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The Impact of China's Trade Policies on Global Development: Agriculture and Fisheries Subsidies

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Abstract

China's trade practices have come under heightened scrutiny in the context of the ongoing U.S.-China trade war. Amid an intense focus on trade relations between the United States and China, however, the wider global effects of China's trade policies have been largely ignored. Attention has overwhelmingly focused on China's subsidies and other policies to promote the expansion of its advanced manufacturing and high-tech industries, which pose a competitive threat to the United States and other advanced economies. Yet China is also making use of trade policies in other sectors—such as agriculture and fisheries—that are of significant concern to developing countries. Over the last decade, China has emerged as the world's largest subsidizer of both agriculture and fisheries. Since many developing countries depend heavily on these sectors for exports, incomes, and food security, China's policies have profound global implications. In this paper, I show that China's trade policies, particularly in the areas of agriculture and fisheries, are proving increasingly harmful for other developing countries. Moreover, China has been blocking efforts to establish new and stronger rules restricting the use of such subsidies at the World Trade Organization (WTO).

Implications and Key Takeaways

- U.S. policymakers should work to broaden the debate about China's subsidies to include greater focus on the interests and concerns of developing countries. China is now the world's largest subsidizer of both agriculture and fisheries, and the harmful impacts of its subsidies are felt most keenly by other developing countries.

- China's efforts to claim special and differential treatment (SDT) in WTO negotiations are increasingly problematic due to the effects of its trade policies on the rest of the developing world. While China frequently claims to be acting as a champion of the developing world in WTO negotiations, its insistence on a blanket right to SDT for all developing countries is actually hindering efforts to promote global development. China must take greater responsibility for the effects of its trade policies on the rest of the Global South, including being willing to accept disciplines in areas where its trade policies have negative spillover effects for other developing countries.

- Developing countries need support from more powerful states in their efforts to secure new and stronger WTO rules to reign in harmful agricultural and fisheries subsidies. The U.S. government can play an important role in this by working with developing countries to increase the pressure on China to reform its subsidies, as well as by showing willingness to reform its own trade-distorting subsidies in areas such as agriculture.

- The United States must take a strong stand against the weaponization of trade and the use of economic coercion. It should condemn China's trade aggression and show solidarity with countries that have been victimized by such actions. It should commit to not use such measures itself and work—whether via the WTO or other channels—to develop new mechanisms and disciplines to counter economic coercion and prevent the abuse of power by powerful states in the trading system.

Introduction: China's Other Subsidies

While China's trade policies have come under scrutiny in the context of the ongoing U.S.-China trade war, the wider effects of China's trade policies have been largely overlooked. To date, the debate about China's trading practices has been driven primarily by the United States and other advanced-industrialized states, such as the EU and Japan. These countries have complained about China's use of state subsidies and other unfair trading practices to give its firms and industries a competitive advantage in global markets and tilt the playing field in their favor. Attention has overwhelmingly focused on the policies that China is using to promote the expansion of its manufacturing and high-tech industries, including heavy subsidies, forced technology transfer, and intellectual property violations. In these sectors, China's policies pose a serious competitive threat to the United States and other advanced economies.

What has been widely neglected, however, is the fact that China is also making use of highly trade-distorting policies in sectors that are of significant concern to developing countries. Although China is primarily seen as a manufacturing powerhouse, it has also emerged as a major power in global agriculture markets and the world's dominant fishing power. Over the last decade, China has become the world's largest subsidizer of both agriculture and fisheries. Since many developing countries depend heavily on these sectors for exports, incomes, and food security, China's policies have profound implications for the developing world.

China has sought to portray itself as a champion of global development, pursuing a "win-win" form of economic globalization that benefits all countries. Yet, in fact, China's trade policies are exacerbating hardship in some of the world's poorest countries. Moreover, Beijing has repeatedly undermined efforts to construct new global trade rules at the World Trade Organization (WTO) on agriculture and fisheries that are of crucial importance to much of the developing world.

The Battle over Special and Differential Treatment for China at the WTO

The issue of how China should be treated under global trade rules has become a central source of conflict in the multilateral trading system. A core principle of the World Trade Organization (WTO) is that developing countries should be granted "special and differential treatment" (SDT)—that is, provided with various exemptions and exceptions from WTO rules and allowed greater scope to use tariffs, subsidies and other trade measures to promote their economic development. SDT is seen as an important means for the WTO to address the needs of developing countries and aid in fostering global development.

