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**CHINA IN THE WTO DISPUTE SETTLEMENT MECHANISM: CASE STUDIES
AND POLICY IMPLICATIONS**

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1. Introduction

1.1 Research Background

Economic globalization and trade liberalization have become an unstoppable trend in the world, and the World Trade Organization (WTO) plays an unparalleled role in this global wave. Since its establishment in 1995, the WTO has been a reliable protector of global trade and economic order, playing a crucial role in promoting trade liberalization, transparency, fairness, and globalization. According to the WTO's statistics, the organization currently has 166 member states, covering more than 98% of global international trade. As the only multilateral trade system in the world today, the WTO's primary goal is to establish and implement a set of global trade rules and standards. It provides a reliable platform for multilateral trade and, through its Dispute Settlement Mechanism (DSM), helps member states find peaceful solutions when trade disputes arise, ensuring the stability and sustainability of global economic trade. According to the WTO's annual report, global trade in goods and services exceeded \$25 trillion in 2022, with all these trade activities being regulated and safeguarded by the WTO (World Trade Organization, 2023).

China's accession to the WTO was a significant event in the reshaping of the global trade system. China officially applied for WTO membership in 1986, at a time when the international trade system had entered a phase of multilateral development, and the global economy was gradually advancing toward liberalization and marketization. Due to domestic economic reforms and other objective limitations, China underwent 15 years of arduous negotiations before officially becoming a WTO member in 2001. This historic process marked not only a major shift in China's foreign economic policy but also the beginning of China's integration into the global economic system. Since joining the WTO, China's economy has flourished. According to data from the National Bureau of Statistics of China, China's imports and exports significantly expanded globally, and the country became a leader in foreign trade. In 2023, China's total import and export value reached \$5.94 trillion, maintaining its position as the world's largest goods trader for seven consecutive years, with export and import market shares of 14.2% and 10.6%, respectively, holding the first and second positions globally for 15 consecutive years (National Bureau of Statistics of China, 2023; World Trade Organization, 2023).

Additionally, China's accession to the WTO prompted significant adjustments and

adaptations in its trade structure and domestic policies. Economically, China leveraged its relatively low production costs and gradually improving infrastructure to become the global manufacturing hub, gradually transitioning from being the “world’s factory” to developing high-value-added industries. Politically, the Chinese government implemented extensive policy reforms after joining the WTO, particularly in market access, investment environment, financial services, and intellectual property protection. These policy reforms not only enhanced the openness of China’s market but also strengthened the competitiveness of its domestic economy, further elevating China's position in the global supply chain.

However, at the same time, China faces growing challenges within the global trade system. As China’s influence and voice in international trade have increased, the number of trade disputes involving China has also risen, with increasingly complex issues. A critical theme has become how to effectively utilize the WTO’s Dispute Settlement Mechanism to safeguard China’s interests, resolve international disputes, and promote the development of a more stable, fair, free, effective, and transparent global trade system.

1.2 Significance of the Dissertation

This dissertation aims to examine China’s role within the WTO Dispute Settlement Mechanism (DSM) by analyzing key cases and evaluating related policies. Given China's prominent position in global economic integration and trade liberalization, understanding how China leverages the DSM to manage trade disputes and safeguard its interests is highly significant. This dissertation will, therefore, provide insights into how a major developing economy navigates and impacts the global trade system. Additionally, it sheds light on the DSM’s role in promoting stability and oversight in international trade.

In theory, this dissertation focuses on China’s unique role and strategic choices within the WTO Dispute Settlement Mechanism (DSM). While much of the existing literature has concentrated on the relationship between the DSM and developed countries, or the general operation of the DSM and its future reforms, this study provides a new perspective by exploring the specific role of China, a rising economic power, within multilateral trade dispute resolution. By doing so, it enriches the theoretical framework of DSM’s impact on developing economies, providing valuable insights into how such countries can navigate and influence global trade governance. Through in-depth case analysis, this dissertation explores China's participation in the DSM as a complainant, respondent, and third party. The aim is to

identify China's strategic characteristics and their broader implications on global trade policy. The dissertation fills a gap in existing literature by examining how a developing country like China, with its unique position in the global economy, engages with the DSM to safeguard its trade interests and shape the international trade landscape.

In practice, the WTO dispute settlement mechanism is regarded as one of the most important tools for resolving trade disputes and influencing global trade dynamics, and is often referred to as the "crown jewel" of the WTO. Since its accession to the WTO, China's participation in the DSM has been transformed from a tireless learner to an active participant, thus deepening its involvement in international trade governance. This dissertation examines how the DSM plays the role of protecting China's trade interests, safeguarding China's policy rights and providing a platform for resolving trade conflicts. Through this investigation, the dissertation provides a clearer understanding of how China can better utilize multilateral trade platforms such as the WTO to manage disputes and promote global governance. In addition, this dissertation provides important insights into how developing countries can utilize the DSM to protect their trade interests in the face of global economic challenges (Gao&Xiao,2023). With the rise of economic globalization and trade liberalization, developing countries face new opportunities and challenges. This dissertation proposes new strategies for these countries to effectively participate in the DSM, ultimately increasing their participation in global trade and coping with the new positioning in international economic relations.

In sum, this study aims to provide an in-depth understanding of how China has utilized the multilateral dispute settlement mechanism to protect its interests and achieve a robust development of its trade. It also provides practical recommendations for other developing countries to better navigate the complexities of international trade disputes and actively participate in shaping the future of the WTO dispute settlement mechanism.

1.3 Literature Review

1.3.1 General Research on the DSM

In existing studies on the WTO Dispute Settlement Mechanism (DSM), a significant amount of literature focuses on its legal framework, operational principles, and practical effectiveness. Scholars generally regard the DSM as a core component of the global trade system. It resolves trade disputes between member states through legal procedures, ensuring the effective implementation of multilateral trade rules. Smith explored the fundamental principles of the

DSM, emphasizing its adherence to transparency, fairness, and efficiency. He noted that the DSM provides a rules-based framework that ensures disputes among member states can be resolved in a relatively equitable environment (Smith,2008). Building on this, Jones further analyzed that the design of the DSM's procedures not only aims to resolve disputes but, more importantly, seeks to establish the normative framework of trade rules through its judgments, thereby maintaining the stability of the global trade system (Jones,2010). Johnson, in turn, provided empirical evidence demonstrating that the DSM offers developing countries a platform for engaging in equal dialogue with developed nations, thereby facilitating the implementation of global trade rules (Johnson,2012).

However, some scholars have pointed out several challenges facing the DSM. Lee argued that while the DSM theoretically provides equal legal protection for all member states, larger economies such as the United States and the European Union enjoy greater advantages when utilizing the mechanism in practice. Developing countries often struggle with limited legal resources and high litigation costs (Lee,2015). A similar viewpoint was expressed by Peters (Peters,2014). Wang further posited that as the global trade environment becomes more complex, the DSM faces challenges from bilateral and regional trade agreements, especially as some countries tend to bypass multilateral mechanisms in favor of resolving disputes through bilateral negotiations (Wang,2020). Morris analyzed the impact of emerging issues, such as digital trade and environmental standards, on the DSM, asserting that the WTO's rules in these areas remain underdeveloped, resulting in increased uncertainty for member states in emerging disputes (Morris,2021).

1.3.2 Research on China's Role in the DSM

Since its accession to the WTO in 2001, there has been a growing body of research on China's performance in the DSM, with much of the literature focusing on its evolving role and strategic choices within the mechanism. Zhang reviewed China's strategies during its early involvement in the DSM, noting that China tended to adopt a "low-profile response" defensive strategy to avoid direct conflicts with developed countries (Zhang,2010). However, Liu, through case analysis, demonstrated that as China's position in the global economy has risen, its strategies within the DSM have gradually shifted toward a more aggressive stance, actively utilizing the mechanism to protect its trade interests, particularly in areas such as intellectual property, technical barriers, and anti-dumping measures (Liu,2018). Wang further

analyzed this evolution, noting that China has significantly increased its participation in the DSM, demonstrating greater flexibility in legal strategies and gradually forming an international strategy based on domestic law (Wang,2020).

Regarding China's involvement as a third party in cases, Chen analyzed that China's participation in WTO third-party cases not only enhances its understanding of international trade rules but also strengthens its cooperation with other developing countries, thereby influencing the global trade landscape (Chen,2019). Furthermore, Huang emphasized that by engaging in third-party cases, China has increased its legal influence within the WTO, establishing itself as a significant player in global trade governance (Huang,2020).

Regarding the reform of the WTO Dispute Settlement Mechanism, Zhao emphasized that China should actively participate in discussions on DSM reform to address the calls for change from developed economies such as the European Union and the United States (Zhao, 2021). Chen argued that, as the world's largest trading nation, China should leverage its position to advocate for DSM reforms (Chen,2022). This viewpoint aligns with Li , who highlighted China's significance in the reform process and pointed out the necessity for China to strengthen cooperation with other developing countries (Li,2022). Wang further proposed that establishing a united position with developing countries is a key strategy for China to promote reform (Wang,2023).

1.4 Research Content

This dissertation primarily analyzes several classic cases involving China within the WTO Dispute Settlement Mechanism, as well as the impact of the main policies of this mechanism on China. Based on this analysis, it summarizes the strategies that China can adopt in response to the effects of these policies.

Specifically, the first chapter serves as the introduction, where the research background and significance are first elaborated, followed by a summary of the existing research by various scholars, and finally, an introduction to the framework of the dissertation.

The second chapter provides an overview of the WTO Dispute Settlement Mechanism. It begins by analyzing how this mechanism was formed and its basic principles. It then summarizes the current value orientation of the WTO DSM, outlines its basic procedures, and analyzes its roles.

The third chapter focuses on case studies of China's involvement in the WTO Dispute

Settlement Mechanism. It first examines cases from the perspective of China as a complainant, specifically analyzing the cases of DS379: U.S. Anti-Dumping and Countervailing Duties Case and DS397: EU Anti-Dumping Measures on Fasteners Case. It then explores the cases in which China was the respondent, specifically the DS309: Value-added Tax (VAT) on Integrated Circuits Case and DS363: Importation of Publications and Audiovisual Products Case, while also analyzing China's role as a third party in the WTO Dispute Settlement Mechanism.

The fourth chapter summarizes the characteristics of China's participation in WTO dispute resolution cases by analyzing the frequency of disputes involving China post-transition period, China's ties with the U.S. and the EU under the DSM, the number of respondent versus complainant cases, the use of third-party mechanisms, and the types of complainant and respondent cases.

The fifth chapter investigates the policy implications of the WTO Dispute Settlement Mechanism for China. It analyzes the overall impact of the WTO DSM, the reforms of China's international trade measures and policies, as well as the challenges posed by the mechanism to China's international trade dispute resolution.

The sixth chapter examines China's response strategies within the WTO DSM framework. It first identifies the shortcomings in China's utilization of the DSM. Then, the chapter proposes a range of practical strategies from multiple perspectives aimed at addressing shortcomings and enhancing China's capabilities within the DSM, ensuring more effective participation and a stronger position in international trade dispute settlement.

2. Overview of the WTO Dispute Settlement Mechanism

2.1 Formation of the DSM

As early as 1994, the Ministerial Declaration agreed to evaluate the effectiveness of the Dispute Settlement Understanding (DSU) during its initial four years of implementation, and by the end of 1997, a review of the DSU was initiated. To date, the WTO Dispute Settlement Mechanism has been in operation for nearly 30 years (Zhu,2023). As the legal foundation of the WTO Dispute Settlement Mechanism, the DSU was established through a series of legally binding provisions adopted during the Uruguay Round. According to the DSU, member countries are required to strictly adhere to 60 agreements, accords, and understandings upon joining the WTO, which positions the DSU as a key enforcement mechanism and gives rise to

the Dispute Settlement Body (DSB).

The WTO Dispute Settlement Mechanism has evolved within the framework of the General Agreement on Tariffs and Trade (GATT). Following ten years of negotiations during the Uruguay Round, which spanned from 1984 to 1994, the DSU was finally established. The DSU provides a detailed description of the institutions and jurisdiction related to the WTO Dispute Settlement Mechanism and outlines the fundamental procedures, special procedures, and general principles of dispute resolution (Liang,2022). It incorporates the core elements of GATT and facilitates the development of international trade dispute resolution procedures, significantly enhancing the efficiency and quality of dispute resolution while improving the operational convenience of the WTO Dispute Settlement Mechanism.

The relationship between the DSU and the DSB is closely intertwined. The DSU provides the operational framework and legal foundation for the DSB, which executes the dispute resolution procedures based on the provisions of the DSU. The primary responsibilities of the DSB include reviewing disputes, appointing expert panels, approving reports, and monitoring compliance by member countries with dispute resolution procedures. Consequently, the procedures and timelines outlined in the DSU directly influence the operations of the DSB. This interaction ensures the fairness and effectiveness of the WTO Dispute Settlement Mechanism.

2.2 General Principles of the DSM

The general principles of the WTO Dispute Settlement Mechanism refer to the fundamental guiding rules that all member countries are required to follow. Since the WTO originated from the General Agreement on Tariffs and Trade (GATT), the current dispute settlement mechanism of the WTO is essentially an evolution of the GATT's system for resolving trade disputes. The Dispute Settlement Understanding (DSU), established during the Uruguay Round negotiations, lays out the foundational principles that govern the operation of the WTO dispute resolution process. A closer examination of these principles is provided below.

2.2.1 The Reverse Consensus Principle

In the GATT framework, consensus decision-making required unanimous agreement among all member countries for a decision to be valid. This meant that if even one member objected to a decision, it could not be passed (Zhang,2022). The reverse consensus principle, introduced under the WTO, changes this by requiring decisions of the Dispute Settlement

Body (DSB)—such as whether to establish a panel, adopt rulings, or authorize suspension of concessions—to be automatically approved unless all members, including the party bringing the complaint, oppose it.

This principle significantly enhances the effectiveness and fairness of the WTO dispute settlement mechanism by preventing any one member from unilaterally blocking a decision. By shifting the WTO's dispute resolution approach from "power-oriented" to "rule-oriented," the reverse consensus principle ensures that decisions are based more on established rules rather than the influence of powerful members (Du,2008).

2.2.2 Principle of Good Faith

Article 3.10 of the DSU stipulates: "It is understood that requests for consultations and the use of dispute settlement procedures should not be considered as contentious acts. If a dispute arises, all Members should engage in these procedures in good faith in an effort to resolve the dispute." This provision clarifies that invoking the dispute settlement mechanism should not be seen as an adversarial move, and that member states are obligated to cooperate in good faith to resolve disputes (Han,2005).

In interpreting the principle of good faith, the WTO Appellate Body and panels have emphasized the conduct of parties exercising their rights. For example, when a respondent refuses to engage in consultations or declines to enter into negotiations, such actions should not be viewed as lacking good faith, as the right to refuse consultations is an inherent part of the respondent's rights. Similarly, when a party chooses not to accept the findings of a panel, it should not be seen as an absence of good faith, since rejecting a panel's decision is also within the legal rights of the disputing party.

The principle of good faith ensures that despite the formal rights each party may have, the dispute settlement process remains focused on genuine cooperation and resolution, preventing misuse of procedural rights while safeguarding fairness in the WTO's legal framework.

2.2.3 Principle of Mandatory Jurisdiction

When international trade disputes arise between WTO members, they are required to resolve these disputes through the WTO's dispute settlement mechanism, rather than through unilateral actions. This is known as the principle of mandatory jurisdiction, which aims to prevent powerful nations from taking advantage of weaker ones in resolving trade conflicts. This principle ensures that all WTO members follow the established procedures for resolving

disputes, promoting fairness and equality within the system.

