



## Should the United States withdraw from the WTO?

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The joint effort by Sen. Josh Hawley (R-Mo.) and Rep. Peter DeFazio (D-Ore.) to withdraw the United States from the World Trade Organization (WTO) has run into a procedural roadblock in Congress, but the rear-guard assault on U.S. membership in the 25-year-old institution will certainly continue. Advocates of free trade and U.S. leadership in the global trading system should welcome a robust debate, whether inside or outside the halls of Congress.

First-term Sen. Hawley has emerged as a leading critic of the WTO and the global trading system that it buttresses. In speeches and op-eds, he has questioned the fairness of its dispute settlement system and blamed its trade rules for depressing real wages and eliminating millions of U.S. manufacturing jobs. While there is broad agreement that the WTO system needs reform, Hawley's critique is factually challenged. In reality, withdrawal from the WTO would inflict lasting damage on the U.S. economy and our standing in the world.

The World Trade Organization has delivered on its promises of creating a more rules-based global trading system with broadly declining barriers to trade in goods and services. Its dispute settlement system has held members accountable to follow those rules, benefitting both American exporters and American workers and consumers.

Since the General Agreement on Tariffs and Trade was adopted by the United States and other major trading nations in 1947, the average level of global tariffs levied against U.S. exports has dropped sharply from 22 percent to under 5 percent. That trend has continued under the 1994 Uruguay Round Agreement, which established the WTO while beefing up the dispute settlement mechanism to keep barriers down.

The result has been a healthy increase in U.S. trade, including exports. Since the creation of the WTO, U.S. exports of goods and services have jumped from \$700 billion in 1994 to \$2.5 trillion in 2019. As a share of the domestic economy, exports have climbed from under 10 percent to 12 percent. The WTO has also encouraged lower U.S. barriers to trade, to the benefit of tens of millions of consumers here at home, as well as import-consuming U.S. producers.

A 2016 study by the U.S. International Trade Commission found that the lower tariffs agreed to in the Uruguay Round Agreement disproportionately benefited middle- and lower-income U.S. consumers through lower prices for basic goods such as footwear and clothing. Increased patent protection resulting from the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights boosted U.S. international receipts for the use of intellectual property by \$10.3

billion a year, or 12.6 percent. The WTO's Information Technology Agreement increased annual U.S. exports of covered IT products by \$34.4 billion, or 56.7 percent.

Like many critics of trade, Sen. Hawley blames the WTO for a supposed decline in average real wages for American workers and for the loss of manufacturing jobs. In fact, average U.S. real wages have been rising since the mid-1990s after stagnating for the two decades before then. And while manufacturing jobs have declined, real manufacturing output and value added have increased, indicating that rising productivity – and not trade – is the cause.

The WTO's enhanced dispute settlement has been a success. It has rendered judgments on hundreds of cases, leading to more faithful adherence to the rules members have agreed to follow. There is no evidence of any bias against the U.S. government. As Dan Ikenson of the Cato Institute noted, "When the United States has been a complainant (as it has in 114 of 522 WTO disputes over 22 years—more than any other WTO member) it has prevailed on 91 percent of adjudicated issues. When the United States is a respondent (as it has been in 129 cases—more than any other WTO member), it has lost on 89 percent of adjudicated issues." Both closely match the average 90 percent success rate of complainants.

Withdrawal from the WTO would deny U.S. producers the protection of lower barriers abroad and a proven forum for settling commercial disputes. It would cede leadership of the global economy to China, the European Union and other major trading entities, while relegating the United States to the ranks of such non-WTO members as Belarus, Iran, Libya, Serbia, Somalia, Sudan, Syria and Uzbekistan.

Whether you think Hawley is right or wrong about the WTO, it would be a valuable exercise to debate the merits of U.S. membership on the floor of both the U.S. House and Senate. Instead of misguided calls to abandon the WTO, we need a rational, bipartisan discussion of how to fine-tune and reform a system that has served our nation well for more than seven decades.