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THE PARTICIPATION OF DEVELOPING COUNTRIES IN THE INTERNATIONAL TRADE SYSTEM

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Abstract: The aim of this article is to highlight the growing role of developing countries and the strategies to strengthen their positions within the international trade system. The research employs a logical, systematic approach, along with comparative methods, scientific analysis, and synthesis. The informational support is drawn from official documents of the IMF, World Bank, WTO, UNCTAD, and the European Commission, as well as international statistical data and specialized publications from various countries.

International trade significantly impacts member countries, stimulating economic growth, promoting technological progress, facilitating competition, mitigating economic shocks, and creating jobs. A number of countries, particularly China and India, where trade liberalization was not an end in itself but rather a tool for national economic development, have achieved significant success, becoming economic giants and attaining economic growth rates generally higher than the global average.

However, the current internal and international policy mechanisms have not helped most of the least developed countries overcome the major developmental challenges they face. One of the WTO's objectives remains the creation of a mechanism to facilitate greater integration of developing countries into international trade. To enhance the participation of developing countries in the international trade system, the main areas of negotiation and cooperation within the WTO include: flexibility in industrial development, e-commerce for development, duty-free and quota-free market access for the least developed countries, regional trade agreements, and preferential trade agreements.

Keywords: developing countries, international trade, export, trade tensions, WTO.

JEL Classification: F10, F14

1 Introduction

International trade is a powerful driver of growth and development for countries, fostering innovation, enhancing competitiveness, creating new jobs, providing access to new goods, and ultimately improving the quality of life for the population. One of the key players in the development of this field is the World Trade Organization (WTO), established in 1995 as a result of the Uruguay Round of multilateral trade negotiations.

Developing countries make up two-thirds of the WTO's membership. Supporting their greater integration into global trade is a major priority for the Organization. WTO agreements contain special provisions to help developing countries implement them, while WTO technical assistance and other initiatives supported by the Organization aim to increase these countries' trade capacity (Organisation Mondiale du Commerce, 2023).

2 China and India – Leaders of the Developing Countries Group

In the 2000s, during a period of accelerated globalization, there was a clear trend of shifting activity in global goods markets, and to a lesser extent in services markets, from developed economies to emerging ones, primarily in favor of China. From 1990 to 2022, the share of developing countries in global exports increased from 16% to 46.6% (World Bank Group, 2023). In the last two decades, these countries have become much more integrated into global markets, creating greater economic spillover effects for the rest of the world. Currently, the major emerging economies of the G20 are increasingly influencing the global economy.

This is happening at a time when, internationally, free trade—one of the WTO's main priorities—is no longer the primary goal of developed countries, as they are no longer willing to compete with a number of developing countries, particularly China, which has maintained its leading position in global trade for over ten consecutive years. China's total imports and exports in 2023 amounted to $5.9 trillion (Sea News, 2024). In the last decade, this country's strategy for positioning itself on the world stage has shifted towards an economy more focused on producing high value-added goods, including expanding the infrastructure that supports trade development at the regional and international levels (Curtea de Conturi Europeană, 2020, p.13).

In the context of current geopolitical tensions and global instability, developed countries are now forced to protect their own markets. Ensuring supply chains becomes a priority over minimizing costs, and bilateral or regional trade agreements will support foreign and environmental policies. Offshoring is being replaced by "friendshoring"—the desire to source parts and products manufactured in friendly countries. Thus, the United States and the European Union are trying to limit China's access to key technologies to protect their markets from cheap, subsidized Chinese products by imposing high import tariffs on China.

A recent point of conflict is Chinese electric vehicles. The speed of the unfolding of this new wave of conflict is evidenced by the timing of the announcement of additional tariffs by the EU and the countermeasures adopted by China. On June 12, 2024, the European Commission announced that it would impose anti-dumping duties of up to 38.1% on imported Chinese electric vehicles starting in July, and on July 4, it officially imposed additional temporary duties on imported Chinese electric vehicles. According to the Commission's decision, the additional duties individually affected three Chinese electric vehicle brands. The duty for the BYD brand, in addition to the existing one, is set at 17.4%, for Geely at 19.9%, and for SAIC at 37.6%. Electric cars from other Chinese brands that cooperated during the investigation into state subsidies are now subject to an additional duty of 20.8%. The duty for other brands was set at 37.6% (Stan, 2024).

