Developing Country Status in WTO

The South Korean Government has decided not to seek any special treatment as a developing country from future negotiations at the World Trade Organization (WTO).

- However, this does not mean that the country would forego its developing country status at the WTO.
- South Korea, Asia’s fourth-largest economy, has maintained its developing country status as a member of the WTO since the body’s creation in 1995, mainly to guard its agriculture industry. E.g.:
  - It imposes a tariff of more than 500% on rice imports.

- 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.
- The WTO Agreements contain special provisions which give developing countries special rights. These provisions are referred to as “Special and Differential Treatment” (S&D) provisions.
- The special provisions include:
  - Longer time periods for implementing Agreements and commitments,
  - 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 least-developed country (LDC) Members.
Benefits to Developing Countries in the WTO:

- The Agreement Establishing the World Trade Organization (also known as “the WTO Agreement”) specifies that international trade should benefit the economic development of developing and least-developed countries.
- General Agreement on Tariffs and Trade (GATT)— gives developing countries the right to restrict imports, if doing so would promote the establishment or maintenance of a particular industry, or assist in cases of balance-of-payments difficulties.
- Part IV of the GATT includes provisions on the concept of non-reciprocal preferential treatment for developing countries, i.e. when developed countries grant trade concessions to developing countries they should not expect the developing countries to make matching offers in return.
  However, developing countries claim that Part IV has been without practical value as it does not contain any obligations for developed countries.

Issues:

- Recently, U.S. President had put pressure on the WTO to change how it designates developing countries, singling out China, with which the United States is engaged in a trade war, for unfairly getting preferential treatment.
- The United States also recently proposed, that in current and future negotiations, following should not invoke the self-declaration option:
  - Members of the Organization for Economic Cooperation and Development (OECD)
  - Members of the Group of 20 (G-20),
  - High income countries as per the World Bank definition, or
  - Countries that account for 0.5% or more of global merchandise trade.
- In a rebuttal to the US approach, China, India, South Africa, and others submitted a proposal of their own. While reiterating that self-declaration is appropriate in the WTO context, they make the point that per capita indicators must be given top priority when assessing development levels.
- WTO members can consider the following steps to help integrate developing countries in global trade:
  - Countries can decide to follow South Korea’s example and not claim differentiated treatment, without the need to declare themselves “developed.”
  - Negotiations should provide for differentiated treatment taking into account the policy making challenges in developing countries without establishing permanent exemptions. These provisions should either be time-bound or have clear threshold and phaseout criteria, as in the WTO Agreement on Subsidies and Countervailing Measures.

Source: India Today