Introduction

How is growing rivalry between the United States and China—the clash of a hegemon and its emerging challenger—affecting the governance of global trade? For over seventy years, the US has been the dominant state in the international system. The construction of the US-led liberal international economic order—the institutions, rules, and laws established to govern the global economy—has been a distinct and defining feature of American hegemony. Its central pillar has been an open and rules-based multilateral trading system to create stable conditions for international trade and facilitate global economic integration. The international institutions created and dominated by the US—such as the World Trade Organization (WTO)—enabled it to set the rules of the global economy, and thereby provided a vital means to reinforce and project its power globally. Yet after four decades of rapid and sustained economic growth, China has now emerged as the world's leading trading state and second largest economy. The rise of China is reshaping the global economy and the institutions charged with its governance, yet the nature and implications of these changes are only beginning to be understood.

There is heated debate about the impact of China's rise on the US-led liberal international economic order. Skeptics dismiss claims of declining American hegemony in the face of a rising China as exaggerated or overhyped. Certainly, while China has become a major economic player, it is still nowhere near on a par with the US. Given the American hegemon's vastly greater economic, military, and soft power capabilities, many argue that China is not an imminent challenger, and the US maintains its position as the world's sole superpower. Moreover, since China is now tightly integrated into the global economy and heavily dependent on

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international trade, and it has benefited considerably from the existing system of global economic governance that has enabled its rise, many expect that China will support the overarching goals and principles of the system and seek to sustain it. In short, the prevailing view is that the US maintains its dominance in the international system, China does not possess sufficient power to pose a real threat to US hegemony, and, even if it did, China would likely support rather than challenge the established global economic architecture that the US has created. This book, however, challenges each of these assumptions.

It does so by analyzing China's impact on global trade governance, which is at the heart of the US-led liberal international economic order. Contrary to those who insist that the US remains secure in its hegemony, I argue that the rise of China has sharply curtailed the US's "institutional power" (Barnett and Duvall 2005)—its power over the institutions and rules that govern the global economy. The US constructed the institutions of global economic governance, which served as an important channel for the projection of American power, and their rules have reflected its primacy. Now, however, even though China's economic and overall power capabilities remain far smaller than those of the US, I show that China's rise has significantly constrained the exercise of US power in global economic institutions. Amid the rise of China, the US's ability to dominate the governing institutions of the trading system and to write the rules of global trade has been severely weakened.

In contrast to the assumption that a rising China can be smoothly integrated into the US-led liberal international economic order, I argue that US–China rivalry has become the predominant dynamic shaping global trade governance, and it is creating serious problems for its functioning. The US and China are engaged in a struggle over the rules of global trade, with each seeking to shape the rules to reflect and advance its interests. China is refusing simply to be a rule-taker, or to accept the rules demanded by the US. As I will demonstrate, the confrontation between these two dominant powers has paralyzed global trade governance and led to a breakdown in rule-making. Not only is this undermining the institutions that are essential to ensuring stability and order in the international trading system, but it also has crucial implications for a broader set of issues, including efforts to promote global development and protect the environment.

This book is particularly timely as trade has become a flashpoint of conflict between the US and China. Trade tensions between the two powers have escalated dramatically, amid growing concerns about the

US trade deficit, allegations of unfair trade practices by China, and the use of protectionist measures by the US in retaliation, heightening the risk of a trade war between the world's two largest economies. However, while attention has overwhelmingly focused on the bilateral trading relationship between the US and China, this book analyzes a critical aspect of their growing rivalry that has been largely overlooked: their battle over the global institutions and rules governing trade.

At the heart of this battle is a conflict over how China should be treated under global trade rules. The *China paradox*—the fact that China is simultaneously both a developing country and a major economic heavyweight—has created significant challenges for global trade governance. China demands certain exemptions from global trade disciplines in light of its status as a developing country, but the US refuses to extend such special treatment to a key economic competitor and its chief hegemonic rival. Importantly, the effects of this conflict go far beyond US–China relations. China presents itself as a champion of the rights of developing countries, but the traditional North–South framing of global trade politics is increasingly problematic. As this book will show, in some areas China has now become a major impediment to pro-development reform of the trading system. In addition, by refusing to accept disciplines on its trade practices, China is also impeding efforts directed at "greening" the multilateral trading system by using global trade rules to promote important sustainable development objectives.

AMERICAN HEGEMONY AND THE LIBERAL INTERNATIONAL ECONOMIC ORDER

A key aspect of American hegemony to date has been its dominance of global institutions. The US emerged from World War II with an overwhelming and unprecedented concentration of economic, military, and political power. The American hegemon wielded its power to forge a new and historically distinct international order that both reflected and reinforced its primacy (Arrighi and Silver 1999; Walt 2011). This American-led order—which some have termed the "American imperium" (Katzenstein 2005), an "informal empire" (Panich and Gindin 2012; Wood 2005), "consensual empire" (Maier 2002), or "empire of invitation" (Lundestad 1990)—was based on the US's position at the epicenter of global capitalism and institutionalized through an extensive system of global governance. The US, backed by other Western states, engaged in an extraordinary and unprecedented building of multilateral institutions, including the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD), and the General Agreement on Tariffs and Trade (GATT), which became the WTO. These institutions have served as the pillars of the US hegemonic order (Gilpin 1987; Keohane 1984; Ruggie 1996).

The era of American hegemony has been historically distinct in that, unlike previous hegemons, US power has been exercised in and through international rules and institutions. The US established and consolidated its dominance of the global order through these governance institutions, which served as a means for the US to advance its economic and strategic interests (Mastanduno 2009). The US "ran the system," providing leadership (or domination) and facilitating cooperation among states (Ikenberry 2015a). While a hierarchical order sustained by American economic and military power, the US-led liberal international economic order required the buy-in of other states (Lake 2009). Consequently, although international institutions served as a channel for the projection of American power, their rules and norms also served—at least to some extent—to rein in the arbitrary and indiscriminate use of power by the hegemon. The existing global governance architecture is thus deeply intertwined with US hegemony. In no prior period of hegemonic transition has there been such an extensive system of global governance in place, or such an elaborate corpus of international law, norms, and standards.

This is not to suggest, however, that the liberal international economic order was simply a beneficent creation of the American hegemon that worked equally well for all states. On the contrary, its constituent institutions and rules have always reflected underlying power asymmetries among states, and especially the overarching power of the US. For nearly its entire seventy-year history, developing countries have complained that the multilateral trading system, for instance, has failed to adequately address the needs and concerns of the Global South (Margulis 2017). The rules of the global trade regime were constructed by the US and a handful of other advanced-industrialized states and designed primarily to advance their interests and objectives (Hopewell 2016; Wilkinson and Scott 2008). As a result, the benefits of multilateral trade liberalization have been unevenly distributed and often bypassed the vast majority of developing countries (Ruggie 1982). Conflict between the Global North and the Global South has thus been a central fault line in the trading system, as evident from the Third Worldist movement of the 1950s to the 1970s to the more recent surge of developing country activism in the Doha Round of trade negotiations at the WTO.