As noted by Reuters, after the European Commission announced on June 12, 2024, that it would impose anti-dumping duties of up to 38.1% on imported Chinese electric vehicles starting in July, global food companies expected retaliatory measures from China. China's response was swift. In the same month, China launched an anti-dumping investigation into imports of pork and pork products from the European Union.

The EU annually exports pork worth approximately three billion euros to China, about half of China's total imports in this product category. Based on 2023 data, the leading EU suppliers are Spain (€1.5 billion), the Netherlands (€620 million), Denmark (€550 million), and France (€358 million). Tariff barriers on European pork could lead to their market share in China being taken over by other major suppliers such as the US, Russia, and Brazil.

Moreover, in response to the imposition of additional duties, on July 18, China began hearings on an anti-dumping investigation into the import of brandy produced in the European Union. Thus, the growing alarm over China's industrial overcapacity, which is flooding the EU with cheap products, including electric vehicles, is opening a new front in the trade war between the West and Beijing, which began when Washington imposed import tariffs in 2018 (Cash, 2024). Trade tensions with the US and the EU, as well as restrictions on access to key technologies, are negatively affecting China's foreign trade and slowing its economic growth. On March 5, 2024, during the session of the National People's Congress, the Chinese government presented a GDP growth target for 2024 of approximately 5%. Currently, Western economists are at least skeptical that Beijing will achieve this target without additional stimulus measures, such as increased public spending, tax cuts, or increased support for small and medium-sized enterprises. China's GDP grew by 5.2% in 2023.

The trend is evident. From Deng Xiaoping's economic reforms in 1978 until the early 2010s, China's average annual GDP growth rate was about 10%, with GDP growing by 6.8% in 2016 and 6% in 2019 (Eurostat, 2024). From 2020 to 2022, China's average annual growth rate was about 4.6%. In 2022, the Chinese economy slowed to its lowest rate of 3% since the 1970s, and China's population declined for the first time since 1961 (Герасимов, 2023).

The International Monetary Fund expects China's economy to gradually slow down in the coming years. Thus, in the medium term, economic growth will slow down—to 3.3% by 2029. The Chinese government's main goals are comprehensive measures to stimulate changes in the real estate sector and provide macroeconomic support to increase domestic demand and reduce the risks of decline. Ensuring high-quality growth will require large-scale structural reforms (Abdel-Latif, et al., 2023).

The only way to maintain high growth rates in the long term is to transform into a productive economy driven by innovation and optimization. But, obviously, renewable energy sources as well as the digitalization of the economy in the near future will not be able to replace the importance for economic growth of the real estate sector as it was before the crisis. The Chinese economy certainly has room for growth—the service sector in China is responsible for half of the country's total GDP and 48% of jobs, while in developed countries, these figures are close to 80%, and about 1 billion people in China still do not have incomes that correspond to the middle class by international standards (Терентьев, 2024).

For Westerners, India could be an alternative to China in terms of investment and production. Economic growth in this country is higher than in China, loans are accelerating, the quality of Indian banks is better than that of Chinese banks, demographics are favorable, foreign direct investment is increasing, and Indian households are putting some of their savings into domestic equities (Rezzonico, 2023).

There is growing interest in India from multinational corporations. In recent years, Western companies have been caught up in the trend of seeking a replacement for China as the world's manufacturing hub. This strategy is known as "China plus one" or "supply chain diversification." It involves a refusal to invest exclusively in China and aims to diversify the business operations and supply chains of corporations by locating production centers in other countries. Several developing countries, including Vietnam, Mexico, Thailand, and Malaysia, are vying for the status of a "plus one" market. However, the most attractive candidate at the moment is India. The government is attracting investment by providing incentives to foreign manufacturers to locate in the country under the "Make in India" and "Self-Sufficient India" programs. India's demographic advantages play an important role in the positive dynamics of GDP—for example, the large number of young people of working age. Income growth (India's middle class numbers over 400 million people) is driving consumer demand, which experts call one of the main engines of economic growth in India (Drut, Heissat, 2024). Another engine of growth is structural reforms targeting the digital, financial, and fiscal sectors (Basset, 2024).

