

Title of the thesis

The effects of China's accession to the WTO on its textile industry

Category

International trading

Introduction

After more than fifteen years of negotiation, on **December 11th of 2002**, at long last China officially accessed to the World Trade Organization (WTO) and became a member of this the most important organization of international trade. No doubt, China's accession to the WTO impacts China's economy and its trading with other countries in different sectors. In this thesis, the textile sector will be focused to analyze the effects of China's entry to the WTO.

As a traditional industry, textile is one of the most important industrial sectors in China. It obtains significant proportion in the national economy. Since China's economic reform at the end of the 70s, China's textile industry has been developing steadily and made a great achievement. Today China is the world's largest textile producer with US\$ 52.1 billion export in raw textile and garment, making up 20.9 per cent of the country's overall exports and accounting for 13 per cent of the world's textile trade volume.

From the WTO's view, China's textile industry is apparently the top beneficiary of the country's entry into the WTO, particularly in long term we can see clear benefits and chance which WTO brings to the sector.

Firstly, one of the significant benefits which China gains from WTO entry is the removal of quota control on export. After China's accession to WTO, according to the Agreement on Textiles and Clothing (ATC), some members of the WTO is increasing gradually the quota control on export of textile products and garments, and all quotas will be eliminated among WTO members by 2005, that's the most important reason of the increase of China's export of textile products in 2002, one year after China's WTO accession. Secondly, as a member of the WTO, China enjoys more preferential rights on export duties. In average, the export duty to Canada, UE, USA and Japan is respectively reduced to 14,5%, 9,1%, 14.7% and 7,6%. Such decrease on duties cuts down China's export expenses and therefore makes China's textile products gains advantage on price in the international market. Furthermore, China's WTO accession will open more investment market and speed up the tempo of investment, which will help China's textile industry to upgrade its technology, management, trade system and industrial structure.

However, in the short term, it presents with more challenges than opportunities, and the sector will face a great pressure.

After WTO entry, the quota control on export of textile products is partly scrapped, but the benefits of removal of such quota control are not as great as expected. That's because only a few countries such as the U.S, the European Union, Canada and Turkey impose such quota control, but China's export of textiles and garments to quota-controlled countries only account for 23% of its total, so obviously, no-quota-control countries are the main target areas for China's export of textiles and garments. Another main challenge that China is facing is the fierce competition in both domestic and international market. WTO entry is making the complete opening-up of China's domestic market, and large quantities of foreign enterprises and products are flooding into China. With the removal of quota control, a large number of Chinese domestic producers that originally depended on quota-governed export business will face ever greater pressure. Meanwhile, in the world's market, the situation is even not optimistic. As labour-intensive industry, China's textile products used to enjoy advantage in the world's market. However, today, this advantage of a cheap labour force is waning, and instead the lack of competitiveness is getting more obvious due to its low technology and quality. Moreover, after China's WTO accession, the developed countries are carrying out new restrictions such as "green barriers", "anti-dumping" and other trade-technical measures to restrict China's export of textile and garment.

With WTO accession, China's textile industry has entered to a new period in which opportunities and challenges exist at the same time, and how to keep itself in an advantageous position and integrate successfully to the global economy, that is the main target for China's textile industry.

Hypothesis

How China's accession to WTO affects China's textile industry? What benefits and advantages the WTO brings to China's textile industrial sector, meanwhile what pressure and challenges the sector is facing after WTO entry?

Methodology

Analyze the effects of China's accession to the WTO on its textile industry in both positive and negative view by:

- ◆ Studying the characteristics of China's textile industry and comparing it with the same sector in different countries.
- ◆ Studying what-changed to compare the different situations before and after WTO entry from different angles, and discussing advantages and disadvantages to China's textile industry.

Then try to research the new strategy to face the situation and the perspective of the future of China's textile industry.

Table of contents

The effects of China's accession to the WTO on its textile industry

Introduction

Chapter 1 China's textile industry

- 1.1 History of China's textile industry
- 1.2 Development of China's textile industry and the actual situation
- 1.3 General characteristics of China's textile industry

Chapter 2 How important is China's textile industry

- 2.1 The importance of China's textile industry in the overall Chinese economy
- 2.2 China's textile industry in the world trade

Chapter 3 China's WTO accession

- 3.1 China's WTO entry
- 3.2 Main WTO agreements on textile sector

Chapter 4 Analysis of the advantages for China's textile industry at WTO entry

- 4.1 Opportunities in view of import-export
- 4.2 WTO entry will help China's textile industry to adjust its industrial structure
- 4.3 Better and integration to the global economy

Chapter 5 Challenges and difficulties in the sector after WTO entry

- 5.1 Analysis of the actual problems in the sector
- 5.1 Competitiveness in domestic market with foreign enterprises
- 5.2 Competitiveness in international market
- 5.3 New restrictions for China's textile products

Chapter 6 New strategy of China's textile industry after China's WTO entry

- 6.1 Regulate industrial structure and management
- 6.2 Improve production structure and trade system
- 6.3 Upgrade technology and quality

Conclusion

Calendar

Task	May.	Jun.	Jul.
Submit the modified project to UB	May 4th		
Sort out the reference materials			
Analysis of statistic			
Chapter 1			
Chapter 2			
Chapter 3			
Chapter 4			
Chapter 5			
Chapter 6			
Conclusion			
Revision of all statistic consulted and bibliography			
Final organization and revise			
Submission of thesis			July 20 th

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