There is no established criteria for determining what constitutes a "developing country" at the WTO. Instead, states are allowed to self-designate as developing countries in order to access SDT. China insists that, as a developing country, it should have access to SDT and be entitled to the same exemptions and exceptions as other developing countries. Yet the issue of extending SDT to China has become increasingly controversial as its economic weight has grown. The United States and other advanced-industrialized states strongly object to providing special treatment to a major economic competitor. Instead, they argue that China must take on greater responsibility commensurate with its role as the world's largest trader and second largest economy—meaning that it undertake greater commitments to open its market and accept disciplines on its use of subsidies.

While to date the fight over SDT for China has been primarily driven by the United States and other advanced economies, as analysis of its agricultural and fisheries subsidies shows, allowing China to access SDT is increasingly problematic due to the harmful effects of its trade policies on other developing countries. Although China remains a developing country—with per capita incomes less than one-fifth those of the United States, for example[1]—the size of its economy is now of such a magnitude that its trade policies have profound global implications.

Beijing claims to be acting on behalf of the developing world in seeking to defend the right to SDT. China insists that SDT is a "fundamental" and "unconditional right" of all developing countries that must be "fully preserved… for all members," identifying this as a "redline" on which it is unwilling to budge.[2] However, since China is now the largest provider of agricultural and fisheries subsidies, exempting it from trade disciplines via SDT threatens to jeopardize efforts to achieve crucial global development and environmental objectives. By refusing to accept disciplines on its subsidies in areas such as agriculture and fisheries, China is blocking reforms of the trading system that are crucial to the interests of other developing countries.

China's Farm Subsidy Boom

Agricultural subsidies are widely seen as a symbol of the injustice in the global trading system.[3] Subsidies provided by richer countries give their farmers an unfair advantage in global markets, while also artificially depressing global prices. The result is a double whammy that undermines the livelihoods of millions of poor farmers in the developing world, who face heavily subsidized competition along with lower prices for the commodities they produce.[4] There is widespread consensus that reducing global agricultural subsidies would increase incomes and reduce poverty in developing countries.[5]

Historically, the vast majority of subsidies were provided by developed countries like the United States, EU, and Japan, while developing countries generally lacked the resources to subsidize their farmers.[6] However, as China has grown richer, its agricultural support has risen dramatically, such that it is now the world's biggest subsidizer.[7] The Chinese government provides over $200 billion in subsidies and other forms of trade-distorting support to its farmers annually, considerably more than the EU ($100 billion), United States ($33 billion), or any other country.[8]

The effects of China's trade policies are compounded by the fact that it is now a major agro-power: China is the world's largest agricultural producer and consumer, and fourth largest exporter.[9] Although the goods it subsidizes are primarily sold in the domestic market rather than exported, due to the scale of its subsidies and because China is such a large import market, its policies have significant implications for global markets and trade. China's subsidies increase its domestic agricultural production, which displaces imports from its market and lowers global prices, causing farm incomes in other countries to fall.[10]

Beijing claims that its farm subsidies are intended to foster rural development and reduce inequality. Despite China's manufacturing boom and the rapid growth of its cities, nearly 40 percent of the country's population remains rural and a quarter of its workforce is employed in agriculture.[11] China's urban-rural income gap is among the largest in the world, with average urban incomes three times higher than those in rural areas.[12] The Communist Party fears that these high levels of inequality could be politically destabilizing and threaten its grip on power.

If Beijing wants to support its rural population and boosting incomes, there are alternative policy tools that could be used to achieve those goals without the harmful spillover effects that its current policies have for other developing countries.[13] These include providing direct income payments to farmers that are delinked from production, as well as investing in rural health care, education, and social security.

But one of the primary objectives of China's subsidies is to boost its domestic agricultural production.[14] The government has established targets for achieving self-sufficiency in "strategic commodities," including food staples.[15] Its goal is to reduce reliance on imports, which it views as a potential source of vulnerability. Trade distortion is therefore not an accidental effect of China's subsidies but in fact their central purpose.

