

STILL A DEVELOPING COUNTRY

Relevant for: International Relations | Topic: World Trade, WTO and issues involved

The World Trade Organisation's logo is pictured outside the trade body's headquarters in Geneva. File | Photo Credit: [REUTERS](#)

While on the one hand, the official narrative in India is that of a country making rapid developmental strides since 2014, on the other, when it comes to developmental status at the World Trade Organisation (WTO), India is trying hard to prove that it is a poor country.

Why this dichotomy? While the former assertion is made to please the domestic constituency, the latter proclamation is because of U.S. President Donald Trump's threat that countries like India should be stripped off their 'developing country' status in the WTO. Under the WTO system, generally, countries are designated as developed, developing, and least developed countries (LDCs). Article IX.2 of the WTO agreement provides that the LDC status of a country in the WTO is based on such status being recognised by the UN. But the agreement does not mention any criterion to determine a 'developing country' status.

The uneven level of development between developed and developing countries in the WTO is a well-recognised fact. Article XVIII of the General Agreement on Tariffs and Trade (GATT) recognises that attaining the objectives of this agreement would require facilitating the progressive development of those countries that can only support low levels of development and are at the early stages of development. Accordingly, countries self-designate themselves as 'developing country' to take advantage of provisions like Article XVIII of GATT and other special and differential treatment (S&DT) provisions in the WTO agreements. These provisions are aimed at increasing trade opportunities for developing countries, ensuring longer transitional periods to comply with WTO obligations, and affording technical assistance to countries, among other things.

In January 2019, the U.S. made a formal submission to the WTO that countries like India are no more 'developing countries' and thus should not enjoy the S&DT benefits. It presented data such as the fact that India's GDP has grown from \$0.60 trillion in 1995 to \$2.63 trillion in 2017. The U.S. proposed that any country that meets one of the following criteria shall not be eligible for S&DT benefits: membership of, or seeking accession to OECD; membership of G20; share in world exports exceeding 0.5% or classified as high-income group by the World Bank.

India is a member of the G20 and its share in world exports is around 1.7% as of early 2019. So, as per these criteria, India will not qualify as a developing country. While graduating to a 'developed country' status would have been a matter of joy, the ground reality is very different. India rightly countered the U.S.'s argument. In a paper submitted to the WTO, it gave several numbers to show that it is still a poor country and thus requires S&DT provisions. For example, the paper showed that India's GDP per capita is very low; India has 364 million people living in multidimensional poverty; the domestic subsidies provided to per farmer is a meagre \$227; and India has a very low research and development capacity.

Unimpressed by these numbers, the U.S., in July, declared that if substantial progress were not made in the WTO in reforming the determination of 'developing country' status, it would, within three months, unilaterally stop treating certain countries as 'developing country'. Thus, the U.S. would stop giving trade benefits to such countries. Despite the bonhomie displayed by President Donald Trump and Prime Minister Narendra Modi in U.S. in September, the U.S. has renewed this threat recently to mount pressure. A few days back, South Korea capitulated to this

pressure, giving up its 'developing country' status. The heat is on India.

Any unilateral action by the U.S. would be a violation of international law and yet another onslaught on trade multilateralism. At the same time, the Indian political leadership also needs to refrain from being on a publicity overdrive about India's development. At times, its own rhetoric can come back to bite India.

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