China's Trade Policy Changes: Arguments and Criticisms

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Abstract

Foreign trade is one of the main drivers of China's spectacular rise. As it has become a determining factor in world trade, its composition, competitiveness, characteristics, and methods have become important for the whole world. This article provides a political examination of the Chinese foreign trade architecture, considers the criticisms related to it, and the Chinese rationale. It concludes that China – according to its intentions – has tried to fit into the institutional order of world trade, but, at the same time, has brought in its peculiarities that sometimes have stretched this order apart. The main determinant of this is China's state-centredness and bureaucracy.

Keywords: Chinese foreign trade, export processing trade, dual foreign trade system, unfair trade practices

JEL Codes: F13, F50, F63

Introduction

Over the past four decades, the People's Republic of China has become one of the world's leading foreign trading nations. It is the world's largest exporter of goods and the second largest importer, after the United States. In services, it is fourth in exports after the European Union, the United States, and the United Kingdom, and third in imports after the European Union and the United States [World Trade Statistical Review, 2021: 52-134]. In major categories of goods, it is the world leader in both exports and imports of office and telecommunications equipment, and the world leader in exports of textiles and clothing (fourth in textiles and seventh in clothing). However, both its exports and imports are dominant in agriculture (4th and 2nd, respectively), food processing industry (4th, 3rd), fuel and mining (8th, 2nd), processing, manufacturing (2nd, 3rd),

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iron and steel (2nd, 2nd), chemicals (3rd, 3rd), and automotive products (5th, 3rd), as well as services related to goods (2nd, 7th). China was the country with the largest trade surplus in 2020, with 535.37 billion USD. In an increasingly trade-related investment in the global economy [Naughton, 2018: 398], China globally was the second largest recipient of foreign direct investment (FDI) in 2019 and 2020, after the United States. In terms of outward investment, it was third after Japan and Germany in 2019 and first in 2020 [World Investment Report, 2021]. The ratio of foreign trade to GDP was over 50 percent in the early 2010s and has been falling steadily since then, but it remained high, at 34.51 percent in 2020 [The World Bank].

The international perception of China's foreign trade growth and status has changed over time. This has not only been closely linked to changes in the perception of China's growth, but also became a major element of it from time to time. The more intense and voluminous its relations with individual countries or groups of countries got, the more strongly their perception of China was reflected in the international arena. This, evidently, has always been very complex. Basically, two periods can be distinguished. Until around 2008, the general judgement was rather supportive and understanding. Even in the case of the US trade deficit, which was always a key problem, although there was constant mercantilist pressure from the US to balance off, the causes of the deficit were systematically sought not only within China, but in the discrepancy between rapidly growing domestic demand and domestic capacity [Marino, 2019: 190]. However, after 2008, Chinese trade, and of course the underlying economy with its own mechanisms, gradually became one of the structural causes of domestic employment and economic structural problems, according to US analyses. This became a key element in the radical change in the general perception of China under the Trump administration, and the struggle between the two powers has become the primary arena for a trade war.

In recent times, the world has been confronted with a few phenomena that made trade in general hectic, such as the coronavirus epidemic and the Russian-Ukrainian war. These make trade flows difficult to predict in the short term, with many serious problems (or even opportunities), temporary closures of port terminals, serious disruptions of container traffic, city closures, disruptions of value chains in general, and changes in demand resulting from quarantine measures and then war. At the same time, the strategic efforts of the major powers and the large trading countries and groups of countries to manage events by maintaining their original objectives, while testing their strategies with great vigour, are constantly being felt.

In this article, we will examine and provide a political analysis of what has created the Chinese trade architecture, which has produced many asymmetries and has become an inescapable and vital part of the world economy and trade, while has also triggering changes that pose major challenges for the world. We examine the main criticisms of it, and then the Chinese argument itself. Finally, from the perspective of Chinese intentions and Chinese flexibility, we will try to take stock of the possible directions, perspectives, and constraints of change.