This runs counter to the trend in most countries. In most advanced-industrialized states, agricultural subsidies have fallen steadily over the past two decades, and these countries have also reformed their farm support programs to make them significantly less trade distorting, reducing the harmful spillover effects for farmers elsewhere.[16] China's subsidies, however, are specifically designed to encourage its farmers to increase production—including government purchases of crops at subsidized prices, direct payments based on production, and input subsidies—and are therefore highly trade distorting.[17]

While Beijing claims that its subsidies are meant to benefit peasant farmers, most of the country's agricultural production is now under the control of "dragon head" enterprises—large, domestic agribusiness companies.[18] Given the design of China's subsidies, which are linked to production volumes, the benefits flow primarily to China's booming agribusiness industry rather than struggling peasant farmers.

At the WTO, Chinese officials routinely argue that its subsidies are "morally different" from those of the United States or EU because it is a developing country.[19] In reality, however, it does not matter where the subsidies originate—whether China or a developed country—the impact on global markets or poor farmers in the developing world is the same. Both the Chinese market and its subsidies have reached such a large scale that its policies have a significant impact on the rest of the world.

Agriculture is a key economic sector for many developing countries—their biggest employer and a major source of exports. Reducing global agricultural subsidies is accordingly a pressing concern for much of the developing world and seen as a critical means to improve welfare and livelihoods. There is no question that subsidies provided by the United States, EU, and other developed countries remain part of the problem. Indeed, U.S. agricultural subsidies increased significantly under the Trump administration.[20] However, the source of the agricultural subsidy problem—and thus its solution—no longer rests solely with rich countries like the United States and EU. Any effort to reign in global agricultural subsidies needs to include China, as the world's largest subsidizer.

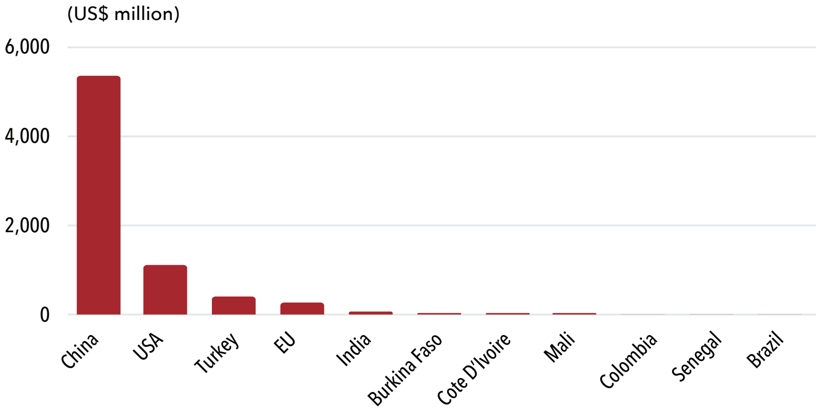
Since the Doha Round breakdown in 2011, WTO members have been seeking to negotiate a standalone agreement to reduce global agricultural subsidies. Notably, the traditional big subsidizers, including the United States, all indicated their willingness to significantly reduce their subsidies.[21] Yet the negotiations have reached an impasse over China's subsidies. Insisting on its right to SDT as a developing country, China argues that it should be exempt from any new subsidy rules or requirements to cut its subsidies. The Chinese government has refused to accept *any* new disciplines on its agricultural subsidies at the WTO. Beijing is seeking to maximize its policy flexibility, not only to maintain its current subsidies but even to increase them in future. The resulting failure to conclude a WTO agreement to reign in global agricultural subsidies is a major blow for developing countries.

The New Goliath in the Fight over Cotton Subsidies

Cotton provides a striking illustration of how China's trade policies are affecting some of the world's poorest farmers. A diverse range of actors—from development NGOs like Oxfam and Action Aid to the World Bank—have highlighted the harmful effects of cotton subsidies for millions of poor farmers in the developing world and called for stricter global WTO rules to eliminate such subsidies.[22]

The global campaign to reduce cotton subsidies has frequently been characterized as a David-and-Goliath-like struggle, with some of the world's poorest countries seeking to bring greater justice to the trading system. The United States—historically the world's biggest cotton subsidizer—was once seen as

FIGURE 1: Annual Cotton Subsidies



Source: Data from ICAC 2016.
Note: Subsidies provided by some countries are too small to be visible.

