

Trade experts call for U.S. leadership at WTO in AEI session

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A series of trade experts said Monday that the United States needs to show leadership in the reform of the World Trade Organization.

Darci Vetter, the chief agriculture trade negotiator in the Obama administration and a potential appointee in a Biden administration, said that the WTO is a “provider of certainty” for American farmers because more than half of U.S. exports leave the country under WTO rules as opposed to those rules established under bilateral trade agreements.

Vetter acknowledged that there are aspects of the WTO that do not work well, but said she is concerned that the “current mode of engagement” by the Trump administration won’t lead to reforms.

A case the United States brought to the WTO against Chinese commodity subsidies that “took years to develop” could have been used to change the conversation about agricultural subsidies away from the criticism that a few developed countries have been subsidizing their agriculture, Vetter said, but “we finally chose to undermine ourselves and the momentum behind that case” by refusing to allow new panelists to be appointed to WTO dispute resolution panels and by negotiating bilaterally with China.

Daniel O’Sullivan, the former ambassador of the European Union to the United States, said that the WTO’s inability to negotiate new trade agreements is as important as the problems in the dispute resolution process.

Joseph Glauber, a former Agriculture Department chief economist, said that whether the recent rounds of U.S. subsidies to make up for the loss of exports to China and the loss of sales due to the coronavirus pandemic cause other countries to protest at the WTO depends on whether the subsidies continue.

Chad Bown of the Peterson Institute of International Economics noted that developing countries frequently file trade cases against the United States and the European Union but rarely against China.

Simon Lester of the Cato Institute said that if new dispute resolution panelists are not appointed, another system of handling disputes may develop.

Jennifer Hillman of Georgetown University praised the WTO, but said one of the true substantive weaknesses of the WTO rules has been the unwillingness to “discipline subsidies.”

Rulings are “prospective,” she noted, meaning that trade frictions caused by past performance are not disciplined. If a ruling says that China has subsidized steel, it does not require that the steel plants be closed down, she noted.

Reform, Hillman said, should include addressing the staffing of the appellate body because there is a tendency to repeat rulings rather than consider cases individually.

AEI has posted a video of the two-hour session on its website, as well as links to Glauber’s congressional testimony and articles he has written.