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Senator Hawley's Case For Nationalism: Strong On Propaganda, Weak On The Facts

Dan Ikenson

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On the opinion page of the *New York Times* yesterday, Senator Josh Hawley (R-MO) proposed the abolition of the World Trade Organization (WTO). Fair enough. For those concerned about the United States, its future, and the nature of its relationship with the wider world, Hawley's idea is worth considering. After all, nowhere is it set in stone that the post-war economic institutions established under U.S. tutelage would or should endure forever, impervious to evolving politics, geopolitics, and economic conditions.

But if we are going to have an honest debate about this important issue, those offering their views should rely on facts and truth, not on propaganda and dog whistles. Senator Hawley violates those conventions in his op-ed, which amounts mostly to a string of slogans intended more to inflame than inform.

Hawley's assertion that "we should abolish" the WTO indicates that he is unfamiliar with his subject, which should raise flags about the argumentation to follow. "We" cannot "abolish" the WTO. The United States can quit the WTO, which would free us from rules shaped largely by U.S. negotiators that have helped protect U.S. exporters and importers from the costs of what otherwise would be the whimsical, unpredictable, and often unaccountable trade policies of hundreds of foreign governments.

Should we decide to take that leap, we can forswear the benefits of the rule of international trade law and consign ourselves to second-class status when it comes to assurances of market access. And, of course, we have every right to forfeit our seat at the center of the table where many important decisions will be made that shape the global economy for years to come.

Yes, we can do all that unilaterally, as the senator seems to be advocating. But we cannot "abolish" the WTO. That would require convincing the WTO's other 163 members to follow us over the cliff. Considering the economic losses associated with that outcome—just this week, two trade economists at Indiana University estimated that dissolving the WTO would erase 30 percent of the overall gains from trade, or \$2.7 trillion in global GDP—withdrawal would be a lonely act of self-sabotage.

Hawley's summary of the founding and purpose of the WTO is a hodgepodge of clichés, slogans, and misinformed nationalist grievances. Notice the highlighted buzzwords (my emphasis) from Hawley's first few paragraphs:

“The W.T.O. was created in 1995 as the crown jewel of a new global market, a system designed by **ambitious** Western policymakers after the fall of the Soviet Union. **Their aim was to create one giant, liberal international economy to support a new liberal international order.**

The reformers wanted all the world to follow the same economic rules, so that capital, products, and people could move easily across national boundaries. **Nation-states themselves would become less important in setting economic policy and new, multilateral institutions, like the W.T.O., would take on the role of managing the global economy.**

It was a bold vision, and **a major departure. The economic system it replaced** had been created by America and its allies at the close of the Second World War and pursued more modest aims. **The Cold War system** sought to build up the free nations’ economies and to contain the Soviet Union. **It took the independent nation-state as its basic building block, and encouraged trade and investment between nations as equal sovereigns. This system allowed each country to set its own internal economic policy and control its borders and trade.**

But in the early 1990s, **with America’s principal adversary gone, Western policymakers were in a messianic frame of mind.** President George H.W. Bush promised a “**new world order**” of “**open borders, open trade ... and open minds,**” a new international system based on liberal values to bring peace to the world. He and other internationalists wanted a new economic system to match.”

The senator’s portrayal of the WTO’s creation as the product of the conscious, collective striving of ambitious policymakers (read: opportunistic globalists) seeking to subvert the sovereignty of nation-states by empowering some monolithic, faceless bureaucracy of world government is a stock right wing trope of zero analytical utility. Juxtaposing what he implies are the questionable motives of the ideologically wayward, globalist, post-Cold War policymakers against those of the noble cold-warriors, Hawley romanticizes the pre-WTO trade architecture as though it were from a distinct era where deference to sovereign nation-states on trade policy was unique and that hewing to that norm summoned the national greatness necessary to bury the Soviet Union. It’s a riveting good-versus-evil narrative, fit for a Show-Me state drama like *Ozark*. But it’s not even *based* on a true story.

Hawley’s claim that there were two distinct trade “systems”—one strong and heroic; one weak and villainous—is a fallacy. The modern trade system from its founding as the General Agreement on Tariffs and Trade (GATT) in 1947 through eight successful rounds of multilateral negotiations over five decades under the auspices of the GATT, culminating in the creation of the WTO in 1995, progressed along a continuum of deepening and broadening liberalization of trade barriers. Throughout that half century, the negotiators’ task was to commit nation-states to rein in their own protectionism without compelling them to do so. The task was to thread the needle with rules that encouraged governments to honor their commitments to trade liberalization without usurping national sovereignty.

The creation of the WTO was not a departure, but a continuation of the GATT. Like the GATT, the WTO has no power to act outside the consensus of its members. It is a member-driven organization that cannot force its members to do anything. Like the GATT, the WTO enshrines the principles of “most-favored nation” (all trade liberalization by a member country should apply on a nondiscriminatory basis to all other members) and “national treatment” (foreign entities and their products and services should be accorded the same treatment under law as

domestic entities and their products and services are accorded). And like the GATT, the WTO is deferential to its members.

While it is true that under the WTO, the dispute resolution process was strengthened, that strengthening did not translate into an encroachment on the sovereignty of member governments. The furthest the WTO can go to “discipline” a member whose policy or practice has been found to be out of conformity with its commitments is to excuse the complaining member from honoring the concessions it has made (the lower tariffs or other market openings it committed to) with respect to the offending member, if the offending member’s policies are found to be damaging to the complaining member and if those policies haven’t come into conformity with the commitments made within a reasonable period of time after the finding is rendered.