the chief culprit.[23] But in recent years, China has surpassed the United States as the world's largest cotton subsidizer (Figure 1). Over the past decade, China provided $41 billion in cotton subsidies—nearly six times more than the $7 billion provided by the United States. China alone now accounts for nearly three-quarters of all global cotton subsidies.[24]

Cotton is of crucial importance to the Cotton-4 (C-4) group of West African cotton producers (Mali, Chad, Benin, and Burkina Faso), as well as many other developing and least-developed countries in Africa and throughout the world.[25] These countries depend heavily on cotton exports for employment, government revenue and foreign exchange. Cotton is one of the most important export crops in sub-Saharan Africa, with some 15 million people directly dependent on it for their livelihoods.[26] Burkina Faso, for instance, which has an average income of just $790 per year, relies on cotton for 59 percent of its export revenues.[27]

While African cotton producers are among the world's most competitive, the subsidies provided by other countries leave them struggling to compete in global markets.[28] If global cotton subsidies were eliminated to create a level playing field, there would be a significant shift in cotton production to African countries, whose farmers would benefit from higher prices and incomes.

Today the world cotton market revolves around China, as the site of over half the world's textile production.[29] Given its extraordinary market power, this means that cotton farmers around the world are at the mercy of Chinese government policy.

China is a relatively inefficient cotton producer—like the United States, its production costs are roughly four times those of some African countries.[30] Yet subsidies and other trade-distorting policies have made China one of the world's biggest cotton producers. China's subsidies artificially increase its own cotton production, displacing imports and driving down global prices, thereby reducing the incomes of farmers elsewhere around the world.

Besides subsidies, China also uses tariffs as high as 40 percent to restrict cotton imports.[31] Given the size of its market, if Beijing were to allow cotton from least-developed countries (LDCs) to enter its market duty free, it would provide a significant boost to African cotton producers. However, while the Chinese government has offered some Duty-Free Quota-Free (DFQF) market access to LDCs, it excluded many of their most important exports, including cotton.[32] When asked by LDCs at the WTO to expand its DFQF access to cover cotton, the Chinese government refused.

China's heavy subsidies and import barriers cause significant hardship to poorer and weaker countries. While China remains a developing country, it is vastly richer than the C-4 countries, for example, with a per capita GDP of over $10,000 compared to an average of just $900 among the C-4.[33]

As with its other agricultural subsidies, Beijing claims that its cotton subsidies are intended to support peasant farmers and boost rural incomes. In reality, however, China's cotton subsidies are driven by political and strategic motives, and specifically directed at encouraging cotton production in the northwestern region of Xinjiang. More than 85 percent of China's cotton production is located in Xinjiang, dominated by large, government-owned or operated cotton farms.[34] Most cotton there is grown by the Xinjiang Production and Construction Corps (XPCC), a paramilitary agro-industrial conglomerate established to pacify and "Sinicize" the region, which is home to China's Muslim Uighur minority.

Appropriating land and water from the local Uighur population, the XPCC employs and resettles Han Chinese workers brought in from other parts of the country.[35] The XPCC controls vast tracts of land and has played a central role in Beijing's strategy for asserting its dominance over the territory and the Uighur population, over 1 million of whom have been imprisoned in mass internment camps. The XPCC has been sanctioned by the U.S. Treasury Department for severe human rights violations and abuses, including using forced prison labor to work in the cotton fields and throughout the cotton and apparel supply chains in Xinjiang.

Farms operating under the umbrella of the XPCC account for about a third of all cotton grown in China.[36] Targeted towards Xinjiang and entities like the XPCC, China's cotton subsidies are part of the government's efforts to exert internal control over the region, which also has strategic significance as an important hub of China's Belt and Road Initiative, creating trade and infrastructure links to Central Asia, the Middle East and Europe.

The C-4 and other African countries have advocated for an agreement at the WTO to eliminate harmful cotton subsidies. But Beijing has refused to accept disciplines on its subsidies, identifying this as a "red line" on which it is unwilling to budge. Remarkably, the Chinese government continues to insist that all blame for the cotton problem lies solely with the United States, and that as a developing country it is on the same side as the African countries and LDCs in fighting against the United States and other developed countries.

American subsidies certainly remain part of the problem. Yet since U.S. subsidies are now dwarfed by those of China, it is no longer enough simply to go after U.S. subsidies. China has become the primary source of the cotton problem, but it has thwarted efforts to secure a WTO cotton agreement by resisting any restrictions on its subsidies. Its unwillingness to participate in global subsidy reform efforts makes a meaningful agreement on cotton impossible. Like the broader negotiations on agricultural subsidies, the cotton negotiations have also become paralyzed.

