How long can China be a Developing Nation?

What is the issue?

The WTO lacks a proper definition of a developing nation although two-thirds of its 164 members classify themselves as developing.

Who are the developing countries in the WTO?

- There are **no** WTO definitions of developed and developing countries.
- Members announce for themselves whether they are developed or developing countries.
- However, other members can challenge the decision of a member to make use of provisions available to developing countries.
- Developing countries are grouped as developing countries and least developed countries.

What are the advantages of developing country status?

- Provide special and differentiated treatment (S&DT) for developing and poor countries
- Provide developing countries with longer transition periods before they are required to fully implement the agreement.
- Developing countries can receive technical assistance.
- But the unilateral preference schemes of some developed countries such as the **Generalized System of Preferences (GSP)** is decided by the preference giving country.

What is the issue with the China?

- China, the **world's second-largest economy** which accounted for a quarter of global GDP growth in 2021 considers itself as the largest developing country.
- This provides an advantage to China to expand its dominance in global trade by classifying itself as developing and thereby obtaining S&DT.
- The US, EU and India posed queries in the WTO such as
    - As per the per capita income level, the Chinese economy belongs to 'upper-middle income'. How can China still claim to be a developing country?
    - What are the indicators which China is using to claim such a status?

How countries are classified based on income level?

- The **World Bank** assigns the world's economies to four income groups which are updated each year on July 1
- It is **based on GNI per capita** in current USD (using the **Atlas method** exchange rates) of the previous year.
- In July 2021, the World Bank country classification by income level was released.

- Going by the World Bank classification, **China** belongs to the **upper middle-income** countries with a per capita income of 10,435 dollars in 2020.
- **India**, with a per capita income of 1, 920 dollars belongs to the grouping of **low middle-income** countries.

What is the China's response and counter argument against that?

- **Arguments favouring China's developing country status**- China's response to the queries was that the concept of developing countries is relative to developed countries, and international organizations do not have a unified definition of developing countries.
- On the whole, compared with developed countries, developing countries lag far behind in economic strength, per capita income, economic structure, industrial competitiveness, social security system, environmental protection and the ability to participate in global governance.
- The problem of unbalanced, un-coordinated and unsustainable development remains evident.
- There is a wide gap between urban and rural areas and between different regions, with a relatively extensive development mode.
- China is clearly ill-equipped for scientific and technological innovation.
- **Counter arguments-** China is the world's second-largest economy accounting for a quarter of global GDP growth in 2021.
- It will be unfair as deserving countries get affected through its status.
- China has witnessed remarkable economic and social progress since reform and opening up.

What does this call for?

- The US has been demanding that China and India should voluntarily give up S&DT benefits due to their rapid economic progress.
- WTO must clearly define a developing nation at the earliest so that only such nations can claim S&DT.
- 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.

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