
WTO Without US? Trump Trade Agenda Clashes With New Global Rules

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Lower imports tariffs, as proposed by the WTO, do not fall in line with Donald Trump's idea of the US role in foreign trade, which might eventually result in America leaving the WTO and reshaping the entire landscape of international exchange in goods and services.

Kristian Rouz – A protectionist approach to international trade, repeatedly reiterated by Donald Trump's administration, is becoming increasingly contradictory to the new global trade rules enforced by the World Trade Organisation (WTO).

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The international organisation, aiming for the increased laissez faire in global trade in goods and services, has lowered the tariffs on Wednesday, having stated that lower imports tariffs would boost the volume of trade by roughly \$1 trln per year.

The Trump administration, however, is hardly enthusiastic over the WTO agenda. The White House is drafting a proposed US trade reform, which would raise imports tariffs and lower exports tariffs, and this protectionist approach to foreign trade goes the opposite direction to that of the WTO.

This conflict of interest might result in the US eventually leaving the WTO amidst the concerns of the increasingly unfair trade competition as practiced within the organisation.

“I heard the US team complaining about unfair trade,” Roberto Azevedo, the WTO’s Director-General said. “Every single country in the WTO complains about unfair trade. What you do about that is the big question.”

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Donald Trump has said on several occasions that the US is being taken advantage of in their foreign trade by other countries, which have lower manufacturing throughput costs, stemming from easier access to raw materials and very cheap labour. Imported goods have subsequently pushed the more expensive US-made goods out of the American domestic market, which imposes significant limitations on US economic growth, wages and salaries, and the labour market.

“President Trump, during his election run, made it very clear that if we cannot get the WTO to enforce the rules that everybody agreed to when they joined up, then the WTO will have lost its effectiveness and we will re-evaluate whether we even belong to the WTO or not,” Dan DiMicco of Nucor Steel Corp. said.

On his campaign trail last year, Trump had said the US might leave the WTO due to his commitment to restore the US manufacturing and overall output in US-made goods. Moreover, the Trump-proposed lower US export tariffs are designed to enhance the presence of US enterprises in the global market, and low imports tariffs imposed by the WTO on other nations would come in handy.

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Other WTO members would not be happy with Trump's trade reform, and might enforce their own protectionist tariffs accordingly. This would effectively mark an end of the WTO.

On Wednesday, the WTO streamlined customs proceeding for all of its member states as part of the Trade Facilitation Agreement (FTA), described as "the biggest reform of global trade in a generation" by the WTO's Azevedo. According to the WTO economists, emerging markets will be the greatest beneficiaries of the reform, the final goal of which is eliminating imports tariffs.

Advanced economies will therefore face an even greater influx of cheaper foreign-made goods, which will further decimate their manufacturing capacity. This is hardly a possibility under the Trump administration in the US, and Brexit and the rise of populist right movements in continental Europe are all likely an indication of a conservative revolution in global trade.

Trump is intending to slap Mexico with a 35-percent import tariff, and mainland China with a 45-percent import tariff. Both would violate the WTO rules, therefore, both Mexico and China, for example, would win in the settlement proceedings against the US within the WTO.

Trump, who referred to the WTO as a 'disaster,' along with his team, must have a clear understanding that greater trade protectionism is hardly compatible with a membership in an international organisation based on the principles of laissez faire.

The new White House administration has stated that mutually beneficial bilateral trade deals with other nations will likely be a cornerstone of the new US foreign trade policy. Meanwhile, Trump withdrew from the Trans-Pacific Partnership (TPP) last month, and is aiming to renegotiate or eliminate NAFTA, the 23-year-old trade agreement with Mexico and Canada.

Against the backdrop of these developments, pulling the US from the WTO might only be a matter of time. The bigger question is, would other advanced nations follow the US exiting the WTO in order to support their domestic industries, and how would that subsequently affect the WTO rules.