The Dragon in the World's Oceans

China's subsidies for its fishing industry are proving similarly harmful to other developing countries. Subsidies have fueled a global fisheries crisis by contributing to overcapacity and overfishing ("too many vessels chasing too few fish") leading to the decimation of global fish stocks.[37] According to the UN Food and Agriculture Organization, 90 percent of global fish stocks are already fully exploited and nearly a third are being fished at a biologically unsustainable level.[38]

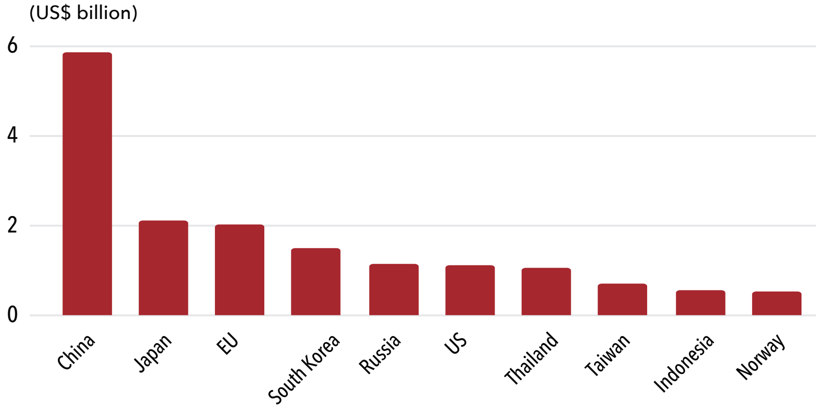
Not all subsidies are environmentally harmful. In fact, some are environmentally-beneficial, such as subsidies that support conservation, fisheries management, R&D, and investments in fisheries resources. The problem, however, lies with subsidies that reduce the cost of fishing and related activities, such as subsidies for vessel construction and fuel. Known as "capacity-enhancing" subsidies, these subsidies contribute to the build-up of excess capacity in the world's fishing industry, create incentives to overfish and lead to the overexploitation of fish stocks.

Capacity-enhancing subsidies allow fishing fleets to broaden and intensify their operations, including building and operating larger boats that can travel greater distances and remain at sea for longer periods, in order to fish in the high seas or in the exclusive economic zones (EEZs) of other states.[39] Estimates suggest that more than half of current fishing activity in the high seas would not exist without such subsidies.[40] Subsidy-driven overcapacity has also resulted in high rates of illegal fishing by foreign fleets, which affects developing countries most heavily due to a lack of enforcement capacity.[41]

Overfishing severely damages fragile marine ecosystems and undermines the sustainability of global fisheries. Moreover, many coastal and island developing countries depend heavily on fisheries for food security, employment and livelihoods, making them especially vulnerable to plummeting fish harvests.[42] Subsidies enable countries with large industrial fishing fleets to exploit resources far beyond their own waters at the expense of local fishing communities, and for many communities, the effects of competition from heavily subsidized foreign fishing fleets have been devastating.[43]

Developed countries like the EU and Japan were once considered the worst offenders.[44] But China now dominates the global fishing industry. Driven by heavy subsidies, China has developed the world's largest industrial fishing fleet, making it the largest fisheries producer and exporter.[45] And like agriculture and cotton, China is now the world's largest subsidizer of fisheries by far (Figure 2). China alone accounts for more than 20 percent of all harmful

FIGURE 2: Largest providers of harmful fisheries subsidies



Source: Data from Sumaila et al. 2019.

fisheries subsidies globally. It spends more than $6 billion annually on such subsidies, nearly three times more than the next largest subsidizer, the EU.[46]

The growth of China's fishing industry was initially driven primarily by fishing in its own territorial waters, with the government providing substantial support to fishing communities and companies to expand and intensify their activities.[47] But subsidies led to excess capacity and overfishing, with the result that by the late 1990s, most of China's own fish stocks were heavily depleted. In response, Chinese policy shifted towards efforts to conserve and restore its fishery resources in its own domestic waters, including strictly restricting fishing. But eager to maintain employment in fishing and processing, the Chinese government shifted to providing heavy subsidies—for fuel, shipbuilding and processing—to enable its fleet to expand into international waters.[48]

