development of the people's economic needs and the persistence in implementing the reform and opening up policy. First of all, China believed entering the GATT would help limit other countries' discriminating actions against them, as well as help receive a more fair and rational treatment. Since China is one of the biggest developing countries in the world, it would get support from other developing countries that have the same interests. As the GATT has different requirements concerning import duties for developing and developed countries, this would lead to increased competitiveness of Chinese export products. Secondly, being a full member of the GATT would help get beneficial results in multilateral trade negotiations. In case of friction with other members, China could solve these issues within the GATT instead of having to solve

them in bilateral negotiations, meaning China could take more initiative. On top of that, China would have more access to relevant information concerning other members e.g. foreign trade policy, economic and financial situation etc. Especially the third and last argument is important in light of the safety valve theory as it includes statements of the first type substantiating the safety valve theory. The article states that becoming a member of the GATT is a tool to deepen the reform and widen the opening up of the Chinese trade system, resulting in Chinese producers getting access to both domestic and foreign markets.

Not only in the beginning of the accession process, but also around formal accession and even years after accession, articles in the *People's Daily* contain statements of the second type, namely the availability of trade remedies that could be used to protect domestic industries. For example, on 16 February 1993, the newspaper published an article on three main questions that arose concerning China's return to the GATT: "When will China return to the GATT?", "Is return to the GATT a disaster for China's national industry?" and "Will return to the GATT substantially reduce the price of products?" (Pi Shuyi, 1993). In light of the safety valve theory, especially the second question is rather interesting as it shows the Chinese people's concern with the consequences of GATT/WTO accession for Chinese producers. The article mentions the balance between rights and obligations in order to demonstrate that the challenge posed by returning to the GATT is accompanied by many benefits. This balance between rights and obligations is repeatedly stressed in news articles and also regularly mentioned by governments officials in official statements. Even though this focus point does not elaborate on the specific obligations and rights, it does clearly demonstrate that the Chinese government is fully aware of any benefits following accession. The article puts forward two arguments in order to demonstrate that even though opening up the domestic market is an important concession, its impact will be limited and will be implemented in different phases. As a first argument, the article points out the restrictive measures built into the GATT's principles that can serve as a line of defence, namely safeguard measures, anti-dumping measures and countervailing duties. Secondly, it also states the special treatment developing countries receive concerning those measures. On numeral occasions during its accession process, China emphasized the importance of receiving the status of developing country, understandable given the preferential requirements that are accompanied with that status. The article focuses on the process of tariff reductions and decrease in non-tariff measures. The tariff schedule proposed by the Chinese government gradually reduces tariff levels starting from 1992, but takes into account the characteristics of different industries. As the article states, tariff reductions differ per industry in order to leave producers enough time and room to improve their adaptive capacity, which, in

combination with the availability of protectionist measures for certain infant industries, diminishes the fear for harm done by return to the GATT. The same point is made in 2000 right before formal accession when an article on how domestic industries should handle the challenges and opportunities of WTO accession was published. One of the tips mentioned in the article is that industries should accustom to and learn about the different regulations in the WTO, including the regulations concerning trade remedies that can be used to legally protect the industries' own interests (Guo Jing, 2000). An article published right after China's WTO accession on 11 December 2001 also directly points to the use of trade remedies. This article refers to the importance of analysing the influence of accession for China, as well as the importance of timely implementing proper measures. On top of that, it also emphasizes the need for courage to open up the market, but at the same time be better adept to protect itself. Therefore, China should "speed up the revision and improvement of market access requirements and adequately use anti-dumping, countervailing duties and safeguard measures" (People.cn, 2001). In an article published in 2009, the *People's Daily* explains the incentives the government had to request accession to the WTO, including the ability to use the WTO's multilateral regulations to better protect its own country's interests (Mei Xinyu, 2009).

4.2. China's Trade Liberalization and Anti-Dumping Use

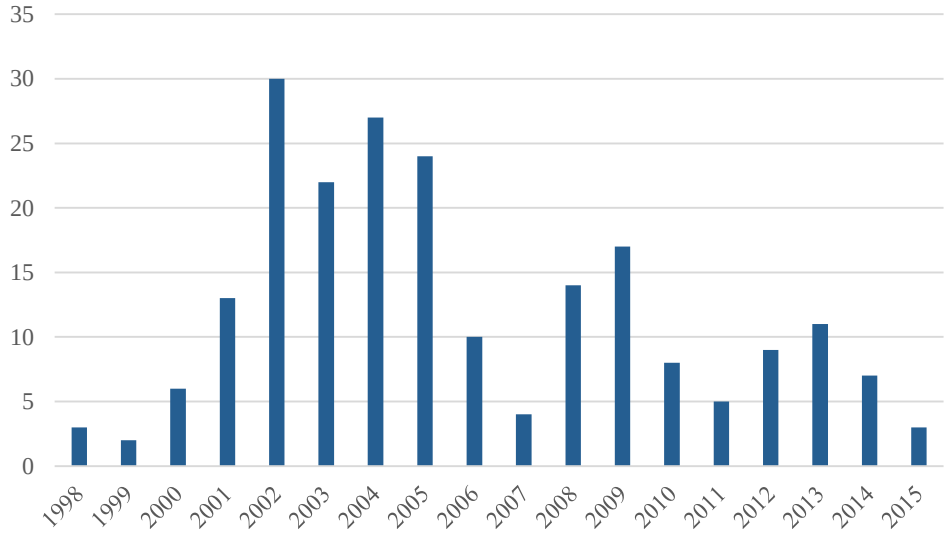
Even though these articles provide initial proof on the value of the safety valve, the following part focuses on China's actual use of safety valves, more specifically China's AD use. In order to prove that the safety valve theory holds, China's AD use has to reflect the domestic producer's attitude of agreeing to trade liberalization with the availability of AD measures in mind, thus significant trade liberalization is followed by a substantial increase in the use of AD measures. Examining the relation between trade liberalization and the use of trade remedies as a method to prove the safety valve theory has been used in previous research on this topic. Miranda et al. (1998) mention that Argentina and Brazil became heavy users of AD measures after they substantially reduced import tariffs in the early 1990s (Niels and ten Kate, 2006). Niels and ten Kate (2006) conclude that also in the case of Mexico there is anecdotal evidence for a positive correlation between trade liberalization and the use of AD measures.

This paper discusses four factors in order to demonstrate that China underwent substantial trade liberalization and opening up the last few decades: MFN applied tariff rate, non-tariff measures (NTMs), import flows and foreign direct investment (FDI). The first two indicators focus on a country's policy towards trade liberalization by directly addressing specific trade restrictions. The last two indicators turn to a country's openness to international trade and

investment, which are results of trade liberalization. A decreasing trend in the first two indicators and an increase in the last two indicators confirms the substantial trade liberalization China went through, thus further substantiating the safety valve theory.

The Chinese government set up its first AD law before WTO accession in 1997 and initiated its first AD investigation into newsprint imported from Korea, Canada and the US (Wu, Xiaochen, 2009). At that time, China was in the middle of opening up and increasing its imports which called for its own AD legislation and investigation procedures, i.e. China's Anti-dumping and Countervailing Duty Regulation (1997). In 2001, the regulation was amended to comply with China's WTO accession, and it was amended again in 2004 following reorganization of the central government and the establishment of the Ministry of Commerce (Wu, Xiaochen, 2009). The current effective AD regulation is the 2004 version, which consists of six chapters: General Provisions, Dumping and Injury, AD Investigation, AD measures, Undertaking and Review and Supplementary Provisions (Ministry of Commerce People's Republic of China, 2005). Even though China set up an AD law and initiated AD investigations before WTO accession, it is only after 2001 that China's AD use started to increase substantially, as can be seen in figure 3. This figure presents the total amount of initiated AD measures by China over the period between 1998 and 2015. During this period, China significantly increased its use of AD measures with a total of 215 initiated measures. China's WTO accession in 2001 is followed by a peak in initiated AD measures in 2002, illustrating Chinese producers were well aware of the availability of this trade remedy and immediately initiated AD investigations right after entering the WTO. After 2005, the level of initiated AD measures decreased, except for a small peak in 2008 and 2009. Han (2011) provides several explanations for this decrease. First, while AD is an effective protectionist measure, it is also a double-edged sword. Domestic firms lose international competitiveness while tackling dumping actions. A second explanation is the cost deriving from AD investigations and measures. Essentially, AD cases are disputes between domestic and foreign producers, inevitably ending in higher prices for domestic consumers. Punishing foreign exporters can also end in shielding domestic industries from sophisticated foreign technology and knowledge, and reduce incentive to increase productivity. Han's third explanation is related to the country's foreign trade policy. China attempts to present itself as a respectable and responsible trading partner, increasingly initiating AD cases therefore does not comply with that attitude. The evolution in figure 3 clearly demonstrates China fully discovered AD right after it entered the WTO.

Figure 3: Initiated AD Measures by China, 1998 – 2015

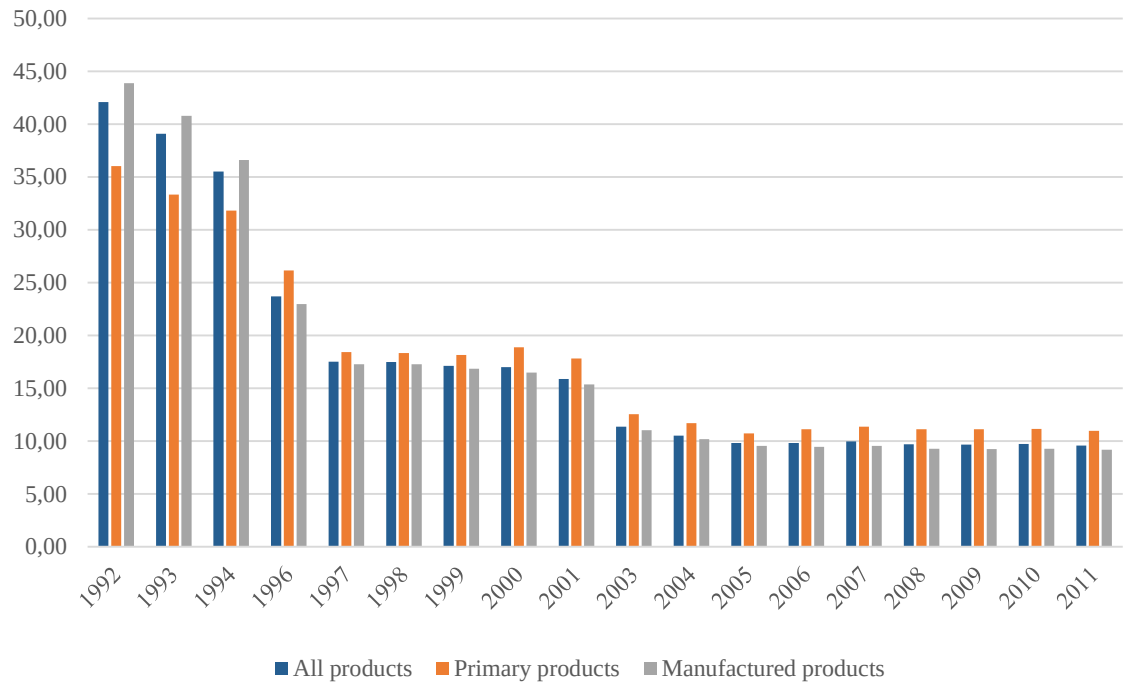


Source: Figure compiled by author with data from WTO Statistics (2016).

