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Trump suggests ignoring World Trade Organization in major policy shift

By **Damian Paletta** and **Ana Swanson** March 1 at 4:39 PM

The Trump administration on Wednesday announced a sharp break from U.S. trade policy, vowing it may ignore certain rulings by the World Trade Organization if those decisions infringe on U.S. sovereignty.

The new trade approach, which was sent to Congress Wednesday, could affect businesses and consumers worldwide, with the White House suggesting the United States could unilaterally impose tariffs against countries it thinks have unfair trade practices — paving the way for a more adversarial relationship with China and other trading partners — and punish companies that relocate overseas and then attempt to sell products on the U.S. market.

“It is time for a more aggressive approach. The Trump Administration will use all possible leverage to encourage other countries to give U.S. producers fair, reciprocal access to their markets,” the document said.

The 336-page report included a section entitled “The President's Trade Policy Agenda,” which outlined some of the possible breaks from the WTO.

The approach offers President Trump an opportunity to make good on his campaign promises of an “America first” economic nationalism, as he has said U.S. economic policy needs to create new jobs for American workers and prevent companies from moving operations overseas.

To achieve this, Trump vowed during the campaign to either renegotiate or pull back from multinational trade agreements and seek bilateral trade deals, alleging other countries use tariffs and subsidies to disadvantage U.S. companies. He has threatened to withdraw from the North American Free Trade Agreement unless Mexico agrees to renegotiate the deal.

Trump's threatened tariffs and other trade barriers could violate WTO rules and bring blowback from other countries in the trade organization. But the agenda signals the Trump administration could simply ignore those complaints.

Several trade experts said Trump's decision to work outside of the WTO in some cases could create a chain reaction, with

If the United States signals it will not comply with WTO decisions, and other countries impose retaliatory penalties against U.S. imports, it could usher in an era of economic protectionism worldwide. Economists and industry groups fear that could trigger a global trade war that could disrupt international business and growth.

“If the Trump administration follows through on the proposals in this document, it would be a body blow to the multinational trade system that the U.S. has helped to build up,” said Eswar Prasad, a senior professor of trade policy at Cornell University.

“The WTO will lose effectiveness and credibility in trade resolutions if the U.S. decides to walk away.”

Wendy Cutler, the former acting deputy for the U.S. trade representative, said the strategy is a substantial departure from past policy — especially with regard to resolving disputes at the WTO. “It seems to be suggesting, with respect to cases taken against the U.S., if we don’t like the result, we will go it alone and respond accordingly.”

The danger, she said, is that other countries might choose to follow the U.S. approach. “I’m not sure how we can expect other countries to live up to WTO findings if our policy is to just live up to findings that we find acceptable.”

The report repeats charges against China that Trump made frequently during his campaign, including accusations that the country manipulates its currency to gain a trade advantage over the United States.

Chinese officials have denied these accusations, and a spokesman for the Chinese Embassy in Washington did not respond to a request for comment on the White House report.

Among the administration’s key objectives, the document lists “resisting efforts by other countries — or Members of international bodies like the World Trade Organization — to advance interpretations that would weaken the right and benefits of, or increase the obligations under, the various trade agreements to which the United States is a party.”

Thea Lee, the deputy chief of staff at the AFL-CIO, said labor unions had a mixed view on the administration’s new trade posture. “On the one hand, we would agree with certain parts, that our trade policy has not been aggressive or consistent enough in looking out for the interest of American workers,” she said. “We would agree we should enforce our trade laws better. We don’t necessarily agree that we need to go completely outside the international trade system.”

Dave Salmonsens, senior director for congressional relations at American Farm Bureau, said farmers in the United States have always been in favor of the WTO and supported a rules-based system. They understand that trade decisions go each way, “but the stability it brings, selling into a rules-based international system, is good for agricultural exports.”

Thomas J. Gibson, president and CEO of the American Iron and Steel Institute, said his group does “appreciate and support the stated objective of strictly enforcing trade laws to prevent dumped and subsidized imports, which have injured the steel industry.”

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Several other industry groups said Wednesday they were waiting to hear more details from the Trump administration before deciding how the policy would impact them.

The WTO provides a forum for countries to settle trade-related disputes, and the Trump administration has said that the organization's reach hamstrings the ability of the United States and others to respond to unfair trade practices. There are more than 150 countries in the WTO, and they often accuse one another of violating trade agreements. The U.S. has brought more than 100 complaints through the WTO process since 1995, and other countries have filed 129 cases against the U.S.

For example, the WTO sided with the United States in 2014 about duties China had imposed against U.S. automobiles imported into China. China had accused the United States of “dumping” automobiles at unfairly low prices in China, but the WTO panel found that China’s dumping accusations were calculated improperly. Separately, India filed a case against the United States over renewable energy subsidies established by a number of U.S. states, including California, Montana and Washington. That dispute is pending.

The new trade agenda document argues that not enough has been done to defend against unfair trade practices, such as dumping, a practice in which companies sell goods abroad at a lower price than their fair value to drive out competitors in a foreign market. The document said that WTO laws are based on the presupposition that countries are free-market economies but many countries around the world unfairly subsidize their products, steal intellectual property, manipulate their currency and carry out other unfair trade practices.

The United States has been a member of the WTO since 1995, although presidents from both parties have objected to certain WTO rulings regarding U.S. trade practices. But none have gone as far as the Trump administration threatened to.

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Stan Veuger, a resident scholar at the American Enterprise Institute, said the administration’s plan to continually reevaluate existing trade relationships could end up disrupting American business.

“All those things together create a system where the U.S. government may intervene in arbitrary and unpredictable ways in trade relationships, and I don’t think that kind of framework is very helpful for the creation of lasting, worthwhile relationships between firms in the U.S. and firms abroad,” he said. “It just makes the business environment more uncertain.”

Chad Bown, a senior fellow at the Peterson Institute for International Economics, said he fears the administration's criticism of WTO rules could end up creating a more lawless global system. “The difficulty is, once we step away from that and say the WTO rules imply a lot more flexibility in what we’re allowed to do, we can be 100 percent certain other countries will start to do the same. That’s what will ultimately undermine the U.S. system, and there will be big repercussions for U.S. exporters.”


The Trump administration has nominated Robert Lighthizer to serve as its U.S. trade representative, but he must first be confirmed by the Senate. Trump has tasked Commerce Secretary Wilbur Ross to play a lead role in negotiating trade deals, but

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Lighthizer also is expected to take part, and he has been a longtime critic of China's trade practices.

The White House is required to send an annual trade agenda report to Congress on March 1. The report stipulated that a more comprehensive agenda will be sent to Congress after Lighthizer's Senate confirmation.

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