In 2024, India is the fastest-growing economy in the world among G20 members. India's GDP currently stands at approximately $3.7 trillion. The Republic is the third-largest economy in the world in terms of GDP based on purchasing power parity and became the fifth-largest economy in terms of nominal GDP as of 2022. According to India's Ministry of Finance, GDP growth for the fiscal year 2023-2024 is 7.6%. The IMF estimated India's contribution to global economic growth in 2023 at 16%. In the current fiscal year 2024-2025, the Reserve Bank of India has estimated GDP growth at 7%, while the IMF estimated growth at 6.8%. IMF Executive Director for India, Krishnamurthy Subramanian, stated that the country will remain "a driver of global growth in the foreseeable future" (Perruche, 2024).

By 2030, the Indian government has set an ambitious goal of becoming the world's third-largest economy. Economists project that if India maintains its current growth trajectory, it could achieve this milestone as early as 2027. Looking further ahead, by 2047, which marks the centenary of India's independence, the country's leadership aims to transform India into a "Vixit Bharat," or developed nation, with an economy valued at over $30 trillion.

As the most populous country globally, India holds a significant competitive advantage over other nations. This demographic strength, combined with consistent economic growth, positions India to surpass Germany and Japan to become the third-largest economy around 2030, following only the United States and China (Government of India, 2024).

3 Successes and Challenges for Developing Countries in International Trade

While China and India lead the group of developing countries, surpassing developed countries in several indicators, the group of developing countries as a whole is highly heterogeneous but exhibits positive dynamics in international trade.

According to the WTO Report "Participation of Developing Economies in the Global Trading System," published in 2024, the top 15 developing exporters accounted for 38% of global merchandise exports and 82% of merchandise exports from developing economies in 2022. Semiconductors remained the primary product category in exports from developing economies, but crude oil exports significantly increased in value between 2020 and 2022. The top 15 exporters accounted for 26% of global commercial services exports and 80% of commercial services exports from developing economies.

In 2021, the European Union, the United States, and China were the main destinations for commercial services exports from developing economies, with shares of 19%, 15%, and 10%, respectively. In recent years, nearly half of commercial services exports have been South-South trade, with developing Asian economies continuing to account for the largest share. Some types of services exports performed relatively well during the pandemic, but travel services exports still showed a significant lag in 2022 compared to 2019.

Overall, developing economies have increased their share of global goods and services exports, but many struggle to expand their participation in international trade. One of the challenges is the dependence of many of these economies on commodity exports. Given that the prices of many commodities are subject to fluctuations, exporters are exposed to significant income volatility.

Moreover, trade costs are higher for companies in developing economies than for those in developed economies across all major sectors, including services. However, there are areas where developing economies can improve the resilience of their exports. For example, between 2014 and 2022, digitally delivered services exports from developing economies doubled from $500 billion to $1 trillion and were particularly resilient during the pandemic. In many developing economies, less than half of the population has access to the internet, making the opportunities offered by digital trade inaccessible (Organisation Mondiale du Commerce, 2024a).

On the path to development, these countries face several challenges that can slow their progress. One of the most severe is instability, which is particularly pronounced in Africa, where the rate of instability is ten times higher than in Asia. Another factor is the abundance of natural resources: the more natural resources a country has, the more opportunities it has for development, and vice versa.

Developing countries lag significantly behind in technology, education, and the quality of institutions. They also face major social issues: a massive gap in healthy life expectancy compared to developed countries, a growing number of poor people, and incredible levels of inequality. These problems hinder not only stable economic growth but also the improvement of the quality of life for their citizens. In addition, modern technologies such as robotics pose additional challenges for developing countries by displacing workers in various sectors of the economy (Groupe de la Banque Mondiale, 2023).

Regrettably, current domestic and international policy mechanisms have not helped most of the least developed countries overcome the major development challenges they face. The continued existence of the category of least developed countries and the apparent divergence within it—with most least developed countries entering the 2020s with significantly underutilized potential—is exacerbated by the ongoing effects of the global COVID-19 crisis and associated risks. There is a new sense of urgency in addressing underdevelopment in the least developed countries, and there is now an opportunity to refocus on the sustainable transformation of development realities in the least developed countries (UNCTAD, 2021, p.20).