1. Focus on foreign trade

In historical terms, China has moved very rapidly from being an insignificant player on the international trade stage, to becoming a major one. One of the most significant problems faced by the political forces that came to power in 1978 was the need to confront the problem of backwardness and underdevelopment. The need to overcome the technological gap became one of the intellectual pillars of the political construction that emerged. This was the basis of the opening-up agenda, since advanced technologies could only be obtained from abroad. The method had its antecedents in the 1950s, when China's future was envisioned, for a relatively short period, as part of a group of socialist countries, importing complete factories from their partners. But from the late 1970s onwards, for a variety of reasons, the West seemed a more appropriate source.

Originally, foreign trade was a monopoly of 12 specialised companies, which operated at arbitrary exchange rates, with essentially inconvertible currency. Barry Naughton called this a *"double airlock"* system [Naughton, 2018: 402], able to control the flow of both goods and money. To be able to export or import, one had to be on the foreign trade plan. The basic function of this system was to protect state-owned industries, as part of a policy of import-substitution industrialisation. The need to import technology, however, also led to the application of the peculiarly Chinese method of dual or multiple systems in this area. Specifically, to generate the currency needed to import technology, another experimental regime was set up alongside the existing foreign trade regime. From 1978, Hong Kong companies were allowed to enter export processing contracts (EPs) with Chinese firms in the Pearl River Delta. Hong Kong firms imported raw materials and technology into the country and exported the finished products. The idea was a success, since it was based on the almost unlimited supply of extremely cheap labour, relatively low energy and other costs, and Hong Kong's expertise in linking to world markets. The success of the model encouraged economic policymakers to strongly support it through government instruments. Therefore, special economic zones, in many respects isolated from the internal market, were gradually developed in different directions, and the export-processing regime was extended to the coastal provinces over time. This has undoubtedly created significant imbalances, which the government has and continues to struggle with, but the process itself proved to be extremely productive, both in terms of competitiveness development and transformation of the production structure. In 1982 and 1983, China was already experiencing a trade surplus [Ren-Yan, 2013], although relatively low imports were also an important factor.

The export-processing foreign trade regime and the traditional planned economy regime coexisted and, in a sense, still coexist today. The former has grown much more dynamically than the latter, and has been subject to a separate currency accounting system. From the mid-1980s, a comprehensive reform of the foreign trade regime was initiated, giving foreign capital easier and more institutionalised access to foreign trade opportunities for export. Within the export regime, the renminbi was gradually and substantially devalued, but this exchange rate regime was not made general until 1994. At the same time, the monopoly of foreign trade firms was progressively dismantled, and, for the first time, no central export procurement plan was drawn up in 1988. The price system was gradually liberalised, and the influence of world market prices was allowed to prevail increasingly. In addition, a new tariff system was introduced in the first half of the 1980s, with high tariffs, not unlike in other developing countries [Naughton, 2018: 406].

China applied to GATT in 1986, but was already admitted to the WTO, first as an observer in 1994 and then as a member in 2001. The essence of this process was, on the one hand, to begin to dismantle the dual system, practically its traditional component based on a planned economy and monopoly, and, on the other, to implement a comprehensive, coordinated fiscal, financial, and trade reform. At the same time, tariffs have been progressively reduced. Already as a WTO member in 2004, a new foreign trade law was adopted, leaving only traces of the old system. With this, Chinese industry responded very well to international competition, mainly because of import liberalisation, and, as Naughton says, we have witnessed an unforeseen productivity boom. Export-processing trade (EP) has been the key for processing and manufacturing industries' preference to move to China. For many companies, this not only meant moving their production elsewhere, but often outsourcing it, thus transforming their business profile. On the one hand, the Chinese export trade has attracted manufacturing. Large manufacturing companies have been set up and complex networks of activity have been built up in the Far East (mainly). The technology-owning companies are now only customers in the manufacturing sector, while they themselves concentrate on research, product design, and marketing, and thus, they are control key elements of the value chain [Morrison, 2018: 10-12].

