

Memorandum on Reforming Developing-Country Status in the World Trade Organization

July 26, 2019

Memorandum for the United States Trade Representative

Subject: Reforming Developing-Country Status in the World Trade Organization

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby directed as follows:

Section 1. Policy. The World Trade Organization (WTO) was created to spur economic growth and raise standards of living by establishing international trade rules premised on principles of transparency, openness, and predictability. Although economic tides have risen worldwide since the WTO's inception in 1995, the WTO continues to rest on an outdated dichotomy between developed and developing countries that has allowed some WTO Members to gain unfair advantages in the international trade arena. Nearly two-thirds of WTO Members have been able to avail themselves of special treatment and to take on weaker commitments under the WTO framework by designating themselves as developing countries. While some developing-country designations are proper, many are patently unsupportable in light of current economic circumstances. For example, 7 out of the 10 wealthiest economies in the world as measured by Gross Domestic Product per capita on a purchasing-power parity basis—Brunei, Hong Kong, Kuwait, Macao, Qatar, Singapore, and the United Arab Emirates—currently claim developing-country status. Mexico, South Korea, and Turkey—members of both the G20 and the Organization for Economic Cooperation and Development (OECD)—also claim this status.

When the wealthiest economies claim developing-country status, they harm not only other developed economies but also economies that truly require special and differential treatment. Such disregard for adherence to WTO rules, including the likely disregard of any future rules, cannot continue to go unchecked.

China most dramatically illustrates the point. Since joining the WTO in 2001, China has continued to insist that it is a developing country and thus has the right to avail itself of flexibilities under any new WTO rules. The United States has never accepted China's claim to developing-country status, and virtually every current economic indicator belies China's claim. After years of explosive growth, China has the second largest Gross Domestic Product in the world, behind only the United States. China accounts for nearly 13 percent of total global exports of goods, while its global share of such exports jumped five-fold between 1995 and 2017. It has been the largest global exporter of goods each year since 2009. Further, China's preeminent status in exports is not limited to goods from low-wage manufacturing sectors. China currently ranks first in the world for exports of high-technology products, with such exports alone increasing by 3,800 percent between 1995 and 2016.

Other economic figures tell a similar story. Valued at nearly \$1.5 trillion, China's outbound foreign direct investment (FDI) exceeds that of 32 of 36 OECD countries, while its inbound FDI of nearly \$2.9 trillion exceeds all but one OECD country. China is home to 120 of the world's 500 largest companies, and its defense expenditures and total number of satellites in space are second only to those of the United States.

Notwithstanding these facts and other evidence of economic vibrancy, China and too many other countries have continued to style themselves as developing countries, allowing them to enjoy the benefits that come with that status and seek weaker commitments than those made by

other WTO Members. These countries claim entitlement to longer timeframes for the imposition of safeguards, generous transition periods, softer tariff cuts, procedural advantages for WTO disputes, and the ability to avail themselves of certain export subsidies—all at the expense of other WTO Members. These countries have also consistently sought weaker commitments than other WTO Members in ongoing negotiations, which has significantly stymied progress. Moreover, many of the world's most advanced economies have used developing-country status as an excuse not to comply with the most basic notification requirements under WTO rules, depriving United States traders of vital trade data. The status quo cannot continue.

The WTO is in desperate need of reform, without which the WTO will be unable to address the needs of workers and businesses or the challenges posed by the modern global economy. The United States is also pressing for critical reforms in other multilateral international organizations to help ensure that those organizations recognize the economic development of their members and can work within their mandates to address important challenges. The need to reform international economic institutions is not just a challenge for the United States but for all countries that participate in the global marketplace.

With respect to the WTO, there is no hope of progress in resolving this challenge until the world's most advanced economies are prepared to take on the full commitments associated with WTO membership. To help ensure that those countries live up to their commitments, it shall be the policy of the United States to make trade more free, fair, and reciprocal by devoting all necessary resources toward changing the WTO approach to developing-country status such that advanced economies can no longer avail themselves of unwarranted benefits despite abundant evidence of economic strength.

Sec. 2. Changing the WTO Approach to Flexibilities Associated with Developing-Country Status. (a) To advance the policy set forth in section 1 of this memorandum, the United States Trade Representative (USTR) shall, as appropriate and consistent with applicable law, use all available means to secure changes at the WTO that would prevent self-declared developing countries from availing themselves of flexibilities in WTO rules and negotiations that are not justified by appropriate economic and other indicators. Where appropriate and consistent with law, the USTR shall pursue this action in cooperation with other like-minded WTO Members.

(b) Within 60 days of the date of this memorandum, the USTR shall update the President on his progress under subsection (a) of this section.

Sec. 3. Ending Unfair Trade Benefits. (a) If, within 90 days of the date of this memorandum, the USTR determines that substantial progress has not been made toward achieving the changes described in section 2 of this memorandum, the USTR shall, as appropriate and to the extent consistent with law:

(i) no longer treat as a developing country for the purposes of the WTO any WTO Member that in the USTR's judgment is improperly declaring itself a developing country and inappropriately seeking the benefit of flexibilities in WTO rules and negotiations; and

(ii) where relevant, not support any such country's membership in the OECD.

(b) Before taking any action under subsection (a) of this section, the USTR shall:

(i) consult with the Trade Policy Committee established under section 242 of the Trade Expansion Act of 1962 (19 U.S.C. 1872);

(ii) consult with the National Security Council and the National Economic Council as to the advisability of interagency coordination through the process described in National Security Presidential Memorandum—4 of April 4, 2017 (Organization of

the National Security Council, the Homeland Security Council, and Subcommittees), or any successor document; and

(iii) consider the WTO Member's involvement in global trade, membership in key economic decision-making groups, placement within relative economic and other indicators, and any other factors the USTR deems appropriate.

(c) The USTR shall publish on its website a list of all self-declared developing countries that the USTR believes are inappropriately seeking the benefit of developing-country flexibilities in WTO rules and negotiations.

Sec. 4. Publication. The USTR is authorized and directed to publish this memorandum in the *Federal Register*.

DONALD J. TRUMP

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NOTE: This memorandum was published in the *Federal Register* on July 31.

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