

Source: International Trade Daily: News Archive > 2016 > December > 12/22/2016 > News > WTO:
OUTLOOK 2017: Trump's Commitment to WTO Questionable

WTO

OUTLOOK 2017: Trump's Commitment to WTO Questionable

Snapshot

- Trump administration poised for showdown with China over market economy status
 - Trump, top administration picks prefer bilateral deals; commitment to WTO questionable
-

By Brian Flood

The incoming Trump administration will have to deal with a World Trade Organization (WTO) where a major international trade agreement has stalled and China is gearing up for a showdown over its market economy status.

But Trump's commitment to the organization is questionable. On the campaign trail he was openly contemptuous of the WTO and put forth trade policies that could themselves be the subject of WTO dispute resolution.

Trump criticized multilateral deals of the type the WTO specializes in, and his picks to run the Treasury and Commerce departments—Steven Mnuchin and Wilbur Ross—have also expressed a preference for bilateral trade negotiations. Trump even floated the idea of leaving the long-standing trade forum.

Biggest Issue: Economy Status

The Trump administration is poised to have an immediate showdown with China over Beijing's claims that it is entitled to market economy (ME) status.

China claims that it is entitled to market economy status by the end of 2016 under the terms of its accession to the WTO. With market economy status, the Commerce Department would have to calculate the normal value of imported merchandise based on prices in China, which would tend to result in lower antidumping duty rates. The U.S. and EU have opposed this position, saying China's government takes too large a role in the country's economy for it to qualify as a market economy.

On Dec. 12, China requested consultations with the U.S. and EU over the issue, the first step in bringing a WTO dispute.

Bart Fisher, managing partner of the Law Office of Bart S. Fisher, called this the biggest trade issue that the incoming Trump administration is facing. Prices in China are so low, Fisher told Bloomberg BNA, that if the country wins market economy status, it will be virtually impossible to bring new antidumping duties against Chinese imports.

Fisher predicted that organized labor and industry, particularly the steel industry, would put immense pressure on the Trump administration not to bend on this matter. Moreover, Dan DiMicco, former head of steelmaker Nucor Corp., who acted as Trump's senior trade adviser on the campaign trail, is a strong

Copyright 2016, The Bureau of National Affairs, Inc.

Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy. <http://www.bna.com/corp/index.html#V>

opponent of China's claim.

On Defensive

The U.S. could find itself increasingly on the defensive at the WTO if Trump is able to implement some of his more protectionist trade ideas.

Fisher told Bloomberg BNA that it's highly unlikely Congress would implement Trump's plan to slap a 35 percent tax on products by companies that move operations overseas. Even if it does, Fisher said, the WTO General Agreement on Tariffs and Trade would give other members the right to challenge any duties that exceed the U.S.'s pledged "bound" tariff rates. Those countries would be entitled to compensation, and if they don't receive it, would be entitled to enact retaliatory duties.

Trump's whole approach to trade is "reactive and political," said Fisher. By seemingly abandoning the sort of multilateral deals that the WTO champions, he said, Trump is missing an opportunity to broadly and uniformly address new and pressing trade issues, such as electronic commerce and currency manipulation.

Stalled Environmental Deal

The U.S. and 16 other economies in the WTO have been negotiating an Environmental Goods Agreement to remove tariffs on a broad list of "green" goods. Talks stalled in early December, however, after China offered a last-minute counterproposal for a truncated product list, which the U.S. and EU said they were unable to accept because it excluded several priority items, such as gas turbines.

While Trump hasn't made any specific statements about this deal, he is unlikely to treat the deals as a top priority, given his general disparagement of the WTO and these types of multilateral deals, said Stuart Malawer, professor of law and international trade at George Mason University's School of Public Policy.

Trump is also skeptical of the scientific consensus on global warming, calling it a hoax perpetrated by the Chinese, and he has criticized the solar and wind industries that would benefit from the agreement.

Could U.S. Leave?

In July, Trump said that—like many trade arrangements negotiated by the U.S. such as the Trans-Pacific Partnership and North American Free Trade Agreement—the World Trade Organization was "a disaster." When interviewer Chuck Todd of NBC's "Meet the Press" told the Republican nominee that his plan to impose tariffs on companies that move operations from the U.S. would run afoul of WTO rules, Trump said the U.S. is "going to renegotiate or we're going to pull out."

There is a process in place for WTO members to withdraw from the organization. Under Article XV of the treaty that established the organization, any member nation may leave six months after providing notice to the director-general of the WTO (there are separate procedures for withdrawing from trade agreements negotiated at the WTO). But such a move would be unprecedented.

Mickey Kantor, former U.S. Trade Representative under President Bill Clinton, told Bloomberg BNA that he "can't imagine" such a drastic move, especially considering how well being part of the trade body has served the U.S. over the past several decades. Moreover, Kantor said, such a move actually would counteract Trump's "tough on trade" stance, given the sophisticated dispute settlement system that the WTO provides.

To contact the reporter on this story: Brian Flood in Washington at bflood@bna.com

To contact the editor responsible for this story: Jerome Ashton at jashton@bna.com