The application of this mandatory principle within WTO dispute settlement helps to prevent certain members from excessively protecting their own interests through national or third-party legal systems (Ma,Wang&An,2022). Furthermore, the WTO dispute settlement mechanism clearly outlines four stages for resolving international trade disputes, and all institutions and members must adhere to these stages in the resolution process.

2.2.4 Principle of Statutory Deadlines

Under the WTO dispute settlement mechanism, the resolution of international trade disputes is divided into four stages, with statutory deadlines set for the first three stages. For example, the consultation stage is limited to 60 days, the panel establishment phase must be initiated within 45 days, and the panel must deliver its final report within six months. The appellate review phase, if invoked, is subject to a 90-day time limit.

In past WTO trade dispute cases, once a complainant requests the establishment of a panel, the Dispute Settlement Body (DSB) notifies the involved parties of the precise date for the panel's formation, down to the specific day, month, and year. In more complex cases, where reaching a conclusion within the prescribed time limit proves difficult, the panel informs the disputing parties and the DSB of the delay, providing a new deadline for issuing the report (Zhang,2022). The new deadline is also given with exact precision. The DSB then receives the final report within this extended time frame.

This illustrates the stringent nature of the statutory deadlines in the WTO dispute settlement process. The principle of statutory deadlines is a critical component of ensuring the timely resolution of disputes, maintaining the efficiency and credibility of the mechanism.

2.2.5 Principle of Balancing Rights and Obligations

The application of the WTO dispute settlement mechanism in resolving international trade disputes aims to ensure that member countries can fairly exercise their rights and reasonably fulfill their obligations. This is referred to as the principle of balancing rights and obligations. Under this principle, neither party in a trade dispute—whether the winning or losing side—can gain or lose rights beyond what is appropriate to their situation.

The existence of this principle safeguards the fairness of the dispute resolution mechanism, preventing stronger nations from exploiting the process to expand their advantages while protecting weaker nations from unfair penalties due to unfavorable outcomes. The design of

the WTO dispute settlement mechanism seeks to maintain a symmetry of rights and obligations, ensuring that all member countries receive equal protection and constraints in international trade.

2.2.6 Special Treatment for Developing Countries

To promote and assist developing countries in engaging in international trade, the WTO dispute settlement mechanism has established special provisions for international trade disputes involving these nations. These provisions are designed to offer developing countries more favorable treatment. For instance, according to the agreements reached during the Uruguay Round and the Tokyo Round negotiations, developing countries' exports of semi-finished and finished products are eligible for unilateral special treatment and tariff reductions (Min,He&Zheng,2002). Currently, there are ten countries within the WTO that provide preferential treatment to developing countries, including the United States, the European Union, and Japan. Among these, China has benefited from preferential policies from most of these nations, significantly enhancing the export competitiveness of its semi-finished and finished products.

2.3 The Value Orientation of the DSM

Value orientation refers to the principles or goals that individuals or organizations adhere to when making decisions and is the fundamental attitude and position displayed by the subject in the face of conflicts and contradictions. Consequently, value orientation has a practical aspect, guiding the value choices of the subject. Similarly, the WTO dispute settlement mechanism exhibits a distinct value orientation, which is analyzed in detail below.

2.3.1 Permitting Retaliation

The primary objective of the WTO dispute settlement mechanism is to prioritize solutions to international trade disputes that are satisfactory to both parties and in compliance with relevant regulations. While the mechanism has the capacity to render decisions, it lacks enforcement measures akin to those found in legal statutes. In this context, the perspectives of the disputing parties regarding the decision directly influence its implementation. If both parties express satisfaction with the ruling, the efficiency of execution will significantly improve. Conversely, if one party is dissatisfied with the outcome, it may choose to modify or withdraw the contested measures based on its understanding of the ruling and its international trade interests. This party might seek to gain the understanding of the complaining party

through compensation or opt not to take any action regarding the decision, which could lead to retaliatory measures from the complainant.

Due to the absence of an enforcement mechanism within the WTO, instances of member countries resorting to retaliation after the resolution of international trade disputes are not uncommon. Often, a single trade dispute may trigger multiple retaliatory actions (Song,2012). In the first ten years following China's accession to the WTO, developed countries were typically the ones taking retaliatory actions. However, in the last decade, the number of retaliation requests from developing countries has gradually increased, even though the specific retaliatory measures they can implement remain relatively limited. This limitation arises because developing countries benefit from preferential treatment in the WTO, with some developed nations reducing export tariffs on goods from these countries. Should a developing country retaliate against a developed nation, it risks having these tariff concessions revoked. If the export tariffs for developing countries revert to normal levels, their export competitiveness will significantly decline. Thus, developing countries find themselves in a disadvantaged position regarding retaliation in international trade disputes.

2.3.2 Breach Remedies

In international trade, WTO member countries often enter into various contracts. Generally, signing a contract imposes legal obligations on both parties; however, this does not preclude the possibility of either party breaching the contract. In such cases, the breaching party must bear the consequences of their actions. Under international law, the primary goal when addressing breaches is to cease the offending behavior and rectify its effects. One of the key remedies for a breach is compensation, though the amount of compensation often becomes a contentious issue between the parties involved. Ideally, compensation should aim to fully offset the consequences of the breach, restoring the situation to what it was before the violation occurred (Shen,2021).

According to Article 3.7 of the Dispute Settlement Understanding (DSU), the primary objective of the WTO's dispute settlement mechanism is to enhance the efficiency of resolving trade disputes. When the parties cannot agree on a mutually acceptable solution, the WTO dispute settlement body (DSB) is authorized to mandate the removal of any measures that are inconsistent with WTO agreements. If the violating measures cannot be immediately withdrawn, temporary compensatory measures must be put in place until full compliance is

achieved.

In practice, the WTO prioritizes dispute resolution through consultations, a process encouraged by the DSU, which seeks to ensure that both parties reach a solution that complies with relevant agreements and satisfies both sides. This underscores the DSU's role in providing a clear basis for resolving disputes related to breaches, offering a framework that surpasses the scope of many other international legal instruments (Lou,2021). In terms of remedies, the DSU lays out a hierarchy: first, withdrawal of inconsistent measures; second, temporary compensation as an interim remedy; and finally, if no resolution is achieved, the suspension of concessions or other obligations, often referred to as "retaliation," is considered a last resort .

By prioritizing remedies that focus on compliance and compensation, the WTO aims to ensure fairness and consistency in the resolution of trade disputes. The DSU's structured approach to breach remedies not only facilitates more efficient resolution but also promotes the long-term stability of the international trade system.

2.3.3 Forward-Looking Approach

As outlined in the previous section on DSU remedies for breaches, the WTO dispute settlement mechanism places significant emphasis on its forward-looking approach when resolving international trade disputes. Specifically, when a WTO member's actions harm the interests of other members, the primary goal of the WTO is to stop or amend the offending measures, rather than prioritizing compensation for the affected parties (Han, 2009).

In practice, due to the differing positions and conflicting interests of the disputing parties, negotiations alone often fail to resolve trade disputes. Therefore, the WTO dispute settlement mechanism requires the removal of measures that are inconsistent with DSU agreements as a priority. Only when the removal of such measures is not feasible does the option of providing compensation come into play. However, compensation in the WTO framework is voluntary and lacks any form of compulsion, which distinguishes it from the mandatory compensation systems commonly found in civil and commercial law. In other words, the WTO dispute settlement mechanism does not enforce a compensation regime. When a member's breach leads to the loss of other members' interests, the breaching member is not required to compensate but rather must correct the offending measures. Once this correction is made, other members cannot seek further compensation.

The purpose of DSB-authorized suspension of concessions, therefore, is not to secure compensation equivalent to the value of the trade lost due to the breach. Instead, it is to allow affected members to engage in maintaining the international trade order, ensuring that all members adhere to WTO agreements.

Although the WTO clearly defines the obligations of its members and requires domestic laws to align with WTO rules, many countries have adopted a range of exceptions to safeguard national security and economic interests (Xu,2020). This can lead to situations where countries prioritize domestic needs over international trade obligations when conflicts arise. Moreover, both the WTO and other international economic organizations currently lack an enforcement body. Whether countries choose to comply with international regulations and fulfill their obligations often depends on their goodwill and voluntary actions.

2.3.4 Due Process

The right to due process is a fundamental principle established under the Dispute Settlement Understanding (DSU). Particularly in terms of time, the WTO dispute settlement mechanism imposes clear deadlines at every stage of resolving international trade disputes. This not only enhances the efficiency of dispute resolution but also ensures the active participation of member states in the process, highlighting the crucial role of due process in international trade disputes. Under this framework, once the complainant deems it necessary to initiate the dispute settlement process, the procedure must proceed according to established rules, and the respondent cannot unilaterally obstruct its progression. This ensures that both parties maintain reasonable expectations about the timeline and course of the dispute resolution process (Guo,2020). Due process rights also extend to the establishment and selection of panel members. The disputing parties may jointly decide on the panel members; however, if they fail to reach an agreement, the Director-General may appoint them. Furthermore, if the dispute involves both a developing and a developed country, the developing country has the right to request that at least one panel member be from a developing nation.

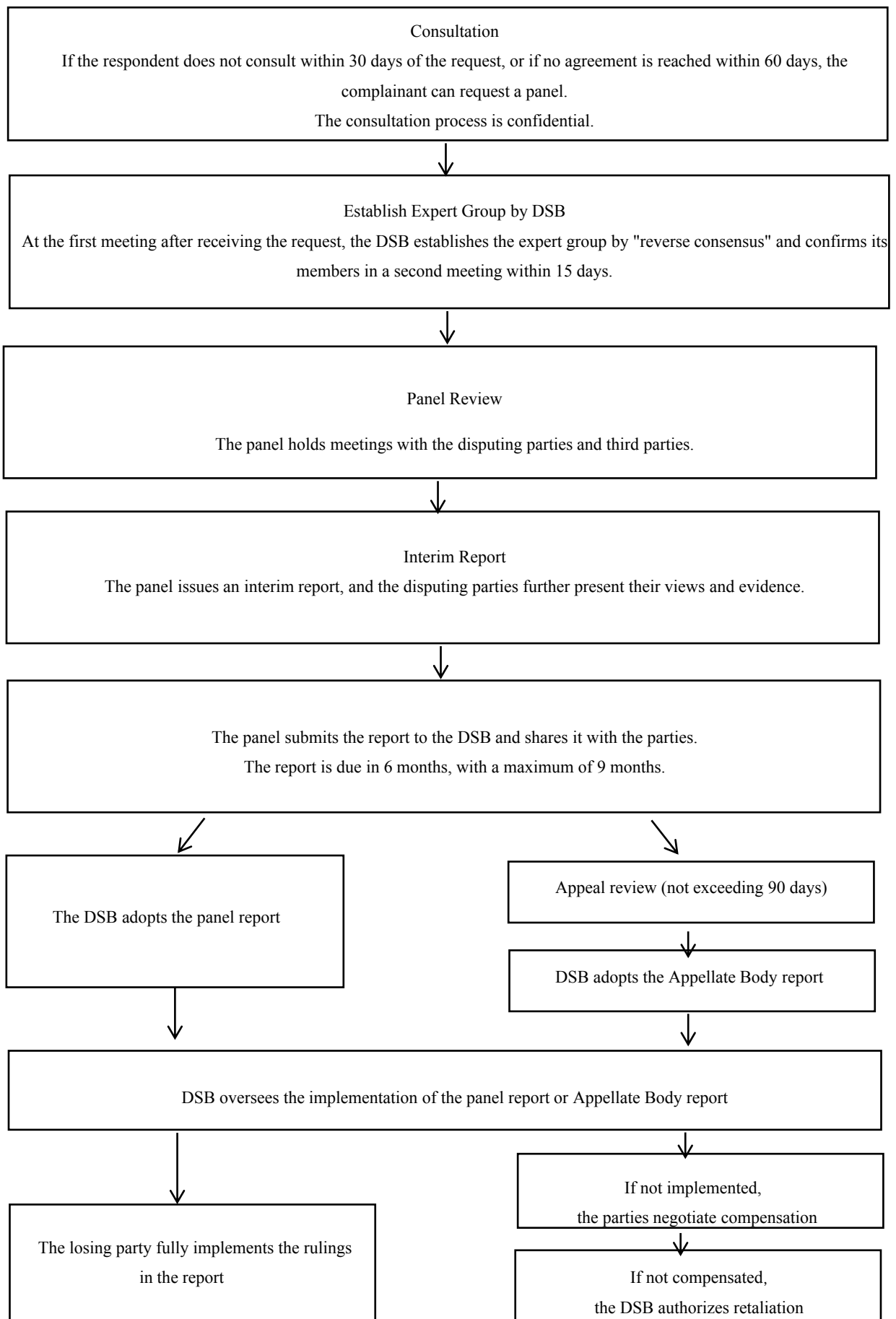
In carrying out their duties, panel members are required to objectively assess the dispute and adhere strictly to the established procedures. Specifically, the panel must evaluate the case based on the facts, consistency with the relevant agreements, and the applicability of the provisions. If the complainant alleges that the respondent has violated WTO agreements and the respondent denies this, the panel must make an impartial determination based on the

arguments presented by both sides (Liu&Zhang,2020). The panel is not permitted to introduce personal opinions or rely on rules that were not raised during the proceedings.

2.4 Basic Procedures of the WTO Dispute Settlement Mechanism

The basic procedures of the WTO dispute settlement mechanism (DSM) include four primary stages: the consultation process, the panel process, the appellate review process, and the implementation of rulings. These procedures are designed to ensure that trade disputes between member states are resolved in an orderly, legal, and transparent manner, following established rules and principles of the WTO (Cao, 2023). These four stages form the core of the WTO dispute settlement system. Its purpose is to provide a fair, organized, and predictable approach to the settlement of international trade disputes. This process ensures the smooth functioning of the global trading system and promotes stability and compliance with the rules-based order that is essential to the functioning of the WTO.

Figure 2.1 Basic Procedures of the DSM



2.4.1 Consultation Procedure

The consultation procedure is considered a core mechanism within the General Agreement on Tariffs and Trade (GATT) and its significance has been further emphasized in the WTO dispute settlement mechanism. Numerous cases demonstrate that consultations play an indispensable role in resolving international trade disputes. According to the Dispute Settlement Understanding (DSU), when a WTO member requests consultations with another member, the latter must respond within 10 days. If the parties fail to conclude consultations within 30 days or reach an agreement within 60 days of receiving the request, the complainant has the right to request the establishment of a panel. This provision is designed to provide both parties with the opportunity to reach a resolution through consultations, but it does not mandate that they must achieve a specific outcome or goal through this process.

All requests for consultations must be submitted in writing and must include relevant legal grounds, clearly outlining the measures in dispute. When the parties are unable to reach a mutually satisfactory result during consultations, they will proceed to the panel stage (Zhao, 2020). The written request for the establishment of a panel may be consistent with the consultation request or may differ in certain respects. Even if the parties do not engage in substantial consultations, or if the respondent unilaterally rejects the request for consultations, the complainant's right to request the establishment of a panel remains unaffected. In practice, consultations can lead to a deeper understanding of the international trade dispute, allowing the parties to formulate more comprehensive requests and measures when seeking the establishment of a panel.

Furthermore, if the complainant directly requests the establishment of a panel without having previously requested consultations, and the respondent does not object, this can be interpreted as the respondent voluntarily waiving its right to consultations, thereby proceeding directly to the panel stage. During the consultation process, both parties can leverage their respective resources and diplomatic strategies to enhance their influence. However, because the consultation process is conducted confidentially, the final outcomes largely depend on the goodwill and sincerity of the parties, which stands in stark contrast to the public nature of the panel process, where all judgments must adhere strictly to established agreements and provisions.