4 WTO Support Measures

For WTO membership to better support development, three main conditions must be met:

1. **Unconditional acceptance by developing countries** of a basic set of market access rules, including most-favored-nation treatment, commitments to future tariff reductions, and acceptance of all WTO rules.
2. **Allowing countries to waive "non-basic" WTO rules** when pursuing development objectives in the context of multilateral consultations with representatives of trade and development organizations (donors, financial institutions) regarding the effectiveness and impact of relevant policy measures. Evaluations of these measures should consider their potential negative impact and be published in the countries concerned to enhance government accountability.
3. **Abandoning discriminatory trade preferences** as a form of "trade facilitation" and increasing grant funding, especially for the poorest countries, to boost trade supply capacity and the competitiveness of local enterprises, and to redistribute some of the benefits of trade liberalization (Хукман, 2005).

Within the WTO, the possibility of extending special treatment in future agreements has been raised, but some developed countries are pushing for a revision of the notion of special and differential treatment (SDT). The least developed countries have an interest in maintaining the multilateral trading system, as this is an area where SDT, formulated by the international community for the least developed countries, has strengthened unity regarding the recognition of the least developed countries category and their treatment. Possible goals and objectives that could be considered for inclusion in the new Agenda include the following:

1. **Adoption of various elements of several proposals** already made by the group of least developed countries within the WTO, including commitments to jointly act to make SDT a permanent feature of future WTO agreements.
2. **Measures linking the scope and scale of tariff reductions, rules of origin, and administrative procedures** for duty-free and quota-free market access with the productive and institutional capacities of the least developed countries. This would facilitate their full utilization by the least developed countries and increase their capacity to boost the growth of the national business base and international investment.
3. **International support measures aimed at facilitating the use of new opportunities** for regional and sub-regional integration, such as the African Continental Free Trade Area (AfCFTA), the South Asian Free Trade Area (SAFTA), and the Regional Comprehensive Economic Partnership (RCEP) (UNCTAD, 2021, p.26).

Currently, there are 45 least developed countries, of which 15 are in the process of graduating from this category, partly due to support provided within the international trading system. Eleven are WTO members: Bangladesh, Cambodia, Djibouti, the Solomon Islands, Myanmar, Nepal, Uganda, Lao PDR, Rwanda, Senegal, and Tanzania. Two are in the process of WTO accession, Comoros and Sao Tome and Principe. The other two are Kiribati and Tuvalu (Organisation Mondiale du Commerce, 2024b).

In a new WTO report on the participation of developing economies in the global trading system, the WTO Secretariat found that trade in goods and commercial services from developing economies has recovered from the pandemic-induced decline. Some types of commercial services exports held up relatively well during the pandemic, but travel services exports remained significantly behind in 2022 compared to 2019. Developing economies continue to face challenges in participating in international trade, such as dependence on commodity exports and higher trade costs (Organisation Mondiale du Commerce, 2024c).

Given the current challenges, the main directions for negotiation and cooperation within the WTO to boost the participation of developing countries in the international trading system include: flexibility in industrial development, e-commerce for development, duty-free and quota-free market access for the least developed countries, regional trade agreements, and preferential trade agreements.

5 Conclusions

Overall, the group of developing countries, which is highly heterogeneous, is consolidating its position within the international trading system.

China, the world's second-largest economy, remains a leader in international trade. However, in the face of slowing economic growth and trade tensions with key partners such as the US and the EU, it is gradually moving towards exhausting its export-oriented economic model.

At the same time, while China's growth is slowing, India is showing remarkable economic health in a global context. As China's growth decelerates and demand for Chinese products declines in Europe, India is likely to integrate more into global production chains. According to several financial institutions, India is on track to surpass Germany and Japan to become the world's third-largest economy by 2027.

The strengthening of international trade is partly due to the acceleration of South-South trade, which has offset the sluggishness in high-income economies. More than half of the exports from developing countries are now directed towards other developing countries.

To achieve sustained growth and overcome instability—a major issue—developing countries must undertake structural reforms. Notably, developing countries are increasingly shifting towards services, including in international trade, as economic transformations driven by the services sector offer new opportunities for development and innovation. Furthermore, greater integration between manufacturing and services increases the competitiveness of exports.

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