Between 1985 and 1995, labour-intensive products dominated Chinese exports, after which, and especially since 2001, capital- and technology-intensive products have been gaining ground. Labour-intensive products have become less competitive, mainly due to wage growth, although there have been countervailing factors such as the inward migration of enterprises and the development of a high level of trade infrastructure and supplier networks [Naughton, 2018: 414]. On the import side, raw materials, energy, and food, i.e., capital- and land-intensive and skill-intensive products, have increasingly dominated, and there are now products whose markets are driven primarily by Chinese demand. However, trade in services as a share of GDP is only half the world average, and has been in deficit since 2012. The immediate explanation for this being that trade liberalisation in services has lagged far behind trade in goods [Naughton, 2018: 414]. More broadly, the motivating force behind this area has not been the technology hunger, and it is not simply trade liberalisation, but the liberalisation of areas such as tourism, business services, finance, insurance, etc. According to the Chinese government's perception, major internal developments, as well as sensitive internal reforms have and will be required before liberalisation.

2. Problems with china's foreign trade

The explosive growth in the PRC's foreign trade and trade surplus in recent decades was generally seen as the basis, and, in many ways, the natural consequence, of the larger *"miracle"*, the defining phenomenon that is China's growth. While China has run persistent surpluses with many countries, it has run deficits with many of its major partners, such as Japan, South Korea, Thailand, Malaysia, and even Australia and Germany. In the process outlined above, China achieved a situation where gross domestic savings exceeded investment between 1990 and 1994 [Ren-Yan, 2013], and China's trade surplus in general has risen dramatically since 1995. If we look at the main features of the emergence and growth of the permanent trade surplus, we see that it is fuelled mainly by foreign investment and domestic private investment. As regards the segment of FDI that generates the external trade surplus, it mainly comes from Europe and the United States. And we have already seen that, in terms of the internal composition of trade, the surplus is mainly generated by the exchange of goods rather than services [Ren-Yan, 2013].

Traditionally, foreign trade has been one of the relatively easy topics to politicise, and, in most cases, not at the conceptual or theoretical level at all. Some policy issues can transform the real interests behind foreign trade problems into complete political packages. These usually include the national question, modern- day mercantilism, various local traditions, racism in extreme cases, class interests, and so on. The three main groups of problems formulated on the political level in relation to China's foreign trade are those that most scholars have identified: 1. the persistently high Chinese trade surplus, which has or can have a depressive effect on the labour markets of its partners, 2. China's use of illegal and unfair methods to take over advanced technologies at the lowest possible price, and 3. China also using trade policy instruments to improve its international position and undermine the national security of its competitors [Lin-Woo, 2018]. Some argue that Chinese markets are not sufficiently open or that high-tech sectors are closely linked to the Chinese state [Mallick, 2018]. Many researchers consider the current political environment in each partner country, too, and the interests that arise from it, such as the current local elections, at different stages of the problem [Chong-Li, 2019]. If we review this list in terms of who among China's partners is affected by each item and to what extent, we can see that although each issue raised involves several other countries or groups of countries, it is only put together as a complex system in the US strategy. Accordingly, the most intense critic of the PRC's trade practices is the United States (and, to a much lesser extent, the European Union). The criticisms are, in a sense, reciprocal, and the situation is not accidental, since we are talking about the three countries or groups of countries that account for the largest volume of foreign trade in the world. So far, 49 complaints have been lodged against the People's Republic of China in the WTO, including 23 by the United States and 11 by the European Union. The two largest competitors have received far more complaints, 90 against the European Union and 156 against the United States. China itself has filed 24 complaints, 5 against the European Union and 16 against the United States. As a third party, China has been involved in 192 complaint proceedings [Dispute Settlement..., without date]. China generally rejects the accusations, and, in line with the nature of trade and trade policy, it usually – like most countries – represents its own best short- and medium-term interests in the current disputes.

2.1. The trade surplus

Economic and political public opinion generally focuses on the aggregate trade balance of countries, rather than the balance of a pair of countries [Lau, 2019: 22]. If we want to transform the Chinese trade surplus into problems between countries, what really emerges is the US deficit, which has been the basis of a wider conflict in recent years, a trade war that is not discussed in detail here. There are two reasons why the trade deficit problem with China has been the most intense in the United States and not, for example, in the European Union. The EU has a much more balanced trade relationship with China, its exports are much larger than those of the US and, although it generally has a trade deficit, it is still of manageable extent. In line with the trend of the last three years, the EU's deficit is increasing, with imports from China growing more strongly (by more than 20 per cent in 2021) than exports into China (10 per cent) [Reuters, 2022]. US imports as a share of its GDP are roughly the same as those of the EU, while its exports are significantly lower. At the same time, the primary destination for the Chinese export-processing industry (PE) is the United States, from where manufacturing has relocated to China to a fairly large extent.

