On U.S.'s WTO pullout threat

What is the issue?

- U.S. President threatened to pull the U.S. out of the World Trade Organisation (WTO) if it fails to treat the U.S. fairly.
- He also blamed it for allowing too many countries to claim the status of a developing country.

What is the story behind?

- In a memo to the U.S. Trade Representative last month, Mr. Trump pointed out that nearly 2/3rd of the 164 WTO members classified themselves as developing countries.
- He also raised the issue of even many rich economies claiming to be "growing" rather than "grown" economies.
- He targeted India and China in particular for "taking advantage" of the U.S. by classifying themselves as "developing countries" at the WTO.

What does the "developing countries" status mean?

- This status allows countries to seek partial exemptions from the WTO's rules for free and fair trade between countries.
- It allows countries like China and India, with their special tag, to impose higher tariffs on imports from other countries.
- It also offers more subsidies to local producers in order to protect their domestic interests.
- Developed countries find this to be **unfair on their producers** who are put at a relative disadvantage.
- But countries like China have argued that their developing country status is justified given their low per capita income.

What is the real intent behind the attack?

- The "developing country" status, which offers substantial benefits to countries that want to protect their domestic interests, has indeed skewed global trade over the years in favour of certain countries.
- Mr. Trump's attacks on the WTO would be welcome if they were truly about creating a global trading arena with lower tariffs and fewer barriers to trade.
- But he may be raking up the issue not to further the cause of global free

trade, but simply as a convenient pretext to justify further trade barriers against China and other countries.

- By pointing fingers at other countries that follow protectionist policies, he will find it justified to impose retaliatory tariffs against them.
- This will help him **bolster his "America First" approach** and allow him to successfully hold on to his support base in America's manufacturing belt that has been affected by foreign competition.
- Even if countries like China and India offer to lower their tariffs, Mr. Trump would not take them up on their offer.
- That is because it would require reciprocation in the way of lowering U.S. tariffs, which would work against the interests of local American producers.

Source: The Hindu

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