

# CHINA'S ADOPTING EMERGENCY SAFEGUARD MEASURES FOR SERVICES: A POLITICAL ECONOMY ANALYSIS

*Yanning Yu*\*

## ABSTRACT

*The Emergency Safeguard Mechanism (ESM), a proposed instrument to respond to adverse economic challenges arising out of trade liberalization in services in the World Trade Organization (WTO), has drawn intense attention over the past decades. This issue is highly controversial, especially during WTO multilateral trade negotiations. Due to the diversity of views amongst WTO members, agreement on how to address this issue has not been reached. A factor contributing to this disagreement is a lack of consensus between some developed countries (such as the United States, Australia, Canada and Japan) and several developing economies (such as the Association of Southeast Asian Nations) (ASEAN). China, as the biggest developing country, a newly industrialized economy, and one of the leading traders in the WTO, has a significant interest in this issue. Nonetheless, so far China's attitude towards emergency safeguard measures in services trade has been ambiguous. On the one hand, in its free trade agreements (FTAs)*

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\* Ph.D (Macq. Australia); Associate Professor, Faculty of Law, Zhejiang Gongshang University, China; Fellow, The Tim Fischer Centre for Global Trade and Finance. An earlier draft of this paper had been presented at the International Conference on "The Political Economy of Liberalizing Trade in Services", June 14-15, 2010, Jerusalem, Israel. A revised edition of this paper then had been presented at the EMC2 2010-2011 Asia-Pacific Regional Round Academic Conference on "Economic Integration of The Asia-Pacific Region and Beyond," Mar. 4, 2011, National Taiwan University, Taipei. I would like to thank the two conferences organizers and participants for their insightful feedback, comments and discussions on earlier drafts of this paper. I am also indebted to an anonymous referee for his/her constructive suggestions. Undoubtedly, errors or mistakes found within remain solely my responsibility. The author can be reached at c.yanning.yu@gmail.com.

*with ASEAN and Pakistan, there exist specific provisions to address emergency safeguard measures for services between negotiating parties. However, on the other hand, it is interesting that China takes a comparatively conservative position in WTO forums even though it has occasionally expressed some views on emergency safeguard measures.*

*This paper aims to analyze and discuss emergency safeguard measures from a political economy perspective by taking China as a case study. An overview of emergency safeguard measures in services trade will first be presented. This is followed by an examination of ESM provisions embedded in FTAs that China has engaged in with its trading partners, including the ESM provision in China's domestic law. The paper then moves to discuss China's position regarding the ESM by addressing China's domestic politics as well as economic conflicts and analyzing as to why China takes such a stance. Finally, some observations as well as a concluding remark will be offered to point out the implication of China's case in the context of the General Agreement on Trade in Services (GATS) during WTO multilateral trade negotiations.*

**KEYWORDS:** *emergency safeguard measures, services trade, China's attitude, international political economy, World Trade Organization, multilateral trade negotiations*