



The Mooch misstates China's WTO misbehavior

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President Donald Trump is taking a tougher line on China following decades of what he considers unfair trade practices — and his message to Beijing is being amplified by allies in the punditsphere.

Among the president's complaints is that China continues to misrepresent itself before the World Trade Organization by claiming to be a "developing" country, a designation that confers certain privileges.

"China, which is a great economic power, is considered a developing nation within the World Trade Organization," Trump tweeted April 6. "They therefore get tremendous perks and advantages, especially over the U.S. Does anybody think this is fair."

Trump's onetime White House communications director Anthony Scaramucci elaborated on the president's argument during an interview on Fox News' Justice with Jeanine.

"One of the things the president is upset about is they came into the WTO as a developing nation. So that means they can tariff and embargo things," Scaramucci said May 11. He added that Trump would like the WTO to treat China as a developed nation.

We wondered if it was true that China's developing nation status in the WTO empowers it to impose tariffs and embargoes. We found that Scaramucci's claim contains some truth, but overstates the case.

Misstating China's misbehavior

The WTO traces its history to the aftermath of World War II. The organization was set up to administer trade rules and resolve disputes, based on a belief that more global trade would foster cooperation and stability.

The WTO's 164 member states are split into two groups: developed countries and developing countries. How members are categorized has become a source of bitter controversy.

Rather than lay out an objective criteria, the WTO lets countries choose their status. The United States, the world's largest economy, labels itself "developed." But China, the world's second-largest economy, considers itself a "developing" nation.

The distinction matters, because developing countries get special treatment. This is Scaramucci's broader point: China's self-applied "developing" nation status confers advantages. But he exaggerated the scope of the benefits. (Scaramucci did not reply to our request for comment.)

A critical point is that both developed and developing nations alike can impose tariffs; this right is not exclusive to developing nations.

"All countries have the right to tariff and impose export restrictions," said Stuart Malawer, a professor at George Mason University. "But this is limited to compliance with the basic rules and commitments under the WTO."

Both rich and poor WTO countries agree to have caps placed on their tariff rates. Declaring oneself to be a "developing" nation does not give a country free rein to tariff to their heart's delight. As for Scaramucci's point about embargoes — a blanket ban on the importation of certain goods — the WTO generally prohibits this.

Here are some of the perks that developing countries do enjoy.

Upon joining the WTO, poorer countries traditionally have negotiated much higher tariff ceilings than richer countries. And China, which entered the WTO in 2001, has higher tariff rate caps than those of the United States.

This disparity is perhaps what Scaramucci was referring to.

"The more nuanced analysis is that the U.S. wants China's tariff rates to be reduced below their current bound rates," said Gregory Shaffer, a professor at the University of California, Irvine School Of Law.

There are other perks to having "developing" country status. The WTO grants special access to certain markets. They're eligible for technical and other WTO support. And importantly, for purposes of this fact-check, developing nations are given more time to implement trade agreements.

Experts told us they couldn't rule out the possibility that China has used the developing country status as a pretext to keep trade barriers in place, or delay their removal.

"There are a lot of confidential contexts where China could have made the argument that its development status justified a trade restriction," said Simon Lester of the Cato Institute, a free-market think tank. "So I can't say with certainty that they have not done so."

As a developing country, China also has more freedom to limit imports of agricultural products.

To give a practical example, Beijing buys a nationally farmed good like wheat for above-market prices, which in turn encourages Chinese farmers to produce more than what the market demands. This artificially boosted surplus makes it harder for foreign farmers to export their product in China.

According to an [analysis](#) of economic data by Kristen Hopewell of the University of Edinburgh, Beijing's subsidies make up 38% of Chinese farmers' revenue for wheat, 29% for corn and 32% for rice. In contrast, U.S. subsidies account for between 2 to 10% of American farmers' revenues for these products.

"It has used this freedom, much to the annoyance of the U.S.," said Gary Hufbauer of the Peterson Institute for International Economics, which generally supports free trade. Hufbauer added that he believes China has exploited its developing country status to gain an advantage in the agricultural sector.

Beijing has sometimes crossed the line in the process. The WTO's adjudicative body this year [ruled](#) in favor of the United States in a dispute over Chinese agricultural subsidies.

Washington prevailed on the grounds that Beijing regularly paid farmers in excess of agreed-to limits on agricultural subsidies, giving Chinese farmers an unfair advantage over international competitors.

The Trump administration is lobbying the WTO to establish an objective criteria to determine whether or not a country is "developing," instead of letting countries decide themselves.

China says that while it may be the world's second-largest economy, the highly populous country is not rich when measured on a per capita basis. As one top Chinese official recently argued, "China is the world's largest developing country."

Our ruling

Scaramucci said China's status in the WTO as a developing nation "means they can tariff and embargo."

All WTO members — developed and developing nations, alike — have a right to tariff. However, they must agree not to exceed certain tariff caps. Having the status of "developing nation" does not free a country from its obligations. Members are also generally prohibited from imposing embargoes.

But developing countries typically do negotiate higher tariff caps than their developed counterparts. Experts also said there's some evidence that China has exploited its developing country status to gain an advantage.

We rate this Half True.