



Trump Team Quietly Probes Ways To Bypass, Undermine WTO

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President Donald Trump's administration is mulling plans to circumvent the World Trade Organization. Incoming administration officials asked the U.S. Trade Representative's office to find ways to bypass WTO rules on dispute resolution to levy unilateral U.S. sanctions against other countries such as China, sources tell the Financial Times.

The United States set up the WTO's dispute resolution mechanism two decades ago. It has been a cornerstone of the global trade regime ever since, arbitrating trade disputes between member countries.

The specter of bypassing the WTO has experts worried. "There will be horrible negative side effects" if Trump's team follows through, said Simon Lester, a WTO veteran and trade expert now with the Cato Institute. Prominent economist Paul Krugman said on Twitter the move was "flirting with dismantling the most fundamental rules of trade."

Under existing WTO rules, member countries aren't supposed to retaliate against one another with unilateral sanctions or tariffs. Such a move, particularly by the world's most powerful economy, could trigger a chain reaction of retaliations and dismantle the global rules-based trade system the WTO oversees, experts say. "It could get us into some new and scary world of international economics we haven't seen before," Lester told Foreign Policy. Trump departed with decades of U.S. tradition with his free-trade skepticism and "America First" platform, even calling the World Trade Organization "a disaster" during his presidential campaign.

And just over a month into his presidency, he's taking steps to back away from trade. During his first week in office, he withdrew the United States from the Trans-Pacific Partnership free trade agreement with Canada and 10 other Asian and Latin American countries — a move White House Chief Strategist Steve Bannon called "one of the most pivotal moments in modern

American history.” He’s also stacked his administration with protectionists such as National Trade Council chairman Peter Navarro and U.S. Trade Representative nominee Robert Lighthizer.

The threat of bypassing WTO rules may just be a negotiating tactic, Lester said. Trade experts anticipate the Trump White House to push for reforms to the WTO to give more deference to U.S. government decisions on trade and loosen rules on duties in an effort to protect U.S. industries from competitive imports. “Are they really serious about this threat or is it just designed to create leverage to push WTO reforms through?” Lester asked. “It may be just talk.”

The WTO system already has widespread international support, and the rest of the world is likely to continue to use it regardless of whether the United States withdraws or bypasses it.

Other economic powerhouses have already warned they won’t let themselves be pushed around by Washington, though. Xi Jinping tried to warn the United States off a trade war, as did EU Trade Commissioner Cecilia Malmström, who specifically cited the threat of retaliation.