Findings of the Dispute Settlement Body don’t command members to do anything. Rather, they *recommend* that members bring their policies or practices into conformity with their commitments under a specific agreement. To this day, the GATT/WTO has never compelled a member to do anything.

Hawley continues:

“Take the World Trade Organization. Its [WTO’s] mandate was to promote free trade, but the organization instead allowed some nations to maintain trade barriers and protectionist workarounds, like China, while preventing others from defending themselves, like the United States... Meanwhile, the W.T.O. required American workers to compete against Chinese forced labor but did next to nothing to stop Chinese theft of American intellectual property and products.”

The WTO promotes free trade, but its member governments never fully embraced it. Protectionism endures because governments, such as our own, are always tempted to dole out favors to politically important domestic industries. In other words, it is precisely because the WTO has no powers of compulsion and that its members maintain their full sovereignty that protectionism persists.

That said, tariffs and other trade barriers are much lower today than they were in 1947, as a result of the hard work of national governments cooperating under GATT/WTO architecture. There are asymmetries to the tariffs applied by WTO members—some members have higher tariffs on certain products and other members have lower tariffs. Hawley and other trade skeptics are always quick to identify the higher tariffs in China or Europe on imported automobiles, or the protectionist rules that prevail in other industries (and those are problems, to be sure!), but they never mention the higher U.S. tariffs on clothing, footwear, and pickup trucks, for example. Nor do they mention the steel industry’s out-of-control abuse of the U.S. antidumping law, trade-distorting subsidies lavished on U.S. farmers, or the Jones Act, which restricts foreign ships and shipping in the United States.

Existing asymmetries are—to a large extent—vestiges of the GATT’s founding ethos. In order to attract as many members as possible and get those governments into the habit of constraining their protectionism, the GATT asked less of some countries than others. The idea was to get them to join the club by asking them to do what they could in terms of their own tariff reductions. In the subsequent rounds of multilateral liberalization over the decades, tariffs

typically were slashed formulaically (reduced by certain percentages), which worked to preserve and, in some cases, accentuate the asymmetries.

These matters of “special and differential treatment,” which have excused developing countries from implementing their commitments in a timely manner and from liberalizing at the same pace as developed countries, are important concerns that the WTO is trying to grapple with presently.

But, contrary to Hawley’s assertion, the WTO has not prevented the United States from defending itself against Chinese practices that violate China’s WTO commitments. The United States has brought about two dozen cases against China in the WTO and obtained a favorable outcome nearly every time.

But instead of building on that success by filing more cases in areas where concerns about violations remain—and, perhaps, enlisting the support of other WTO members whose exporters face similar problems in China—the United States went rogue in 2018, casting the WTO’s rule of law aside, and applied tariffs on imports from China unilaterally.

Hawley continues:

“That new order’s universal peace never quite arrived. Instead, the internationalists embroiled America in one foreign war after another. And their liberal economic order fared little better. It sent American production overseas, compromised American supply chains, and cost American jobs, all while enriching Communist China.”

It seems a stretch to blame the WTO for George W. Bush’s invasion of Iraq and the residual wars in Syria and North Africa, but Hawley seems to want to conflate every institution that isn’t American and every event that happens outside the United States as the workings of some internationalist cabal.

It’s tough to argue that U.S. job churn didn’t accelerate over the past few decades with millions of jobs created and lost each month. But that churn is the consequence of a confluence of factors, which includes trade but also—more explanatorily—the decline in demand for manufactured goods relative to services and increasing automation. It’s an article of faith among protectionists that sending “production overseas” resulted in U.S. job losses. Of course, that is an obvious consequence. Less obvious, but essential to the analysis, is that outsourcing frees up resources to create jobs in the United States (yes, outsourcing is typically a complement to domestic production, not a substitute for it) and, over this same period, millions of Americans gained employment with foreign headquartered companies through the process of “insourcing.”

Hawley concludes:

“Abandoning the W.T.O. is a start. The United States must seek new arrangements and new rules, in concert with other free nations, **to restore America’s economic sovereignty and allow this country to practice again the capitalism that made it strong.** It means building a new network of trusted friends and partners to resist Chinese economic imperialism.

We must face facts. The only sure way to confront **the single greatest threat to American security in the 21st century, Chinese imperialism**, is to rebuild the U.S. economy and to build up the American worker. And that means reforming the global economic system.”

There's nothing objectionable about the United States building relationships with "a network of trusted friends and partners." The WTO expressly acknowledges that some members may want to achieve deeper liberalization than is possible within the WTO. As long as certain core conditions are met—especially that the liberalization between or among the countries party to the agreement applies to substantially all of their trade and that the agreement does not raise barriers to external trade—these preferential (bilateral or regional) agreements won't run afoul of WTO commitments. So, building these alliances in no way requires ditching the WTO.

As sovereign people in a sovereign nation, Americans are free to decide whether and to what extent their government should be involved with international institutions, such as the WTO. Blaming foreigners for homemade woes is a staple of the nationalist's diet and ditching the WTO—especially on the bases of the false pretenses Hawley offers—will serve to isolate further the United States and render what Hawley considers "the single greatest threat to American security in the 21st century, Chinese imperialism," more difficult to counter.

Whether or not one thinks Chinese imperialism is a priority scourge, taking on that challenge alone—as an isolated, international pariah—would significantly diminish the likelihood of success. Just ask President Trump, who launched a trade war against China after alienating our trade partners with steel and aluminum tariffs and other threats. He'd surely agree...in private.

Dan Ikenson is the director of Cato's Herbert A. Stiefel Center for Trade Policy Studies, focusing on WTO disputes, regional trade agreements, U.S.-China trade issues, steel and textile trade policies, and antidumping reform.