



China's Premier reminds the world: 'China remains a developing country'

Krystal Hu

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Is China still a developing country?

To the Trump administration, the answer is likely to be “No.” President Donald Trump has taken to Twitter to address the issue, calling China “a great economic power” and the fact that it is considered a developing nation within the World Trade Organization (WTO) is unfair to the U.S. Larry Kudlow, his economic adviser, suggested “China is a first-world economy, behaving like a third-world economy.”

But China has a different answer. At the World Economic Forum on Wednesday, China's Premier Li Keqiang reiterated the government's long-held view on China's development status.

“We are aware that China remains a developing country. We still rank at the lower end of the world in terms of per capita GDP,” said Li. He promised China will further open itself to the world at a faster pace. “We will also create a better business environment and expand market access to foreign-owned companies by streamlining processes so they can compete on a level playing field in the Chinese market,” he added.

China's Premier Li Keqiang speaks on World's Economic Forum. (EFE/ Foro Económico Mundial)

Li's speech in Tianjin, China comes one day after Trump's announcement to move forward with 10% of tariffs on about \$200 billion worth of imports from China. Li, who manages the world's second-largest economy, knows the importance of China's status as a developing country in trade negotiations. Under the WTO, developing countries can take on fewer commitments and put more tariffs and non-tariff barriers to foreign competitors compared to their developing counterparts. By maintaining its status as a developing country, China was able to keep more preferential trade deals over the years.

The rest of the world has a different opinion. The World Bank said China “remains a developing country” because its per capita income is still a fraction of that in advanced countries. China's GDP per capita, measured with PPP (Purchasing Power Parity), was \$16,660 in 2017, a vast improvement over where it was in 1986 when it started to negotiate terms to join WTO. But it is

still a long haul from the U.S. (\$59,501). According to China's poverty standard, there were 55 million poor in rural areas with less than 2300 RMB yearly income (\$400) in 2015.

Since 2001, when China joined the WTO, China has grown into one of the world's economic growth engines and a rising superpower. The big economic leap comes with a widening wealth gap, China's Gini Coefficient data was 47% in December 2016, higher than the U.S.'s (41.5%).

Simon Lester and Huan Zhu, analysts at Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies, think China should adapt to its larger economy.

"Even if it continues to maintain its 'developing' status, as China's economy grows it should take on additional international obligations and play a more equal role in international economic organizations such as the WTO," wrote Lester and Zhu in a commentary in April.