In terms of tariff levels, China made substantial concessions in the long negotiation process preceding WTO accession[2]. Tariff negotiations started in 1994 and in September of that year, China submitted a package offer committing to reduce the simple average of the 1992 tariff rate from 43.7 to 18.6 percent, a decrease of 25.1 percentage points. The tariff rate for industrial products would be substantially reduced from 42.8 to 18.1 percent over a period of five years and for agricultural products from 46.1 to 22.1 percent in ten years' time. As stated by Long Yongtu in 1996 at the first meeting of the working Party on China's WTO accession, tariff concessions began on 1 April 1996. After bilateral negotiations with several WTO members, Long Yongtu declared at the fifth meeting of the Working Party in 1997 that China improved its offer for over 2000 products, which would result to an overall average tariff level lower than the 15 percent average tariff level. As of 1 October 1997, China undertook major tariff reductions and reduced its simple average tariff rate from 23 to 17 percent. In November 1997 at the APEC summit meeting held in Vancouver, President Jiang Zemin declared that China would further reduce its average tariff rate for industrial products to 10 percent by 2005.

[2] For the data used in this paragraph, I base myself upon the official statements made by Long Yongtu at several meetings of the Working Party on China's Accession to the WTO. The statements can be found here: Permanent Mission of the People's Republic of China to the United Nations Office at Geneva and Other International Organizations in Switzerland: http://www.china-un.ch/eng/wto/wtothsm/default.htm.

Figure 4: MFN Applied Tariff Rate, Simple Average, 1992 – 2011 (%)



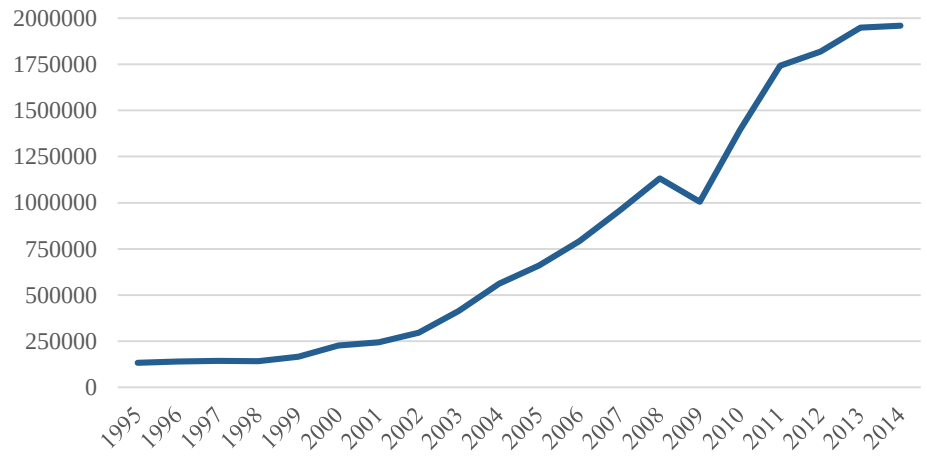
Source: Figure compiled by author with data from WTO Statistics (2016).

The overall evolution in China's MFN applied tariff rate between 1992 and 2011 is presented in figure 4. Over a period of 20 years, China decreased its tariff level for all products with 32.5 percentage points. For manufactured products, the reduction was slightly bigger than for primary goods, respectively 34.7 and 25.1 percentage points. Figure 4 also clearly shows the different phases in which tariff reductions were implemented. The first period between 1992 and 1996 is characterized by yearly reductions, after that tariff levels were substantially reduced in both 1997 and 2003. The impressive tariff concessions made in in the context of WTO accession demonstrate without question an important step in China's trade liberalization process.

In addition to tariff concessions, China also agreed to substantially reduce its non-tariff barriers to trade. At the first meeting of the Working Party on China's WTO accession in 1996, Long Yongtu pointed to the two-third reduction of products subject to NTMs already implemented by the Chinese government. At several other meetings of the Working Party, the Chinese head negotiator announced further elimination of NTMs. The final version of China's WTO accession protocol includes a phasing out table for NTMs on nearly 400 products subject to import licence, import quota or import tendering (WTO, 2001). China's efforts made in this respect also confirm China's strong commitment to liberalizing its trade and opening up its market.

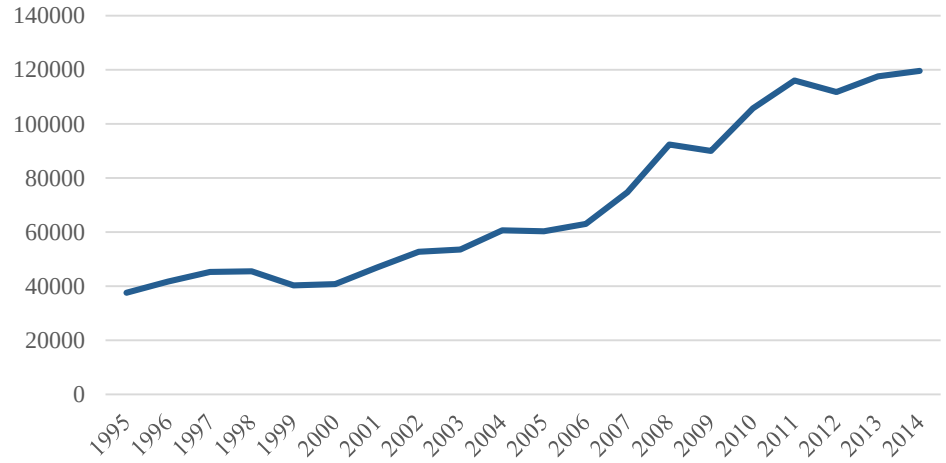
As a result of the above demonstrated trade liberalization, China opened itself up to international trade and investment, which is reflected in a significant increase in import flows and FDI between 1995 and 2014, respectively presented in figure 5 and 6. By 2014, imports increased to a total value of approximately 2 000 billion USD, nearly 15 times the value of imports in 1995. With an average annual growth rate of nearly 16 percent, suffice it to say such enormous increase can only result from substantially opening up a country's market to foreign imports. Even though less impressive than the increase in import values, actually used FDI in China tripled the past decades, with a total value of almost 120 billion USD in 2014. Those indicators clearly demonstrate the great trade liberalization and opening China underwent the last decades, thus substantiating the safety valve theory with regard to China.

Figure 5: Total Value of Import in China, 1995 – 2014 (Mio $)



Source: Figure compiled by author with data from National Bureau of Statistics of China (2014).

Figure 6: Total Actually Utilized Value of FDI in China, 1995 – 2014 (Mio $)



Source: Figure compiled by author with data from National Bureau of Statistics of China (2014).

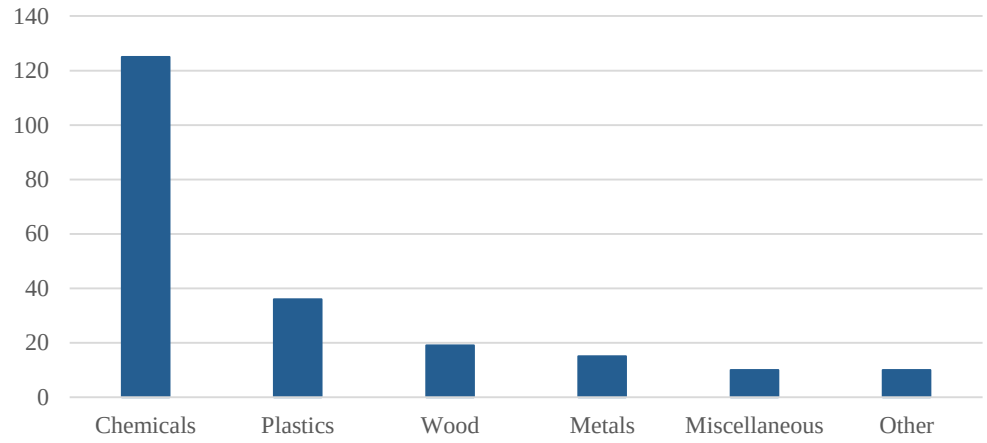
4.3. Sectoral Implementation of Anti-Dumping Measures

Even though the safety valve theory seems to hold on a country-based level, evidence is less conclusive when putting the theory in perspective and further examining it at sectoral level. The safety valve theory is used to analyse and explain sudden increases in the use of safety valves, in this case AD measures. At sectoral level this means that there has to be a clear distinction between industries using this trade remedy and those that do not. To examine that, this paper first demonstrates that China's AD use is heavily concentrated in a few industries. Subsequently, this paper analyses three indicators that could explain such a distinctive sectoral distribution of AD use: the degree of liberalization, the amount of state-owned enterprises (SOE) per sector and the success rate of initiated AD investigations. First of all, In accordance with the line of thinking in the previous part, substantial trade liberalization can lead to an increased AD use in certain sectors. Again, the same indicators for trade liberalization are used: MFN applied tariff rate, NTMs and import flows. As data on FDI flows per sector is not available, this indicator is not examined at sectoral level. A decreasing trend in MFN applied tariff rate and NTMs and an increase in import flows confirm that certain industries underwent greater trade liberalization than others, thus explaining their heavy use of AD measures. Secondly, as it might be easier for SOEs to initiate and implement AD measures, a large proportion of SOEs compared to private-owned enterprises (POEs) can explain heavy AD use in certain industries. Thirdly, if the success rate of initiated AD investigations in a certain industry is higher than in other industries, producers in that industry will be more likely to initiate AD measures.

Figure 7 includes data on the amount of AD cases per HS section[3] and clearly shows that China's AD use is dominated by a few industries. The chemical industry is without question the main user of AD measures in China, followed by the plastics-, the wood-, the metal- and the miscellaneous manufacturing industry. Together, those five industries account for 95 percent of all initiated AD measures. Such a distinctive sectoral distribution forms the perfect foundation to examine the safety valve theory as it demonstrates certain industries resorted to the use of AD measures, while others did not rely on the use of this trade remedy. This of course leads to the question of why certain industries use this safety valve significantly more than others.

[3] HS refers to the Harmonized System Nomenclature, commonly known as the HS Nomenclature, developed and maintained by the World Customs Organization (WCO). This system is an international standardized system of names and numbers to classify trade products, it comprises about 5,000 commodity groups, which are identified by a six-digit code. For further information on the HS Nomenclature, see World Customs Organization, *What is the Harmonized System (HS)?* (2012), Retrieved on 04-03-2016 from World Customs Organization: http://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx.