China's heavily-subsidized fleet now accounts for an astounding 42 percent of global fishing activity—outstripping the next 10 biggest countries combined.[49] China has nearly 17,000 vessels engaged in distant water fishing—to put this in perspective, the United States, which is the world's third largest fishing country, has only 225 of such vessels.[50]

Most of China's distant water fishing activity would be unprofitable without subsidies.[51]

Fuel subsidies enable China's fleet to cheaply travel vast distances and, with refueling at sea, remain at sea for long periods of time—some boats for as much as two years. Propelled by subsidies, China's fleet has expanded far beyond its own territorial waters, operating intensively off the coasts of West Africa, Central and South America, and the Pacific Islands.[52]

The same dynamics of overcapacity present in other Chinese sectors, such as steel and construction, are evident in the fishing industry. Subsidies have led to massive overcapacity in China's fishing sector, and China is now effectively seeking to "export" its overcapacity by providing subsidies to support intensive fishing operations far from its own shores. In the fisheries sector, however, China's response to overcapacity has put immense pressure on fragile marine ecosystems, threatening the sustainability of global fisheries resources upon which large parts of the world's population depend.

The impact has been devastating for many coastal and island developing countries, where small-scale fishers are being squeezed out of their livelihoods. China's industrial fishing fleet now dominates in the waters off West Africa, for instance.[53] While the region has some of the world's richest fishing grounds, its fish stocks are rapidly being depleted by industrial trawlers. Locals fishing from hand-hewn canoes are competing against Chinese "mega-trawlers" with mile-long nets that sweep up everything from seabed to surface. Declining fish stocks have caused the incomes of local fishers to plummet and reduced domestic food supply—in countries with already high rates of hunger and food insecurity. Chinese overfishing has been similarly documented in the world's other major fishing regions, along with evidence of considerable illegal fishing.[54]

China's fisheries subsidies serve both economic and geopolitical objectives. Beijing has identified this as a strategic industry and made the continued expansion of its distant water fishery a key national policy goal.[55] Regionally, the Chinese government is using its subsidized fleet to bolster its maritime claims in the East and South China Seas, with subsidies enabling China's "fishing militia" to purchase bigger boats and travel further into disputed territory, such as the Spratly, Paracel, and Senkaku/Diaoyu Islands.[56] China's fishing militia has, for example, driven thousands of Filipino fishers away from the rich fishing grounds surrounding the Spratly Islands.

Globally, China's subsidies are intended to support its goal of becoming a "Great Ocean Power," by encouraging the aggressive outward expansion of its industrial fishing fleet across the world's oceans. This has included providing hefty subsidies to further expand its distant water fishing operations, including for building, modernizing and upgrading vessels to further increase the overall capacity of its fleet; constructing overseas fishing "bases," which provide port, processing and logistics facilities for its fishing fleet; and increasing exploration and exploitation of previously untapped fisheries resources, such as in ecologically-fragile Antarctica.[57]

While others, including the EU, Japan, South Korea, Taiwan and Russia, undoubtedly share responsibility for the current global fisheries crisis as a result of their subsidies and overfishing, China is now by far the biggest source of the problem due to the sheer size and scope of its global fishing operations. Meanwhile, it is developing and less-developed countries that are most vulnerable to the collapse of global fish stocks.

In recent years, developing countries have led efforts to secure a WTO agreement to curb harmful fisheries subsidies. The 2015 UN Sustainable Development Goals (SDGs) identified such an agreement as an urgent international priority. The goal is to achieve a "triple win"—an outcome that is positive for trade, development and the environment. However, while the UN SDGs set a deadline to conclude the negotiations by the end of 2020, that deadline passed without agreement. WTO negotiators are now seeking to reach a global fisheries agreement by the next WTO Ministerial Meeting in June 2022. As one of the sole active areas of multilateral negotiations at the WTO, achieving a successful agreement is seen as essential to demonstrating the institution's continued relevance.