DEBATING THE EXTENT AND IMPACT OF CHINA'S RISE

In this context, understanding the implications of a rising China has become a central preoccupation of scholars and policymakers alike. While the rise of China is widely viewed as the most important geopolitical event of the twenty-first century, there are major debates about how to assess the extent, significance, and implications of its ascent. First, are we in the midst of a hegemonic transition from the US to China, or does the US maintain its dominance? And, second, can the US-led liberal international economic order adapt to, manage, and accommodate the rise of China?

Debate 1: US Hegemony

The first issue of contention is whether we are, in fact, witnessing the decline of US hegemony and the rise of China as a new global hegemon. The remarkable expansion of the Chinese economy, and projections that China may soon surpass the US as the world's largest economy, have prompted assertions that China is in the process of overtaking the US as the world's dominant power (Acharya 2014; Jacques 2009; Rachman 2016). Measured at purchasing power parity (PPP) rates, China's GDP ($19 trillion) has already surpassed that of the US ($18 trillion).[1] China has replaced America as the top manufacturer and exporter, with export volumes that now vastly exceed those of the US ($2.3 trillion versus $1.5 trillion).[2] China has also become the largest market for many commodities and consumer goods, home to some of the world's biggest corporations, and a massive source of outward investment, aid, and lending. Some analysts, such as Arvind Subramanian (2011), thus conclude that "China's ascendancy is imminent" and its dominance "a sure thing"– based on its GDP, volume of trade, and role as a net creditor to the world, especially its large holdings of US debt.

Yet assertions that US power is being eclipsed by China have been met with a strong chorus of rebuttals. Many scholars refute claims of a power transition from the US to China, pointing out that China still remains far from parity with the US in its power capabilities (Beckley 2011; Cox 2012; Kagan 2012; Slaughter 2009). Even strictly in economic terms, despite China's gains, it is clear that the US maintains a preponderance of power. While the US share of global GDP has fallen from 40 percent in 1960 to 25 percent in 2016, the US still remains the world's largest and richest economy by far.[3] China, by comparison, accounts for just 15 percent of global GDP at market exchange rates, which arguably provide the most accurate measure of economic might. In these terms, the American economy is 65 percent larger than China's (with US GDP of $18 trillion compared to China's $11 trillion).[4] As Edward Mansfield (2014: 439) puts it, while large, China's economy is thus "currently nowhere near the size needed to challenge the US." Moreover, the US's economic power is further magnified by its dominance in global capital markets, its technological advantage, and the status of the US dollar as the world's most important currency (Hung 2015; Norrlof 2014; Wade 2017).

Many have also questioned predictions that China will overtake the US in coming decades, cautioning against extrapolating China's future growth trajectory based on its previous performance (Babones 2011; Nye 2012). China's growth has already decelerated and it faces a host of domestic economic challenges—including the threat of the middle-income trap, a rapidly aging population, high levels of public and private indebtedness, excessive investment and overcapacity, an asset bubble, and severe pollution—that are likely to slow the pace of its future growth (Lynch 2015). Skeptics frequently point out that similar predictions in the 1980s that a rising Japan would overtake the US proved unfounded: when the Japanese economy stagnated in the 1990s, it quickly ceased to be seen as a threat to American hegemony (Lake 2014). Speculation that China's economic boom may likewise go bust, or at least not persist indefinitely, has led to doubts about China's ability to continue its rise (Hung 2015) and suggestions that it may remain merely a "partial power" (Shambaugh 2013).

Much of the current debate has thus focused on sizing up and comparing the relative power capabilities of the US and China. Beyond its economic primacy, the US also maintains an overwhelming military advantage, with no prospect of China catching up anytime soon (Brooks and Wohlforth 2016; Kagan 2012). And the US benefits from an extensive network of allies and considerable soft power advantages (Brooks and Wohlforth 2016; Nye 2012). As Gregory Chin and Carla Freeman (2016) summarize: "the relative preponderance of power resources remains in the hands of the US… The US retains the advantage of superior power across all dimensions of national power (material, ideational, soft, hard, high politics, low politics)."

Accordingly, most accounts reject the notion that US hegemony is threatened by the rise of China, arguing that China is in no position to replace the US as a global hegemon. As Salvatore Babones (2015) puts it, "There are few factual indications that American decline has begun—or that it will begin anytime soon." On the contrary, he argues that: "Putting aside all the alarmist punditry, American hegemony is now as firm as or firmer than it has ever been, and will remain so for a long time to come." In short, he concludes, "American hegemony is here to stay." Similarly, Brooks and Wohlforth (2016: 91, 97) argue that China "still has a long way to go before it might gain the economic and technological capacity to become a superpower" and thus conclude that "rather than expecting a power transition in international politics, everyone should start getting used to a world in which the United States remains the sole superpower for decades to come."

In sum, a narrow focus on comparing the relative power capabilities of the US and China has led many to insist on the enduring strength of American hegemony, concluding, in the words of Daniel Drezner (2011), that the US "still has a huge lead" and remains "vastly more powerful" than China. However, what this misses is that there are important ways in which China is already constraining US power—specifically its institutional or rule-making power. Institutional power refers to the ability to shape the rules of an institution to guide, steer, and constrain the actions of others (Barnett and Duvall 2005; Krasner 2011). It is, in short, the ability to set the rules of the game by which other actors must play. In global economic governance, rules and institutions are, of course, not neutral but reflect the distribution of power in the international system. One of the privileges of US hegemony has been an extraordinary power to shape the rules of the global economy in its favor. Global institutions, built and dominated by the US, have reflected its interests and preferences and played a major role in the stabilization and effectiveness of American hegemony (Hurrell 2004).

Many scholars argue that the US retains its dominance in global economic institutions, with China unable to translate its growing economic weight into effective political influence (Beeson and Bell 2009; Pinto, Macdonald, and Marshall 2011; Subacchi 2008; Vestergaard and Wade 2015). As Miles Kahler (2010: 178) argues, "national economic capabilities are not easily translated into influence over governance or institutions." For instance, despite its emergence as a major trader in the 1960s and 70s, Japan's influence in global trade governance has always lagged far behind its economic might. Today, according to Robert Wade (2017: 137–38), the US and other Western states "have successfully kept control of the commanding heights" and they "continue to set the global economic and financial governance agenda," while China and other

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emerging powers have exercised little real leadership or influence. Simply put, he argues, the US—and the West more broadly—"remains on top, economically and politically" (Wade 2017: 135).

This book, however, challenges the prevailing assumption that the US maintains its dominance in global economic governance. As I will show, China has become a central player in global trade governance. If the US and China are competing for economic dominance, they are also engaged in a pitched battle to set the rules of that competition, through institutions like the WTO. Each wants its own interests and preferences to be inscribed in the institutions and rules governing global trade. Rivalry between the US and China is not solely about amassing power resources; it is also a struggle over institutional power and setting the rules of the game. In contrast to those who argue that China lacks sufficient power to pose a real threat to the US, drawing on an analysis of the trade regime, I argue that the US's institutional power has been severely weakened by the rise of China.