Figure 7: Initiated AD Measures by China by HS Section, 1998 - 2015

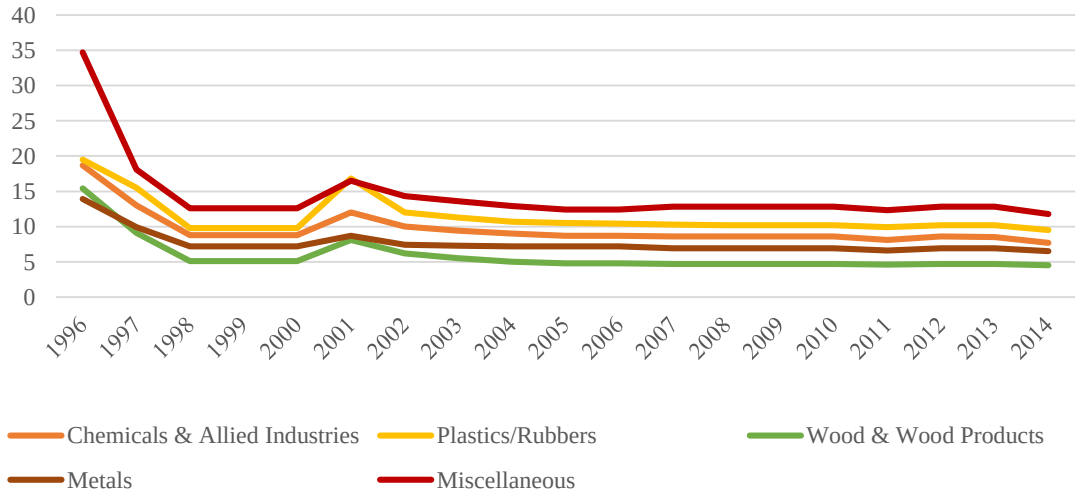


Source: Figure compiled by author with data from WTO Statistics (2016).

4.3.1. Degree of Liberalization per Sector

For the first indicator of trade liberalization, I collected the MFN applied tariff rate per HS code from the Tariff Download Facility of the WTO. By merging the average MFN applied tariff rates per HS chapter, I obtained one average tariff rate per section, each corresponding to one of the examined industries. Figure 8 presents the evolution in average MFN applied tariff rate per HS section between 1996 and 2014. In the absence of data on MFN applied tariffs for 1998, 1999 and 2000, bound rates are used instead, explaining the sudden decrease and stabilisation of the tariff levels for those three years.

Figure 8: MFN Applied Tariff Rate by HS Section, Main Industries 1996 - 2014

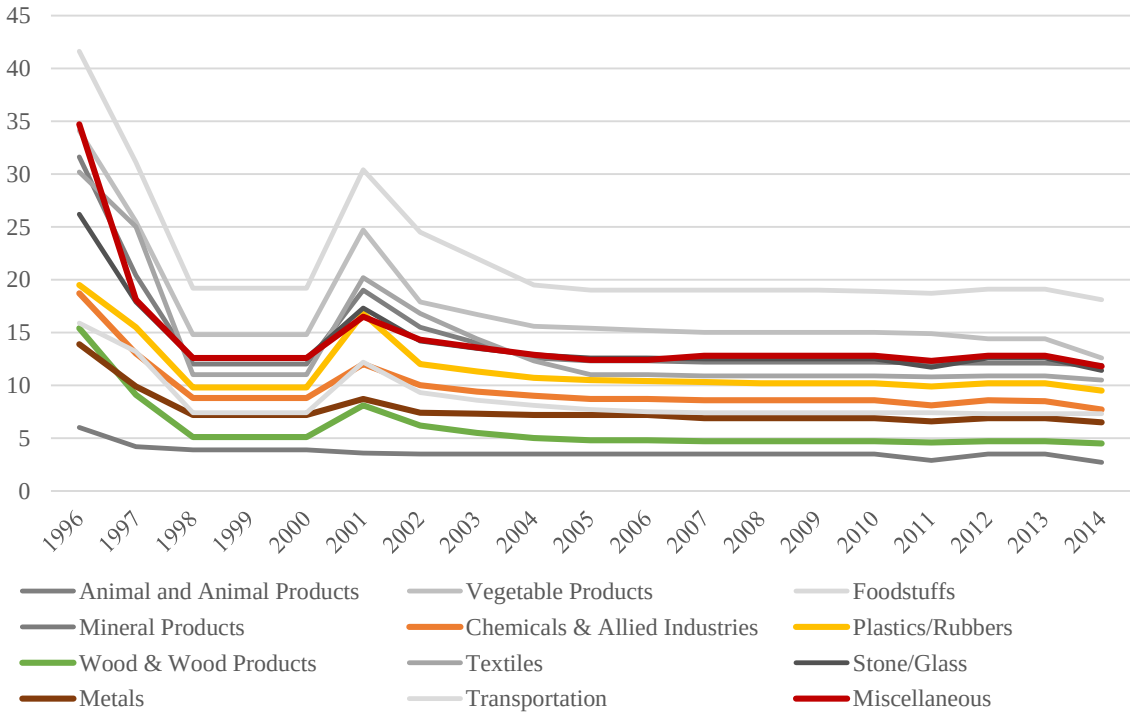


Source: Figure compiled by author with data from WTO Statistics (2016).
Note: Because MFN applied tariff rates for the years 1998, 1999 and 2000 were not available, bound rates are used instead.

As can be seen in figure 8, all five industries underwent substantial tariff reductions between 1996 and 2005, after which tariff levels roughly stabilised. The tariff reductions are especially significant in the miscellaneous manufacturing industry, namely 22.9 percentage points. For the chemical-, plastics- and wood industry, tariffs were cut respectively with 11, 10 and 10.9 percentage points. With a decrease of 7.4 percentage points, the metal industry underwent the smallest tariff reduction. Based on this dataset, we can conclude that all five industries that became heavy users of AD measures, underwent significant tariff reductions during the negotiating process for WTO accession, which fits perfectly within the definition of the safety valve theory.

However, when we include data on other HS sections, presented in figure 9, it becomes clear that the tariff reductions in the above industries were not significantly bigger than in others. Aside for mineral products, other industries underwent larger tariff reductions than the five industries that resorted to the use of AD measures. The average tariff reduction in the investigated industries amounts to 12.4 percentage points, which is lower than the average reduction in the other sections, namely 15.9 percentage points. Even though the five industries mainly using AD measures underwent tariff reductions, these tariff reductions were minor to the tariff cuts implemented in other industries, thus contradicting the safety valve theory.

Figure 9: MFN Applied Tariff Rate by HS Section, All Industries, 1996 - 2014



Source: Figure compiled by author with data from WTO Statistics (2016).
Note: Because MFN applied tariff rates for the years 1998, 1999 and 2000 were not available, bound rates are used instead.

The same result derives from examining the NTMs that were scheduled to be gradually eliminated as stated in China's WTO accession protocol. Table 4 categorises the NTMs subject to phased elimination per HS section. As the data suggests, most non-tariff barriers were eliminated in the machinery-, transportation and textile industry. In this respect, there is again no data supporting the reasoning that trade liberalization was more severe in certain industries, which would result in more use of AD measures in those sectors.

Table 4: NTMs Subject to Phased Elimination per HS Section

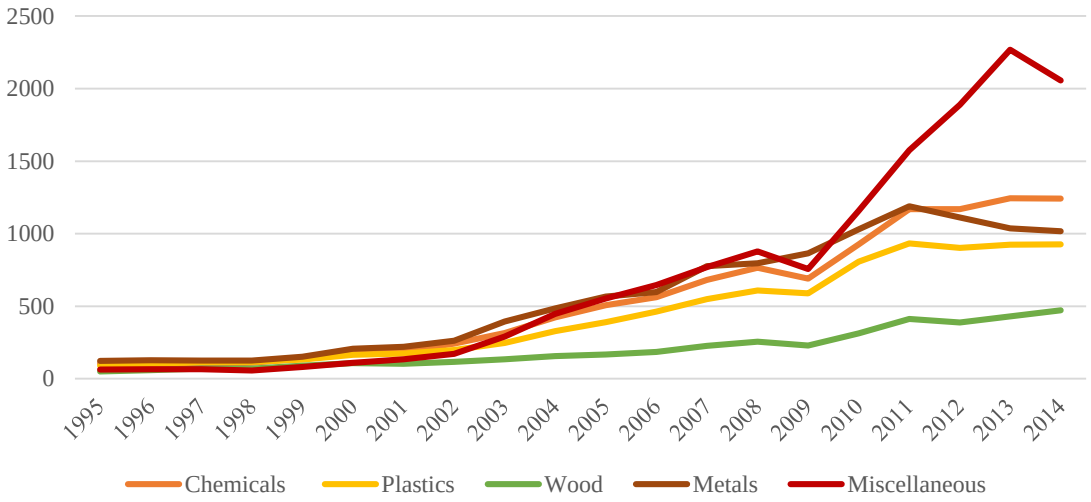
	Product	Total NTMs	% Total
XVI	Machinery and appliances	146	38.7
XVII	Transportation	104	27.6
XI	Textiles and textile articles	42	11.1
XX	Miscellaneous manufactured articles	27	7.2
VI	Products of the chemical or allied industries	26	6.9
VII	Plastics and articles thereof	13	3.4
IV	Prepared foodstuffs	11	2.9
V	Mineral products	8	2.1

Source: Table compiled by author with data from WTO (2001).

As a last indicator of trade liberalization, figure 10 presents data on the total value of imports by HS section for the five examined industries. Figure 10 shows that the increase in total value of imports for the five industries under research was impressive. The data illustrate that the imports in all industries, except for the wood industry, substantially increased since 1995. The value in 2014 for the chemical-, plastics- and metal industry reaches ten times the value of 1995 and for the miscellaneous manufacturing industry is the 2014 value more than thirty times the 1995 value.

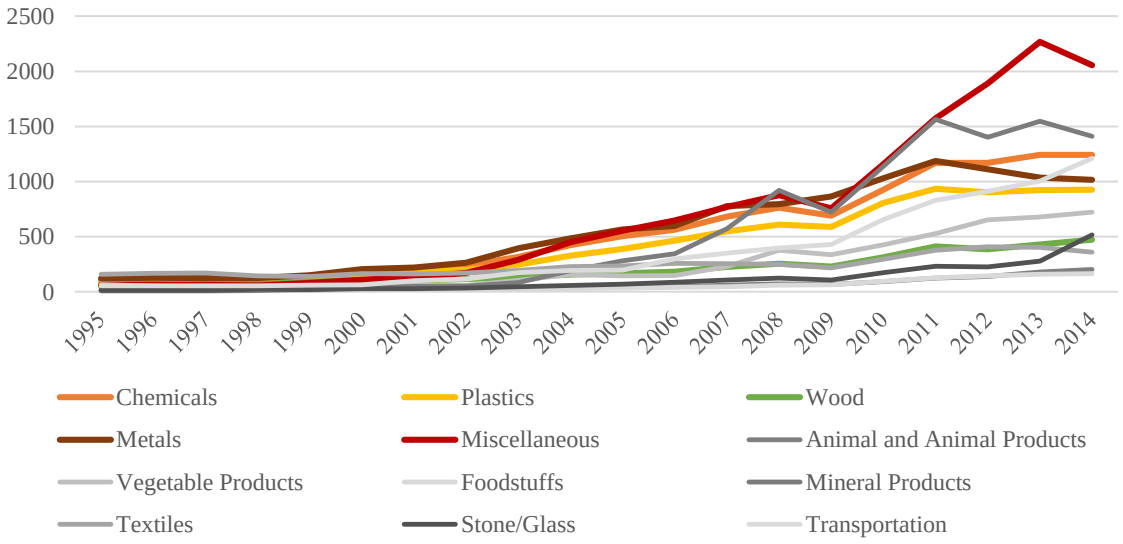
These increases remain significant even when putting them in perspective, as is shown in figure 11. Aside from the wood industry, the import levels for the AD using industries are among the highest when comparing them to other industries. Even though the five researched industries were not characterised by additional decrease in tariff levels and NTMs, they were faced with an excessive increase in import levels, which could explain their extra need for AD measures.