The problem of the trade surplus with the Western world cannot be separated from the transformation and development of manufacturing and production industries. The highly fruitful system of export processing contracts (PECs) has attracted manufacturing, processing, and assembly industries to China intensively, causing significant job losses in the countries from where these industries have moved out. This was clearly felt in the developed Western countries, but also, to some extent in, for example, East-Central Europe, including Hungary. In the first wave of relocation of manufacturing industries in the 1990s, even our region was a direct target, but by the end of the decade, China became a powerful magnet [Krajczár, 2000]. The system of export-processing contracts became an unexpected and peculiar feature of the world economy. As Naughton puts it [Naughton, 2018: 408], it was originally conceived to make jeans from imported materials by Chinese village girls in southern China working for a pittance, in Western terms, and then to sell them in more developed countries. The idea has grown into a system on a massive scale, and became an integral part of a global network of many industries, including those representing the most advanced technologies. Numerous analyses have subsequently shown a significant decline in the US and European manufacturing sectors, both in value and employment [Pierce-Schott, 2012, Autor-Dorn-Hanson, 2013, Marino, 2019].

Most of the reasons for the Chinese trade surplus have been recorded over time. Detailed analyses of the different statistical calculation methods are available [Lau, 2019, Ren-Yan, 2013]. It is a well-known feature of Chinese industrial policy, which originally started the PE scheme specifically for exports, to reward exports and limit imports. And, of course, low Chinese factor prices and environmental costs have played an important role as well [Lau, 2019, Ren-Yan, 2013]. If we look specifically at the US deficit, some researchers also find reasons on the US side. Lin and Woo conclude, from the fact that spending more than the US domestic capacity and low saving propensity were also observed after the 2008 financial crisis, that this is not a cyclical but a structural phenomenon [Lin-Woo, 2018]. In 1994 and again in 2019, the US administration has labelled China a *"currency manipulator"*, claiming that it keeps the renminbi artificially lower than its real value, thus favouring its own exporters.

2.2. Unfair trade practices

The WTO regularly reviews its members' trade policies (Trade Policy Review, TPR), China's most recently in autumn 2021. The document itself [WT/TPR/S/415.China], which was prepared by the organisation's secretariat, is, as usual, critical but balanced, but the debate on it has been described by some experts as a *"turning point"* in the history of the WTO [SCMP, 2021]. The debate showed a very significant politicisation of the Chinese trade issue, not only by politicising certain trade issues, but by accusing the PRC of using trade acts as a political tool. Australia and Canada denounced the use of trade restrictions as retaliatory measures. In the case of Australia, it was suspected that since the government had called for an independent investigation into the origin of the coronavirus outbreak, Australian goods were banned from the country, shipments were stopped, and products that had not been taxed or taxed to a lesser extent were now taxed or taxed on a higher rate. Similar measures have been taken towards the Canadian government, allegedly in retaliation for the detention in Canada, at the request of the US, of Meng Wanzhou, a senior Huawei executive and daughter of the company's founder [SCMP, 2021]. In the debate, a Chinese foreign affairs spokesperson was quoted as saying, in a previous comment, incidentally in relation to Australia, that *"we will not allow any country to benefit from doing business with China while falsely accusing and defaming China and ideologically undermining China's fundamental interests"* [Chinese foreign..., 2021].

The Business Roundtable, a lobby group of top US business leaders, has summarised the problems of unfair trade and investment practices in China in the following points: limited export and investment opportunities for US firms, unequal playing field, insufficient protection of intellectual property, huge Chinese overcapacity in certain areas, intensive export subsidies, special policies that undermine fair competition, strong restrictions on digital trade, barriers to the free flow of data, various means to force technology transfers, and often forcing foreign companies to use Chinese technology [Business Roundtable, without date].