Rule-making power is a crucial aspect of hegemony: a hegemon is powerful enough to maintain the rules of the system and "play the dominant role in constructing new rules" (Keohane and Nye 2011: 37). For the last seven decades, the American hegemon has had sufficient power to play the dominant role in writing and enforcing the rules of the global trading system, including driving forward the ongoing process of constructing new rules to govern international commerce. But its rule-making power has now been impeded by China, an emerging challenger that has been unwilling to defer to American hegemony in global trade governance. As the analysis that follows will show, existing trade institutions created under US hegemony are being undermined, and American efforts to construct new trade rules have been repeatedly thwarted by a rising China. The US and China are engaged in a struggle over the rules of the game—and specifically whether, and how, the rules will apply to China. Despite the US's superior power resources, China has been able to persistently block the US from achieving its objectives across a wide range of different areas of trade governance. To quote Christopher Layne (2018: 110), "in international politics, who rules makes the rules." China's rise, I argue, has profoundly disrupted the US's ability to make the rules and thus to rule. Accounts that emphasize the continuity and resilience of US hegemony in the face of a rising China therefore miss important dynamics of change currently taking place within global institutions.

Debate 2: Global Economic Governance

The second, and closely related, subject of debate is how a rising China will affect the existing system of global economic governance constructed under American hegemony (Gray and Murphy 2015; Lesage and Van de Graaf 2015). Some are pessimistic and foresee conflict, based on the assumption that rising powers like China hold fundamentally different interests and agendas than established powers and are therefore likely to be system-challengers rather than system-supporters (Bremmer and Roubini 2011; Castañeda 2010; Kagan 2010; Kupchan 2014). The pessimistic view thus predicts that power shifts will weaken multilateral cooperation and destabilize the international economic architecture (Layne 2009; Patrick 2010). Others are more optimistic about the prospects for global economic governance to continue to function smoothly amid shifting power. The optimistic view expects that China and other emerging powers will be supporters of, and seek to maintain, the liberal international economic order that has facilitated and enabled their rise (Cox 2012; Nye 2015; Snyder 2011; Xiao 2013). Economic interdependence between the US and China, it is argued, will foster cooperation and lead them to find ways to jointly participate in the management of the existing institutional order.

Those who take a sanguine view of China's impact on the existing order assume that its objectives are fundamentally status quo oriented. Miles Kahler (2010: 178) argues that China's "preferences over institutional design and policies are unlikely to diverge from the status quo." Brooks and Wohlforth (2016: 100) similarly conclude that China's use of its growing economic clout on the international stage "will likely involve only minor or cosmetic alterations to the existing order, important for burnishing Beijing's prestige but not threatening to the order's basic arrangements or principles." Likewise, John Ikenberry (2015a) maintains that China and other rising powers are heavily invested in the existing order and therefore not radical revisionists:

> [They] may not share all the values and interests of the United States and the other established stakeholders. But they are not, in reality, advancing revisionist ideas of global order. . . . [T]hey are not putting forward ideas for international order that require a fundamental break with the existing system.

Certainly, in the case of trade, in particular, there is broad agreement that, as one of the prime beneficiaries of the liberal global trading order that has enabled the boom in China's exports and that has propelled its extraordinarily rapid economic growth and development, China has a keen interest in maintaining the multilateral trading system and is therefore clearly a status-quo rather than revisionist power (Breslin 2013; Gao 2015; Narlikar 2013; Quark 2013; Scott and Wilkinson 2013).

For many, a key factor in determining whether power shifts will result in conflict or cooperation is whether the US and other traditional powers adapt to the rise of new powers by integrating them into existing institutions and their decision-making structures. This means giving China and other emerging powers a seat at the table that reflects their economic weight and allowing them to assume a leadership role in global economic governance (Kahler 2016; Paul 2016b; Zangl et al. 2016). Many contend that the future of global economic governance hinges on the willingness of the US to redistribute authority, make room for rising states, and develop a system of shared leadership that accommodates the demands of rising powers for greater voice and authority (Drezner 2007; Ikenberry 2015a; Zakaria 2008). The liberal international economic order can be maintained, it is argued, if rising states are welcomed and incorporated into the power structures of its constitutive institutions. Much is therefore believed to rest on the US's willingness to make adjustments to accommodate rising powers: China will "actively seek to integrate into an expanded and reorganized liberal international order," provided that the US and other Western states act to reform global institutions to make room for China (Ikenberry 2011: 344). Indeed, many argue that liberal global governance can be renewed and strengthened by incorporating China and other rising powers, becoming more inclusive, representative, and legitimate (Vestergaard and Wade 2015; Warwick Commission 2008; Zoellick 2010). The dominant view is thus that if the decision-making structures of the existing system of global economic governance can be opened to incorporate China, it will readily integrate into and support the system.

To summarize, the conventional wisdom foresees China's rise having a minimal impact on global economic governance—either because the US maintains a preponderance of power capabilities or because it can lock-in China's support for the system by giving it a seat at the table, or because China lacks influence or supports the fundamental objectives of the system. Yet, I argue, what we see in global trade governance is that China's rise is in fact proving highly disruptive—both to US power and to the institutional order it created. This book challenges the argument that a rising China can be smoothly integrated into the US-led liberal international economic order because China has benefited from the existence of that order and has an interest in maintaining it. As I will show, although China may indeed be broadly system-supporting, its rise has nonetheless created serious difficulties for the functioning of the global trade regime. Even if China is not putting forward revisionist ideas for international order that represent a fundamental break with the existing system, as many claim, I demonstrate that its rise is nonetheless still having highly disruptive effects.

THE ARGUMENT

This book analyzes the impact of China's rise on the governance of global trade. Its central contention is that China has become a pivotal actor, along with the US, in global trade governance, but this shift in power is proving to be far from smooth. While debates rage over whether we are in the process of a hegemonic transition from the US to China—which is likely unknowable at this point and only to be revealed through the passage of time—I argue that regardless of whether or not China will ever overtake the US as hegemon, its rise has *already* proven highly destabilizing for the system of global trade governance created under US hegemony. Growing rivalry between the US and China—the clash of a hegemon and its (potentially) emerging challenger—has become the predominant dynamic in contemporary global trade governance. And it is profoundly undermining global institutions and rule-making in trade.

Even if the US maintains a preponderance of power in the international system, its capacity to direct and steer global trade governance—which until now has been a defining feature of its hegemony—has been severely diminished. In other words, if the US once "ran the system," as Ikenberry (2015a) puts it, this book demonstrates the extent to which that has now been disrupted: China has proven a significant counterbalance to US power that has substantially weakened American control over the institutions governing global trade. In the realm of trade, the American hegemon's ability to exercise its power in and through global institutions has been sharply constrained by the rise of China. From the perspective of global governance, US hegemony—in the sense of its ability to dominate or lead global institutions—has been severely undermined by the rise of China.

This book analyzes China's impact on two key multilateral institutions for governing trade: the World Trade Organization (WTO) and the OECD Arrangement on Export Credit. The WTO is the primary forum for international cooperation on trade and the core institution created to govern the liberal international trading order under American hegemony.