Figure 10: Total Value of Imports by HS Section, Five Main Industries (Mio $)



Source: Figure compiled by author with data from World Integrated Trade Solution (2016).

Figure 11: Total Value of Imports by HS Section, All Industries (Mio $)



Source: Figure compiled by author with data from World Integrated Trade Solution (2016).

4.3.2. Share of State-Owned Enterprises

In order to analyse the proportion of SOEs and POEs per industry, I collected data on the total number of enterprises from the National Bureau of Statistics of China for four industries mainly using AD measures: the chemical-, the plastic-, the wood- and the metal industry. The miscellaneous manufacturing industry is not included in the table because data on this industry is not available. Because this industry is the least heavy user of the five main industries, omitting this industry does not lead to distortive results. For the chemical industry, enterprises

manufacturing medicines are not included in the total number because no AD cases concerning such products were ever filed[4]. Included in the data for the chemical industry are enterprises manufacturing raw chemical materials, chemical products and chemical fibres. The total number of enterprises in the plastics industry refers to both rubber manufacturing and plastics manufacturing enterprises. The metal industry consists of enterprises manufacturing metal products and enterprises smelting and pressing ferrous- and non-ferrous metals. Enterprises in the wood industry are enterprises processing timber, manufacturing wood, bamboo, rattan, palm and straw products; enterprises manufacturing furniture and enterprises manufacturing paper and paper products. SOE refers to an enterprise of whose total assets the state-owned assets have a dominate advantage upon other share holds in assets. Enterprises are considered to be private-owned when they meet the following requirements: (1) They are established legally, having their own names, organization, location and able to take civil liability; (2) They possess and use their assets independently, assume liabilities and are entitled to sign contracts with other units; (3) They are financially independent and compile their own balance sheets (National Bureau of Statistics of China, 2014).

Table 5 presents this data for two periods of time, 2000 – 2006 and 2007 – 2014. The data is divided in those two periods because China's AD use reached several peaks before 2006, as illustrated in figure 3. Initiated AD cases in this period account for more than 60 percent of all cases. In the period 2000 – 2006, the share of SOEs in the chemical industry is significantly higher than in other industries, namely 30.7 percent compared to shares between 12.1 and 18.0 percent. The share of POEs is substantially higher in each industry in the next period, ranging between 92.2 and 97.9 percent. Nonetheless, compared to other industries is the amount of SOEs in the chemical industries still slightly higher, namely 7.8 percent. This table provides a clear distinction between the chemical industry and the other industries concerning the proportion of SOE and POE. The fact that the chemical industry was so dominated by SOEs, especially until 2006, could explain why this industry initiated substantially more AD measures than others.

[4] Pharmaceuticals form a specific group of products within the HS section of chemicals, with a 6-digit code starting with the numbers 30. From the data on the WTO NTM Database, no initiated Chinese AD case ever involved products from this specific product group.

Table 5: Industries Divided by Type of Enterprise, 2000 – 2014

Industry	2000 – 2006				2007 – 2014			
	SOE		POE		SOE		POE	
	Total	% Total	Total	% Total	Total	% Total	Total	% Total
Chemical	2649	30.7	5989	69.3	1307	7.8	15551	92.2
Plastic	639	12.1	4628	87.9	278	2.3	11751	97.7
Wood	1165	16.8	5777	83.2	326	2.1	14988	97.9
Metal	1995	18.0	9074	82.0	1304	6.4	18932	93.6

Source: Figure compiled by author with data from National Bureau of Statistics of China (2014).

4.3.3. Success Rate of Anti-Dumping Investigations

In order to get an insight in the success rate of AD investigations, I divided all AD cases by sector and subsequently by status: initiated, enforced, withdrawn or under investigation. AD measures that were once enforced but already withdrawn at the moment, are included in the total enforced measures and not considered as a withdrawn case. The AD cases under investigation are cases initiated after 2011 and for which no enforced or withdrawn date is available. Data on these cases are of less importance as an AD case is considered successful when actual AD measures are enforced.

Table 6 provides an overview of all Chinese AD cases by sector and status, for the top five AD using industries. In line with the previous indicators and considering the fact that only the top five industries initiated a considerable amount of AD cases, I focus on the success rate of AD cases in these industries. Success rates for the other industries provide a distorted view as they only initiated a maximum of 2 AD cases. In general, the success rates of AD cases are relatively high, especially when focusing on the withdrawal rate and not taking into account the cases still under investigation. In general, for the five industries, only an average of 10 percent of all cases is withdrawn immediately. When focusing on the data in the third column, namely the share of actually enforced AD cases, the success rate is the highest in the plastics- and metal industry, respectively 92 and 93 percent. For the other three industries this share is slightly less and hovers around 70 percent. If the success rate of initiated AD cases affects an industry's degree of AD use, this rate is expected to be the highest in the chemical industry. With almost 20 percent of all initiated AD cases in the chemical sector being withdrawn, which is the highest withdrawal rate among the top five industries, this is clearly not the case. Research on the success rate of AD cases therefore does not provide further supportive evidence that could be useful in explaining the heavy use of AD measures in the chemical industry.

Table 6: Overview of Chinese AD Cases by Sector and Status, Top Five Industries

Product	Total initiated cases	Total enforced measures	% Total	Total withdrawn cases	% Total	Total under investigation	% Total
Chemicals	125	93	74.4	23	18.4	9	7.2
Plastics	36	33	91.7	3	8.3	0	0
Wood	19	13	68.4	2	10.5	4	21.1
Metals	15	14	93.3	1	6.7	0	0
Miscellaneous	10	7	70.0	1	10.0	2	20.0

Source: Table compiled by author with data from WTO Statistics (2016).

Even though sectoral data on China's AD use clearly illustrates the use of this safety valve is dominated by several industries, explaining this phenomenon turns out to be rather difficult. AD using industries did not face particularly more concessions, neither are AD cases in these industries characterised by a higher chance of actual AD measures being enforced. The only indicators found to have an explanatory value are the substantial increase in import volumes and the particularly high share of SOEs in the chemical sector.

5. Safety Valve Theory Applied to the European Union

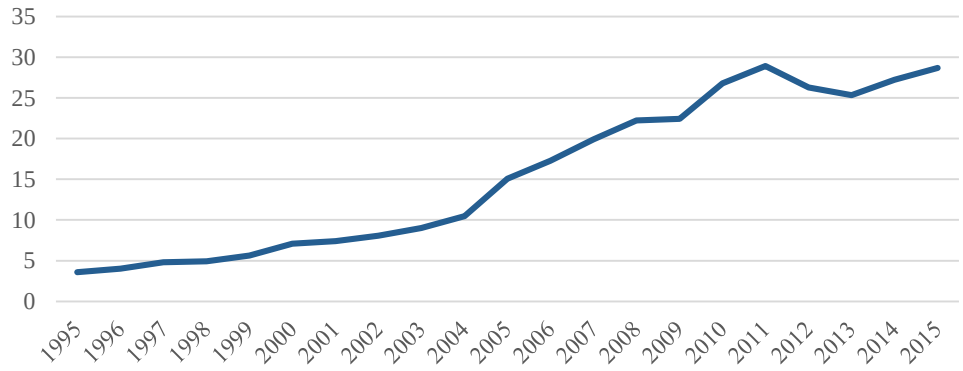
China's accession to the WTO was not only an important event for China, but for the entire global economic system. For existing members, it was an important way to receive more market access to one of the world's biggest consumer markets. At the same time however, Western economies were concerned about the surge of Chinese exports that would follow after granting MFN status to China. This part of the paper focuses on how the EU, one of the most important trading partners of China, dealt with China's WTO accession and presents two cases that demonstrate that the EU's approach fits within the safety valve theory. Both case studies address a different implication of China's accession for the EU: the liberalization of the European textile sector and China's request to gain market economy status (MES).

5.1. Liberalization of the Textile Sector

The textile industry is an interesting sector to examine with regard to China's WTO accession because of two reasons. First of all, this industry was the only one that felt notable effect of China's accession the WTO because at the time of accession, most concessions were made by China itself. For the EU, there was only one obligation: grant China permanent MFN status. As the EU already accorded China such status, this obligation had practically no impact

(Commission of the European Communities, 2001). Only in the textile industry there were serious ramifications, as it meant phasing out China-specific quantitative restrictions (quotas) in line with the Agreement on Textiles and Clothing ATC (1994). Secondly, China is the world's leading producer and exporter of textiles in the world. In 2014, 40 percent of the world's export in textiles and clothing originated from China. Also for the EU in specific, textile imports from China account for a significant amount of the total imported textiles, namely 37 percent in 2014 (UN Comtrade 2016). When looking at the evolution in imports of Chinese textile products into the EU, it becomes clear that imports increased dramatically the past two decades and especially after 2004. This evolution is presented in figure 12 and clearly demonstrates the concern among European textile producers regarding China's WTO accession was well-founded.

Figure 12: Total Textile Imports from China into the EU, 1995 – 2015 (Billion €)



Source: Figure compiled by author from data from Eurostat (2016).

The safety valve theory states that the EU made certain concessions in favour of Chinese textile producers only after assuring specific mechanisms were put into place that could serve as a safety valve to shield domestic producers from the increased foreign competition. Because the EU negotiated a phased liberalization of its textile industry, this paper separately examines the safety valve theory for each phase: 2001 – 2005; 2005 – 2008; 2008; 2009 – 2015. Three requirements need to be fulfilled in order for the theory to hold in a certain liberalization phase. First of all, each phase is accompanied by Sino – EU negotiations on the specific terms and conditions on concessions made by both sides. Secondly, these negotiation rounds end in the actual availability of certain protectionist measures, i.e. the safety valves. Lastly, whether or not the EU actually used the available safety valves. Because the safety valve theory focuses on whether or not the EU would have made concessions if no safety valves were available, the last requirement does not necessarily need to be fulfilled in order to prove the value of the

theory. Nonetheless, analysing this last aspect provides interesting insights in the EU's actual use of its negotiated safety valves. If all conditions are met, the safety valve theory holds for that particular phase. Based on the results per phase, this paper draws a conclusion on the value of the safety valve theory with regard to the complete liberalization of the textile sector.