TPR notes [WT/TPR/S/415.China], however, that China has adopted a new Foreign Investment Law, aimed precisely at creating a better business environment and a more level playing field. At the same time, a catalogue of so-called *"negative lists"* and industries that are encouraged for foreign investors are guiding, directing, and restricting foreign investors. There are three different negative lists, which are issued annually. Two of these are for foreign investors (separate for free trade zones). This has led to the Western accusation that, while Chinese investors enjoy the investment environment of liberalised Western markets, Westerners face many obstacles in China. According to the WTO register, the number of specific administrative restrictions on foreign investment has fallen from 63 in the previous TPR, i.e., since 2018, to 33. The dual system, which, in this respect, means free trade zones, can be seen from two angles: as an opening of opportunity, but also as a restriction overall. In the reviewed period, three new free trade zones were set up, so their number is 21. Since 2018, the Chinese government has also issued a so-called market access negative list (the third negative list), which – with a little sarcasm – lists the sectors that are prohibited or subject to licensing, in a spirit of equality for all operators, including domestic ones. Experts generally see it as a means of influencing the scope for private market penetration.

In an ironic turn of events, the European Parliament appears to be blocking for good the entry into force of the investment agreement negotiated and initialled between the EU and China, which would have further expanded market access for European companies and greatly improved their chances of competing [EU-China Agreement…, 2020]. Besides, in addition to the investment agreement, China has also undertaken to ratify and implement the International Labour Organisation (ILO) convention on the prohibition of forced labour [Co 29]. This raises a very serious question, which only the future will answer: is it not the case that certain European interest groups would not want European companies to be better placed in Chinese markets. This is the investment dimension of a deliberate break, a deliberate disengagement, or decoupling.

Export restrictions are often cited as unfair trade practices. These are usually the subject of complaints to the WTO. This was the case, for example, of the parallel complaint launched in 2016 by the European Union and the United States in relation to 11 raw materials (graphite, cobalt, lead, chromium, etc.) of importance to the EU, whose exports were subject to a quota and relatively high export duties imposed by the People's Republic of China. In these kinds of cases, it is a matter of partners feeling that Chinese practices distort the market for a particular product, product group or sector, while China refers to domestic market considerations, environmental standards, technical reasons.

Probably the most problematic area of Chinese trade practice is that of state incentives and financial support. It not only has a long tradition, but also a very extensive and varied set of instruments, and is an integral part of Chinese policy problem-solving. According to WTO rules, when a subsidy programme is launched anywhere, it must be notified to the organisation in a memorandum. Although China provides a certain amount of information and answers questions on this, the WTO secretariat senses

– and certainly senses correctly – that it does not have a clear picture of subsidies [WT/TPR/S/415.China]. It does not have a picture of whole sectors, whole periods, a multitude of financial funds that are suspected to be in operation, separate policy funds, so-called 'government guidance funds', etc., which can have a fundamental influence on both trade and investment practices, but which are really a blank spot for the outside world. According to the WTO, some of these funds are worth over 100 billion renminbi. According to China, the use of these funds does not constitute a subsidy, is not export promotion, and therefore does not need to be disclosed in a memorandum. Typically, these are funds to encourage the development of modern technologies [Fitch Ratings, 2022].

Over time, the area of intellectual property rights has been a neuralgic point in the world of trade and investment with China. Its initial situation was a completely unregulated area, but, at the same time, a very active one in commercial terms. It has been the subject of global legends, not without justification, about the Chinese propensity to copy, which, combined with the highly efficient domestic networking and market building practices that also apparently exist, has created a huge mountain of problems. From the period of WTO accession negotiations onwards, the government has been verbally committed to resolving the problem. This has posed a very significant challenge to the government, and, although the problems remain numerous today, significant progress has been made. The problem was further complicated by the fact that, in parallel with the regulatory and institution-building process, there have been dynamic changes in the areas to be regulated. The Trademark Law, the Patent Law and the Law against Unfair Competition have been enacted and amended in a number of cases. Institutional and judicial structures and infrastructure for regulation and adjudication have been built up and are being extended to the particularly critical digital world. It is no longer a question of simple adaptation, but of substantial Chinese corporate interests in the fair, efficient and market-enhancing regulation, and operation of this area.