The advantage of implementing the consultation procedure within the WTO dispute

settlement mechanism lies in its potential to achieve mutually satisfactory outcomes, thereby allowing the parties to avoid entering into judicial adjudication. This mechanism is particularly significant for developing countries, as it effectively saves time and resources that would otherwise be required in judicial proceedings (Xu, 2013).

2.4.2 Expert Group Procedure

When applying to establish an expert group, the complainant must meet four essential criteria: written form, the status of consultations, specific measures in dispute, and legal basis. Firstly, the requirement for written form mandates that the application must be submitted in writing; verbal applications are not accepted. Secondly, regarding the status of consultations, if neither party opposes the initiation of consultations, the expert group procedure can proceed directly. The specific measures in dispute constitute the core content of the application, referring to the particular measures that need to be elaborated upon in international trade disputes. From a categorical standpoint, the specific measures can be classified into two types: affirmative measures and omissions. Affirmative measures refer to concrete actions taken by a country with the intent to influence international trade relations (Li, 2020). For instance, anti-dumping duties are considered affirmative measures, as they involve imposing additional taxes on imported goods to counteract low-priced dumping by other countries. In contrast, omissions refer to a country's failure to fulfill its obligations in international trade. For example, a failure to provide national treatment implies that the country has not extended the same treatment to foreign products or enterprises as it does to its domestic counterparts. This classification aids in clarifying the specifics of the dispute, thereby providing clear grounds for the parties involved and the expert group during the deliberation process.

Moreover, the complainant may choose to appeal only specific aspects of a particular measure, provided that a clear legal basis is presented. If the respondent finds the legal basis presented by the complainant unclear, it cannot effectively mount a defense. In practice, complainants typically can provide clear legal foundations; however, they may sometimes lack a comprehensive overview of the legal basis. This often occurs when complainants merely state their claims in the application without delving deeply into the international trade dispute. Consequently, there may be discrepancies in the understanding of the legal basis among the complainant, respondent, and expert group. Therefore, the complainant should strive to present a clear legal basis, while the respondent might exploit any ambiguities to challenge

the validity of the complainant's application, potentially undermining its claims.

After the establishment of the expert group, the primary task is to assess the jurisdiction of the case. Even if neither party raises objections to jurisdiction, the expert group must still conduct this review to ensure the legal fairness and legitimacy of the proceedings. Unlike during the GATT era, expert groups are not permanent institutions within the WTO. The selection of expert group members is made collaboratively by the complainant and the respondent from a candidate list following the application. This list typically includes qualified government and non-government personnel, such as former expert group members, representatives from WTO member states, members of GATT committees, councils, or secretariats, and educators in international trade law. Although the candidate list appears to offer a diverse range of options, there is a limited pool of experts capable of providing deep expertise. Additionally, experts within the same field may have differing policy preference (Nie, 2020); some may advocate for macroeconomic regulation, while others support free trade policies. Therefore, both parties should consider the specifics of the case and their interests when selecting expert group members to ensure a comprehensive and informed choice.

In historical WTO dispute cases, the involvement of third parties, alongside the complainant and respondent, is also quite common. The establishment of third parties is justified by the increasing integration of the global economy, resulting in a growing volume of international trade and closer economic relations among member countries. Consequently, economic measures taken by one member country often impact the interests of others. The WTO thus stipulates that member countries with a vested interest in the dispute can participate as third parties in the expert group process. Currently, many member countries actively engage in the expert group proceedings for several reasons: First, as third parties, they are not required to prepare excessively detailed materials, which allows them to gain potential benefits without expending excessive time and effort. Second, third-party involvement can enhance the complainant's position, thereby increasing its chances of success in the dispute. Third, participation by third parties can provide additional support to the respondent, thus strengthening its defense capabilities. Lastly, involvement as a third party allows member countries to accumulate experience in resolving international trade disputes, thereby enhancing their capacity in subsequent resolution efforts.

2.4.3 Appellate Review Procedure

When either party in an international trade dispute is dissatisfied with the report issued by the panel, they may initiate the appellate review phase. Unlike the panel procedure, the focus of the appellate review procedure is on the legal issues contained in the panel's dispute resolution report (Song & Luo, 2020). In other words, the Appellate Body has the authority to review the panel's dispute resolution report. Moreover, while the panel examines the authenticity of the case, the specific measures in dispute, and the consistency of those measures with the relevant agreements, the appellate review procedure assesses whether the panel's rulings and interpretations are reasonable. This distinction indicates that the appellate review procedure differs from the panel review procedure in its focus, as it can modify, annul, or uphold the panel's report.

The Appellate Body is a standing institution under the WTO dispute resolution mechanism and is considered a special body of the WTO, as the GATT dispute resolution mechanism did not establish an appellate body. The Appellate Body is responsible for reviewing cases that have been examined by the panel and is composed of seven members, three of whom must possess the ability to adjudicate any international trade dispute case. The Appellate Body operates under a rotation system, with specific arrangements clearly outlined in its working procedures. When an international trade dispute case requires examination, the Appellate Body must select three members from the seven to form a panel and proceed with the appellate review of the case.

The WTO dispute resolution mechanism stipulates that members of the Appellate Body cannot be affiliated with any government and must not adjudicate cases in which they have direct or indirect interests. Furthermore, during the case review process, Appellate Body members are prohibited from engaging in activities or tasks outside their responsibilities. During the proceedings, they are also barred from contacting any organizations or individuals related to the international trade dispute independently, and they cannot discuss any matters related to the case with parties including the responding party, the appellant, or third parties not present during discussions, including other Appellate Body members not selected for that particular panel.

In the WTO DSM, panels and the Appellate Body strive to reach unanimous decisions on international trade disputes. This commitment to consensus emphasizes the significance of a

balanced and fair settlement and increases the authority of each decision. However, when consensus cannot be reached, decisions are made through a voting process, with majority agreement prevailing. This procedure guarantee ensures that the decision-making process remains efficient and that the mechanism functions smoothly, even when views are diverging. The structured voting system not only prevents deadlocks but also enhances the authority and reliability of the appellate review reports. The procedure enhances the validity of each decision by making possible a majority-supported outcome, thereby strengthening confidence in the DSM's ability to interpret trade rules in different cases.

2.4.4 Implementation of Rulings

In addition to outlining the procedures for resolving international trade disputes, the WTO dispute settlement mechanism also specifies the process for enforcing the rulings of such disputes. Articles 21 and 22 of the Dispute Settlement Understanding (DSU) clearly state that the WTO is responsible for monitoring the implementation of its rulings. If the respondent is unable to immediately implement the measures required by the ruling, the complainant may take measures such as suspending concessions.

The DSU emphasizes that immediate implementation of rulings is the preferred approach, as it enhances the efficiency of the dispute resolution process and helps to quickly alleviate trade-related tensions between the disputing parties. However, given the complexity of many of the measures involved in disputes, not all cases can accommodate immediate implementation. In such instances, the respondent may be allowed to execute the ruling within a "reasonable period of time." The DSU outlines three options for determining this period: (1) the ruling should be implemented within 90 days of its issuance; (2) the disputing parties may negotiate a mutually agreed implementation deadline within 45 days of the ruling's issuance; or (3) a time frame proposed by the parties involved in the dispute, which must be approved by the DSB (Zhang&Wu,2019).

If the respondent fails to implement the ruling within the specified time period, they may offer compensation to the complainant as a temporary measure. However, the decision to provide compensation is entirely at the discretion of the respondent, meaning the complainant cannot impose excessive demands. Should the respondent continue to fail in implementing the ruling, the complainant may take temporary measures, such as suspending concessions—essentially halting the fulfillment of agreed-upon tariff reductions or other obligations.

Whether the respondent adopts temporary enforcement measures or the complainant suspends concessions, these are provisional solutions and must comply with WTO agreements. For instance, Article 23(1) of the DSU's multilateral system principle mandates that disputing parties cannot unilaterally decide whether the respondent has fully implemented the ruling within the prescribed time or whether the implementation is consistent with WTO agreements. In addition to defining the time frame for enforcement, the DSU also stipulates requirements for the nature of the measures implemented. Specifically, it mandates that the respondent ensure the measures taken comply with WTO agreements. If the complainant disputes the consistency of these measures with WTO rules, under Article 21(5) of the DSU, they may request a panel to resolve the issue. The panel may consist of the original members or newly appointed ones.

2.5 The Role of the WTO Dispute Settlement Mechanism

The WTO Dispute Settlement Mechanism is the core pillar of the WTO trade system, playing a crucial role in protecting the trade interests of its member states. Its effectiveness can be analyzed through several aspects, including promoting international trade cooperation, improving dispute resolution efficiency, addressing WTO rule gaps, and ensuring member states fulfill their internal trade obligations. This section deeply explores these roles, emphasizing how the DSM can contribute to a stable, predictable and rules-based global trading system.

2.5.1 Promoting International Trade Cooperation

One of the important contributions of the WTO Dispute Settlement Mechanism is to foster cooperation among member countries by clarifying and implementing trade rules. By issuing panel and Appellate Body reports, the DSM not only explains ambiguous provisions in the WTO but also defines the rights and obligations of member countries, creating a clearer legal environment for international trade (Liu,2014). By resolving disputes and addressing legal uncertainty, the DSM creates a framework for a predictable and fair trade practice, which contributes to minimizing trade conflicts. This process benefits all its members, especially in the context of an interdependent global economy where transparency and cooperation are essential for mutual benefit.

In addition, the implementation tools of the DSM, such as the power to impose sanctions or authorize retaliatory measures, can be used effectively to deter non-compliance. These

implementation mechanisms strengthen the public credibility of the WTO framework, encouraging members to comply with their commitments and promoting trust in the system. The usability of these tools further emphasizes the role of WTO not only as a regulator but also as a promoter of deeper international trade cooperation. By establishing clear rules and effective implementation mechanisms, the DSM creates an environment of mutual trust and benefit-sharing among member countries and greatly contributes to the stabilization of global trade.

2.5.2 Enhancing the Efficiency of International Trade Dispute Settlement

In the sometimes ambiguous provisions of the WTO Agreements, especially in distinguishing between legal and illegal trade practices, the role of the dispute settlement mechanism in interpreting these provisions becomes indispensable. Member countries often interpret trade provisions in a way that serves their national interests thus leading to disagreements and disputes (Yang, 2009). In such situations, the DSM steps in to critically examine the trade policies of the disputing parties to ensure that the rights and obligations under the WTO agreements are clearly understood and consistently applied. This process not only helps to resolve disputes more efficiently but also provides legal clarity to avoid future disputes.

The dispute settlement mechanism also emphasizes consistency in the interpretation of the WTO Agreements, which enhances the transparency and fairness of dispute settlement and further improves the predictability and stability of the international trading system by promoting the uniform application of trade regulations. Such consistency not only encourages members to comply with the law, but also increases the ability of WTO to manage disputes effectively, thereby supporting the continued expansion and growth of global trade.

2.5.3 Addressing and Closing Gaps in WTO Rules

The global trade environment is dynamic, and new trade issues that are contemporary and complex continue to emerge. Despite the extensive body of WTO law, evolving trade relations often reveal gaps or deficiencies in its rules. The DSM plays a fundamental role in interpreting existing rules to fill these gaps, thereby ensuring that WTO regulations remain relevant and effective in the modern trade environment. By interpreting existing provisions in the light of these disputes, the DSM contributes to the adaptability and rationalization of the WTO system, enabling it to respond to contemporary challenges.

This adaptive function, which complements the formal WTO rulebook, can guide the

settlement of future disputes. In doing so, the dispute settlement mechanism not only enhances the coherence and applicability of WTO rules, but also strengthens the organization's overall authority in regulating global trade, which ensures that WTO remains a strong regulatory and supportive body in a changing world.

2.5.4 Ensuring Member States Fulfill International Trade Obligations

The DSM plays a critical role in holding member states accountable to their international trade obligations. A country's reputation on the global stage is a significant factor in ensuring compliance. If a member state's trade policies are found to violate WTO rules, it risks damaging its international reputation, which in turn affects its credibility and relationships in global trade (Han,2015). Moreover, the DSM's legally binding rulings, along with the broader framework of international law, create a strong incentive for members to comply with WTO obligations. Additionally, the WTO's regular trade policy reviews provide further oversight, making members' trade policies more transparent and subject to scrutiny. This combination of external reputation concerns and legal obligations ensures that most member states actively comply with their trade responsibilities, contributing to a stable and fair international trading system. This combination of legal obligations, national reputation and institutional oversight encourages a high level of compliance with WTO rules, which in turn contributes to a stable and fair international trading system.

3. Case Studies of China in the WTO Dispute Settlement Mechanism

After years of practice and development, China has become a key participant in the WTO dispute settlement mechanism (Li,2023). As of August 31, 2024, China has been involved in a total of 273 cases, including 26 as a complainant, 50 as a respondent, and 197 as a third party. For detailed information, please refer to Tables 3.1, 3.2.

The following sections will conduct an in-depth analysis of China's cases in the WTO dispute settlement mechanism from three perspectives: first, examining the cases in which China has participated as a complainant; second, exploring the relevant cases where China has acted as a respondent; and finally, assessing China's involvement as a third party. This structure aims to comprehensively reveal the multifaceted roles and strategies that China has adopted within the WTO dispute settlement framework.

3.1 Cases Involving China as a Complainant in the DSM

This section examines the cases in which China has participated as a complainant within the

WTO dispute settlement mechanism. From 2002 to 2024, China, as a complainant, participated in a total of 26 cases within the WTO dispute settlement mechanism. Specifically, there were 18 cases against the United States, 6 against the European Union, and 1 each against Australia and Canada.

Table 3.1 China's Participation as a Complainant in WTO Disputes (2002-2024)

Year	Case	Disputed matters	Complainant	Respondent
2002	DS252	Certain Steel Products	China	US
2007	DS368	Coated Free Sheet Paper	China	US
2008	DS379	Anti-Dumping and Countervailing Duties	China	US
2009	DS392	Certain Poultry Meat	China	US
2009	DS397	Certain Iron or Steel Fasteners	China	EU
2009	DS399	Certain Vehicle and Light Truck Tyres	China	US
2010	DS405	Certain Footwear	China	EU
2011	DS422	Shrimp and Diamond Sawblades	China	US
2012	DS437	Countervailing Duties	China	US
2012	DS449	Anti-Dumping and Countervailing Duties	China	US
2012	DS452	Renewable Energy	China	EU
2013	DS471	Anti-Dumping	China	US
2015	DS492	Certain Poultry Meat	China	EU
2016	DS515	Price Comparison Methodologies	China	US
2016	DS516	Price Comparison Methodologies	China	EU
2018	DS543	Tariff Measures on Certain Goods	China	US
2018	DS544	Steel and Aluminium Products	China	US
2018	DS562	Crystalline Silicon Photovoltaic Products	China	US
2018	DS563	Renewable Energy	China	US
2018	DS565	Certain Goods from China II	China	US
2019	DS587	Certain Goods from China III	China	US
2021	DS603	Anti-Dumping and Countervailing Duties	China	Australia
2022	DS615	Certain Semiconductor Products	China	US

2024	DS623	Certain Tax Credits	China	US
2024	DS626	New Battery Electric Vehicles	China	EU
2024	DS627	Surtax on Chinese-made Electric Vehicles	China	Canada

Note: This information is compiled based on data from the WTO official website https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&nse=e

The first case in which China participated as a complainant in the WTO dispute settlement mechanism was the 2002 lawsuit against the United States regarding steel safeguard measures (DS252). In this case, China was involved in the entire process of international trade dispute resolution and achieved a victory. Although China did not engage in direct confrontation with the U.S., the symbolic significance of the case transcended its immediate outcomes (Yang, 2005). China's first independent case as a WTO complainant occurred in 2007 with the anti-dumping investigation on coated free sheet paper against the U.S. (DS368). Despite not reaching the anticipated goals, this case demonstrated China's firm commitment to protecting its international trade interests through the WTO dispute settlement mechanism (Gong, 2016). The following section will analyze several landmark cases in which China acted as a complainant.