It is viewed by many as the most successful post-war international organization (Allee 2012). As a key pillar of the US-led liberal economic order (Ikenberry 2011), the WTO is a critical case for assessing the nature and impact of China's rise. I analyze China's impact both during the Doha Round of trade negotiations (2001–11) and in its aftermath. In addition, the analysis goes beyond the WTO to consider China's impact on the OECD Arrangement, which regulates the use of export credit (subsidized loans and other forms of financing by states to promote their exports) in order to prevent a global subsidy war. Although the export credit regime has been comparatively neglected by scholars—likely because it worked successfully and without incident for several decades—it has played an essential role in maintaining the liberal trading order. Yet, as I will show, China's rise has had significant consequences for the workings of both the WTO and the OECD Arrangement.

The book focuses specifically on the impact of US–China rivalry on global trade rule-making. A central function of the global trade regime is the ongoing negotiation of new and expanded rules to govern trade. The construction of global trade rules is an essential part of global economic regulation, necessary to ensure the stability and functioning of global markets. In addition, as several of the cases analyzed here highlight, global trade rule-making also has implications for achieving other important objectives such as promoting global development and protecting the environment. The global trade architecture is meant to be continually evolving through the expansion and deepening of global trade rules (Das 2007). This is explicitly stipulated in the mandate of the WTO (GATT 1994), and it is also a core principle of the OECD Arrangement. However, I argue, the primary function of the multilateral trading system—the construction of rules to govern the global economy—has now been largely blocked due to conflict between the system's two dominant powers, the US and China. This analysis draws on field research conducted over an eleven-year period between 2007 and 2018 at the WTO in Geneva and the OECD in Paris, as well as in Washington, Beijing, Brussels, Tokyo, Brasilia, Sao Paulo, New Delhi, and Ottawa, including over 200 interviews with trade negotiators, senior government officials, and representatives of industry and nongovernmental organizations (NGOs).[5]

The Limits of Incorporation

Existing scholarship has assumed that if rising powers are supporters of established governance institutions and successfully incorporated into their decision-making structures, then those institutions will continue to function smoothly and effectively (Ikenberry 2011; Paul 2016a). However, analysis of global trade governance challenges this view. This is an area of global economic governance where the US has actively sought to incorporate China: the US and other established powers welcomed China into the power structure of existing or new institutions, attempted to engage it in the process of global rule-making, and gave it a seat at the table that reflected its economic weight. The WTO represents a case of successful incorporation, in which China joined the institution and subsequently became part of its core power structure. It is also a case in which China is a system-supporter, rather than a radical revisionist: China strongly supports the rules-based system of the WTO, from which it has been a major beneficiary. Yet, China's rise has nonetheless proven profoundly disruptive to the multilateral trading system: a clash between the US and China has resulted in the collapse of the Doha Round, representing a breakdown of the institution's core negotiation function.

Since the Doha collapse, the focus at the WTO has shifted from seeking to conclude a broad-based, comprehensive trade round to trying to craft narrower, targeted agreements on specific trade issues, such as agricultural subsidies and fisheries subsidies. Yet, as I demonstrate, the same fundamental and intractable conflict between the US and China—which centers on how China should be classified and treated under multilateral trade rules—has persisted in the post-Doha context and continues to impede efforts to construct new and expanded rules for the international trading system. It is clear that changes in the distribution of power are thus having destabilizing effects—even when China is incorporated into global trade governance and is broadly supportive of its aims and principles, as in the case of the WTO.

Furthermore, as analysis of the OECD Arrangement illustrates, although China is generally a beneficiary and supporter of an open, rules-based trading system, it has actively resisted incorporation into some important aspects of the trade regime. There has been a concerted effort on the part of the US and other established powers to incorporate China into global rule-making on export credit; indeed, the US made this one of its top priorities in its economic relations with China. The US and other advanced-industrialized states have a keen interest in binding China to such rules, as China has become the world's largest supplier of export credit. But, despite considerable pressure from the US and other advanced-industrialized states, China has resisted US-led efforts to incorporate it into existing or new disciplines on export credit, which it views as contrary to its development interests. There are thus certain aspects of global trade governance where China has economic and strategic reasons to resist incorporation—and China has shown that it has sufficient power to successfully repel efforts by the US and other established powers to compel it to participate. The result, however, is that China's rise risks undermining the system for governing export credit that worked effectively for decades to prevent a competitive spiral of state subsidization via export credit.

Can the global trading system adapt to, manage, and accommodate increasing rivalry between the US and China? The evidence to date, I argue, suggests that this is proving extremely difficult. Growing tensions surrounding China's rise and its rivalry with the US are profoundly undermining the established system of global trade governance by eroding the efficacy of existing institutions and preventing the creation of new and stronger rules to govern global trade. In this analysis, I seek to go beyond a narrow focus on US–China relations to examine the broader, systemic implications of the power struggle between the US and China. The evidence presented demonstrates why US–China rivalry matters—not just for great power politics, or the relative weight or interests of those two states, but because it has critical implications for vital areas of global governance and policy. As I will show, the disruption of global rule-making in trade has significant consequences not only for the governance of global markets and trade, but also for efforts to use the trading system to address important global problems related to development and the environment.

The book analyzes five cases: (1) the WTO Doha Round, a broad-based, comprehensive trade round; (2) post-Doha WTO negotiations on agricultural subsidies; (3) post-Doha WTO negotiations on fisheries subsidies; (4) the OECD Arrangement on Export Credit, focused on industrial goods and services; and (5) new OECD Arrangement disciplines on export credit for coal-fired power plants. The negotiations analyzed here capture a diverse array of issue areas: a comprehensive trade round, agriculture, fisheries, industrial goods and services, and coal-fired power plants. The cases cover two distinct institutions with different institutional dynamics: the WTO—a formal international organization with near-universal membership that makes hard law that is legally binding on states; and the OECD Arrangement—an informal "gentleman's agreement" based on a form of club governance. The selected cases also capture variation in China's incorporation: the WTO represents a case in which China has been incorporated into global trade governance; the

OECD Arrangement is a case in which China has refused to be incorporated; and the negotiation of the new OECD Arrangement rules on export credit for coal power plants represents a case in which China was absent entirely from the negotiations. As the cases analyzed demonstrate, regardless of whether or not China has been incorporated into governing institutions, its rise is proving highly destabilizing across a wide range of different areas of global trade governance.

As the collapse of the Doha Round indicates, conflict between the US and China—centered on how China should be treated in the multilateral trading system, and specifically whether it should have access to the special and differential treatment granted to developing countries—has severely disrupted global rule-making in the realm of trade. Analysis of the post-Doha negotiations on agricultural subsidies and fisheries subsidies shows how this US–China conflict has persisted and has continued to block rule-making at the WTO. The agriculture and fisheries cases also highlight the wider consequences of this conflict, as these are issues of tremendous importance to much of the developing world, and in the case of fisheries subsidies also critical to advancing important environmental objectives. Both of these cases underscore the difficulty of treating China as a developing country and exempting it from trade disciplines, given that its policies have profound global implications. The case of export credit shows how China's understandable reluctance to participate in the regime, due to a clash with its development objectives, is nonetheless eroding an important set of rules intended to prevent a global subsidy war. Finally, the negotiation of new rules governing export credit for coal power plants—one of the first efforts to construct global disciplines on subsidies for fossil fuel industries—illustrates the challenge of crafting meaningful global rules in the realm of trade without China's participation. Like fisheries subsidies, this case also lies at the intersection of trade and environment and therefore underscores the broader implications of contemporary difficulties in constructing effective global trade rules.