The first liberalization phase starts with the beginning of the China – EU bilateral accession talks in 1995 and ends in 2005 with the termination of the Agreement on Textiles and Clothing (ATC). This agreement (1994) was a transitional instrument built in to fully liberalize the textile industry by 2005, meaning the termination of all remaining quotas on textiles. In China's case, this meant that its low-cost textile industry would suddenly flood the European market in 2005, risking injury to European textile producers. But, as China entered the WTO when the ATC was already put into effect, many Western economies, including the EU, negotiated a transition mechanism concerning the termination of China-specific quotas on textile imports. The Sino – EU Agreement on China's Accession to the WTO, that was reached in 2000 as a result of China – EU bilateral talks, included specific tariff reductions on textile tariffs, bringing them close to the EU levels. In order for the safety valve theory to be applicable, those tariff reductions would have to be accompanied by the availability of special measures before the EU would agree to terminate its textile quotas. Indeed, in China's final WTO accession protocol, special provisions concerning textiles and clothing products were put into place until 31 December 2008. According to paragraph 242 of the Report of the Working Party on Accession of China (2001), a WTO member can request consultations with China to ease or avoid market disruption, if this member believes Chinese imports of textiles and apparel products covered by the ATC are, due to market disruption, threatening to impede the orderly development of trade in these products. Upon receiving the request for consultations, China agrees to hold its shipments to the requesting member of the textile products in the categories subject to consultations. If, within 90 days, no mutually satisfactory solution is to be found, the requesting member is allowed to continue the limits on imports, up to a maximum of one year (WTO, 2001). The EU clearly negotiated this special safeguard mechanism (SSM) before terminating its textile quotas, thereby substantiating the safety valve theory for the first phase.

When analysing whether or not the EU actually made use of those temporary safety valves, the answer is also yes. After termination of the ATC in 2005, the EU and European textile producers were concerned about the flood of Chinese low-cost textile imports. On 6 April 2005, the European Commission (EC) published guidelines for the use of the safeguards on Chinese textiles exports and determined alert levels beyond which the EC would launch market disruption investigations. At the end of April, the EC decided to launch investigations into nine

categories of Chinese textile imports. Table 7 compares the Chinese textile imports for these categories between the first quarter of 2004 and 2005, clearly illustrating the large surge in Chinese textile imports in the 1st quarter of 2005, right after termination of the ATC. This table also includes the alert levels set by the EC, presented in column 1 for the 1st quarter of 2005 as 1/4th of the total 2005 alert level. The import shares of these alert levels are presented in column 4, the actual imports as data from customs for the 1st quarter of 2005 are presented in column 2 and column 3 includes Eurostat data on imports between January and March 2004. The last column compares the evolution in imports between 2004 and 2005, demonstrating the rapid increase in import levels for all nine product categories in the first quarter of 2005, with increases ranging between 51 and 534 percentage. As can be seen in column 4, import levels raised above the alert levels for all nine categories, after which the EC decided to initiate investigations. Simultaneously, the EU started consultations with China as required under the terms of China's accession protocol. As the EU initiated investigations into nine of the thirty-five categories that were liberalized after the termination of the ATC, it is clear that the EU used the special provisions in China's accession protocol as a safety valve. From this research, I conclude it is likely the EU would not have agreed to China's accession without having this special safeguard mechanism, thus further substantiating the safety valve theory for this phase.

Table 7: Monitoring of EU25 Imports from China

Product category		1st Quarter 2005 (1)	Actual Imports 1st Quarter 2005 (2)	Eurostat Imports Jan – March 2004 (3)	Share Imports of (1) (4)	Evolution Actual Imports (5)
4 – T-shirts	(1000 units)	95.737	150.665	57.053	157%	164%
5 – Pullovers	(1000 units)	32.162	65.020	10.251	202%	534%
6 – Men's trousers	(1000 units)	37.844	104.195	20.326	275%	413%
7 – Blouses	(1000 units)	13.018	21.927	7.667	168%	186%
12 – Stockings + socks	(1000 units)	66.015	73.414	25.896	111%	183%
15 – Women overcoats	(1000 units)	11.560	11.960	4.997	103%	139%
31 – Brassières	(1000 units)	41.688	44.229	27.132	106%	63%
115 – Flax or ramie yarn	(Tons)	886	1.098	729	124%	51%
117 – Woven fabrics flax	(Tons)	566	2.348	657	415%	257%

Source: European Commission (2005).

Note: The categories included in this table are the nine product categories for which an investigation has been opened.

The termination of the ATC and the initiated investigations following this event clearly mark the start of a second phase. The consultations between the EU and China never ended in the actual prolonging of the limits on imports because nearly two months later, on 10 June 2005, the EU – China Textile Agreement was reached. Under this agreement, China agreed to limit the growth of its imports for ten categories until the end of 2007: pullovers, men's trousers, blouses, t-shirts, dresses, bras, flax yarn, cotton fabrics, bed linen, table and kitchen linen. In return, the EU agreed to end the ongoing investigations concerning those categories, as well as exercise constraint in the application of the special textile safeguard included in China's WTO accession protocol for the remaining categories. Also in this phase, the safety valve theory seems to have value, as the EU agreed to terminate its investigations, only after a new agreement including certain safety valves was reached. This time however, those safety valves were in the form of growth limits instead of special safeguards. In comparison to the special safeguard measures, those limits were put into place automatically, making it unnecessary for the EU to actually implement this type of safety valve. Nonetheless, the safety valves were available and put into place, thus confirming the value of the theory.

With the termination of the above EU – China Textile Agreement in 2007, a third phase in the liberalization of the European textile industry started. Just as with the termination of the ATC, the termination of the EU – China Textile Agreement was also followed by a new round of negotiations and the establishment of another agreement. This time, both parties agreed to put into place a double-checking system on textile imports that would operate for one year after the elimination of growth caps on the above ten categories of textile products. The press release for this agreement was issued on 9 October 2007 by the EC, including information on the eight categories covered by the monitoring system. Those categories are eight of the ten categories for which growth levels were determined in 2005: T-shirts, pullovers, trousers, blouses, bed linen, dresses, bras, and flax yarn. The purpose of this surveillance system was to closely monitor textile imports into the EU and ensure that the data on export licenses corresponded as much as possible to what was actually imported in the EU. The double-checking referred to the surveillance that was done on both sides of the process. Chinese textile exporters were required to apply for an export license, which was necessary to apply for an import license. Enterprises that met certain conditions[5] could apply for an export license at the local department of the

[5] For further information on the specific entry requirements issued by Mofcom, see Hong Kong Trade Development Council, *EU Textile Import Monitoring* (2007), Retrieved from HKTDC: http://forum.hktdc.com/topic/4903/en/EU-textile-import-monitoring.htm.

Chinese Ministry of Commerce (Mofcom), after which this data was sent to central Mofcom. The Chinese customs authorities were responsible for customs clearance of goods leaving China and also sending this information to the central department of Mofcom. Central Mofcom updated the Système Intégré de Gestion de Licences (SIGL)[6] database with the information gathered from local Mofcom and customs (European Commission, 2008). With the help of this database, the EU's member state licensing offices could double-check all the information on textile imports entering the EU. Even though this agreement marked the termination of a quota system on Chinese textile imports, the SSM in China's WTO accession protocol still remained into place until the end of 2008. This meant that the EU could still undertake action if a surge in imports caused harm to the home market. Nonetheless, EU Trade Commissioner Peter Mandelson stated that the quota system under the EU – China Textile Agreement had given European textile producers enough time and space to adapt and prepare for Chinese competition, thereby calling on textile manufacturers to refrain from undertaking any action against Chinese exporters (EurActiv, 2007)[7]. As opposed to China's WTO accession protocol and the EU – China Textile Agreement, this last agreement concerning the textile industry did not include any specific safety valves available to European producers to protect themselves from Chinese imports. Nonetheless, the monitoring system itself can be considered a safety valve as Chinese producers were required to obtain an export license in order to export textiles to the EU. Even though the surveillance system did not impose quantitative restrictions on textile imports, it was used by the EU to reassure European textile producers that the imports of textile products would still be strictly controlled and monitored. In that sense, the implementation of the joint monitoring system was the last step to free global trade in textiles and clothing and served as a safety valve to the EU. As the system was put into place automatically, this phase of liberalization further substantiates the safety valve theory.

Since 2009, the European textile industry has been completely liberalized, without any quotas or surveillance measures on textile imports from China. Nevertheless, European textile producers are still able to make use of the traditional trade remedies within the framework of the WTO if the domestic industry is harmed by imports from China. The access to these trade remedies can be considered to serve as a safety valve for the EU, therefore substantiating the theory. As can be seen above in figure 12, European textile producers were confronted with a

[6] SIGL is an internet-based system run by the EC's Directorate General for Trade and assists the management of EU textile and clothing licenses and steel imports (European Commission, 2013)

[7] Peter Mandelson's words originally come from an article in Corriere della Sera (24 September 2007), *Let the Barriers come down: Europe has nothing to fear*. I was not able to consult this source, because I do not have access to this article.

significant increase in textile imports after 2009, thus the use of those trade remedies by European producers against Chinese textile imports is expected to rise. This is however not the case. Between 2009 and 2015, the EU initiated only three measures against Chinese textile exporters: one AD measure in 2009, one quantitative restriction in 2011 and once countervailing duties in 2012. Thus, European producers were facing severe foreign competition and had access to trade remedies, but barely used them. This raises the question of whether or not those trade remedies were actually available in practice or only in theory, which would contradict the safety valve theory. Of course, other factors can explain this absence in the use of trade remedies against Chinese textile importers. Between China's WTO accession in 2001 and the complete liberalization of the textile industry in 2009, European manufacturers had a transition period of eight years in which competition was limited by several forms of protectionist measures and mechanisms. As EU Trade Commissioner Mandelson said, European producers had enough time and space to adapt to the new and more competitive environment.

Table 8 provides a summary of my findings for each liberalization phase. The first column lists the different phases according to start- and end year, while the according Sino – EU agreements are included in the second column. The third and fourth column turn to the safety valve theory, by providing info on the available safety valves and whether they were actually used. The last column states whether or not the EU's approach in that certain phase fits within the theoretical framework of the safety valve theory. From the summary in table 8, it is clear that the EU successfully smoothened the liberalization of its textile industry. In three of the four phases, the EU negotiated special terms under which Chinese textile exporters could import their products in the EU. Those negotiations always took place right before or after a textile-related agreement came to its end. Even though European manufacturers barely initiated any traditional trade remedies against Chinese textile producers, this was never necessary because of several other Sino – EU agreements including special provisions that were into place until 2009. Only after 2009, a rise in trade remedies would have been expected to occur. Nonetheless, this is easily explained by the fact that European producers had enough time to adapt to the increasing foreign competition. Overall, the fact that the EU negotiated several agreements with special mechanisms as protection for domestic producers, proves its way of approaching China's WTO accession and the fear for increased competition and harm to domestic industry perfectly matches the expectations of the safety valve theory. Therefore, this case provides first proof of the value of the safety valve theory, at least for the EU and in the case of the textile industry.