2.3. Commercial instruments and security policy

Addressing national security concerns in the context of economic competition is a difficult and controversial area of life. Most countries, including China, have developed a sophisticated system for this activity. The primary instrument is the negative lists mentioned above, but the nature of the Chinese administration is such that it can deal with problems at the level of individual areas, sectors, companies, and investments in a very flexible way, with specific policy and pragmatic decisions. Of course, what from a Chinese perspective means flexible and effective problem solving, from the perspective of external partners and observers often means opacity, legal uncertainty, and interference in competition. At the same time, the areas summarised in the negative lists are declining.

The assertion of other countries' security interests vis-à-vis China and Chinese companies presents a colourful picture. In this respect, too, the United States is the most critical partner. Chinese companies and investors alike complain that when it comes to security interests, the options are unclear, decisions are protracted, and outcomes are uncertain. This also raises the deeper strategic question we touched on in the context of the China-EU investment agreement: is it a question of considering certain business steps based on security concerns, or Chinese trade and the Chinese relationship itself being seen as a threat to security. The US regulatory and institutional framework can be applied to both, with the relevant inter-agency body, the Committee on Foreign Investment in the United States (CFIUS). As a former colleague of the body, Paul Rosenzweig told the South China Morning Post, it *"really has to deal with the whole global trade"* [SCMP, 2018]. So, with this approach, we cannot clearly separate the areas of trade and investment that are security concerns.

We have seen how the WTO analysis of the interconnectedness of Chinese companies with the state has revealed problems. If the same is seen in the context of the security of other countries, and the Chinese state is seen as a hostile agent rather than merely an interfering, subsidising, opaque agent, the consequences could be far-reaching. In this case, some of the Chinese companies that wish to do business and invest abroad will not be seen as a market player with an unjustified competitive advantage, but as an organisation that is a threat to national security and must be repressed. Here, we are no longer in the economic sphere, but are looking at broad, vital strategic directions, the actual practical development of which is taking place before our eyes. The analysis of this process is not the subject of this article. Here, we simply note that the process itself, with its possible outcomes as extra-economic factors, has and will have an extraordinary impact on China's trade and investment opportunities.

3. The Chinese position

Ten years after joining the WTO and three years after the outbreak of the international financial crisis, the Chinese government has published a White Paper on the country's foreign trade [China's Foreign..., 2011]. This document takes stock of foreign trade in the context of the original 1990s considerations, reflecting the euphoria of a rising China. Beyond the results, it honestly registers the problems and adopts the attitude of a newcomer who wants to fit in, but is also a player of enormous size. On the trade surplus, it notes that it represents a certain level of the international division of labour. By absorbing a significant share of the labour-intensive and assembly industries of other Far Eastern countries, Japan, South Korea, Taiwan, and the ASEAN countries, China has absorbed their trade surplus with the United States and the European Union, while, at the same time, creating a deficit with them. It also says that, while in China foreign-invested enterprises (FIEs) and export-processing enterprises (EPEs) realise most of the surplus, state-owned enterprises, for example, are in deficit in this respect [China's Foreign..., 2011: Chapter IV]. The government complains currently, that exporting high-tech falls under limitations in most developed countries.

In a relatively balanced way, it argues that the trade surplus has advantages and disadvantages. The improving international balance of payments has made the country more resilient to external risks, but also poses new challenges. It complicates macroeconomic control, creates frictions with a few countries, and keeps the renminbi under constant pressure. The equilibrium itself therefore had to and must be managed continuously: domestic demand and imports must be increased (by restructuring the host architecture, with practical facilitations), the export promotion system and the processing export (PE) system must be rationalised, and the exchange rate mechanism must be adjusted. R It recognises that there are unsustainable, unbalanced, and contradictory factors. The benefits of low costs are gradually disappearing. Energy-saving and emission-reducing solutions are needed. Proper protection of intellectual property rights is in China's interest. Quality and safety requirements, and the social responsibility of trading companies are of utmost importance. Cooperation with developing countries is also of strategic importance in this area [China's Foreign..., 2011: Chapter V]. (The government later issued a separate White Paper on relations with Africa [China- Africa Economic..., 2013].)