Peripheral Powers

The rise of China has radically changed the dynamics of global trade governance. US–China conflict has become the dominant feature in multilateral trade negotiations, across a wide range of different areas. Amid the central, gravitational pull of conflict between these two dominant powers, I argue that other major powers—even those that were once dominant players in global trade negotiations such as the EU—have been relegated to the status of "peripheral powers." This represents a significant shift. For much of the history of the trading system, it was the US and EU—the transatlantic "G2," along with Japan and Canada as junior partners—that dominated negotiations (Elsig and Dupont 2012; VanGrasstek 2013). The inner-circle of decision-making, centered on these four players, was known as the "Quad." Then, during the Doha Round, two emerging powers, Brazil and India—who played a far more active and aggressive role in challenging the dominance of the traditional powers and shaping the agenda of the round than China—displaced Japan and Canada from the inner-circle and formed a new "Quad" with the US and EU (Hopewell 2015). Now, however, the dynamics of power have shifted once again: other major powers, including the EU, Japan, Canada, India, and Brazil, have become largely secondary to the new G2 of the US and China. While these other states still play an important role in multilateral trade negotiations—and may exert influence in advancing or blocking specific issues—ultimately, as the following analysis will show, the principal dynamic now centers on the two most powerful players, the US and China.

We are thus seeing a realignment of the primary structure of global trade politics. In recent decades, the appearance of growing multipolarity in the global political economy has prompted a flurry of interest and excitement (Acharya 2014; Margulis and Porter 2013; Stuenkel 2015). Yet, in the realm of trade, the multipolar world associated with the emergence of the BRICS (Brazil, Russia, India, China, and South Africa) (Armijo 2007; Chin 2015; Cooper 2016) or the "rise of the rest" (Zakaria 2008) is collapsing back into a geopolitical system defined by two power players.

This Time It's Different: The Japan Comparison

In debates about the impact of China's rise, skeptics frequently draw parallels to erroneous predictions that a rising Japan would bring an end to American economic dominance in the 1980s and early 1990s. To quote Edward Mansfield (2014: 439), two ensuing decades of Japanese economic decline and contraction "made a mockery of those predictions." Likewise, David Lake (2014: 445) argues, "one need only remember the fear of 'Japan, Inc.' in the 1980s—an overhyped trend that was followed by an American technological resurgence and two decades of stagnation in Japan" to know that predictions of power shifts can often be wrong. Ruchir Sharma (2012) confidently asserts in *Foreign Affairs*:

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"in due time, the sense of many Americans today" that China is swiftly overtaking the US "will be remembered as one of the country's periodic bouts of paranoia, akin to the hype that accompanied Japan's ascent in the 1980s." Many thus argue that, like Japan, claims about the rise of China are overblown, and China's perceived threat to American hegemony will prove similarly fleeting and illusory. Analysis of the trade regime, however, refutes the notion that China is just another Japan.

Unlike Japan and other previous rising powers, China's rise has already substantially disrupted the functioning of multilateral trade governance—as well as the ability of the US hegemon to exercise power in and through the system of institutions it constructed precisely for that purpose. In the past, the American hegemon was able to successfully integrate other major economic challengers, such as the EU and Japan, into the GATT/WTO and associated aspects of the trade regime, such as the OECD Arrangement on Export Credit. But, as the failure of the Doha Round indicates, China's rise is proving more disruptive to the GATT/WTO than that of other powers. And, in contrast to the past, when the US was able to overpower resistant countries such as Japan and France and force them to participate in the OECD Arrangement, the US now lacks the leverage to compel China to participate in the export credit regime and accept such disciplines. These developments signal a weakening of the US's ability to impose its will globally. China's rise has proven profoundly disruptive to both US hegemony and global trade governance, in ways that previous emerging powers, such as Japan, were not.

As Rosemary Foot (2017) details, one of the factors that distinguishes China's rise from previous rising powers is the potential security threat it poses to the American hegemon that was not present with Japan or Europe, which were both military allies of the US and part of its sphere of influence in the context of its Cold War rivalry with the Soviet Union. But there is also another factor that distinguishes China: while China is now seen as a major economic challenger and potential rival to US hegemony, it is at a radically different level of development than the US. As I will demonstrate, in contrast to China, by the time the US grew concerned about competition from the EU and Japan, they were already developed countries with advanced-industrialized economies and therefore competing on a relatively equal footing. As such, they were in a position to engage in a reciprocal exchange of concessions in multilateral trade negotiations. Moreover, while Japan never surpassed the US as the world's largest manufacturer—a position the US held for over a century and which was seen as an important pillar of American economic supremacy—China has already done so.[6] These distinct features of China's rise, and the challenge it poses to the US, have factored heavily in the dynamics of contemporary multilateral trade negotiations.

THE CHINA PARADOX

This book highlights the challenge of negotiating trade rules between two dominant powers at different levels of development. Paradoxically, China is now both an economic behemoth and—compared to the US and other advanced-industrialized states—a relatively poor country (Womack 2016). Although China is the world's second largest economy after the US, its per capita income is only 15 percent of that of the US (with a per capita GDP of just \$8,000 compared to \$57,000 in the US).[7] Compared to the US, China is thus at a significantly lower level of economic development, measured in terms of average incomes. Not surprisingly, one of China's key overarching goals is to ensure its continued economic development, in order to raise its per capita income levels and bring them closer to those in developed countries. However, this asymmetry in the levels of development of the world's two major powers creates new and unprecedented challenges for global trade governance. In the past, the most powerful states in the global political economy were all high-income, developed countries; developing countries formed the periphery of the global economy and were relegated to the margins of its governance. The rise of China, however, signals a new bifurcation of economic power and development status. China has emerged as a core country in the global economy and one of the most powerful states in the multilateral trading system, but it is still a developing country. And this contradiction between China's economic might and its level of development creates significant challenges for global rule-making.

The Battle: What Rules Will Apply to China?

The question of how China should be treated under global trade rules has become one of the prime sources of conflict in the multilateral trading system. While China remains a developing country and continues to face significant development challenges, it is now an extremely large and immensely powerful force in the global economy and seen by many states, not just the US, as a major competitive threat. A key principle of the trading system is that developing countries should be granted special status, and allowed greater scope to continue to use tariffs, subsidies, and other trade measures to help foster development. China insists that it should be treated as a developing country, entitled to access the same exemptions and exceptions granted to other developing countries. But, in the context of its rivalry with China, for the US, making largely one-sided concessions in opening its own market without equivalent concessions from China is inconceivable. The US is unwilling to extend unilateral trade concessions to the country it sees as a major economic challenger and the chief rival to its hegemony. Instead, the US insists that China must take on greater responsibility commensurate with its role as the world's second largest economy—which, in trade, means undertaking greater commitments to open its market and accept disciplines on its use of subsidies.