3.1.1 U.S. Anti-Dumping and Countervailing Duties Case (DS379)

The U.S. Anti-Dumping and Countervailing Duties Case represents China's third submission to the Dispute Settlement Body (DSB) and marks its first successful outcome. In resolving this case, China strategically addressed systemic issues, such as "double remedies" and "public entities," effectively targeting critical vulnerabilities in U.S. international trade practices. This approach allowed China to achieve a reversal despite an initial ruling that was markedly unfavorable.

This case is essentially a continuation of the earlier coated paper anti-dumping case (DS368). Following the copperplate paper dispute, the U.S. initiated anti-subsidy and anti-dumping investigations on products exported from China, thereby increasing the pressure on Chinese enterprises and governmental departments to respond. Additionally, the U.S. implemented anti-subsidy and anti-dumping measures that undermined the competitiveness of Chinese exports. On September 19, 2008, China requested consultations regarding the definitive anti-dumping and countervailing duties imposed by the United States as part of final

determinations and orders issued by the U.S. Department of Commerce (Ge,2019). On December 9, 2008, China requested the establishment of a panel, which was officially formed by the DSB on January 20, 2009. On February 23, 2009, China requested the Director-General to determine the panel's composition, which was finalized on March 4, 2009.

On October 22, 2010, the panel released its report, indicating that it did not support China's positions on critical legal issues, such as the classification of public entities, the specificity of subsidies, the calculation of benefit benchmarks, and the double remedies principle. Given that the panel's report did not endorse China's core arguments, on December 1, 2010, China notified the DSB of its decision to appeal certain legal issues and interpretations in the panel report. At the meeting on March 25, 2011, the Appellate Body overturned the panel's interpretations regarding "public entity" and "double remedy." It clarified that "government majority ownership" alone cannot be the criterion for assessing "government functions," and noted that the U.S. violations of the Agreement on Subsidies and Countervailing Measures regarding double remedies for non-market economies indicated a significant legal victory for China.

The ruling on "public entity" provides Chinese enterprises with adequate defense rights in anti-dumping investigations. The judgment regarding "double remedies" directly pertains to whether the U.S., as a WTO member, can apply double remedies against non-market economies, effectively curbing any arbitrary application of such measures against China. Although the Appellate Body did not support China's claim that state-owned commercial banks are not public entities, it provided an essential interpretation of "public entities" under the Agreement on Subsidies and Countervailing Measures. This underscores that the international trade rulings from the U.S. anti-dumping and countervailing duties case not only affect the parties involved but also influence the anti-subsidy practices of other member countries (Sun,2019). The victory in this case signifies that China is gradually moving away from a passive position, allowing for a more favorable standing in bilateral dialogues concerning trade remedies with the U.S.

3.1.2 EU Anti-Dumping Measures on Fasteners Case (DS397)

The DS397 case was China's first complaint against the European Union (EU) and also its first case involving the implementation of dispute settlement rulings. This case lasted over six

years, during which China experienced the full WTO dispute settlement process and ultimately achieved a comprehensive victory.

In January 2009, the European Commission launched an anti-dumping investigation into certain fasteners exported from China, subsequently imposing an 85% anti-dumping duty on carbon steel fasteners. On July 31, 2009, China requested consultations with the European Communities, alleging violations of procedural obligations under the Anti-Dumping Agreement. China formally requested the establishment of a panel on October 12, 2009, which the DSB agreed to on October 23, 2009. By December 2010, the panel circulated its report, largely siding with China, except for some claims regarding anti-dumping measures. Both China and the EU appealed parts of the report to the Appellate Body. On July 15, 2011, the Appellate Body issued a ruling fully supporting China's claims. The EU then committed to implementing the WTO ruling within a reasonable period, which was agreed to be by October 12, 2012.

Following this, the EU amended its Basic Anti-Dumping Regulation and initiated a review of the anti-dumping measures. Although adjustments were made to the duties imposed on Chinese companies, these changes did not restore normal trade flows between China and the EU. As a result, China requested a compliance panel on December 5, 2013. In August 2015, the compliance panel report indicated that the EU had still failed to comply with WTO rules. Both China and the EU appealed again, and the Appellate Body report circulated in January 2016 once more upheld China's position. In February 2016, the EU finally announced the withdrawal of the contested anti-dumping measures on fasteners.

The core legal issue in the DS397 case was the EU's separate rate policy under its anti-dumping rules. The EU treated China as a non-market economy (NME) and applied a uniform duty rate instead of individual rates for Chinese companies. China argued that the EU conflated two separate systems—its NME test and the separate rate policy—which should not have been applied together (Li,Liu&Wu,2019). The panel and Appellate Body both supported China's arguments, and this ruling had a significant impact on how the EU and other WTO members would handle investigations into NMEs going forward. This case was a landmark in ensuring fairer treatment for China in global anti-dumping investigations, curbing the application of unfair trade practices by the EU and potentially other WTO members (Meng,2019).

3.2 Cases Involving China as a Respondent in the DSM

This section examines China's involvement in the WTO Dispute Settlement Mechanism (DSM) as a respondent. From 2002 to 2024, China participated in a total of 50 cases as a respondent, as outlined in Table 3.2. Of these cases, the United States initiated the largest number, totaling 23 disputes, with the European Union following closely behind, accounting for 12 cases.

Table 3.2 China's Participation as a Respondent in WTO Disputes (2002-2024)

Year	Case	Disputed matters	Complainant	Respondent
2004	DS309	VAT on Integrated Circuits	US	China
2006	DS339	Imports of Automobile Parts	EU	China
2006	DS340	Imports of Automobile Parts	US	China
2006	DS342	Imports of Automobile Parts	Canada	China
2007	DS358	Taxes	US	China
2007	DS359	Taxes	Mexico	China
2007	DS362	Intellectual Property Rights	US	China
2007	DS363	Publications	US	China
2008	DS372	Financial Information	EU	China
2008	DS373	Financial Information	US	China
2008	DS378	Financial Information	Canada	China
2008	DS387	Grants, Loan, Other Incentives	US	China
2008	DS388	Grants, Loan, Other Incentives	Mexico	China
2009	DS390	Grants, Loan, Other Incentives	Guatemala	China
2009	DS394	Raw Materials	US	China
2009	DS395	Raw Materials	EU	China
2009	DS398	Raw Materials	Mexico	China
2010	DS407	Certain Iron, Steel Fasteners	EU	China
2010	DS413	Electronic Payment	US	China
2010	DS414	Anti-Dumping Duties	US	China
2010	DS419	Wind Power Equipment	US	China

2011	DS425	Anti-Dumping Duties	EU	China
2011	DS427	Anti-Dumping Duties	US	China
2012	DS431	Exportation of Rare Earths	US	China
2012	DS432	Exportation of Rare Earths	EU	China
2012	DS433	Exportation of Rare Earths	Japan	China
2012	DS440	Certain Automobiles	US	China
2012	DS450	Certain Automobiles	US	China
2012	DS451	Apparel and Textile Products	Mexico	China
2012	DS454	Stainless Steel Tubes	Japan	China
2013	DS460	Stainless Steel Tubes	EU	China
2014	DS483	Cellulose Pulp	Canada	China
2015	DS489	Demonstration Bases	US	China
2015	DS501	Taxes on Certain Aircraft	US	China
2016	DS508	Certain Raw Materials	US	China
2016	DS509	Certain Raw Materials	EU	China
2016	DS511	Agricultural Producers	US	China
2016	DS517	Tariff Rate Quotas	US	China
2017	DS519	Primary Aluminium	US	China
2018	DS542	Intellectual Property Rights	US	China
2018	DS549	Transfer of Technology	EU	China
2018	DS558	Additional Duties	US	China
2018	DS568	Imports of Sugar	Brazil	China
2019	DS589	Canola Seed	Canada	China
2020	DS598	AD/CVD on Barley	Australia	China
2021	DS601	AD on Stainless Steel	Japan	China
2021	DS602	AD/CVD on Wine	Australia	China
2022	DS610	Trade in Goods	EU	China
2022	DS611	IPRs Enforcement	EU	China
2024	DS628	Certain Dairy Products	EU	China

Note: This information is compiled based on data from the WTO official website.

[https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&se
nse=e](https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&se
nse=e)

Since joining the World Trade Organization in 2001, China's role in the international trade system has gradually shifted from that of an observer and learner to an active participant (Li,2024). This is particularly evident in the WTO dispute settlement mechanism, where China has served both as a complainant and a respondent. The WTO dispute settlement mechanism, as the "judicial pillar" of the multilateral trading system, not only provides an institutionalized platform for dispute resolution among countries but also facilitates China's policy adjustments within the global trade order. In the early years after joining the WTO, China primarily employed defensive strategies in response to allegations. However, as China's economy has developed, the cases it has been involved in have evolved from simple trade conflicts to more complex issues related to policies, laws, and culture (ji,2023). This shift reflects China's increasingly diverse interests in global trade.

To provide an in-depth understanding of China's response strategies in the WTO dispute settlement mechanism and their policy implications, this section selects two representative and meaningful cases: Value-added Tax on Integrated Circuits (DS309), and Licensing of Imports of Publications and Audiovisual Products (DS363). A detailed analysis of each case is presented in the following sections.

3.2.1 Value-added Tax (VAT) on Integrated Circuits Case (DS309)

The VAT on Integrated Circuits case (DS309) was China's first experience as a respondent within the DSM, marking its initial engagement with challenges to international trade regulations. The case was only resolved through consultations, revealing China's early approach of compromise and providing practical insights that shaped its subsequent strategies for handling disputes.

In 2000, China's State Council issued Document No. 18 to promote the development of the integrated circuit industry, followed by five additional supportive policies from relevant departments, including the General Administration of Customs and the Ministry of Finance (Zhan, 2019). In March 2004, the United States filed a complaint with the Dispute Settlement Body (DSB) regarding China's VAT rebate policy for integrated circuits. In response, China's Ministry of Finance, Ministry of Commerce, Ministry of Information Industry, along with

industry organizations such as the Semiconductor Association, formed a working group to engage in consultations. Subsequently, the U.S. and China held four rounds of consultations, ultimately reaching an agreement in July 2004. Between August and September 2004, China's State Administration of Taxation and Ministry of Finance issued two policies terminating the VAT rebate for integrated circuits. In October 2005, the United States officially withdrew its complaint regarding the VAT rebate policy from the DSB, effectively concluding the case at the consultation stage.

The central dispute in the VAT on Integrated Circuits case concerns China's VAT rebate policy for integrated circuit products. The United States argued that this policy conflicts with National Treatment Principle in trade in goods and China's WTO accession commitments. China, however, maintained that its "collection-first, rebate-later" policy complies with the General Agreement on Tariffs and Trade (GATT 1994). The U.S. cited past GATT cases, including the Indonesia Auto Case and the U.S. Malt Beverages Case, to argue that the national treatment principle prohibits preferential tax rebates for domestic products. In response, China contended that the tax exemptions in these cases fundamentally differ from the VAT rebate at issue here.

Despite China's various arguments during the consultations, the working group's assessment suggested that if the case proceeded to a panel or the Appellate Body, it would likely be ruled inconsistent with WTO rules and China's accession commitments. The reasoning was as follows: First, China's "collection-first, rebate-later" policy was described as an "immediate rebate" in official documents, creating a potential ambiguity with WTO rules. Second, the evidence presented by the U.S. demonstrated that China's VAT rebate policy adversely impacted the competitive relationship between domestic and imported products, indicating discrimination against imports. Finally, under Article 1 of GATT 1994, members are required to extend non-discriminatory treatment to all member nations. However, China's VAT rebate policy applied only to products "designed domestically, processed abroad, and re-imported into China," diverging from the principle of non-discrimination.

From the final resolution of the VAT on Integrated Circuits case, it is evident that China made necessary adjustments and compromises. However, it is clear that China's ultimate decision was not merely a matter of weighing options, but rather a strategic choice made after extensive consultations and thorough research. This is largely due to the evident deficiencies

in the policy text and the compliance of the integrated circuit VAT rebate policy. Additionally, China faced challenges in providing sufficient evidence during the consultations, which raised the risk of losing if the case proceeded to a panel or the Appellate Body.

Following the VAT on Integrated Circuits case, China's authorities took steps to further refine and regulate the support policies for the integrated circuit industry, ensuring that all policies were in line with WTO rules. This not only facilitated the growth of the integrated circuit industry but also enhanced its sustainability and stability. Such adjustments provided ongoing policy encouragement for the industry while ensuring that the related support measures were consistent with and compliant with WTO regulations, thereby effectively enhancing China's responsibility to fulfill its international trade obligations while developing its domestic integrated circuit industry. Moreover, the establishment of a specialized consultation working group by relevant departments and organizations in the VAT on Integrated Circuits case provided valuable insights and learning opportunities for China in addressing subsequent disputes within the WTO dispute settlement mechanism. Overall, the handling of the VAT on Integrated Circuits case has equipped China with practical experience in responding to WTO dispute resolution processes and has further advanced the improvement of laws and regulations pertaining to the integrated circuit industry.

3.2.2 Importation of Publications and Audiovisual Products Case(DS363)

The Publications and Audiovisual Products Case (DS363) is China's first international trade dispute involving intellectual property rights, as well as the first case in the WTO concerning the enforcement provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Furthermore, this case encompasses multiple specific provisions related to the enforcement of intellectual property rights, which has garnered significant attention from WTO member countries regarding the issues of intellectual property protection and enforcement. It has also attracted the participation of numerous member countries as third parties in the resolution of this international trade dispute, holding substantial practical and educational significance for both China and the international community.

In April 2007, the United States initiated a complaint against China concerning the protection and enforcement of intellectual property rights with the Dispute Settlement Body (DSB). In March 2009, the panel issued its report, identifying certain aspects of China's laws and measures related to intellectual property as inconsistent with its obligations under the WTO.

Subsequently, in 2010, China implemented the measures required by the panel's ruling by amending the Copyright Law and the Customs Regulations on Intellectual Property Protection to ensure compliance with the dispute resolution findings. The specific measures of the dispute raised by the United States primarily focus on three key areas, and China provided counterarguments addressing these issues.

First, the United States claimed that China's setting of thresholds for penalties and criminal procedures for acts of piracy and counterfeit trademark infringement was inconsistent with the TRIPS Agreement. However, China contended that it was entitled to develop its own legal practices within the appropriate framework of WTO rules, tailored to its national conditions. Furthermore, China argued that the thresholds for penalties and criminal procedures had been carefully considered and that such measures did not violate WTO obligations (Wang,2019). The Panel ultimately ruled that the United States had failed to prove that China's practices in setting thresholds for penalties and criminal procedures for piracy and counterfeit trademark violations were inconsistent with WTO rules. Consequently, the Panel did not support the U.S. claim on this matter. This ruling reflected the complexity of balancing national legal practices with international trade obligations, illustrating how WTO dispute resolution mechanisms function not only as tools of legal adjudication but also as means to accommodate domestic legal frameworks within the scope of global trade rules.

Second, the United States argued that China's approach to handling the confiscation of counterfeit goods was problematic, particularly with regard to the order of enforcement. Under the TRIPS Agreement, infringing goods should be "removed" or "destroyed". The main issue was that China followed a procedure where judicial processes were carried out before the destruction of infringing goods (Ji,2009). The U.S. claimed that the TRIPS Agreement did not mandate a judicial procedure as a prerequisite and that "removal" and "destruction" should be executed directly without such a step. On the other hand, China argued that customs authorities have the discretion to determine the appropriate method for handling infringing goods based on the specific circumstances. China maintained that the TRIPS Agreement did not preclude alternative methods of handling, and that judicial procedures are in place to ensure fairness and legality. China asserted that this approach complies with WTO rules and is justified. The Panel largely supported China's position, concluding that China's procedures did not violate WTO rules. However, the Panel noted that China's practice concerning the

"removal of all infringing characteristics" was not fully consistent with the WTO rules, and recommended that China make adjustments to align with the TRIPS Agreement. This ruling highlights the balance between the requirements of the TRIPS Agreement and practical implementation, while also acknowledging the flexibility for national sovereignty in aligning with international regulations.