Yet here too, as in the agriculture and cotton negotiations, China has repeatedly sought to undermine and evade restrictions on its ability to subsidize its fishing industry, insisting on its right to SDT as a developing country. The broadly accepted rationale for SDT is to ensure that poor countries can provide support to vulnerable populations dependent on small-scale, subsistence-based fisheries, which have minimal environmental impact compared to industrial fishing fleets. Although China remains a developing country, given the size and reach of its fishing fleet, allowing it to exempt its subsidies via SDT would severely undermine the efficacy of any new rules intended to discipline harmful fish subsidies and conserve global fish stocks. A meaningful and ambitious fisheries agreement is simply not possible without the participation of the world's largest subsidizer—China.

Fear of Retaliation Inhibits Criticism

China's agriculture and fisheries subsidies are contributing to the immiseration of farmers and fishers in poorer countries. Yet many of these countries are highly reluctant to challenge China or call out its trading practices. China is now the largest export market for many developing countries, as well as a major source of foreign aid and investment. Given their growing dependence on China, there is widespread fear that antagonizing Beijing by criticizing its trading practices could provoke retaliation.

These apprehensions are well founded. As its economic weight has grown, the Chinese government has increasingly used trade as an instrument of economic coercion against other states. Beijing recently blocked imports from Australia, for example, in retaliation for its calls for an independent inquiry into the origins of the Covid-19 outbreak as well as Canberra's complaints about Chinese Communist Party interference in Australia's domestic politics. As Australia's largest trading partner, accounting for nearly 40 percent of the country's exports, Beijing's import curbs—covering a lengthy list of agricultural and mining products—were intended to inflict maximum economic pain across Australia's key export industries.

Likewise, China recently blocked imports from Canada—and arbitrarily imprisoned two Canadians—in retaliation for its participation in the extradition of a Huawei executive facing fraud charges in the United States. Targeting Canada's major agricultural exports, including pork, beef, soybeans and canola, the restrictions cost the country an estimated $4 billion in lost exports.[58]

If even middle powers like Canada and Australia—which are close allies of the United States and among the world's largest economies—are being targeted with punitive economic measures for running afoul of Beijing, it is no surprise that smaller and more vulnerable countries are afraid to speak out against China's trade policies. And these are far from isolated incidents. To date, Beijing has used the threat and imposition of trade restrictions to punish over a dozen countries for various perceived affronts, including Japan, South Korea, New Zealand, Norway, Sweden, the Philippines, Taiwan, Mongolia, and the United Kingdom. Such measures are in blatant violation of the rules and principles of the WTO, but those rules are proving increasingly inadequate to address China's trading practices.

While developing country officials and trade negotiators are frank in expressing their concerns about China's trade policies behind closed doors, they are highly reluctant to voice these concerns publicly. As one WTO developing country negotiator summarized: "There's only one country here that criticizes China and that's the United States. The smaller you get, the more polite you are to China."[59] The United States is vocal in its complaints about China's trade policies and their effects on American workers, firms and industries. But that freedom to criticize China's practices is rapidly becoming a privilege reserved solely for powerful states like the United States. Those who lack its economic and political might are increasingly forced to suffer in silence.

Developing countries have little fear of confronting other major powers like the United States or EU—liberal democracies where public debate and scrutiny of government policy are the norm. Indeed, developing countries have a long history of being highly vocal in calling out the hypocrisy of those states' unfair trade policies. Yet those same developing countries are hesitant to be seen as criticizing China, an authoritarian regime that is increasingly trying to suppress debate about its policies both domestically and internationally. Consequently, at the WTO, developing countries have typically voiced concerns about China's subsidies and other trade policies only obliquely. For example, states will decry the effects of agriculture and fisheries subsidies without specifying who exactly is providing those subsidies, or insist that "big subsidizers" need to reduce their subsidies, without naming China directly.

As a result, a frank and inclusive debate about the effects of China's trade policies has been missing—even at the WTO, an institution whose explicit purpose is to provide a forum to scrutinize and monitor the trade policies of states. As long as weaker countries fear reprisals from the Chinese government, an open debate about its trade policies is impossible.

Conclusion: How to Make Trade a True Win-Win

Amid the U.S. assault on the rules-based multilateral trading system that began under President Trump, the Chinese government has sought to portray itself as an emerging new defender of globalization and free trade. At the same time, Beijing has sought to portray itself as a beneficent leader of efforts to combat global poverty and foster development, dispensing large volumes of investment through the Belt and Road Initiative and other channels, while claiming to represent the interests of the developing world in international institutions like the WTO. These claims are deeply undermined, however, by the harmful effects that China's trade policies are having on other developing countries.