Table 8: Summary Table on Liberalization of the European Textile Industry

Liberalization phase	Sino-EU Agreement	Safety valves available?	Safety valves used?	Proof for theory?
2001 – 2005	China's WTO Accession Protocol Agreement on Textile and Clothing (ATC)	Yes: Special Safeguard Mechanism (SSM)	Yes: Investigations initiated into nine categories of textile products	Yes
2005 – 2008	EU – China Textile Agreement	Yes: Growth limits on ten categories + SSM	Yes: Growth limits automatically in place	Yes
2008	Double-checking system	Partly: Surveillance on eight categories + SSM	Yes: Automatically in place	Partly
2009 – 2015	Free trade	No	No	No

5.2. China's Request for Market Economy Status

Opening up its textile industry was not the only challenge the EU faced in light of China's WTO accession. Even today, 15 years after becoming a full member of the WTO, China's position in the WTO and the global economic system still poses new challenges for the EU. This time, China's non-market economy status (NMS) is the topic of worldwide debate and concern. This last part of the paper applies the safety valve theory to this more recent topic concerning China's WTO accession. This case does not attempt to answer any legal questions on whether or not China will automatically receive market economy status, but rather examines the connection between the safety valve theory and China being granted market economy status (MES). Based on the definition used in this paper for the safety valve theory, three main conditions need to be fulfilled in order for this theory is applicable to a specific event or situation. First of all, a country needs to be facing or implementing some form of trade liberalization. Second of all, the country is facing conflicting politic demands as a result of this trade liberalization. Thirdly, the country uses safety valves to justify its trade liberalization and protect domestic producers if necessary. This case first elaborates on these three conditions in order to confirm the safety valve theory is applicable to this case. Afterwards, the safety valve theory is used to propose possible options for the EU in dealing with China's expiring NMS.

5.2.1. Application of the Safety Valve Theory to China's Request for MES

The first condition for the safety valve theory is that a country has to be facing or implementing some form of trade liberalization. Even though the EU is not actively implementing further

liberalization of its market, granting China MES will indirectly result in some European industries being more open to foreign, and Chinese imports. China's NMS is not really a question of how a country is perceived by others, but rather an important factor in the regulations pertaining price comparability in the determination of subsidies and dumping. According to WTO rules, when producers file an application for an AD case, a comparison between the export price and the domestic price or costs in the exporting country is made in order to calculate dumping. For non-market economies however, this method is not used because prices or costs in the exporting country are artificially low, thus not reflecting normal market value (European Commission, 2016). In such cases, data from another market economy is used as a basis for the calculation. As stated by China's WTO accession protocol, China is considered a non-market economy until 15 years after accession, i.e. 11 December 2016, making these rules also applicable to China. Provision 15 of the accession protocol states that "WTO members can use a methodology that is not based on a strict comparison with domestic prices or costs in China if the producers under investigation cannot clearly show that market economy conditions prevail in the industry producing the like product with regard to manufacture, production and sale of that product." In other words, this non-market economy methodology makes it easier for the importing country to prove dumping took place, thus easier to enforce AD measures. In this regard, China's NMS allows the EU to relatively easy enforce AD measure and thus shield its domestic producers from Chinese imports. By granting MES to China, European producers will have more difficulty getting AD measures enforced. As a result, certain industries currently protected by AD measures will face an increase in foreign competition. Although this is no trade liberalization in the strict sense of lowering tariffs, the results are similar and therefore fulfilling the first condition of the theory.

Secondly, the country or in this case the EU, is confronted with conflicting interests between different parties. Traditionally, this refers to the conflicting interests between consumers and producers, but in this case these interests differ both at a European and an international level. At European level, the EC is faced with consumers who benefit from access to Chinese products and producers from different EU member states demanding action against the dumping of Chinese products and expressing their concern for the implications of granting China MES. Especially the steel industry, in which most AD measures against Chinese products are currently enforced, calls on the EC to use the full range of EU trade policy instruments in order to level the playing field and ensure fair competition (Financial Times, 2015). On 15 February 2016, more than 5 000 workers and managers from the steel and other sectors gathered in Brussels to jointly protest against China's dumped products on the European market

(Deutsche Welle, 2016). Aside from being confronted with a demand for action from its own producers, the EC is at the same facing friction on an international level with its most important trading partners. On the one hand, not granting China MES would definitely help reassure European producers, as well as back other countries not willing to unilaterally grant China MES, e.g. the US. On the other hand, this decision will create friction with China and possible harm bilateral relations with the Chinese government, also one of the EU's most important trading partners. There is no doubt the EU is in a very precarious position, with different interests at stake. As stated by the safety valve theory, the availability of certain safety valves could help the EU harmonize these conflicting interests.

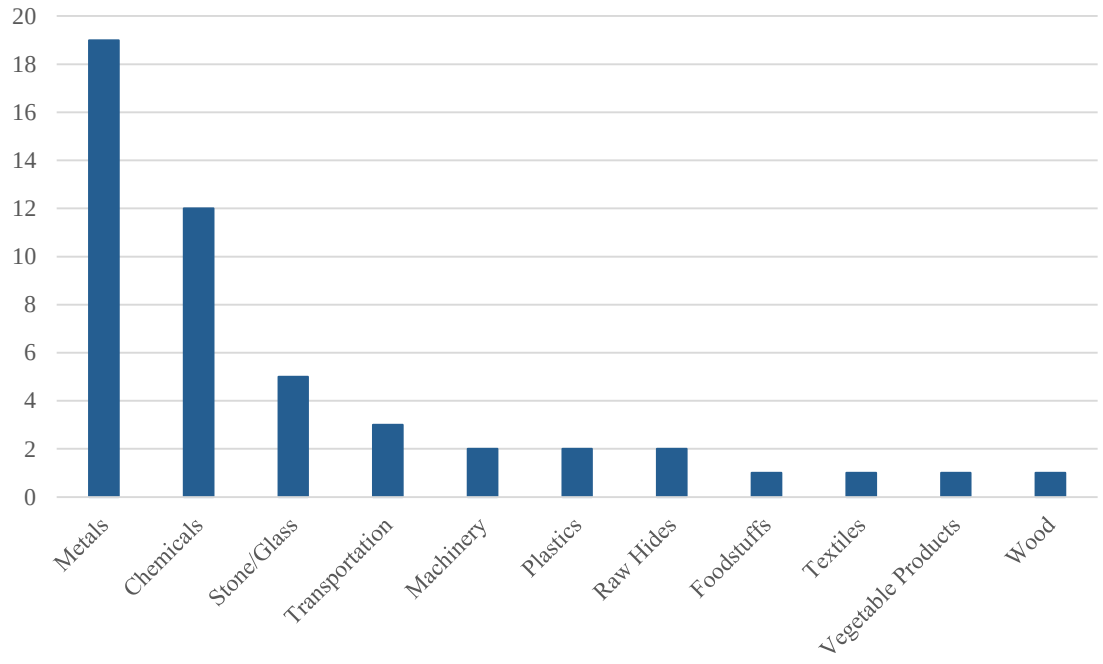
The last and most important part of the theory's definition states that a government, or in this case the EC, makes a decision with certain measures in mind that can serve as a safety valve. As the EC has not decided yet on how to handle the expiration of provision 15 of China's WTO accession protocol, proving the third condition of the safety valve theory is difficult at this point. Nonetheless, the similarities between the current situation and the challenge faced with the liberalization of the textile sector indicate that making a decision based on the availability of certain safety valves is a feasible approach for the EU. Similar to the termination of the ATC in 2005, the termination of provision 15 creates concern in certain industries for a rapid increase in imports of Chinese products and the harm this will cause to European producers. In 2005 it was the textile sector that felt threatened, this time it is mainly the steel industry. Another similarity between the two events are the preventive action steps taken by the EC before the actual deadline. Before termination of the ATC, the EU already included the textile sector in the Sino – EU bilateral negotiations. Although no official bilateral negotiations on China's MES have been initiated yet, the EU already held an orientation debate on the treatment of China in AD investigations (European Commission, 2016). At the plenary session on the commercial relationship between the EU and China and market economy status, Cecilia Marlmström, member of the EC in charge of trade, mentions the EC is reaching out to China to have a dialogue on the issue of overcapacity and the consequences this will have for European producers if China gains MES (European Commission, 2016). This clearly indicates that the approaching deadline is on top of the EU's agenda and that the EU wants to start bilateral talks on this topic, exactly like they did with the textile industry a decade ago. Considering the similarities between the current debate and the debate surrounding the textile industry, it is likely that the EU will also use a similar approach to deal with China's request for MES.

5.2.2. The EU's Possible Solutions Using the Safety Valve Theory

If the EU decides to use an approach which fits within the safety valve theory, there are several solutions to balance the conflicting interests the EU is facing. First of all, the EU can adopt a phased sectoral approach and negotiate sectoral exceptions to the MES. A second option is to opt for a transition period before completely granting China MES. Thirdly, the EU could grant China MES but replace AD measures by other forms of safety valves and rely on those in order to protect domestic producers if necessary.

A first option for the EU is to grant China MES in different phases. Such approach gives European producers time to adapt to the increased foreign competition and the changed environment, in this case the changed rules concerning AD measures. The EU successfully used a phased approach with the opening up of its textile market, making a gradual shift in China's status an attractive approach for the EU. In order for such phased transition to be successful, it is important to distinguish the different phases accordingly. Every stage has to be characterized by a clear step towards granting China MES, but at the same time provide the EU with certain safety valves that protect European producers. This can be done by a sectoral phased approach, i.e. gradually granting China MES per sector depending on the sensibility of different industries. Figure 13 presents sectoral data on all currently enforced AD measures by the EU against China. This figure clearly shows that the most AD measures are enforced against base metals and articles thereof, namely a total of 19 measures accounting for almost 40 percent of all enforced AD measures. Nearly 70 percent of these products are products of iron or steel, thus explaining the significant concern and protest against granting China MES in the steel industry. A way to shield the steel industry from China's overcapacity is by agreeing to grant China MES for products in other industries, for example the plastics or machinery industry, but not yet for steel products. Even though these industries are currently also protected by AD measures, the impact will be substantially less there. The advantage of such sectoral approach is that the EU is able to protect its most sensitive industries, while at the same time creating goodwill with China by further opening up other industries. On the other hand, using this kind of method in which some industries will be sacrificed in order to protect others could create domestic friction between the different industries.