Third, The United States argued that China's approach to protecting works that are prohibited from publication and distribution violated the "automatic protection" principle under the Berne Convention. According to the Berne Convention, a country should automatically provide copyright protection to works from other member countries without the need for content review (Yang,2009). The United States contended that China's practice involved reviewing the content of foreign works to determine whether they should be granted copyright protection, which conflicts with the "automatic protection" principle. However, China, asserted that its domestic laws do not require content review for granting copyright protection to foreign works, but instead depend on other factors, such as whether the work is illegally distributed or published. China emphasized that while works that are illegally distributed are prohibited, works that have not been published are not subject to such prohibitions. In its ruling, the panel supported both U.S. and Chinese claims to some extent. the panel did not fully support the U.S. position nor the Chinese position, but rather reached a compromise.

In the intellectual property dispute, the panel supported two out of the three specific measures proposed by the United States, requiring China to amend relevant policies, such as its Copyright Law and certain customs procedures. This decision produced a mixed outcome, with both sides achieving partial success. This outcome highlights the complex nature of WTO dispute settlement, where parties may receive favorable determinations on some issues while others are rejected or modified.

However, upon further analysis, it becomes clear that in the core dispute regarding the "penalty thresholds and criminal procedures for piracy and counterfeit trademark violations," the panel did not support the U.S. position. As a result, some scholars and researchers argue that the U.S. victory in this intellectual property case was limited, while China achieved a significant victory in this dispute.

3.3 Cases Involving China as a Third Party in the DSM

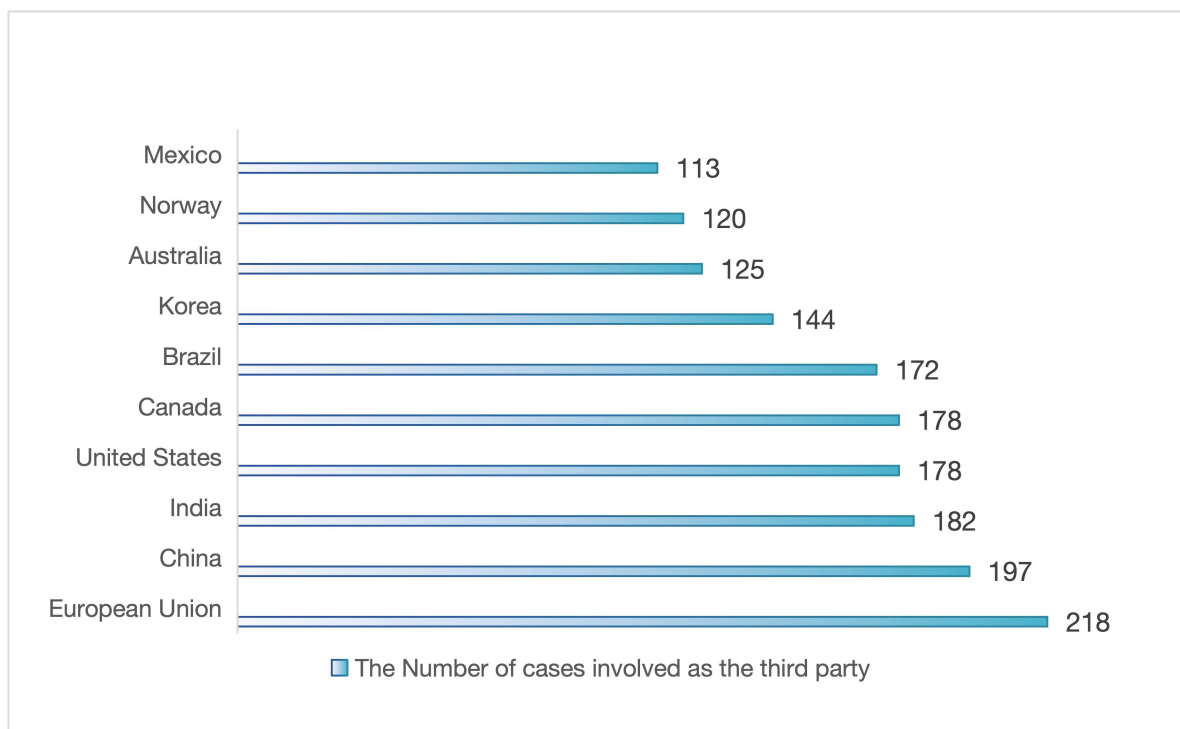
China has been actively involved in the WTO dispute settlement mechanism as a third party. According to the data in Table 3.3, China is in a leading position in terms of the number of cases it has participated in as a third party in the WTO Dispute Settlement Mechanism among the world's major members. As of the latest data, China has participated as a third party in 197 WTO dispute cases, ranking second, following the European Union with 218 cases. The United States and Canada tied for third place with 178 cases.

During the transition period following China's accession to the WTO, from December 2001 to December 2006, China participated in 57 international trade dispute cases, accounting for 50% of all WTO dispute cases during this period. This figure reflects China's growing influence and participation in the WTO dispute settlement mechanism. Notably, between August 2003 and early 2007, China participated in nearly all international trade dispute cases that entered the panel process, demonstrating its determination to accumulate experience and actively influence global trade rules (Du,2023).

However, since 2007, China has made a strategic adjustment to its approach in participating as a third party in the WTO dispute settlement mechanism. After 2007, China no longer participated in all dispute cases indiscriminately. Instead, it focused on selecting cases that could lead to significant changes in WTO rules, involve China's major economic interests, or have potential for future development. This strategic shift highlights China's evolution in the WTO dispute settlement mechanism from a "keen learner" to a "strategic participant," with greater emphasis on the quality, efficiency, and long-term impact of its participation. The adjustment of this strategy also shows China's increasingly mature procedures and specialized responses in the international trading system.

China's participation as a third party goes beyond mere attention to individual cases; it also involves shaping the deeper dynamics of the DSM. By actively engaging as a third party, China is able to influence the global economic environment in a more equitable and refined direction, through expressing its positions and providing expert legal assistance. At the same time, China's involvement in these cases has allowed it to accumulate practical experience, which provides valuable insights and a solid foundation for future participation in disputes.

Table 3.3 Main countries and their participation in the DSM as the Third Party



4. Analysis of China's Characteristics in WTO Dispute Settlement Cases

4.1 Increased Frequency of Disputes Involving China After the Transition Period

As shown in Table 4.1 and Table 4.2 , the period from China's accession to the World Trade Organization in 2001 to February 2006 can be considered a "peaceful phase" in China's trade relations with other WTO members, with only one complaint and one dispute involving China as the respondent. However, after the transitional period, a marked increase in China's engagement with the WTO dispute settlement mechanism began in 2007. Several factors account for this shift.

First, in the early years of WTO membership, China's capacity to initiate and respond to complaints was relatively limited. Although China had gained considerable experience through fifteen years of accession negotiations, and its domestic authorities and experts were developing academic knowledge of WTO dispute mechanisms, practical experience in independently initiating and handling disputes was still lacking. As a result, China adopted a cautious approach in engaging with the WTO dispute settlement mechanism, rarely initiating trade disputes on its own. Instead, China dedicated significant time and resources to studying WTO dispute resolution procedures. During this period, China frequently participated as a third party in WTO trade disputes, with the aim of observing and learning from the cases of

other countries. This approach allowed China to gain a comprehensive understanding of WTO rules and procedures, and to develop a pool of professionals and experts, gradually building its own capacity for independent complaint initiation and response.

Second, China's rapid economic ascent following the transitional period spurred significant changes in how other WTO members approached trade with China. This rapid growth not only enhanced China's impact on international markets but also made it a primary target of trade defenses by other members. In particular, the United States and the European Union adjusted their trade policies towards China from "dialogue-focused" to a dual approach of "dialogue and WTO litigation" (Li, 2011). Following the 2008 financial crisis, many WTO members implemented protective trade policies that directly affected China's export volumes. In this challenging global trade environment, China gradually shifted from its previous restrained approach and began to actively seek trade remedies through the WTO dispute settlement mechanism rather than relying solely on political or bilateral negotiation. This shift led to a more assertive stance in trade disputes, with China adopting more sophisticated and proactive legal strategies.

Third, the evolution of global trade and the increasing complexity of trade disputes are also major reasons for China's increased participation in the WTO dispute settlement mechanism after the transition period. With the unstoppable trend of globalization of the economy and trade, and the gradual emergence of emerging markets like China into a more important role in the global economy, the focus of trade disputes has also changed. The subject matter of disputes has become more complex, involving not only traditional trade barriers but also practical issues such as intellectual property rights, anti-dumping measures and subsidies. Given the important role it plays in terms of global economic influence, China finds itself easily at the center of many of these disputes, either as a respondent or as a third party. The complexity of the disputes requires China to utilize not only its own legal capabilities, but also a more nuanced understanding of international trade law in order to effectively navigate the ever-changing global economic environment.

Overall, China's transition from a "rule learner" to a "rule defender" in the post-transitional period reflects its increasing familiarity with WTO principles and a growing commitment to safeguarding its trade interests. By effectively leveraging the WTO dispute settlement mechanism, China has taken on a more assertive role in international trade disputes,

demonstrating its maturity in protecting both its trade interests and global position. This transition highlights China's increasing maturity in utilizing the legal mechanisms of the WTO to secure its trade interests, enhance its bargaining power in the global economy, and solidify its position as a key player in shaping the future of international trade governance.

Table 4.1 Number of cases involving China as the complainant(2002-2024)

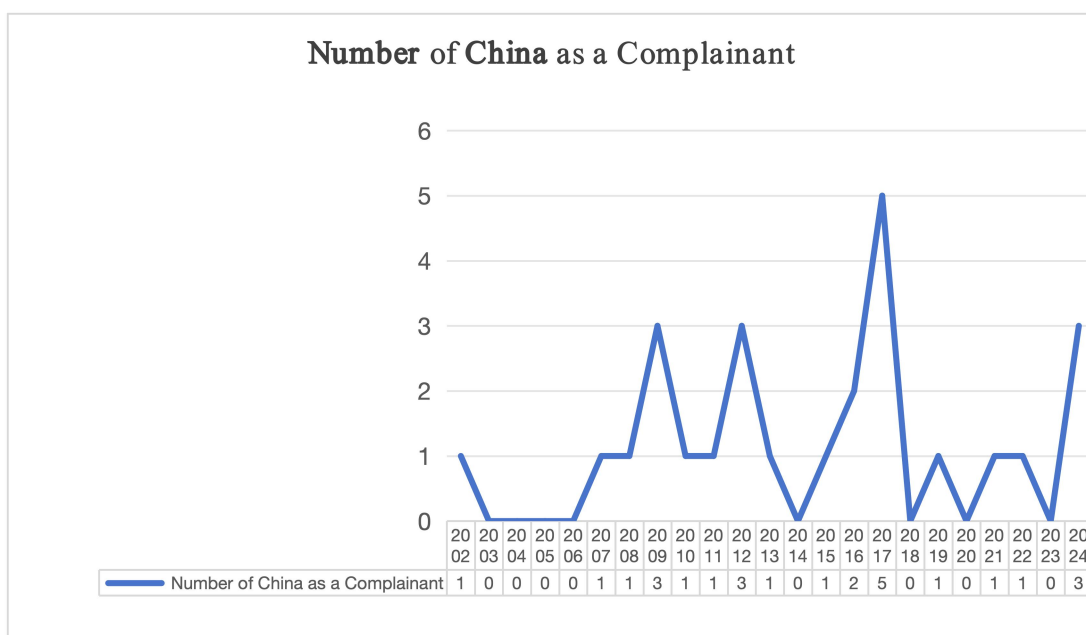
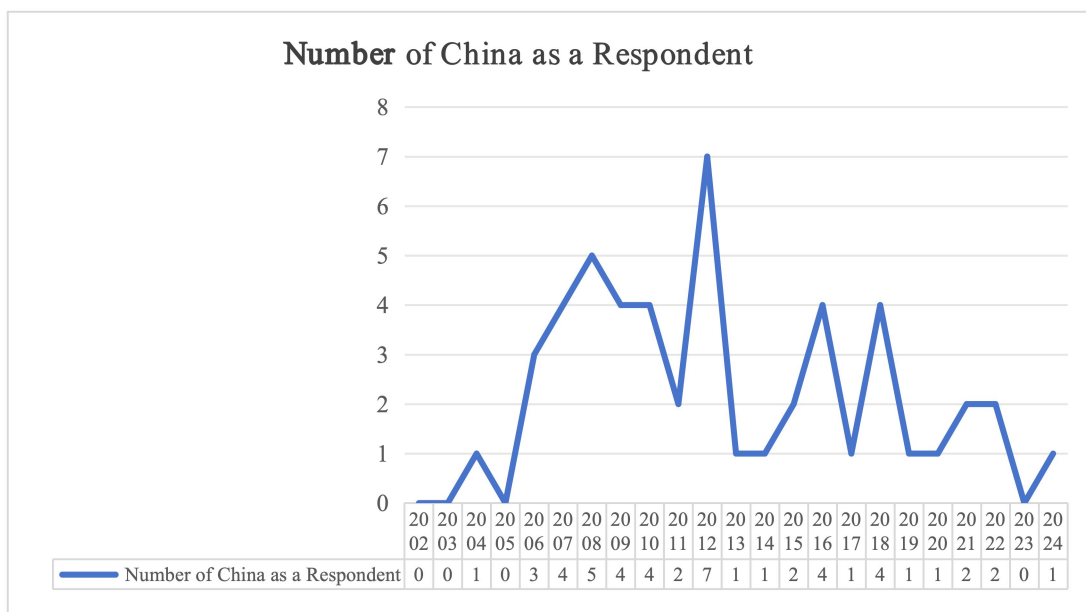


Table 4.2 Number of cases involving China as the complainant(2002-2024)



Note: This table is compiled based on data from the WTO official website.

https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&sense=e

4.2 The United States and the European Union are the main counterparts

As shown in Table 4.3 and Table 4.4, China's primary targets in international trade disputes within the WTO dispute settlement mechanism are the United States and the European Union. Specifically, of the 26 cases in which China acted as the complainant, 18 were filed against the United States, accounting for 69% of the total complainant cases, while 6 were filed against the European Union, making up 23%. On the other hand, in the 50 cases where China was the respondent, 23 were brought by the United States, accounting for 46% of the total respondent cases, and 12 were brought by the European Union, representing 24%. These figures clearly indicate that the United States and the European Union are China's main counterparts in WTO dispute resolution. This pattern is not coincidental, and several underlying factors contribute to this trend.

First, the United States and the European Union are not only the two most important economies in the world, but also have long played a central role in the WTO framework. As one of the main formulators of WTO rules, their dominant position in the global trading system has led to their enormous influence on international trade rules. In particular, the international trade policies and measures of the U.S. and the EU have often been the reference for other member states in formulating trade policies on a global scale. As a result, these policies often have a profound impact on China's international trade. Specifically, if the United States and the EU implement protectionist measures, they may directly or indirectly restrict China's exports and affect its market share, thus exposing China to enormous trade challenges. Against this background, China's filing of a complaint against the U.S. and the EU not only demonstrates China's positive attitude in utilizing the WTO rules and dispute settlement mechanism, but also reflects China's gradual adaptation and proficiency in international rules. In this way, China can effectively seek international trade remedies to protect its trade interests. This is not only a safeguard for China's own trade interests, but also a practice and promotion of WTO rules. In other words, filing a complaint with the WTO helps to safeguard China's rule-based position in global trade and reduces the negative impact that other member countries have on China through the formulation of unfair trade policies.