The rise of China has thus heightened the tension between two core principles of the multilateral trading system: reciprocity versus special and differential treatment. For most of its history, the GATT/WTO was dominated by a relatively small number of developed countries and focused on managing trade relations among those states. When multilateral trade negotiations took place primarily among developed countries, they operated based on the principle of reciprocity—the idea that participants would enjoy roughly equivalent benefits, or, conversely, roughly equivalent costs (Brown and Stern 2012). Participants engaged in a reciprocal exchange of concessions ("I will cut my tariffs/subsidies if you cut yours") focused on negotiating broadly equal gains in global markets. Similarly, in the OECD Arrangement on Export Credit—a "rich man's club" of advanced-industrialized states—reciprocity took the form of a set of universal rules, with rights and obligations applying uniformly to all participants. Since developing countries were not—until recently—significant providers of export credit, there was no call for them to be subject to such rules.

The principle of reciprocity has coexisted with a second key principle of the trading system: special and differential treatment (SDT) for developing countries. It has long been acknowledged that developing countries should not be subject to the same reciprocal exchange of concessions, based on the view that equal treatment is not equal for states at different levels of development and that developing countries cannot be expected to assume the same obligations as developed ones. Dating back to Alexander Hamilton's (1790) argument for the US to adopt infant industry protections to enable the expansion of its manufacturing sector in the context of British industrial supremacy, there has been skepticism about free trade as a path to development and the capacity of developing

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countries to catch up with more advanced economies without interventionist trade policy measures such as tariffs and subsidies. Within the GATT/WTO, SDT is the product of hard-fought, coordinated political efforts by developing countries to correct the perceived inequalities of the global trading system (Gibbs 2000; Hannah and Scott 2017). According to the principle of SDT, countries at lower levels of development should not be required to open their markets at the same pace as more advanced competitors and should be given preferential and non-reciprocal access to developed countries' markets (Margulis 2017; VanGrasstek 2013). Rather than universal rules applying to all countries, developing countries should be allowed greater scope to protect their markets and promote the expansion of domestic firms and industries. While the concept of SDT, and specifically how it should be operationalized in global trade rules, has never been uncontroversial, with the rise of China as a major economic power that is also a developing country, it has now emerged as the central, overarching source of conflict within the trading system.

The key conflict between the US and China in global trade governance rests on whether the rules should be universal and concessions reciprocal, or whether China should have access to SDT and be exempted from certain rules in recognition of its status as a developing country. At the heart of this conflict are competing interests, as well as ideas of fairness. From the perspective of the US, fairness means a level playing field, based on universal rules applying equally to all, and the reciprocal exchange of concessions. But from China's perspective, what the US perceives as a level playing field is, in fact, one that serves to perpetuate its industrial and economic supremacy.

For China, maintaining the policy space needed to foster its continued economic development is an essential priority. China's development model is predicated on an active state engaged in promoting development by fostering industrial upgrading, supporting the competitiveness of national firms and industries and helping them to move up the value chain into higher value-added activities, and thereby boosting growth, incomes, and the quality of employment (Lin and Chang 2009; Stiglitz, Esteban, and Lin 2013). An interventionist state has played an important role in China's remarkable rise thus far and remains central to its strategy for continued development, as evident in its Made in China 2025 industrial policy program (Ban and Blyth 2013; Hopewell 2018; Nölke et al. 2015; Stephen 2014). China's emphasis on state intervention is backed by the experience of other successful late developers (Chang 2002; Lazonick 2008; OECD 2013: 105; Reinert 2007; Warwick 2013). As even *The Economist* (2012), normally a robust champion of free trade, acknowledges, "every rising power has relied on the state to kickstart growth or at least to protect fragile industries."

Indeed, the US and other advanced-industrialized states relied on state intervention and employed a range of protectionist policies during their own process of economic development (Kupchan 2014). This included using tariffs and subsidies to foster the growth of infant industries and sequence their integration into the global economy; aggressively adopting technology from more advanced countries; and controlling the inflow of foreign investment to direct it toward the goals of national development (Chang 2002; Gallagher 2008a; Wade 2003). Moreover, even from a position of global economic dominance, the US has continued to deviate from the principles of free trade and make use of protectionism when it serves its interests (Block and Keller 2011; Hopewell 2017b; Lazonick 2008; Schrank and Whitford 2009; Weiss 2014). From China's perspective, in seeking to preserve scope for state intervention to promote industrial development, it is simply seeking to follow in the footsteps of the US and other advanced-industrialized states, but the US is seeking to "kick away the ladder" by preventing China from using many of the same policy tools that were vital to the US's own growth and development (Chang 2002; Gallagher 2008a; Stiglitz and Greenwald 2014).

This conflict between US demands for reciprocity and China's demands for special and differential treatment as a developing country was at the center of the Doha Round breakdown. And, if anything, the issue of SDT for China has grown even more significant—and more difficult to resolve—since the Doha collapse, as evident in subsequent efforts to conclude standalone agreements on agricultural subsidies and fisheries subsidies. In addition, just as China has demanded SDT exemptions at the WTO, it has similarly refused to participate in global export credit disciplines in the OECD Arrangement or a new replacement, insisting that as a developing country it should not be bound by such restrictions.

In the context of the growing rivalry between the US and China, the issue of extending special and differential treatment to China is extraordinarily contentious. But it is also problematic for other reasons—particularly its effects on other (poorer and weaker) developing countries. Although China may still be a developing country, as the following analysis will show, its economy is now of such a magnitude that its trade policies have profound global impacts. China is now not only the world's biggest trader, but also the largest supplier of agricultural and fisheries subsidies, largest provider of export credit, and largest supplier of export credit for coal-fired power plants. The problem with exempting China from trade disciplines is thus that, given the size of its economy and the massive volume of subsidies it is now providing, its policies have major systemic consequences for the global economy and trade. Moreover, as the cases of agricultural subsidies, fisheries subsidies, and export credit for coal plants will demonstrate, exempting China from global trade disciplines threatens to jeopardize efforts to achieve crucial global development and environmental objectives.

China's Impact on Trade and Development

For decades, the key axis of conflict over development issues in the trading system has been drawn on North–South lines. Given that it is a developing country, some might have expected that China's ascendance as a major power in the global trade regime would lead to a rebalancing of power in multilateral trade negotiations from the Global North towards the Global South, helping to make the system work better for developing countries and aiding the goal of fostering development. But, actually, just the opposite has occurred: China's rise has created new obstacles to efforts to link trade and development—as well as trade and environment—in a more equitable and resilient way.

