The New World Trading System and China

By Li Chen

A. Introduction

More than seven decades before, Professor Manley O. Hudson described the development of international organization in his distinguished book Progress in International Organization as stemming from mid-19th century advances in communication and transportation. These advances, made possible by the invention of the steam-engine and the control of electricity, provided the impetus for the establishment of the earliest international organizations, most of which were concerned with communication and transportation. The lessons of World War I convinced some that the world could be saved from another such holocaust only by organization for common action. The establishment of the League of Nations and the Permanent Court of International Justice made great contributions to the progress of international organizations. The functions and jurisdictions of international organizations since then were greatly extended to further international affairs. Hudson submitted his vision on how to measure the progress of international organizations:

No one can say that any of our current conceptions as to the ends of co-operation will not be discarded by a later generation; but it would seem altogether probable that the institutions which we are creating will be kept alive. None of them can be said to have achieved a final form; all of them will probably be altered and reconstructed; possibly many of them will be adapted to wholly different purposes. The most that we can do is to give them initial form, and to hand them on for future generations to use as they will. Something will have been gained, however, some progress will have been achieved, if we can place in the hands of successors on the stage of international affairs the instruments which we lacked in 1914.1

Even Professor Hudson can hardly imagine in his era the globalization as well as the great progress on the scales of international organizations (intergovernmental or nongovernmental organizations (NGOs) after the World War II. One of the most striking changes in international affairs since World War II has been the

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1 Manley O. Hudson, Progress in International Organization, 119-20 (1932).
tremendous institutionalization of international economic relations. International economic institutions such as the World Trade Organization (WTO), the World Bank, and the International Monetary Fund (IMF) play critical roles in the world economy. They constitute the main structure of the world economic system. With the end of Cold War and the deepening of globalization in the last decade of the 20th century, more attention has been paid to “geo-economics” than to “geo-politics” by the international community. The economic interdependence of different nations has been greatly strengthened, and there are calls for more international cooperation.

Today, we come to the era of WTO-based world trading system. As a permanent negotiating forum, the WTO, whose principal mandate is trade liberalization within a rule-based system, has come to be one of the most powerful institutions in the system of global economic governance. Produced after the lengthy, extensive, and complex Uruguay Round of trade negotiation, the WTO has been described as the “central international economic institution.” The WTO is either a modest enhancement of the General Agreement on Tariffs and Trade (GATT), which preceded it, or a watershed moment for the institutions of world economic relations embodied in the Bretton Woods System. The WTO continues the GATT institutional ideas and many of its practices on one hand, and overcomes a

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2 The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade mainly between nations. Its main function is to ensure that trade flows as smoothly, predictably and as freely as possible. Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154 (1994) [hereinafter Marrakesh Agreement].

3 The International Bank for Reconstruction & Development (World Bank) was created to help provide funds for the reconstruction of then war-ravaged nations and to monitor and enforce rules that would regularize and encourage international trade. Articles of Agreement of International Bank for Reconstruction & Development, July 22, 1944, 60 Stat. 1440, 2 U.N.T.S. 134.

4 The International Monetary Fund (IMF) was established to promote monetary cooperation among nations and stability in foreign exchange. Articles of Agreement of the International Monetary Fund, July 22, 1944, 60 Stat. 1401, 2 U.N.T.S. 39 [hereinafter IMF].


