



## Developing Country Tag to China: WTO

**For Prelims:** Developing Country Status, WTO, S&DT, Unfair Trade Practises, USTR.

**For mains:** Developing Country and Least developed country tags at WTO and its significance, Analysis of China's Current Status.

### Why in News

Recently, China got the 'developing country' status at the [World Trade Organisation \(WTO\)](#).

- It has become a **contentious issue with a number of countries raising concerns** against the decision.
- Earlier in 2019, the [South Korean Government decided not to seek any special treatment](#) as a developing country from future negotiations at the WTO.



### Key Points

- **About:**
  - The **WTO has not defined 'developed' and 'developing' countries** and therefore member countries are free to announce whether they are 'developed' or 'developing'.
    - However, **other members can challenge the decision** of a member to make use of provisions available to developing countries.
  - The WTO **lacks a proper definition of a developing nation although two-thirds of its 164 members classify themselves as developing.**

- As WTO members can declare themselves developing nations, this provides an advantage to nations like China to expand their dominance in global trade even while classifying themselves as developing and thereby obtaining **Special and Differentiated Treatment (S&DT)**.
- **China's Case:**
  - Given **the rise in China's per capita income to become an upper middle-income country according to the World Bank** and the country's alleged use of unfair trade practises, a **number of nations have called on China to either refrain from seeking benefits** available to developing countries or forgo its classification as a developing country altogether.
    - Some of China's **unfair trade practises include** preferential treatment for state enterprises, data restrictions and inadequate enforcement of **intellectual property rights**.
  - Prima facie, it does appear anomalous that the world's second-largest economy—which accounted for a quarter of global **Gross Domestic Product** (GDP) growth in 2021—considers itself as the largest developing country.

## World Bank's Classification of Countries

- The World Bank assigns the world's economies to **four income groups**—low, lower-middle, upper-middle, and high-income countries.
- The classifications are **updated each year on 1<sup>st</sup> July** and are based on **Gross National Income (GNI)** per capita in current USD of the previous year.
  - GNI is the total amount of money earned by a nation's people and businesses.
- In its latest classification (2020-21), the World Bank has classified **India** as a **lower-middle-income country**.
- **Concerns Raised:**
  - China's status as a 'developing country' at the WTO has become a contentious issue with a number of countries raising concerns **over the upper middle-income nation deriving benefits reserved for developing countries under WTO norms**.
  - One way for China to show leadership would be **by refraining from claiming benefits that would correspond to a developing country** in ongoing negotiations," the **European Union (EU)** said in a statement on the latest review of China's Trade Policy conducted in October 2021. The **United States Trade Representative** also released a similar statement.
    - Australia too had **recommended that China relinquish "its access to S&DT"**. China's per capita income was USD 10,435 in 2020 according to the **World Bank** while that of **India was USD 1,928**.
    - India has also **questioned China's claim that it was a developing country**, since, going by the **World Bank's** definition, its per capita income belongs to that of an upper middle income country.
  - Moreover, **concerns have been raised over the Least-Developed Country (LDC), with Bangladesh** potentially losing this tag after surpassing India in terms of GDP per capita.
- **Benefits of Developing Country Status:**
  - Certain WTO agreements give developing countries special rights through S&DT provisions, which **can grant developing countries longer timeframes to implement the agreements and even commitments** to raise trading opportunities for such countries.
    - S&DT allows developing and poor countries certain benefits, including **longer transition periods for implementing commitments**.
    - It also provides measures to **increase trading opportunities for developing countries**, provisions requiring all WTO members to **safeguard the trade interests of developing countries**, support to help developing countries **build the capacity to carry out WTO work**, handle disputes, and implement technical standards, and provisions related to LDC Members.
  - WTO **pacts are often aimed at reduction in government support to certain industries over time** and set more lenient targets for developing nations and grant them

- more time to achieve these targets compared to developed ones.
- The classification also **allows other countries to offer preferential treatment.**

## Note

- At a time when developed nations are pushing WTO-reforms that would dilute S&DT provisions, **India has indicated that it will fight for preserving S&DT for the developing world.**
- Given **India has earlier said it is open to discussions on which country should be considered developing,** it must take the lead in this regard.
- **China's Stand:**
  - China has **consistently maintained that it is the "world's largest developing economy"** but has recently indicated that **it may be willing to forego many benefits of being a developing country.**
  - It has reportedly informed that **the country may forgo all exemptions available to developing countries in negotiations** aimed at cutting fishing subsidies to curb overfishing.

## Way Forward

- WTO must clearly define a developing nation at the earliest so that only such nations can claim S&DT.
- New approaches to strengthen the multilateral trading system", the way forward is to **adopt a procedure wherein each nation, keeping its national interests in mind, makes withdrawal strategies to claim S&DT benefits** and ultimately from developing nation status.
- Another idea is **'graduation' whereby as and when member nations meet certain objective criteria, they won't be subject to developing country status.**

**Source: IE**

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