China describes itself, in the words of one of its senior trade representatives, as a "champion" of "international fairness and justice" seeking to "uphold the basic rights of developing countries" (quoted in *Inside US Trade* 2019). China continues to frame global trade politics as a North–South struggle, but that framing is increasingly problematic. As the agriculture and fisheries cases will show, China's pursuit of its interests within the multilateral trading system often runs counter to—and comes at the expense of—other developing countries. China's trade policies now have significant implications for development in the rest of the Global South. Its agriculture and fisheries subsidies cause considerable harm to other developing countries, but China has resisted multilateral trade disciplines based on its status as a developing country. By refusing to accept disciplines on its subsidies, China is blocking reforms of the trading system that are crucial to the interests of other developing countries.

To be clear, this is far from unique to China. On the contrary, China is behaving much like any other great power—protecting what it sees as its core economic and strategic interests, largely regardless of the impact on others. In the multilateral trading system, as Dominic Kelly and Wyn

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Grant (2005: 2) put it, echoing Thucydides, "the strong do what they will and the weak do what they must." Volumes have been written about the harmful effects of US and EU trade policies on developing countries and how the traditional powers have resisted changes to global trade rules that would aid development (Bukovansky 2010; Gallagher 2008b; Hannah 2015; Jones and Weinhardt 2015; McMichael 2012; Porter 2005; Sell 2006; Shadlen 2005; Singh 2017; Trommer 2014; Wade 2003). The US and other advanced-industrialized states have long been seen as obstacles to a fairer and more equitable trading order that would accommodate the needs of the Global South for development (Eagleton-Pierce 2012; Hopewell 2016; Wilkinson and Scott 2008). What this book shows, though, is that this is no longer a role reserved solely for rich countries. Now China is doing very much the same thing.

The old North–South framing of global trade politics that arose out of the era of post-war decolonization and Third World nationalism is proving increasingly inadequate amid the rise of China. Contemporary conflicts over global development in the multilateral trading system cannot simply be reduced to North versus South. The fault lines of this conflict have grown far more complex than ever before.

China's Impact on Trade and Environment

The breakdown of global rule-making in trade has important implications not just for the governance of the liberal trading regime, but also attempts to ground and reframe that regime in terms of sustainable development. In recent years, there have been growing efforts to use global trade rules and institutions to help address climate change and achieve the UN Sustainable Development Goals, by restricting the ability of states to use trade policies that have harmful environmental effects. The goal is to achieve a "triple win"—an outcome that is positive for trade, development, and the environment. Two of the most prominent examples—negotiations on fisheries subsidies and export credit for coal power plants—are both cases analyzed in this book.

While China's role elsewhere in global environmental governance has received considerable attention—such as in the international climate change negotiations, where it is increasingly positioning itself as an emerging global environmental leader (Christoff 2016; Hochstetler and Milkoreit 2015; Pearson 2019)—there has been little analysis of China's impact on efforts to promote environmental sustainability within the trade regime. As I will show, China's trade policies are having increasingly harmful effects on the environment, but it has resisted external disciplines on the basis of its developing country status. By refusing to accept disciplines on its subsidies, China is hindering efforts to use the trading system to achieve important environmental goals, such as reducing fisheries subsidies that contribute to the depletion of global fish stocks and restricting subsidies for the export of coal power plants that contribute to climate change. Again, China is hardly alone in resisting global environmental reforms that clash with its economic interests—at various times and on various issues, other major powers like the US and EU have often been the stumbling block to progress on environmental sustainability in global governance (Falkner 2005; Hovi, Sprinz, and Bang 2012; McCright and Dunlap 2014). But, with its newfound power, China is now playing a major role in blocking environmentally oriented reforms within the multilateral trading system.

BLAME CHINA?

Many of those who see the rise of China as a destabilizing force in the liberal international economic order are eager to point the finger of blame at China, implying that its goals must be illegitimate if they clash with the existing US-led order. Much analysis of the rise of China and other emerging powers has been shaped by a narrow framework for understanding their agendas and impact: if they do not support the status quo, existing governance regimes, or the preferences of the US and other traditionally dominant powers, rising powers are labelled "spoilers" or "shirkers" (Schweller 2011). The disruptive effects of China and other emerging powers are attributed to the fact that they are "irresponsible" (Patrick 2010) "troublemakers" (Kirshner 2012), who hold inappropriate "core values" (Castañeda 2010) and lack an adequate sense of "international civic duty" (Hampson and Heinbecker 2011).

Many of the cases presented here, however, problematize such interpretations. As an analysis of trade governance makes clear, the reality is considerably more complex. There are several problems with the "blame China" narrative. First, although they may conflict with those of the US, that does not mean that the objectives China is seeking to advance—fostering its continued national economic development, as well as essential security goals, such as ensuring food security—are illegitimate. In the case of export credit, for example, China's rise has indeed been deeply disruptive; however, this is not simply because

China is a troublemaker, but because it has important development objectives that conflict with the overarching goals of the governance regime. Second, in some cases, such as the collapse of the Doha Round, blame could just as easily be placed on the US, which could just as readily be labelled a "spoiler," "troublemaker," "shirker," or "irresponsible" for its role in preventing conclusion of the round. Third, in yet other cases, such as agriculture and fisheries subsidies, China is in fact closely emulating the longstanding behavior of the US and other Western states by resisting efforts to discipline its subsidies. The objective here is thus not simply to add to the "blame China" chorus, but to unpack the nature of the underlying conflict that is destabilizing global trade governance and to take seriously China's objectives, while nonetheless critically evaluating their effects.

THE RISE OF TRUMP

The election of President Donald Trump, propelled in part by a surge of anti-trade sentiment that blames "unfair trade" for the current economic and social ills of the US, has raised new doubts about the future of the US-led liberal international economic order. Trump has threatened to exit the WTO or disregard its rules, impose massive tariff walls, arbitrarily restrict access to the US market, and take unilateral retaliatory trade actions against other states. With a US President hostile to free trade and international cooperation, the US appears to be abandoning its commitment to the liberal order and abdicating its leadership role. It is not clear whether Trump represents a temporary departure from historical norms or a fundamental and lasting shift in US trade policy and its approach to international economic relations—in other words, whether American foreign economic policy will "go back to normal" after Trump, or whether Trump represents the new normal. However, what this book demonstrates is that, even prior to Trump, the multilateral trading system was in considerable turmoil. The exercise of American power in global trade institutions had already been significantly curtailed by the rise of China, and growing tensions between the US and China had deeply disrupted rule-making in the trade regime, at the WTO and beyond. These fundamental challenges in global trade governance pre-dated Trump and will persist after he leaves office, even if he is replaced by a subsequent president who returns the US to its more traditional support for trade and international institutions.

AN OUTLINE OF THE BOOK

The chapters in this book chronicle the impact of China's rise on global trade governance across a range of different areas. In Chapter 1, I show how conflict between the American hegemon and its emerging challenger led to the collapse of the Doha Round and the breakdown of the WTO's core negotiation function. At the center of the Doha standoff, I argue, is a dispute between the US and China centered on how China should be treated in the multilateral trading system. China has maintained that, as a developing country, it should be entitled to the special and differential treatment promised to developing countries in the Doha Round. The US, however, is unwilling to extend such treatment to its principal economic and political rival, and therefore refused to conclude the round without greater market opening from China. China rejected American demands that it undertake additional liberalization concessions, and, in doing so, showed that it has sufficient power to refuse to concede to US demands that it views as fundamentally against its own development interests. The US has a long track record of successfully overpowering opposition in multilateral trade negotiations and securing assent for its desired outcomes. Yet, in contrast with the past, the US has been unable to overpower China, and this deep and lasting impasse between the two powers resulted in the collapse of the Doha Round.