Figure 13: Total Enforced AD Measures by the EU against China by HS Section



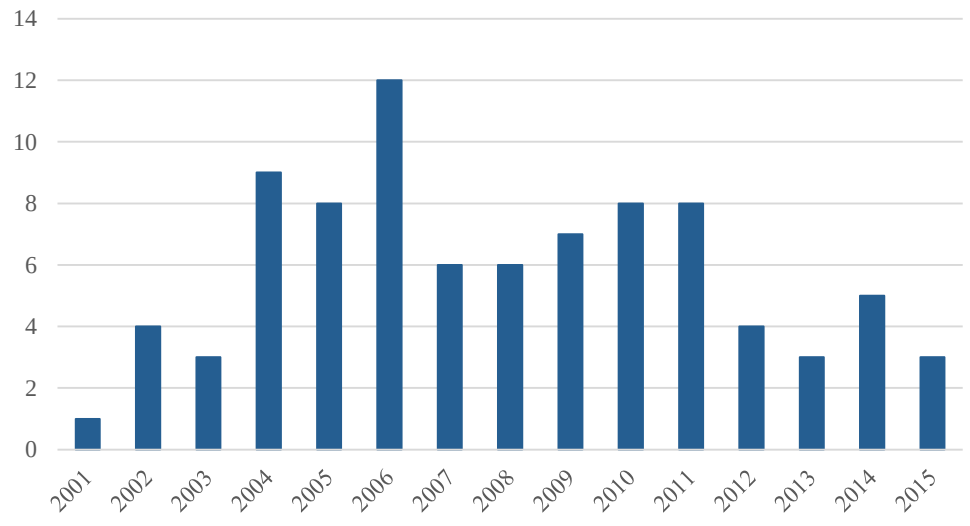
Source: Figure compiled by author with data from WTO Statistics (2016

Another way to grant European producers enough time to adapt to the expiration of provision 15 while granting China MES is to negotiate for a transition period. Transition periods are often granted to member states in order to give them more time to implement agreements and commitments, especially to developing and least-developed countries. In this respect, China's accession was rather unique. Some members of the Working Party indicated that because of the significant size, rapid growth and transitional nature of the Chinese economy, a pragmatic approach should be taken in determining China's need for recourse to transitional periods and other special provisions in the WTO Agreement available to developing country WTO members (WTO, 2001). China, on the other hand, regularly expressed that although great progress has been made on China's economic development, it is still a developing country (Permanent Mission of the People's Republic of China to the United Nations Office at Geneva and Other International Organizations in Switzerland, 2001). China's final accession protocol included a number of transitional periods. For example, China was granted a transition period in order to bring its laws and regulations in line with its WTO commitments. At the same time, certain transitional periods in the accession protocol were built in to keep a close eye on China living up to its commitments and possible market disruption caused by import surges after China's WTO accession, e.g. the transitional review mechanism and the transitional product-specific safeguard mechanism. Not only developing, but also developed countries were granted

transition periods before, for example the ATC was accompanied by a transition period giving member states ten years to open up their textile industry and provide increased access possibilities for foreign suppliers (WTO, 1994). Even though transition periods are granted on several occasions, it might not be the best option in this specific situation because provision 15 of China's WTO accession protocol is a transition period itself and will simply postpone the debate.

The above two approaches result in postponing granting China MES until a later date, but as China is set on getting MES at the end of 2016 it might not be willing to agree to a phased sectoral approach or another transition period. Consequently, the EU will have to grant China MES at once, in which case the EU can replace AD measures by other forms of safety valves that remain available. As demonstrated in the previous two cases, safety valves can take many forms: AD measures, quota's, safeguard measures etc. An important problem for the EU is that the decision to grant China MES will at the same time limit the availability of a very popular and regularly used safety valve, i.e. AD measures. The first case of this paper demonstrated that AD measures are often used by certain Chinese industries to protect themselves from foreign competition. This protectionist measure has since China's WTO accession also been regularly used by the EU against Chinese producers. Figure 14 presents the total amount of initiated AD measures by the EU against China since 2001. The EU's AD use clearly reached a peak in the year 2006, with a total of 12 AD cases. Since 2011, there seems to be a downward trend in AD use by the EU. Nonetheless, this figure clearly demonstrates the EU has frequently used AD measures as a safety valve to protect its domestic producers.

Figure 14: Total Initiated AD Measures by the EU against China, 2001 - 2015



Source: Figure compiled by author with data from WTO Statistics (2016).

A change in China's status will indirectly reduce the amount of initiated AD cases and industries directly protected by AD measures will be affected by this event. Currently, the EU has 50 AD measures in force against Chinese imports, mainly in the metal- and steel industry (WTO, 2016). This explains the lobbying and protesting of the European steel industry against granting China MES. Although AD measures will be less accessible after granting China MES, it is still possible for the EC to grant China this status and at the same time ensure the availability of safety valves for its producers. It will just have to rely on other forms of safety valves as it did before during the liberalization of the textile sector (cf. part 5.1. of this paper). In this specific situation, the EU has access to four different forms of safety valves it could use to legitimize its decision to grant China MES: granting subsidies, applying a cost adjustment methodology and deviating from the lesser duty rule.

A first form of safety valve that can be used as a replacement for AD measures once China gains MES are subsidies. Based on the EU's rules concerning state aid, member states are not allowed to grant state aid to rescue or restructure companies in financial difficulties, but only in order to enhance the global competitiveness of European producers, e.g. for research, training aid and support for energy-intensive users (European Commission, 2016). Despite the rules concerning state aid being rather strict, subsidies remain a possible safety valve accessible to the EU. In an interview with the Frankfurter Allgemeine Wirtschaft, EU industry commissioner Elzbieta Bienkowska already indicated that the EC should discuss whether or not they can be more flexible in assessing and providing state aid for the steel industry (Frankfurter Allgemeine Wirtschaft, 2016).

Another option is to apply a cost adjustment methodology like the EU did in certain cases against Russia (Barone, 2015). In 2002, Russia was removed from the list of countries the EU considered to be non-market economies, allowing the normal value for Russian producers to be calculated under the usual method. Nonetheless, the EU made an important addition to the article dealing with the calculation of normal value allowing the EC to use prices in a third country to calculate the normal value when prices in Russia could not be relied upon, even though being recognised as a market economy (Foreign Trade Association, 2015). Applying the same cost adjustment methodology to China would permit the EU to use a different methodology for calculating the normal value even after granting China MES. Caution is due in regard to this solution as it is often criticized by trading partners and currently even contested by the EU's trading partners and may be judged to be non-compliant with WTO rules (Barone, 2015).

A last safety valve available to the EU is the "lesser duty rule", an extra commitment made by the EU with regard to the calculation of duty levels. Under WTO obligations, the rate of duty is based on the dumping margin, i.e. the difference between the fair value of a product and the price it is actually sold at. The EU however, committed to setting duty levels at a lower rate than the dumping margin when this level is sufficient to remove the injury suffered by the European industry (European Commission, 2013). By adopting this rule, the EU imposes duties that are much lower than the level actually allowed under its WTO obligations, e.g. duties on Chinese cold-rolled flat steel products are 13.4 – 16 percent instead of 52.7 – 59.1 percent if the rule was not enforced (Valero, 2016). The EU can use this lesser duty rule as a safety valve and remove it after granting China MES, this would result in higher duties which could help outweigh the stricter rules for AD investigations.

China's request for MES shows clear similarities to the termination of the ATC and the liberalization of the textile industry roughly a decade ago. Even though the EC has not taken any official decision, they opened the debate on this subject and by doing so acknowledged the importance of appropriately dealing with this situation. Based on the above elements, I conclude that an approach within the framework of the safety valve theory is a feasible approach and leaves several safety valves available to the EU that can help balance the conflicting interests it is facing.

6. Conclusion

Having analysed both China's and the EU's approach to China entering the WTO, I conclude that the safety valve theory provides a valid framework for understanding and explaining how both economies dealt with the challenges following this accession. With regard to China, the combination of both textual and data analysis provides comprehensive evidence that China used the availability of safety valves to justify its decision for further trade liberalization and to reassure and protect its domestic producers from foreign competition. Textual analysis of articles in the *People's Daily* clearly illustrates that the Chinese government was aware of the multilateral regulations concerning trade remedies it would get access to after entering the WTO and used this to reassure its domestic producers. At the same time, data on China's actual use of AD measures illustrates the increase in the use of this trade remedy was preceded by large-scale trade liberalization and reached a peak immediately after accession, clearly demonstrating Chinese producers were fully aware of the availability of this trade remedy. This paper however is unsuccessful in providing a conclusive explanation for China's AD use being heavily concentrated in certain industries, leaving this question open for further research. Regarding

the EU, this paper provides two cases demonstrating the EU's approach towards the increased import surges of Chinese product after the country's WTO accession fits within the safety valve theory. The European textile industry faced severe competition from Chinese producers after the termination of the ATC, a problem the EU solved by adopting a phased liberalization and building in safety valves at almost each phase. The challenge currently faced by the EU regarding the termination of provision 15 of China's accession protocol resulting in China's request for MES, shows clear similarities with the challenge faced a decade ago with the termination of the ATC. Based on this, in combination with the preventive steps taken by the EC regarding this matter, I conclude that there are three possible solutions for the EU to deal with the issue at hand and find a balance between granting China MES and maintaining safety valves in place to protect European producers if necessary.

By using a wide definition for the safety valve theory and the forms those safety valves can take, this paper demonstrates that this theory provides a valid framework that can be applied to different economies in different situations. The research in this paper provides a first insight in the value of the safety valve theory for explaining how China and the EU dealt with the challenges resulting from China's WTO accession. Having analysed the safety valve theory and its application to China and the EU with regard to China's WTO accession, I conclude by noting that a number of crucial questions related to this topic have yet to be answered. For example, "Why is China's AD use so heavily concentrated in certain industries and does this pattern fit within the safety valve theory?" and "What other safety valves did China rely on besides AD measures?". This paper also opens the debate on the safety valve theory being applicable to the termination of China's NMS, a research topic that will become more and more important in the next year. As globalization continues, free trade becomes increasingly important. The safety valve theory provides in interesting framework to analyse and predict how governments and countries can deal with the challenges following trade liberalization and the road to free trade.

7. References

Barone, Barbara, *In-Depth Analysis: One Year to Go: The Debate over China's Market Economy Status (MES) Heats Up*, Dec. 2015, Retrieved on 13/05/2016 from European Parliament: http://www.eesc.europa.eu/resources/docs/one-year-to-go.pdf.

Bown, Chad P. & Meredith A. Crowley, "The Empirical Landscape of Trade Policy", Preliminary and Incomplete Draft: 2015.

Bown, Chad P., "China's WTO Entry: Antidumping, Safeguards, and Dispute Settlement", in Feenstra, Robert C. & Shang-Jin Wei, *China's Growing Role in World Trade*, Feenstra and Wei, Chicago: University of Chicago Press, 2010, pp. 281-337.

Bown, Chad P., "The WTO, Safeguards, and Temporary Protection from Imports", Paper for Inclusion in the *Critical Perspectives on the Global Trading System and the WTO*, 2005.

Deutsche Welle, *Steel Industry Urges Tough Action on China Amid Overcapacity*, 15 Feb. 2016, Retrieved on 09/04/2016 from DW: http://www.dw.com/en/steel-industry-urges-tough-action-on-china-amid-overcapacity/a-19049833.

EurActiv, *EU Lifts Chinese Textile Quotas*, (2007), Retrieved on 21/02/2016 from EurActiv: http://www.euractiv.com/section/trade-society/news/eu-lifts-chinese-textile-quotas/.

European Commission, *College Orientation Debate on the Treatment of China in Anti-Dumping Investigations*, 13 Jan. 2016, Retrieved on 09/04/2016 from the European Commission: http://europa.eu/rapid/press-release_MEMO-16-61_en.htm.

European Commission, *EU – China Textile Agreement*, Jun. 10, 2005, Retrieved on 29/01/2016 from European Commission: http://europa.eu/rapid/press-release_MEMO-05-201_en.htm.