Second, the United States and the European Union have been engaged in international trade with China for an extended period, with significant trade volume. Over time, both the U.S. and the EU have developed relatively mature systems for early warning and resolving

international trade disputes. As a result, they maintain close attention to China’s trade measures and policies. Should the U.S. or the EU perceive that their interests are being adversely affected by China’s trade policies, they are well-positioned to quickly initiate complaints through the Dispute Settlement Body (DSB). Leveraging their extensive experience and expertise gained from past trade dispute resolutions, they can swiftly file a case to protect their international trade interests. This proactive approach enables them to safeguard their economic priorities in global trade.

Table 4.3 Percentage of countries against which China has initiated complaints

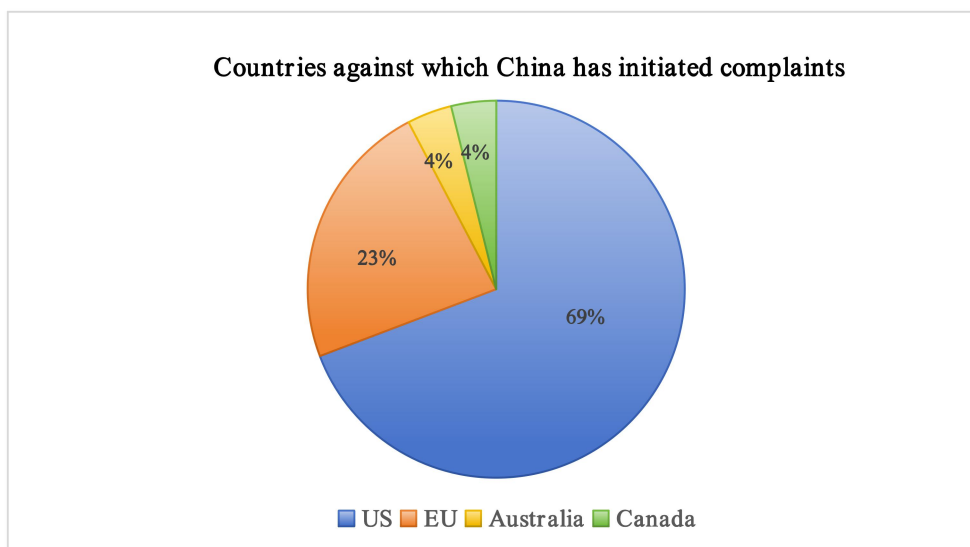
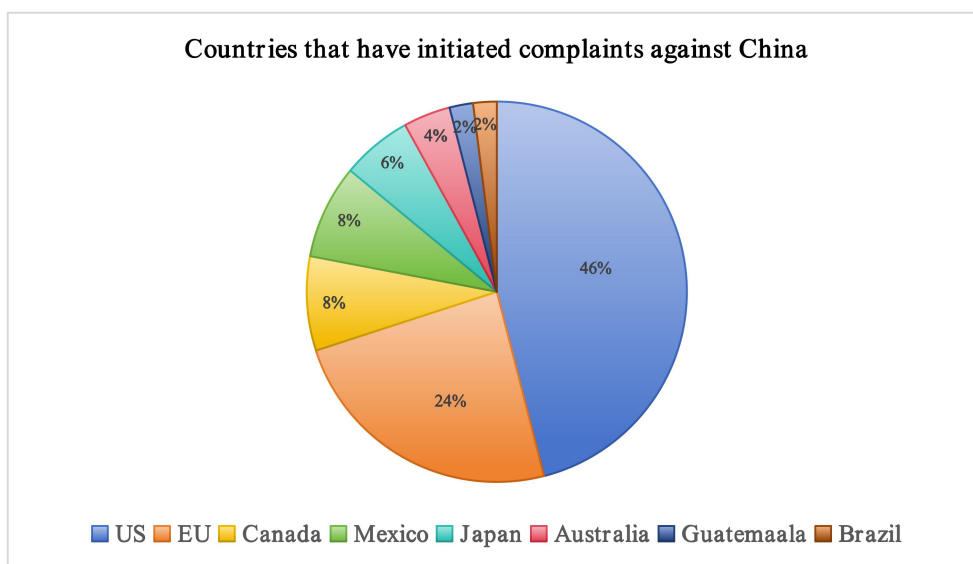


Table 4.4 Percentage of countries that have initiated complaints against China



Note: This table is compiled based on data from the WTO official website.

[https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&se
nse=e](https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm?country_selected=CHN&se
nse=e)

4.3 More Cases as Respondent than as Complainant

In the 23 years following China's accession to the WTO, although China's attitude towards dispute settlement has gradually shifted from a passive defensive approach to a more balanced and proactive strategy, it remains a fact that the number of cases in which China has been the defendant exceeds the number of complaints it has filed. This indicates that China's proactivity and enthusiasm in utilizing the WTO dispute settlement mechanism still differ from those of other major WTO members. The main reasons for this situation are as follows:

Firstly, China joined the WTO later than some major members.

Secondly, the shift in traditional legal values takes time. Specifically, for a long period after joining the WTO, China was still influenced by traditional legal values such as "harmony is precious" and "avoid litigation," tending to resolve international trade disputes through diplomatic and political channels (Wu,2011). For example, in October 2004, the United States imposed quantitative restrictions on three types of socks exported from China. After seven rounds of consultations, China and the U.S. signed the "Memorandum of Understanding China - US relating to textiles quotas." Although China ultimately gained textile trade rights in this dispute, this success came at the cost of opening its agricultural service market (Zhou,Zhang&Wang,2006). This outcome illustrates that the resolution of this international trade dispute was not entirely fair. As China's membership in the WTO extended, the country gradually shifted its traditional legal approach and began to actively use the WTO dispute settlement mechanism to seek trade remedies and safeguard its interests when faced with international trade disputes and unfair trade treatment.

Thirdly, China's current international trade legal system has not yet fully aligned with WTO rules. Due to language barriers between Chinese and English, there are natural discrepancies in the interpretation of trade laws and regulations. WTO rules are also detailed and complex, presenting challenges for aligning domestic regulations with WTO standards. Furthermore, while both China's trade laws and WTO rules continue to evolve, so too do the trade measures and policies of other member countries. Even a minor difference in wording can lead to potential risks in international trade.

4.4 Emphasis on the Use of Third-Party Mechanism

The WTO dispute settlement mechanism is often referred to as the "crown jewel" of international trade law. To date, China has participated as a third party in over 160 WTO dispute settlement cases. Between 2002 and 2019, China actively engaged in third-party participation, accounting for half of all cases during this period. In comparison, the European Union participated as a third party in 34.7% of cases before 2019, while the United States' participation rate was only 26.3%. This highlights China's extensive research and active use of the third-party process within the WTO dispute settlement framework.

China's third-party role in the WTO dispute settlement mechanism has developed into an important strategy for strengthening China's position in the global trading system. By participating as a third party, China not only observes the operation of the dispute settlement process, but also participates in the ongoing interpretation and application of WTO rules. Such participation provides a platform for China to enhance its understanding of the rules and to contribute to shaping them in the future, particularly through participation in cases that may have more far-reaching implications for international trade. China's active involvement as a third party in WTO dispute settlement cases has provided it with valuable opportunities to directly access key documents and procedures, including trade measures and written submissions from the disputing parties (Zhang,2018). This invaluable access has helped deepen China's understanding of the legal and policy arguments raised, offering firsthand insights into the legal texts and strategic approaches adopted by other WTO members. Additionally, by participating in these cases, China has accumulated extensive practical experience, which is crucial for refining and optimizing its own legal and diplomatic strategies in trade disputes.

More importantly, China's participation as a third party has enabled it to refine its litigation strategies and techniques. For example, prior to formally challenging the U.S. steel safeguard measures, China actively participated as a third party in the dispute initiated by the EU concerning similar measures. This experience not only enhanced China's understanding of the case but also provided valuable insights that informed its subsequent dispute settlement proceedings.

Furthermore, the written submissions for third-party cases are typically prepared through collaboration between the Ministry of Commerce and legal experts. This ensures the

comprehensiveness and professionalism of the materials, aligning them with China's broader and more profound trade policy objectives. This collaborative approach also provides the Chinese government and legal professionals with a unique opportunity to enhance procedural compliance and defense strategies, contributing to the development of China's deep understanding and application of international trade law and dispute settlement procedures. Ultimately, this strengthens China's ability to effectively protect its compliance rights and improve its resilience in future disputes.

In sum, China's strategic use of the third-party mechanism has brought multiple benefits. It has not only allowed China to shape and influence the discussions surrounding WTO rules and their application but has also enabled the country to acquire valuable legal expertise. This further supports China's broader and more significant goal of becoming a more confident, informed, and effective participant in global trade governance.

4.5 Concentration of Complainant Case Types and Diversity in Respondent Types

Since joining the WTO, China has become a primary target in global anti-dumping and countervailing duty investigations. As of now, a substantial number of China's trade disputes as a complainant involve these trade remedy measures. According to China's Ministry of Commerce, over 1,000 trade remedy cases have been initiated against China since joining the WTO, with the financial crisis period seeing a marked increase as many member states adopted protective measures. Notably, many of these measures do not fully align with WTO rules highlighting the need for China to closely monitor and address discriminatory trade remedies amid rising protectionism.

While China's trade disputes as a complainant largely focus on anti-dumping and countervailing measures, cases where China is the respondent exhibit greater diversity. The most frequent complaints target the goods trade sector, particularly industrial support policies and export control measures. These disputes encompass traditional anti-dumping and subsidy cases, as well as cases in emerging sectors, reflecting both China's wide-ranging trade practices and the evolving nature of international trade rules (He,2018). In WTO disputes related to services trade, notable cases include the "Financial Information Case (DS372/DS373/DS378)". In these case, the U.S. and the EU challenged China's financial information service policies, arguing that these measures discriminated against foreign service providers. After intensive negotiations lasting nine months, the dispute was ultimately

resolved. Following this case, Chinese authorities introduced revised regulations on the management of financial information services. These revisions aimed to maintain effective regulatory oversight while improving the management framework and procedures, ensuring better alignment with WTO rules. China's actions after the case not only demonstrate compliance with the WTO dispute settlement mechanism but also helped refine the governance structure of its financial information services. This process has strengthened both the regulatory framework and the country's international competitiveness, as it better aligns domestic policies with global trade norms.

China's participation as a respondent in WTO disputes covers a wide array of case types. Even minor deviations in China's trade measures, policies, or regulations often become focal points for challenges from other members. This reality presents significant challenges for China's engagement with the DSM. However, on the other hand, China's role as a respondent has prompted deeper strategic reflection, leading to targeted reforms in its trade measures and policies. The DSM and the enforcement of rulings has contributed to aligning China's international trade practices more closely with WTO rules, enabling the country to better adapt to global trends. These improvements not only ensure greater compliance with global trade norms but also foster the robust development and regulation of related industries within China.

5. Policy Implications for China in the DSM

As one of the principal members of the WTO, China's international trade measures and policy reforms are inevitably influenced by the regulations established under the WTO dispute settlement mechanism. A critical analysis of these specific trade policy impacts offers valuable insights into China's strategic choices when facing international trade disputes and how it responds to unfavorable dispute rulings. This not only enhances our understanding of how China uses the WTO dispute settlement mechanism to safeguard its interests but also provides guidance for its future engagement with the mechanism. Therefore, this chapter will provide a detailed analysis of the policy impacts on China within the context of the WTO dispute settlement mechanism, as outlined below.

5.1 Overall effectiveness of the DSM

2024 is the 22nd year since China joined the World Trade Organization (WTO). Over the past

two decades, China has developed a more objective and accurate understanding of both the WTO and its Dispute Settlement Mechanism (DSM). The WTO, along with the International Monetary Fund (IMF) and the World Bank, forms the core triad of global economic governance, with all three institutions originating from the 1944 Bretton Woods Conference (Liu,2018). These organizations hold indispensable roles in the international economic system. Through eight rounds of trade negotiations, the WTO has established over 60 trade agreements with binding enforcement, making significant contributions to reducing the fragmentation of international law. The WTO's DSM, in particular, has had a profound impact on member countries worldwide. It has driven reforms and adjustments in legal frameworks, regulations, and regulatory systems, compelling changes in policies and practices that were inconsistent with WTO rules. As such, the overall effectiveness of the DSM is evident, as it not only enhances the stability and fairness of international trade but also provides an essential legal framework for global economic governance.

Specifically, without an effective mechanism to ensure the enforcement of WTO rules, the overall effectiveness of the WTO would be significantly undermined. The WTO Dispute Settlement Mechanism is widely regarded as the most effective tool for enforcing WTO rules, earning it the reputation as the "crown jewel" of the multilateral trading system. Since its implementation in 1995, the DSM has successfully resolved numerous international trade disputes, which reflects the sustained trust of WTO members in the mechanism. Moreover, this continued usage demonstrates the mechanism's ability to deliver outcomes that satisfy member nations. Despite repeated criticisms from the United States regarding the WTO Appellate Body, the U.S. still acknowledges the DSM's significant value in resolving international trade disputes and continues to rely on it for managing trade conflicts (Zhao,2020). Extensive evidence supports the notion that the DSM effectively compels member countries to adhere to WTO rules and to faithfully implement the rulings of international trade dispute decisions.

In conclusion, the WTO's DSM has been an essential force in shaping international trade law, helping to resolve disputes and promote adherence to globally agreed-upon rules. It stands as one of the most successful and widely respected systems for enforcing trade agreements, providing the necessary framework for global economic stability and governance.

5.2 Promotion of Reforms in China's International Trade Measures and Policies

Since China's accession to the WTO, it has implemented extensive reforms to its domestic international trade policies and measures in order to improve the efficiency and quality of trade dispute resolution and accelerate the enforcement of dispute rulings. These reforms represent the most significant positive impact of the WTO dispute settlement mechanism and related policies on China's international trade. On one hand, they have led to a qualitative change in China's specific policies and tools in international trade; on the other hand, they have expedited the adjustment of China's international trade regulatory system. The following sections will examine and compare several key areas to analyze China's trade measures and policy reforms implemented under the WTO dispute settlement mechanism and in response to related challenges:

Firstly, China has strategically adjusted internal tax policies within key sectors, including integrated circuits, aviation, and automotive parts, implementing value-added tax (VAT) rebates and exemptions. These measures aim to reduce operational costs, thereby strengthening the competitiveness of these industries on a global scale.

Secondly, China has proactively promoted tax incentives in various strategic sectors, particularly wind power, textiles, light industry, agriculture, and automotive manufacturing (Chen,2018). Through such fiscal incentives, China seeks to attract foreign investment and enhance the export competitiveness of domestic products, reinforcing the country's industrial presence internationally.

At the same time, China has imposed export taxes on critical raw materials, such as rare earth elements, ensuring a sustainable supply for domestic needs while preserving its resource advantage in global markets. This policy reflects a strategic balance between maintaining economic security and optimizing resource allocation for internal development.

In the cultural sector, China has strictly regulated the import and distribution channels of cultural products such as audio recordings, literature, films, and other media. This approach protects the domestic cultural market from foreign market penetration and ensures stable growth for local cultural industries. Additionally, China has intensified intellectual property protection, particularly in cultural goods, by strengthening trademark enforcement and seizing

infringing products (Tan,2021). Such measures not only enhance the competitive strength of domestic cultural goods but also contribute to the growth of China's cultural influence, reinforcing its soft power globally.

Finally, China has imposed restrictions on foreign market entry in critical service sectors, such as electronic payment and financial information services. These limitations are designed to protect the market share and developmental space of domestic enterprises in these growing industries, ensuring that they can compete effectively within China's economy.