With debate about China's trade policies dominated by the world's richest and most powerful economies, the voices of developing country have been largely absent. Yet that does not mean China's policies are not affecting such countries. On the contrary, in agriculture and fisheries, the harmful effects of China's trade policies are felt most acutely by other developing countries. Given its enormous market power, as well as the massive volume of subsidies that it is providing, China's trade policies have major consequences for global development.

To be clear, this is not to let the United States and other developed countries off the hook. But the damaging effects of agricultural and fisheries subsidies for global development can no longer be addressed solely by tackling the policies of rich countries like the United States, EU, and Japan. As the world's largest subsidizer, efforts to reform global subsidies need to include China.

The Chinese government frequently claims to be acting in solidarity with developing countries to challenge the injustices of the global trading system. In actual fact, however, it is Beijing's trade policies that are increasingly becoming the biggest threat to other developing countries. In areas like agriculture and fisheries, China's insistence on its right to SDT is hindering global development efforts, as well as efforts to protect the environment. Rather than simply trying to hide behind its developing country identity, China must show greater accountability for the effects of its policies on poorer and weaker developing countries. What these countries need is not just abstract expressions of developing world solidarity but concrete and meaningful policy change.

Without tackling China's subsidies and other harmful trading practices, any effort to improve the plight of poor farmers and fishers around the world is doomed to failure. Given their difficulties in confronting China directly, developing countries need support from more powerful states in their efforts to secure new and stronger WTO rules to reign in harmful agricultural and fisheries subsidies.

The United States can play an important role in this, by working with developing countries to increase the pressure on China to reform its subsidies. These are areas where the interests of the United States and the developing world align. As the world's largest agricultural exporter, the United States has a keen interest in reducing China's subsidies. Likewise, as a relatively small user of harmful fisheries subsidies, placing its fleet at a competitive disadvantage vis-à-vis bigger subsidizers, the United States also has a commercial interest in reducing such subsidies.

The United States is currently working with the EU and Japan in the Trilateral Initiative seeking to reform WTO rules to better address China's industrial subsidies. However, it is missing a valuable opportunity to form a broader alliance with a wider array of countries, and to work across North-South lines to challenge China's subsidies and other harmful trading practices. Of course, to do so, the United States must also be willing to address its own trade-distorting subsidies in areas such as agriculture; but this had been a long-term goal of U.S. agriculture reform until the shock caused by the imposition of tit-for-tat tariffs in the U.S.-China trade war.

The failure of the U.S.-China "Phase 1" agreement to produce any meaningful reform of China's subsidies or other trade policies—and with no subsequent agreement on the horizon—has shown that such policies cannot be effectively addressed by the United States acting alone or in bilateral negotiations with China. With China expected to overtake the United States as the world's largest economy within the next decade or so, the United States' relative economic power is declining.[60] If the United States wants to convince China to reform its subsidies or other trade practices, it needs allies now more than ever. The best way to address China's subsidies and other trade practices is through multilateral channels where the United States can ally with other states to increase its leverage.

This would require recommitting to the rules-based multilateral trading system. For many years, the United States has been missing in action at the WTO. Under the Trump Administration, the United States abdicated its traditional leadership role at the WTO, abandoning trade multilateralism in favor of aggressive unilateralism and launching an assault on the institution's dispute settlement mechanism. While these actions did immense damage to the United States' international standing and reputation, the resulting leadership gap at the WTO has made progress in any area of negotiations virtually impossible. Allying with developing countries to push for meaningful and ambitious agreements on agriculture, cotton and fisheries would be a powerful symbol of renewed American leadership in the trading system and show that the era of "America First" is over. It would demonstrate that the United States is seeking not only to advance its own narrow trade interests, but to make the system fairer and more responsive to the needs of all countries.

Finally, the United States must take a strong stand against the weaponization of trade and the use of economic coercion. It should condemn China's trade aggression and show solidarity with countries that have been victimized by such actions. It should commit to not use such measures itself and work—whether via the WTO or other channels—to develop new mechanisms and disciplines to counter economic coercion and prevent the abuse of power by powerful states in the trading system.

The views expressed are the author's alone, and do not represent the views of the U.S. Government or the Wilson Center.

Notes

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