European Commission, *EU and China Decide on Textile Import Monitoring System for 2008*, 9 Oct. 2007, Retrieved on 21/02/2016 from The European Commission: http://trade.ec.europa.eu/doclib/docs/2007/october/tradoc_136324.pdf.

European Commission, *LIVE EP Plenary Session Commercial Relationship between EU and China and Market Economy Status*, 1 Feb. 2016, Retrieved on 13/04/2016 from the European Commission: http://ec.europa.eu/avservices/video/player.cfm?sitelang=en&ref=I115654.

European Commission, *Memo: EU Imposes Provisional Anti-Dumping Duties on Chinese Solar Panels*, 4 June 2013, Retrieved on 13/05/2016 from the European Commission: http://europa.eu/rapid/press-release_MEMO-13-497_en.htm.

European Commission, *Monitoring of EU25 Imports from China Including 'Alert Levels' for Product Categories for which an Investigation Has Been Opened* (2005), Retrieved on 09/04/2016 from the European Commission: http://trade.ec.europa.eu/doclib/docs/2005/may/tradoc_122944.pdf.

European Commission, *Q&A on the Double-Checking Surveillance System of Imports of some Textiles from China*, 13 May 2008, Retrieved on 21/02/2016 from The European Commission: http://trade.ec.europa.eu/doclib/docs/2008/may/tradoc_138820.pdf.

European Commission, *State Aid: Commission Opens In-Depth Investigation into Italian Support for Steel Producers Ilva in Taranto, Italy*, 20 Jan. 2016, Retrieved on 13/05/2016 from the European Commission: http://europa.eu/rapid/press-release_IP-16-115_en.htm.

European Commission, *Système Intégré de Gestion de Licenses* (2013), Retrieved on 09/04/2016 from the European Commission: http://trade.ec.europa.eu/sigl/index.html.

Eurostat, *Database* (2016), Retrieved on 03/05/2016 from Eurostat: http://ec.europa.eu/eurostat/data/database.

Feng, Hui, *The Politics of China's Accession to the World Trade Organization: The Dragon Goes Global*, (Routledge Contemporary China Series 8), London: Routledge, 2006.

Financial Times, *EU States Call for Action Against China Steel Dumping*, 9 Nov. 2015, Retrieved on 09/04/2016 from Financial Times: https://next.ft.com/content/37f15a42-872b-11e5-90de-f44762bf9896.

Foreign Trade Association, "To ME or not to ME: China's Status after 11 December 2016", Position Paper, Nov. 2015.

Frankfurter Allgemeine Wirtschaft, *EU-Kommissarin stellt Stahlbranche Staatshilfen in Aussicht*, 19 Apr. 2016, Retrieved on 19/04/2016 from FAZ: http://www.faz.net/aktuell/wirtschaft/unternehmen/eu-kommissarin-elzbieta-bienkowska-stellt-stahlbranche-staatshilfen-in-aussicht-14185930.html.

Guo Jing 郭经, "Qiye ruhe yingdui 'rushi' de jiyu he tiaozhan" 企业如何应对"入世"的机遇和挑战 [How Should Industries Deal with the Opportunities and Challenges of Entry to the WTO], *Renmin ribao* 人民日报 13:1 (2000), p. 8.

Han Yichou 韩逸畴, "Jin shinian WTO kuangjia xia guoji fanqingxiao zhuangkuang ji qushi shizheng yanjiu" 近十年 WTO 框架下国际反倾销状况及趋势实证研究 (Empirical Study on the Situation and Trend of International Antidumping Measures under the WTO in Recent Ten Years), *World Trade Organization Focus* 世界贸易组织动态与研究 18:6 (2011), pp. 44-50.

Hong Kong Trade Development Council, *EU Textile Import Monitoring* (2007), Retrieved from HKTDC: http://forum.hktdc.com/topic/4903/en/EU-textile-import-monitoring.htm.

Jones, Vivian C., "Trade Remedies and the WTO Rules Negotiations", Congressional Research Service, 2010.

Kohler, Philippe & Michael O. Moore, "The Safeguard Clause, Asymmetric Information, and Endogenous Protection", *Review of International Economics* 9:1 (2001), pp. 52-67.

Kuno, Arata, “An Evaluation of Japan’s Recent Safeguard Actions”, Preliminary Draft Prepared for CGP Conference International Economic Relations and Structural Change: 2004.

Mei Xinyu 梅新育, “Yong guiding weihu zishenliyi” 用规则维护自身利益 [Use Regulations to Protect One’s Own Interests], 10:1 (2009), p. 3.

Ministry of Commerce People’s Republic of China, *Anti-dumping Regulations of the People’s Republic of China*, 17 Feb. 2005, Retrieved on 01/05/2016 from Ministry of Commerce: http://english.mofcom.gov.cn/aarticle/policyrelease/domesticpolicy/200502/20050200017435.html.

National Bureau of Statistics of China, *National Data* (2014), Retrieved on 02/04/2016 from NBS: http://data.stats.gov.cn/english/easyquery.htm?cn=C01.

Niels, Gunnar & Adriaan ten Kate, “Antidumping Policy in Developing Countries: Safety Valve or Obstacle to Free Trade?”, *European Journal of Political Economy* 22:3 (2006), pp. 618-638.

Ostry, Sylvia, *China and the Long March to Global Trade: The Accession of china to the World Trade Organization*, (Routledge Studies in the Growth Economies of Asia 34), London: Routledge, 2002.

People.cn 人民网, “2001 nian 12 yue 11 ri woguo zhengshi jiaru shijiemaoyizuzhi” 2001年12月11日 我国正式加入世界贸易组织 [11 December 2001 China Officially Joins the World Trade Organization], 1 August 2003, Retrieved on 29/03/2016 from People.cn: http://www.people.com.cn/GB/historic/1211/5433.html.

Permanent Mission of the People’s Republic of China to the United Nations Office at Geneva and Other International Organizations in Switzerland, *Speech by Mr. Long Yongtu, Chief Negotiator and Vice-Minister of Foreign Trade and Economic cooperation of the People’s Republic of China, at the general Council Meeting of WTO*, 19 December 2001, Retrieved on 29/03/2016 from http://www.china-un.ch/eng/wto/wtothsm/default.htm.

Permanent Mission of the People’s Republic of China to the United Nations Office at Geneva and Other International Organizations in Switzerland, *Speech by Mr. Long Yongtu, Chief Negotiator and Vice-Minister of Foreign Trade and Economic cooperation of the People’s Republic of China, at the Sixteenth Session of the Working Party on China*, 4 July 2001, Retrieved on 03/05/2016 from http://www.china-un.ch/eng/wto/wtothsm/t85632.htm.

Pi, Shuyi 皮树义, "Zhongguo heshi neng 'fanguan'? 'Fanguan' shi minzugongye de zainan ma? 'Fanguan' hou shangpin hui dafudu jianjia ma? 'Fanguan' santi" 中国何时能"返关"？"返关"是民族工业的灾难吗？"返关"后商品会大幅度降价吗？"返关"三题 [When Can China Return to the GATT? Is Return to the GATT a Disaster for China's National Industries? Will Product Prices Drop Substantially after Return to the GATT? Three Questions on Return to the GATT], *Renmin ribao* 人民日报 16:2 (1993), p. 2.

Prusa, Thomas J., "On the Spread and Impact of Antidumping", *Canadian Journal of Economics* 34:3 (2001), pp. 591-611.

Renmin Ribao 人民日报, "Renmin ribao dianziban 1946-2012" 人民日报电子版 1946-2012 (People's Daily Online 1946-2012), Retrieved on 27/04/2016 from People's Daily: http://rmrb.egreenapple.com.kuleuven.ezproxy.kuleuven.be/.

The World Bank, *Forms of Import Tariffs* (2010), Retrieved on 15/01/2016 from The World Bank: http://wits.worldbank.org/wits/wits/witshelp/Content/Data_Retrieval/P/Intro/C2.Forms_of_Import_Tariffs.htm

Tong Zhiguang 佟志广, "Chongfan 'Guanmao' daodi you shenme haochu?" 重返"关贸"到底有什么好处？[In the End, What Are the Benefits of Returning to the GATT], *Renmin ribao* 人民日报 8:1 (1993), p. 2.

United Nations, *UN Comtrade Database* (2016), Retrieved on 30/04/2016 from UN Comtrade Database: http://comtrade.un.org/.

Valero, Jorge, *Rating Agency Says Ignoring 'Lesser Duty Rule' Could Protect European Steel Against China*, (2016), Retrieved on 13/05/2016 from EurActiv: http://www.euractiv.com/section/trade-society/news/rating-agency-says-ignoring-lesser-duty-rule-could-protect-european-steel-against-china/.

World Customs Organization, *What is the Harmonized System (HS)?* (2012), Retrieved on 04/03/2016 from World Customs Organization: http://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx.

World Integrated Trade Solution, *Trade Statistics by Country/Region* (2016), Retrieved on 02/04/2016 from WITS: http://wits.worldbank.org/countrystats.aspx?lang=en.

World Trade Organization, *Accession of the People's Republic of China*, Nov. 10, 2001.

World Trade Organization, *Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994*, Apr. 15, 1994, Retrieved on 20/01/2016 from

World Trade Organization: https://www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm.

World Trade Organization, *Agreement on Safeguards*, Apr. 15, 1994, Retrieved on 20/01/2016 from World Trade Organization: https://www.wto.org/english/docs_e/legal_e/25-safeg_e.htm.

World Trade Organization, *Agreement on Subsidies and Countervailing Measures*, Apr. 15, 1994, Retrieved on 20/01/2016 from World Trade Organization: https://www.wto.org/english/docs_e/legal_e/24-scm.pdf.

World Trade Organization, *Agreement on Textiles and Clothing*, Apr. 15, 1994, Retrieved on 20/01/2016 from World Trade Organization: https://www.wto.org/english/docs_e/legal_e/16-tex_e.htm.

World Trade Organization, *Antidumping, subsidies, safeguards: contingencies, etc.* (2016), Retrieved on 17/01/2016 from World Trade Organization: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm.

World Trade Organization, *I-TIP Goods: Integrated Analysis and Retrieval of Notified Non-Tariff Measures* (2016), Retrieved on 21/01/2016 from World Trade Organization: http://i-tip.wto.org/goods/Default.aspx.

World Trade Organization, *Report of the Working Party on the Accession of China*, Oct. 01, 2001.

World Trade Organization, *World Trade Report 2014: Trade and Development: Recent Trends and the Role of the WTO*, 2014.

Wu, Mark, "Antidumping in Asia's Emerging Giants", *Harvard International Law Journal*, 53:1 (2012), pp. 1-84.

Wu, Xiaochen, *Antidumping Law and Practice of China*, (*Global Trade Law Series* 16), Alphen aan den Rijn: Kluwer Law International, 2009.

Zanardi, Maurizio, "Antidumping: What are the Numbers to Discuss at Doha?", *The World Economy* 27:3 (2004), pp. 403-433.

Zeng, Ka & Wei Liang, *China and Global Trade Governance: China's First Decade in the World Trade Organization*, (*Routledge Contemporary China* Series), New York: Routledge, 2013.