On this basis, it is further analyzed that although China faces a certain degree of inconsistency in implementing the results of WTO dispute settlement mechanism awards, this inconsistency is not limited to China, but is widespread among other WTO member countries. Specifically, there are limitations in the implementation of WTO rulings, especially in terms of coordination between domestic and foreign economic policies, differences in legal frameworks and implementation details, etc., which makes the full implementation of the ruling results somewhat limited in practice. Nevertheless, China has been able to take adaptive measures to gradually deepen its understanding of the dispute settlement mechanism in light of its own legal system and international commitments, and to make targeted adjustments on that basis. China's reform measures show that, despite the narrower form of implementation, it has been able to respond flexibly to WTO rulings, ensuring that its trade and economic policies are adjusted in tandem, and can still play a positive role in some areas (Han,2017). These reforms show that the impact of the WTO dispute settlement mechanism is not limited to a single policy area, but rather has a broad and far-reaching systemic impact through a range of policy tools. Overall, the measures taken by China in implementing WTO rulings have been characterized by localized inconsistencies and limitations in the form of implementation, but these adjustments reflect China's increasingly mature international trade response strategy and highlight its ability to implement policies under the WTO framework. These policy reforms have not only promoted the steady development of China's international trade, but also contributed to the further enhancement of its global trade position.

For example, in the case of publications and audiovisual products (DS363), the implementation of the measures resulting from the DSM was relatively more difficult because of the sensitivity of the cultural industry in China and the need for several departments,

including the State Council, to work together to complete the modification and joint issuance of the relevant measures. After this case, China revised and abolished the parts of its existing international trade policies and measures in the international trade of publications and audiovisual products that were inconsistent with the WTO, and lifted some of the restrictions on the right to import cultural products, marking the beginning of a change in China's strict vetting system in the field of culture, which had been maintained by the government, and allowing a wider range of basic social values to break through the national monopoly of trade. However, China has not reduced the stringency of its review of cultural product imports, suggesting that the DSM Outcome Measure has actually pushed China to separate the right to trade in cultural goods from the review, and increase the right of relevant enterprises to participate in the importation of cultural products. Despite China's failure to further open up its movie import rights, it signed an agreement with the U.S. in the face of resistance from the relevant countries, providing a broader space for U.S. movies to enter the Chinese market, marking the starting of China's movie market development towards liberalization.

Another case concerns China's imposition of export tariffs on rare earths and other raw materials (DS394). Initially, these tariffs were introduced to increase export prices, thereby boosting revenues for domestic enterprises. However, during international trade disputes, China defended these measures by invoking arguments related to "protecting non-renewable resources" and "promoting sustainable development." Despite these justifications, the WTO did not accept them, as the WTO rules, while permitting export tariffs to achieve trade objectives, do not allow the use of general exception clauses in this context (Ruan,2017). Consequently, China revised its export tariff policies to align with WTO regulations.

Furthermore, China has taken significant steps to remove subsidies affecting various industries at both the regional and national levels, demonstrating a commitment to transparency and fairness in subsidy regulations. Most subsidies now align with the formats outlined in the WTO's Subsidies and Countervailing Measures Agreement, allowing other WTO members to challenge and seek the removal of subsidies that may harm their trade interests.

These two cases do not imply that China necessarily adopts measures harmful to its international trade interests when resolving trade disputes and implementing WTO rulings.

Rather, China's strategy is driven by various factors, including resources, reputation, legal capacity, feasibility of litigation, and the complexity of enforcement. Most importantly, China carefully assesses the political and economic impacts of implementing WTO rulings and whether they align with its strategic and economic objectives (Hu,2017). For example, policies like VAT refunds for the semiconductor industry, internal charges on auto parts, and tax subsidies for wind turbine manufacturing align with China's industrial policy, minimizing disruption to relevant businesses. Similarly, the liberalization of cultural product trade rights fits with China's cultural policy without weakening the existing review system. Export tariffs on rare earths align with China's industrial reform strategy without negatively impacting environmental protection. In conclusion, China's core strategy within the WTO dispute settlement mechanism is to leverage it for domestic economic reform while minimizing the adverse impacts of WTO rulings on its established policies and goals.

5.3 Challenges Faced by China in Solving International Trade Disputes

There has been some controversy and discussion about the impact of the WTO dispute settlement mechanism on China, particularly regarding the conflict between China's international trade policies and WTO rules. The United States has criticized China for not being able to fully comply with WTO rules, arguing that there is a gap between China's policies and implementation of measures and global trade rules, especially in terms of transparency and market opening. These criticisms have heightened concerns about China's trade policies among some member states and pushed for tougher positions and measures. Against this backdrop, the judgment of the DSM has often become one of the key factors in the resolution of trade disputes.

However, the challenges faced by China are not only due to external criticism and pressure; the WTO dispute settlement mechanism itself has certain limitations. These limitations allow some member countries to exploit gaps in the system, resorting to unilateral actions to address trade disputes (Li,2015). The challenges faced under the WTO dispute settlement mechanism are not unique to China and are mainly reflected in the following three aspects:

First, the issue of temporary violations. One of the challenges facing the WTO DSM is the existence of time delays in the processing of cases involving violations. Since the proceedings of international trade disputes are usually lengthy, the defaulting member countries are able to take advantage of such delays to seek more time to continue to implement trade measures that

violate WTO rules (Zhang,2019). Moreover, the lack of retroactive relief under the WTO DSM further exacerbates the problem by not effectively requiring member countries to revert to previous trade rules when a judgment is rendered.

Second, the challenge is the issue of repeated violations, which refers to situations where some member countries have been ruled in violation of WTO rules due to inconsistencies in their policy tools or measures. However, these rulings are often limited by the specific context of the cases, meaning that similar issues may recur in different disputes (Wu,2018). As a result, these violations cannot be comprehensively addressed through cross-case solutions. In other words, the applicability of WTO rulings across different disputes is limited, leading to the repetition of the same issues in multiple cases.

The WTO dispute settlement mechanism also faces challenges related to post-compliance development, especially when member countries, after adhering to WTO rules, implement new measures to achieve domestic economic goals. The challenge lies in balancing the need to promote domestic policy objectives while remaining in compliance with WTO rules. This balancing act becomes an unavoidable issue. During this process, the WTO dispute settlement mechanism faces certain objective limitations and institutional constraints, which may make it more difficult for member countries to pursue domestic policy goals, particularly within the framework of global trade.

Therefore, when evaluating the impact of the WTO dispute settlement mechanism on China, it is essential to consider the inherent deficiencies and systemic constraints of the mechanism (Ji,2023). These shortcomings may be exploited by other members, further intensifying China's challenges in international trade. In this context, it is crucial for China to continue pushing for reforms in its trade policies while also focusing on improving the WTO DSM and adapting to changes in the global trade environment to ensure fairness and effectiveness in dispute resolution.

Under the WTO dispute settlement mechanism, international trade disputes involving China have become a significant issue. As previously discussed, the challenges faced by the WTO dispute settlement mechanism are not unique to China; other member countries also encounter similar problems. Notably, the United States and the European Union, as frequent targets of disputes, have repeatedly faced WTO rulings on their trade policies but have still managed to evade the impact of these rulings through various means. This indicates that member

countries frequently involved in international trade disputes are able to exploit the vulnerabilities and limitations of the WTO dispute settlement mechanism, minimizing the impact of such rulings on their trade policies by adopting implementation forms that minimize overall trade effects (Sun,2022). For example, the United States has been repeatedly found in violation of WTO rules in anti-dumping cases, yet continues to apply measures such as zero tariffs. Similarly, the European Union and the United States have shown resistance to WTO rulings in the long-standing dispute over subsidies in the aviation industry. These issues are not unique to China and highlight a systemic flaw in the WTO dispute settlement mechanism when it comes to addressing complex international trade disputes. This reflects the inherent limitations in the WTO's ability to enforce decisions consistently, especially when major members are involved.

In cases involving China, many disputes are complex and take a long time to resolve, especially those that do not involve trade remedies. These cases often require over three years from consultations to the final implementation of WTO rulings. For instance, in the case concerning publications and audiovisual products (DS363), the entire negotiation process took five years due to the complexity of post-compliance developments. This suggests that China has had the opportunity to extend the dispute resolution period as a way to reduce challenges, particularly when the dispute involves sensitive areas such as cultural industry reforms. Such delays provide China with ample time to adjust domestic policies, ensuring that the implementation of WTO rulings does not hinder the achievement of its domestic economic objectives. Additionally, the auto parts dispute (DS339; DS340; DS342) provides a further illustrative example. The trade dispute process, from consultations to the implementation of the ruling, also spanned over three years. During this period, China's automotive industry underwent significant restructuring supported by domestic policies, allowing China to become the world's second-largest automobile producer by the time the ruling was enforced. In the field of new energy vehicles, China promoted rapid industrial growth through central and local subsidy policies. Although some of these measures do not fully align with WTO rules, they demonstrate China's prioritization and effective implementation of its domestic policy goals.

In sum, the WTO DSM has played a key role in dealing with China's trade disputes, but its inherent institutional limitations have also posed challenges for China and other member

countries. The inherent limitations and Inflexibility of procedures of the WTO dispute settlement mechanism allow certain member states to reduce the binding effect of rulings through tactics such as procedural delays and repeated non-compliance. Objectively, China has leveraged these mechanisms by extending litigation timelines and capitalizing on procedural gaps to align domestic policy goals with WTO requirements, achieving a delicate balance between compliance with WTO rules and promoting domestic economic development. These practices underscore not only the DSM's enforcement weaknesses but also highlight the pressing need and importance of reforming the mechanism to enhance its effectiveness.

For China, advancing reforms to the WTO Dispute Settlement Mechanism while enhancing its own institutional resilience and risk mitigation capabilities is essential to navigating the globalized economic and trade landscape. These efforts are key to protecting China's interests and ensuring both present and future developmental goals. China's strategic reflections on the opportunities and challenges presented by the DSM illuminate a thoughtful approach that supports its objective of strengthening its international standing and influence within the WTO. This forward-looking perspective provides deeper, long-lasting insights into securing a more prominent role and voice in shaping global trade governance.

6. China's Response Strategies in the WTO DSM

2024 marks the 24th year since China's accession to the WTO. Over the years, China has gradually become a central player in the global trade system, achieving significant improvements in trade volume and structure compared to the pre-WTO era. To date, China has maintained its position as the world's largest merchandise trader for seven consecutive years and has become an important engine of global economic growth (Du&Wang,2016).

In the process of participating in the DSM, China has also undergone significant transformation. Ideologically, China has overcome traditional legal views such as "avoiding litigation" and "harmony is paramount," maturing rapidly in managing disputes with other members. In both complaints and responses, China has shown increased maturity and confidence. Practically, China has progressed from simply understanding and applying the rules to participating in their formulation, playing a bridging role between developing and developed countries (Wang,2017). Nevertheless, despite China's substantial achievements within the WTO framework, there remain several shortcomings. The following section

analyzes some of the issues China faces in the DSM and response strategies to achieve further development.

6.1 Shortcomings of China's Participation in the DSM

6.1.1 Ineffective Coordination Among Stakeholders

In 2004, China's Ministry of Commerce established the "Four-Body Linkage Mechanism" to address foreign trade frictions and dispute resolution. This mechanism involves cooperation between the Ministry of Commerce's departments, China's overseas diplomatic missions, local government departments, trade associations, and the enterprises involved (Wei,2004). While this mechanism has been initially established and has shown some positive results, there are still many practical challenges, and it has not yet fully met expectations. One key issue is the lack of effective coordination between stakeholders.

The Ministry of Commerce's Department of Treaty and Law and the WTO Division play a central role in overseeing China's participation in WTO dispute settlement. While certain WTO disputes can be managed through internal coordination within the Ministry, others require the involvement of multiple government departments due to their cross-sectoral nature. A clear example is the Publications and Audiovisual Products Case (DS363), where cooperation was required between the General Administration of Customs, the Ministry of Culture, and the Ministry of Commerce. Such cases, which span across various sectors, necessitate a coordinated effort from multiple aspects. However, the coordination process often faces challenges, such as delays in communication between departments, differing interpretations of regulations, and inconsistencies in the implementation of policies. These gaps can create bottlenecks, leading to delays in taking action or executing WTO rulings in a timely manner. Delays and inconsistencies in policy alignment and interdepartmental collaboration can impede the swift resolution of disputes and hinder the effective implementation of the resulting judgments, potentially undermining the overall efficiency of China's approach to resolving international trade conflicts.

6.1.2 Lack of Initiative from Local Government Departments

One emerging feature of recent trade disputes is their impact, extending from the national level to the local level (Ding,2009). This change means that local government departments are playing an increasingly prominent role in trade disputes, becoming an important force in resolving cross-border trade frictions. Local government departments are a key component of

the "Four-Body Linkage" mechanism and are generally expected to take a more active and proactive role in responding to and mediating trade disputes. Specifically, local governments not only need to respond promptly to guidance from the central government but also must develop targeted response measures based on the industrial characteristics and economic interests of their respective regions.

However, these departments frequently adopt a reactive rather than proactive stance when dealing with trade disputes. Their response methods are not sufficiently mature, and there remains a delay in their reactions. Moreover, the absence of a strong initiative in interdepartmental coordination exacerbates the challenge. There is still a significant gap in the performance of local government departments, particularly in adjusting and implementing trade policies to mitigate the instability and economic losses caused by trade disputes.

6.1.3 Inadequate Development of Industry Associations

Overall, industry associations play a crucial role in self-regulation within industries, facilitating effective communication and coordination between the government and businesses, and supporting the smooth conduct of import and export trade. These fundamental functions are essential for maintaining a well-functioning trade ecosystem. However, the development of industry associations in China still has considerable room for improvement. One of the main issues is the lack of standardized industry regulations, as well as the insufficient innovation and adaptability of these associations. This makes it challenging for them to address the increasingly complex and multifaceted dispute issues that arise with the changing global trade landscape.

Additionally, the "semi-governmental, semi-private" positioning of industry associations significantly limits their ability to act as independent third-party entities (Zhang,2005). This hinders their capacity to provide unbiased services to both enterprises and government agencies, which in turn restricts their potential role in effectively resolving trade disputes. Furthermore, the scarcity of specialized talent and the underdeveloped state of industry training programs highlight the potential risks and shortcomings that exist within the DSM (Gu,2013).

6.1.4 Regulatory Gaps in China's Legal Framework under the DSM

The Foreign Trade Law is the cornerstone of the legal framework that aligns China's trade policy with WTO rules. As the primary law governing China's foreign trade activities, this

law is the foundation for China to formulate and amend trade regulation (Shen,2007). It is an important document that supports China's compliance with international trade norms and promotes the effective operation of China's trade policies. However, despite its significance there are still some noteworthy areas that require further development and refinement in order to comply with the changing global trade landscape and the provisions of the DSM. For example, as mentioned earlier, industry associations are not sufficiently addressed in the law, particularly regarding the definition of their rights, obligations, and institutional roles. This lack of clarity not only limits their ability to effectively safeguard the interests of members, but also limits their potential contribution to resolving trade disputes (Liu,2004). As China continues to expand its participation in global trade, the need for a more comprehensive and structured industry association management framework becomes increasingly urgent.

In addition, although China has made significant efforts to align its legal and regulatory framework with WTO rules, certain differences still exist. Over the years, China has enacted numerous legal reforms and revisions aimed at harmonizing domestic laws with the WTO's multilateral agreements and its commitments under the Accession Protocol. However, challenges still exist due to differences in legal terminology, particularly the language barrier between Chinese and English. These differences in language can lead to subtle but significant changes in legal interpretation and application of regulations. Although these differences may seem trivial, they have resulted in China's regulations being inconsistent with WTO rules, resulting in China's involvement in a considerable number of disputes under the DSM.