The next, relatively comprehensive assessment took place in 2018, in a deteriorating international environment. The White Paper [China and..., 2018] focuses specifically on the WTO's relationship with China, and its release immediately preceded the WTO's then-scheduled Trade Policy Review (TPR) [WT/TPR/S/375.China] debate. The trade body's debate had not yet comprehensively challenged Chinese trade practices at all. In the White Paper, the Chinese government praises the organisation's framework, rules, and procedures in the strongest possible terms, expressing its full commitment to them. The interesting thing is that this has not been discussed before, but, presumably, they have already sensed the likely deterioration in the trade dimension of the relationship with the United States. This has happened quickly: the US government announced on 6 July 2018, that it would impose a 25 per cent tariff on some 34 billion USD of Chinese imports. China responded by imposing a similar tariff on goods of similar value. The trade war was on. The Chinese government then and since then has explicitly positioned itself on the platform of WTO principles and organisational arrangements. Much less emphasis (or none) was placed on the balancing act of catching up and justifying any shortfalls. Any departure from these principles, especially unilateralism and protectionism, is strongly criticised. The document commends and advocates principles such as rules, openness, transparency, and non-discrimination [China and..., 2018: Chapter II].

In September of the same year, the first White Paper on the unfolding trade war was published [The Facts..., 2018]. In it, they explicitly criticise US practices and highlight the values they consider important: they denounce discrimination against foreign products, restrictions on investment opportunities on the grounds of national security, market-distorting subsidies for certain products and sectors, the use of non-tariff barriers that go beyond the WTO principles of protecting domestic industry, the protectionist use of trade remedies. They also devote a chapter to the practice of harassment and intimidation, and also to condemning it. Here, they list phenomena such as the unilateral provocation of trade frictions based on US law, the accusations they say are unfounded about other countries' industrial policies, the policy of 'long-arm jurisdiction' and sanctions, also based on US law, the internationalisation of domestic problems, the politicisation of economic and trade problems, and the failure to honour their own commitments, specifically criticising the Trump administration. A year later, in June 2019, another White Paper was published on the subject, with a broadly similar tone, similar arguments and a direct focus on the trade war [China's Position..., 2019].

Conclusions

China's burgeoning foreign trade is one of the defining phenomena of the last three decades of the global economy. Countries with significant foreign trade always have very strong specificities and distinctive features by the very nature of the activity, and their growth usually generates a major change in the regime. China's manifesto vision has been one of integration, recognising that it is in dire need of the wealth, currency, knowledge, and technology that it will be able to acquire through integration. This was encouraged by the existing and evolving international institutional system, which inherently considered the heterogeneity of the community of states, both in terms of the level of development and in terms of the state system.

The very essence and substance of Chinese foreign trade practice is state-centricity, the core nature of the Chinese bureaucracy. Even at the beginnings of the development of foreign trade on a large scale, the regime of export-processing contracts (EPCs) was a state-initiated system, which the state then ensured and protected, managed its problems, developed its closed financial mechanism, and created a few free trade zones for it, which were initially very strict and then increasingly looser but closed. Later, the state developed a series of industrial policies in its favour, also based on the experience of this structure, most recently Made in China 2025 and Internet+. However, the bureaucracy is not only involved in setting up the framework, but also in the day-to-day management, enforcement of policies and sub-policies, with material and organisational power. From a Chinese perspective, this is not deformation, but the traditional way in which the Chinese bureaucracy operates. This has given rise and is likely to give rise in the future, to a great many conflicts on the international stage, in our case, in the field of trade and investment.

It should be noted that the Chinese method, which creates a system of rules different from that of the entire country in the vicinity of ports critical for foreign trade, in the most important port cities, is also not new in Chinese history. It is true that it was forced by the Western powers that wanted to forcefully invade China, as well as by Russia and Japan, but the system of concession areas and ports similarly created a dual system. The Chinese experienced this as a humiliation, and it still lives on in their memory today. However, the effect of this, the commercial and infrastructural networks, corporate and organizational patterns, and financial networks formed between the differently regulated areas provided a strong precedent for the formation of some formal, but mainly informal institutions in the past half-century. This system had in the past and also has now, a significant impact on the Chinese production structure.