The next two chapters turn to examining dynamics at the WTO since the breakdown of the Doha Round. I focus on two of the prime areas of negotiations since the Doha collapse—agriculture and fisheries subsidies. Both underscore the broader implications of the tensions surrounding China's rise, as these are critical trade issues for the developing world and, in the case of fisheries subsidies, also of vital importance for the environment. As I show, the same conflict between the US and China over SDT has persisted in the post-Doha context and continues to impede global rule-making.

Chapter 2 analyzes how China's ascendance has radically altered the dynamics of one of the most prominent and controversial issues in the trading system: agricultural subsidies. Agricultural subsidies depress global prices and undermine the competitiveness and livelihoods of poor farmers and have long been seen as a symbol of the injustice of the trading system. The issue has traditionally been understood in North–South terms, with the US and other developed countries seen as the perpetrators of harm and developing countries as innocent victims. In this chapter, however, I show that this prevailing conception of the agricultural subsidies issue is no longer accurate. A momentous but underappreciated change has taken place: China has emerged as the world's largest subsidizer, upending the entrenched understanding of agricultural subsidies as a harm perpetrated by the Global North upon the Global South and profoundly transforming the global politics of agricultural subsidies. From a North–South battle, WTO negotiations on agricultural subsidies have been transformed into a conflict centered on the US and China. The US, as the world's largest agricultural exporter, is eager to restrain China's subsidies and insists that it will only agree to stricter rules on its own subsidies if they also apply to China. But China has refused, insisting that, as a developing country, it should be exempt from any new restrictions on subsidies. The US has been unable to force China to accept disciplines on its subsidies, leading to a stalemate. While reducing trade-distorting subsidies remains a pressing concern for developing countries, efforts to negotiate new and strengthened disciplines at the WTO have been paralyzed by an impasse between the two dominant powers, heavily shaped by the hegemonic rivalry between the two states. China, along with the US, is now playing a major role in blocking pro-development reform of the trading system at the WTO.

Chapter 3 explores a second major area of focus at the WTO since the collapse of the Doha Round: fisheries subsidies. This issue has been identified as a priority area of negotiations given its environmental implications and importance for many developing countries. There is widespread concern about the role of subsidies in the depletion of global fish stocks, by driving overcapacity and overfishing, and thus the need for coordinated action in the trading system to address this issue. Achieving a multilateral agreement to restrict fisheries subsidies has been seen as a key means for the WTO to contribute to addressing a pressing global environmental and development issue, and thus to resuscitate the institution and prove its continued relevance following the Doha collapse. Fisheries subsidies have therefore been the subject of intense negotiating efforts. However, like agricultural subsidies, the key issue of contention is how China and other large emerging economies should be treated under any new disciplines. The fisheries subsidies case sharply underscores the problem with extending special and differential treatment to China: since China now has the largest industrial fishing fleet in the world and provides the greatest volume of subsidies, exempting its subsidies from disciplines would severely harm the sustainability of global fisheries. Efforts to negotiate a standalone agreement on fisheries subsidies have run aground amid this central issue of dispute. The result has been a failure to arrive at new disciplines, the consequences of which are felt most keenly by poor developing countries whose populations are heavily dependent on fisheries for food security, livelihoods, and exports.

Chapter 4 analyzes China's impact on the global governance of export credit, the use of loans and other forms of financing by states to support exports. The existing system of governance for export credit—which limits the ability of states to use export credit to subsidize, and thus artificially boost, their exports—centers on the OECD Arrangement on Export Credit. For decades, the OECD Arrangement has been held up as a successful example of liberal trade governance, with its system of disciplines proving highly effective in preventing a destructive, competitive spiral of state subsidization via export credit. I show, however, that the rise of China has profoundly altered the landscape of export credit and disrupted its governance arrangements. As with agriculture and fisheries subsidies, China has emerged as the world's largest provider of export credit. Yet China has refused to join the OECD Arrangement, and while it agreed to participate in a US-driven initiative to negotiate a new set of international rules that would incorporate China and the other emerging economies, it has persistently thwarted that process. China has little incentive to agree to disciplines on its use of export credit, which plays a central role in its development strategy. Despite considerable US pressure, China has refused to capitulate and subject itself to international disciplines that it views as fundamentally against its interests. As at the WTO, China has shown that it has sufficient power to stand up to the US in defending its development interests. Yet, the result, I argue, is that China's rise is undermining the liberal regime for governing export credit by eroding the efficacy of existing disciplines and blocking efforts to construct new ones.

Chapter 5 examines the US-led effort to establish new global rules to restrict export credit for coal-fired power plants, which are highly polluting and a major contributor to climate change. Government-backed export credit for coal power plants acts as a form of export subsidy, and thus promotes the expansion of such plants abroad. Motivated by environmental concerns, the US spearheaded multilateral negotiations within the context of the OECD Arrangement to prohibit the use of export credit for coal power plants. This represented a ground-breaking effort to establish concrete global disciplines on subsidies for fossil fuel industries. However, since China is not part of the Arrangement, it was not a participant in the negotiations or bound by the new disciplines created. China's absence, I argue, weighed heavily over the negotiations and undermined US efforts to construct an ambitious agreement. China is now the world's largest exporter and financer of overseas coal power projects, accounting for nearly half of all export credit in this sector. OECD exporters were extremely resistant to agree to restrict their use of export credit when China—the dominant player in the field and their chief competitor—would face no similar restraints on supporting its exports. Moreover, without China's participation, the impact of the resulting agreement is severely limited, as it leaves out the largest supplier of export credit for overseas coal plants. This case thus highlights the difficulty of building effective global trade rules today without the participation of China.

The concluding chapter returns to the central themes raised in this introduction. Drawing on the five cases analyzed, I argue that, even though China's economic and overall power capabilities remain far smaller than those of the US, it has profoundly disrupted the exercise of US power in global trade governance. China has consistently thwarted US efforts to construct new global trade rules, producing a recurrent deadlock across a wide range of different areas of global trade governance. The rise of China, and its resulting clash with the US, is blocking global rule-making in trade and undermining the institutions designed to prevent global trade wars. The *China paradox*—the fact that China is now both a major economic power and a developing country with relatively low per capita incomes—has created significant challenges for global trade governance. The issue of whether, and how, the rules of the multilateral trading system will apply to China is proving to be a difficult and intractable source of conflict. While China demands exemptions from global trade disciplines as a developing country, the US refuses to extend special treatment to China and insists on universal rules and reciprocal concessions. As the cases analyzed in this book demonstrate, this fundamental conflict over how China should be treated in the multilateral trading system, which has paralyzed global rule-making in trade, has profound implications—not only for the governance of global trade, but also for pressing issues related to global development and environment.