Notably, the complexity of global trade relations and the rapid development of economic globalization require China to continuously adapt and innovate its trade laws to remain competitive and respond to emerging challenges. As the political and economic landscape changes, China's legal framework must continue to evolve to address new and complex trade issues that may arise in the future. Rapid changes in global trade dynamics require China's trade laws to remain flexible and able to respond to unforeseen challenges, ensuring that the country can effectively manage trade disputes and align domestic regulations with international standards.

6.2 Response Strategies for China's Participation in the DSM

6.2.1 Optimizing the 'Four-Body Linkage' Mechanism

To optimize China's cross-departmental "Four-Body linkage" coordination mechanism for

dealing with WTO disputes, China should pursue a dual track of legal institutionalization and rapid response capabilities to improve overall efficiency and dispute settlement capabilities.

First, it is necessary to further institutionalize the "four-agency coordination mechanism" and clarify the roles and responsibilities of each department in various dispute scenarios in accordance with the laws and regulations (Yan,2010). Incorporating specific, clear and explicit coordination provisions into legislation can clarify departmental responsibilities and ensure synchronization of actions, consistency of goals and efficient sharing of information in the dispute settlement process.

In addition, a special dispute settlement rapid response team could be established under the guidance and supervision of the State Council or the Ministry of Commerce, which would enhance China's ability to respond quickly to emerging trade disputes. The team should be composed of experts in various fields, including WTO law, international trade policy, economic analysis, and diplomacy, to ensure that multidisciplinary perspectives and expertise are brought to complex dispute cases. The team's mission is to quickly and objectively analyze the issues that arise and the key points of the dispute and formulate practical response strategies to guide the deployment of rapid, consistent and proactive dispute resolution work, thereby reducing the response time that may hinder China from effectively defending its interests. In addition, the rapid response team can serve as an effective coordination agency, actively promoting coordination and cooperation among agencies by assessing the specific requirements and characteristics of each case and deploying strategies and personnel in a targeted manner.

By standardizing cross-departmental coordination and establishing a rapid response team, China will strengthen the standardization, flexibility, and adaptability of its international trade policy strategies under the supervision and management of the DSM system. This strategy is not only in line with China's goal of effectively safeguarding its trade interests and reducing the uncertainty brought about by trade disputes but also enables China to more effectively predict and manage future increasingly complex WTO dispute cases from a more professional perspective.

6.2.2. Enhance the Enthusiasm and Capabilities of Local Governments

To enhance the participation and professionalism of local governments, it is essential for governments at all levels to establish specialized training programs focused on the WTO

Dispute Settlement Mechanism (DSM). These programs should aim to provide local officials with a comprehensive understanding of the intricacies of handling international trade disputes, the core principles of WTO rules, and the critical role that DSM plays in maintaining global trade stability and fostering sustainable economic development. Given the increasingly complex and dynamic nature of international trade, local government officials must be equipped with a robust and systematic knowledge foundation. Consequently, it is imperative to organize well-structured and content-rich training sessions on a regular basis to ensure that officials stay informed and capable of effectively managing trade-related challenges.

Specifically, by inviting experts, scholars, legal advisers and trade policy experts, special training courses for local governments can be organized regularly to ensure that governments at all levels can accurately grasp the core content of the WTO dispute settlement mechanism and the new changes and new focuses of DSM (Wu,2017). In addition, the training content should keep pace with the evolving international trade landscape, regularly updating the curriculum to ensure that local government officials are well-equipped to address emerging trade challenges and complex dispute cases.

Establishing an incentive mechanism is also an important measure to enhance the enthusiasm and participation of local governments in responding to international trade disputes, and it has clear practical feasibility. By conducting performance evaluations of local governments' handling of trade disputes, it is possible to encourage local government departments to be more proactive in participating in the resolution of international trade disputes. Incentives, such as setting up special awards or adding extra points in annual assessments, can be used to reward local governments and officials who perform outstandingly or make significant contributions in dispute resolution. This approach will stimulate them to be more proactive and engaged in coordinating and responding when assisting in the resolution of trade disputes and implementing trade measures. Through this method, not only can local governments' awareness of participation, service, and responsibility be enhanced, but it will also promote more efficient and close cooperation among various organizations when handling disputes.

6.2.3 Achieving Self-Reform and Improvement of Industry Associations

To enhance the role of industry associations in resolving international trade disputes, it is essential to clearly define their responsibilities and positioning, as well as strengthen their

professional development. Industry associations play a crucial role within China's "four-body linkage" mechanism and are responsible for tasks that are often unsuitable or beyond the capabilities of the government and businesses in trade disputes.

First, it is recommended to include specific provisions regarding industry associations in the Foreign Trade Law, clearly defining their functions and roles in dispute resolution. This will ensure that industry associations can provide more targeted and professional support and assistance to both the government and businesses during trade disputes. With this legal empowerment, industry associations will be able to more effectively and systematically assist policymakers and businesses in responding to international trade challenges within the legal framework. When trade disputes arise, industry associations should actively take on the responsibility of gathering evidence and favorable information, guiding businesses to implement appropriate countermeasures.

Second, industry associations should accelerate the construction and improvement of trade friction and dispute early-warning mechanisms. Associations need to strengthen internal self-discipline and regulate businesses, helping them raise awareness of legal issues, their rights, and national interests to prevent and reduce the occurrence of trade disputes from the source. At the same time, associations should enhance their monitoring of the entire industry, stay informed of the latest developments in foreign trade, and closely track industry conditions. They must timely convey relevant information to government agencies and exporting businesses.

Third, industry associations should focus on talent development and improve their professional standards. To this end, associations can collaborate with universities and independent research institutions to launch forward-looking research (Wu,2017). Additionally, associations should regularly organize specialized seminars and case study sessions, introducing the latest international trade dispute resolution information to help members improve their capacity to respond to disputes and enhance their forecasting skills. This will strengthen their understanding and application of WTO rules, while also improving their responsiveness and decision-making quality when handling disputes.

6.2.4 Standardize and Optimize the Trade Legal System

The current legal system requires strengthening and optimization to enhance China's effectiveness in managing international trade disputes and to address existing regulatory

deficiencies and gaps. Aligning China's foreign trade laws with WTO rules is key to this improvement. The Foreign Trade Law, revised to align with WTO rules and fulfill WTO accession commitments, has now been in effect for 20 years. Over this period, both the global and Chinese economic and trade landscapes have undergone substantial changes. Thus, establishing a regular review mechanism for the Foreign Trade Law and related regulations is essential to ensure alignment with the latest WTO rules and dispute rulings.

In this regard, the establishment of a dedicated "Trade Law Review Committee" is recommended. This committee would be tasked with regularly reviewing and adjusting areas in China's domestic laws that may conflict with WTO regulations or rulings, while striving to improve and optimize domestic legislation within the overall legal framework of the WTO Dispute Settlement Mechanism (DSM). The committee should work closely with legal scholars, industry experts, and policymakers, ensuring that the formulation and revision of laws, regulations, and policies remain within the boundaries of WTO rules. Particular caution should be exercised in drafting provisions to avoid ambiguity, thereby minimizing potential disputes over interpretation. In addition, legislative bodies and government departments at all levels should take the opportunity of amending new laws and regulations to conduct a comprehensive review of existing laws and regulations, and promptly revise or abolish provisions that are inconsistent with WTO rules.

In addition, reducing language and translation errors and ambiguities in international trade disputes is another important measure. Given that the language differences between Chinese and English may lead to inconsistencies in the application and interpretation of laws, it is recommended to form a professional bilingual legal expert team within the relevant institutions. The team should be composed of experts in the relevant legal, economic and translation fields to ensure the accurate translation and interpretation of relevant legal provisions. By minimizing translation errors and vague definitions, the possibility of ambiguity and poor communication in international trade can be reduced, and the possibility of trade disputes caused by language barriers and ambiguity can be reduced. This strategy can not only improve the accuracy and pertinence of legal references in international trade, but also enhance China's ability to effectively understand and apply international trade law, ensure that China can fulfill its international obligations in accordance with WTO rules, and maintain the stable development of the global economic structure.

6.2.5 Continuously Submitting DSU Reform Proposals

According to Article 10.8 of the WTO Agreement, any member country has the right to submit proposals for the revision of the Dispute Settlement Understanding (DSU) to the Ministerial Conference. In light of this, China should proactively address the evolving challenges in the international trade landscape by consistently submitting reform proposals for the DSU. Although the Doha Round Declaration has laid the groundwork for discussions on the reform of the DSU, China's involvement in this area remains limited and somewhat behind. The DSU is a fundamental component of the DSM, designed to provide clear guidance and oversight for resolving international trade disputes among member countries. It outlines the procedures and steps for handling disputes and supervises the enforcement of rulings to ensure that disputes are resolved within a fair, just, transparent, and effective framework. Therefore, reforming the DSU is a crucial aspect of optimizing the WTO dispute settlement mechanism and enhancing its overall effectiveness in adapting to the challenges of modern international trade.

One of the core issues of DSU reform is to enhance the efficiency and fairness of international trade dispute resolution. Currently, the DSU case trial cycle is excessively long. The constantly evolving global economic structure and trade system have led to an increase in trade dispute cases, resulting in more complex legal issues. Effectively delivering fair and objective judgments within the DSM framework has become a pressing challenge that demands urgent attention. To address this, China can propose practical and targeted reform plans to improve the efficiency of the dispute settlement process. These proposals should aim to optimize procedural mechanisms, increase the efficiency of case trials, and shorten trial cycles, ensuring that disputes are resolved in a timely and fair manner. Furthermore, the reform plan should also address the operational mechanisms of the Appellate Body. Specifically, it could include adjustments to the selection process for Appellate Body members, and introduce other necessary reforms to guarantee the independence and transparency of the Appellate Body's operations. The introduction of these measures will not only contribute to strengthening the stabilizing role of the DSM in global trade governance but will also enhance China's influence within the mechanism.

Specifically, China can utilize DSU reform proposals as a platform to articulate its position and stance on DSM reform. By consistently submitting proposals that align with its national

interests, China can demonstrate both its commitment and determination to uphold WTO regulations. If China's reform proposals are adopted, they would not only strengthen the nation's influence and adaptability within the DSM but also enhance its international reputation for fulfilling trade obligations and promoting fairness in global trade.

Conclusion

This dissertation has explored China's participation in the World Trade Organization (WTO) Dispute Settlement Mechanism (DSM) through case studies and policy analysis, shedding light on China's evolving role within this framework. The dissertation aims to provide a comprehensive understanding of the effectiveness of the DSM, China's strategies within this system, and the implications for its future participation in WTO dispute resolution processes. Based on an in-depth analysis of various case studies and policy evaluation, several key conclusions can be drawn regarding China's experience, challenges, and future strategies within the WTO DSM.

1. The Significance of China's Role in the WTO DSM

China's role in the WTO DSM has been one of increasing importance since its accession to the WTO in 2001. As a member of the organization, China has been actively involved both as a complainant and a respondent in various dispute settlement cases, highlighting its growing influence in the international trade arena. The cases discussed in this dissertation, such as the U.S. anti-dumping and countervailing duties case (DS379) and the EU's anti-dumping measures on fasteners (DS397), demonstrate China's willingness to engage in the legal processes of the WTO to protect its trade interests. These disputes reflect not only China's assertiveness but also its growing sophistication in utilizing the DSM to safeguard its economic and trade policies.

However, China also faces some challenges in participating in DSM. As shown in cases like the Value-Added Tax on integrated circuits (DS309) and the Publications and Audiovisual Products Case (DS363) where China was the respondent, the disputes often involve complex issues, particularly concerning domestic regulations and compliance with international trade standards. These cases emphasize the need for China to enhance its legal and regulatory frameworks to better align with global trade norms and to improve its standing in the international community. The frequent involvement of China in DSM cases underscores its growing role as both a victim and a challenger in the global trade system, highlighting the dual pressures it faces in the current trade environment.

2. Policy Implications for China

The analysis of China's participation in the WTO DSM has revealed several important policy implications for the country. First and foremost, the effectiveness of the DSM is crucial for

China's ongoing participation in the WTO system. As a key player in global trade, China must not only ensure that it is protected by the DSM but also actively contribute to its reform and evolution. The dissertation has highlighted that China's participation in DSM cases reflects its commitment to multilateral trade dispute resolution. However, the increasing frequency of disputes involving China suggests that its legal and regulatory frameworks require significant reform to meet international standards.

China's domestic trade policies must adapt to the demands of the global trading system. The dissertation has shown that while China has made progress in aligning its trade policies with WTO rules, further improvements are necessary to address the gaps in legal frameworks that have emerged in some cases. The need for better coordination among stakeholders, enhanced capabilities of local governments, and the development of industry associations were all identified as critical areas for reform. By addressing these issues, China can better navigate future disputes and improve its reputation within the WTO system.

Furthermore, the dissertation indicates that China's approach to international trade must become more proactive. The dissertation calls for China to adopt a more aggressive stance in defending its trade interests, particularly in cases involving protectionist measures by other WTO members. At the same time, China must continue to engage in diplomatic negotiations to reform the DSM, ensuring that the system remains effective in resolving disputes and promoting global trade stability.

3. Response Strategies for China

The research also reveals several strategic responses that China can adopt to better participate in the WTO DSM and to address its shortcomings. One of the primary issues identified is the lack of effective coordination among stakeholders. This gap in coordination often hinders China's ability to leverage its full potential within the DSM. As a result, the dissertation suggests that China should optimize the "Four-Body Linkage" mechanism, which involves the coordination of government agencies, industry associations, local governments, and enterprises. By strengthening this mechanism, China can improve its response to disputes and enhance its capacity to navigate complex legal and trade challenges.

Another strategic response involves increasing the enthusiasm and capabilities of local governments. Given that local government departments play a crucial role in the implementation of trade policies, their engagement in the DSM process is essential. The

dissertation argues that local governments must be better equipped to handle WTO-related issues and must be incentivized to take a more active role in the dispute resolution process. This will help ensure that China's trade policies are effectively implemented at all levels of government.

Furthermore, the development of industry associations is critical to improving China's overall capacity to handle disputes. By enhancing the role of these associations in the dispute resolution process, China can build stronger connections between the private sector and government entities, ensuring that all relevant stakeholders are involved in the resolution of trade disputes.

Finally, the dissertation suggests that China should continue to push for reforms to the Dispute Settlement Understanding (DSU) to make the system more transparent and efficient. China's role in submitting reform proposals is crucial to ensuring that the DSM remains a reliable mechanism for resolving international trade disputes.

4. Future Outlook

Looking ahead, the future of the WTO DSM will undoubtedly face significant challenges. As global trade dynamics evolve and new issues emerge, the DSM must adapt to meet the demands of the international community. China's active participation in this process will be key to shaping the future of the system. The dissertation calls for China to take a leading role in advocating for necessary reforms, particularly in areas such as the appellate body and the enforcement of rulings. Additionally, China must continue to strengthen its internal legal and regulatory frameworks to ensure that it is better prepared for future disputes.

As China's role in global trade continues to expand, its strategies within the DSM will become increasingly important. The dissertation has shown that China's ability to effectively manage disputes and navigate the complexities of the WTO system will play a significant role in shaping the future of international trade.

By addressing the issues identified in this research, China can not only enhance its own trade policies but also contribute to the evolution of the DSM, ensuring that it remains a vital tool for resolving trade disputes in the 21st century.

In conclusion, China's experience in the WTO DSM offers valuable insights into the challenges and opportunities faced by emerging economies in the global trade system. Through strategic participation, policy reform, and effective engagement with the

international community, China can continue to strengthen its position within the WTO and contribute to the development of a fairer and more effective dispute resolution system.

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