For a long time, China's integration into the international trade regime meant a kind of catching up, a creation of conditions. This is the latecomer syndrome, which has a dual character. On the one hand, the legal and institutional conditions for accession must be created, and on the other hand, latecomers are generally not as advanced in terms of basic activities as the regime's pioneers, its creators, and maintainers. This situation – and it is not only true of the trade regime – suggests a latently defined direction of development. It links the level of prosperity, or, in this case, a large-scale, high-quality, fair trade, with the other characteristics, legal culture and political establishment of the countries that possess it. China has obviously not followed this path, but it has become an inescapable factor in world trade.

The more extensive Chinese trade became, the more conflict and criticism it was subject to. Behind the trade policy practice, a distinctive structure of criticism was built up, centred on Chinese subsidisation practices and industrial policy in general and its enforcement. In a broader sense, this is about the way the state is set up and how it operates, which is why the debate has ultimately seemed and still seems to be a dialogue of the deaf. Both sides, however, sought to translate the problems and their possible solutions into policies, administrative actions, and regulations. In the second half of the 2010s, different considerations started to emerge. On the side of those criticising China (mainly from the West), ideas were also emerging which were no longer based on the assumption that trade relations could be further improved if the criticisms made were to be accepted. For example, in the case of the China-EU investment pact, we have seen attempts to prevent relations from improving.

From the Chinese documents, we can see that China continues to be interested in economic globalisation and the practice of opening up. The 20th Party Congress in the autumn of 2022, and the accompanying analyses are intended to build on those changed circumstances. As Vice Premier Liu He, a leading figure in economic policy for a decade, put it, *"The global industrial division of labour system and regional structure are undergoing a comprehensive and profound transformation, the supply stability of energy and other resources is weakening, and the original supply and demand cycle of the world economy has been disrupted, if not blocked"* [Liu, 2022]. The limits of this process are becoming increasingly apparent in Chinese practice. We have seen that there are elements of the practice, such as 'government guidance funds' and 'government guidance' in general, which pose serious problems for their partners, and which the Chinese seem unwilling to even negotiate. At the same time, they emphasise raising the quality of investment and trade relations, creating a 'first-class' domestic business environment, and improving the quality of the pilot free trade zones as fundamental objectives [Congress Report, 2022. IV. 5.]. The congressional document explicitly talks about narrowing the negative lists and enforcing the rights and interests of foreign investors under the law [Congress Report, 2022. IV. 5.].

The US practice has not been analysed here, but Chinese critics say that it also contains elements that irritate partners, such as the 'internationalisation' of US laws. More and more politicians and researchers have recently been talking about de-globalisation. Some take this as a fait accompli, and see it as a major defeat for China [Pei, 2022]. However, it is likely that if such a process does occur, it will not be quick, it will not be clear, and the existing international institutional system will have a particularly constraining effect, which, in turn, could be good for China's position. The report adopted by the party congress talks – in this connection – about the huge internal market as a factor that would attract global resources and production factors and 'intensify the interplay between internal and international markets and resources' [Congress Report, 2022, IV. 5.]. A more complex issue is the problem of 'decoupling', which is, for the moment, a set of phenomena rather than a process. China itself has sought and continues to seek, often through non-market means, to keep certain segments of life, such as the internet and information more broadly, 'decoupled' from the world. There are also external 'decoupling' effects in other areas, ones they are trying to combat. Liu highlights, in particular, the deliberate cutting of supply chains as a major risk in this respect. The remedy he offers is to stabilise the conditions for internal development, particularly in the areas where there are the ‘outstanding shortcomings’: basic software, core hardware and basic raw materials [Liu, 2022.]. It is a well-known phenomenon that, as tensions between countries intensify, areas of trade are increasingly extended to be subject to certain strategic restrictions. All this fits in well with the economic policy concept of making huge internal market demand a key factor for development, combined 'organically' with supply-side reforms.

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