

Financial Times (Feb. 27, 2017)

## Trump team looks to bypass WTO dispute system

*Unilateral trade sanctions would test a pillar of the US-built global economic order*

by: Shawn Donnan and Demetri Sevastopulo

**The Trump administration is exploring alternatives to taking trade disputes to the World Trade Organisation in what would amount to the first step away from a system that Washington helped to establish more than two decades ago.**

**Incoming officials have asked the US Trade Representative's office to draft a list of the legal mechanisms that Washington could use to level trade sanctions unilaterally against China and other countries.** Their goal, people briefed on the request told the Financial Times, is to find ways that **the new administration could circumvent the WTO's dispute system.** Since being established in 1995 the WTO has become the **pre-eminent venue for resolving trade fights between member countries,** which its proponents say has helped prevent destructive trade wars. While the US would remain a WTO member under the Trump administration's plans, the officials' move reflects the sceptical view many of them have of an institution they see as a plodding internationalist bureaucracy biased against US interests. It also illustrates how **Donald Trump, who has vowed to pursue an "America First" foreign policy, is setting out to test a global economic order that his predecessors helped to build and defend.** **"The World Trade Organisation is a disaster,"** the president said during last year's campaign. Mr Trump has already pulled the US out of the Trans-Pacific Partnership trade pact with Japan and 10 other countries in what Steve Bannon, a senior adviser, described last week as: "one of the most pivotal moments in modern American history".

Allies warn that Republican plan ‘definitely not compatible’ with global trade rules. The president has also frequently expressed disdain for international bodies and agreements. During the presidential campaign, he railed against NATO, the transatlantic security alliance, though his cabinet members have since sought to reassure US allies.

With trade, however, Mr Trump has assembled a team of protectionists who stand in stark contrast to the establishment generals he has turned to for security policy. Robert Lighthizer, his pick for US Trade Representative, has called for the US to embrace protectionism and in 2010 suggested the US take a more aggressive approach to the WTO. In September, Wilbur Ross, his pick for commerce secretary, and Peter Navarro, the head of a new National Trade Council, spent a large part of a paper laying out Mr Trump’s trade doctrine complaining about what they dubbed the WTO’s unfair treatment of the US business tax system. Mr Ross, the billionaire investor whom Mr Trump has tapped to lead on trade, is expected to be confirmed by the Senate on Monday while Mr Lighthizer’s confirmation is not expected until March. In the cabinet members’ absence, Mr Navarro, author of Death By China, has been the only active senior member of the trade team and he was behind the push to look at alternatives to the WTO, according to multiple sources. The White House official did not respond to requests for comment, but it is also clear he was not operating in a vacuum.

“There is growing frustration that this [WTO] system alone is not enough to get countries to honour their trade commitments,” said John Veroneau, USTR’s general counsel during the administration of George W Bush. “It is clear that the Trump administration is sympathetic to this view.

”The White House refused to say whether it remained committed to the WTO. “We aren’t going to comment on trade policy until we have a USTR in place,” said Lindsay Walters, deputy press secretary. “It would be premature to say that the administration is ‘committed’ to any specific policy until that point.” Part of the administration’s scepticism towards the WTO comes from the steel industry background that many of Mr Trump’s trade team share. WTO panels have in the past rejected aggressive anti-dumping methods pushed by the US at the industry’s behest. Dan DiMicco, the former chief executive of steelmaker Nucor who led Mr Trump’s USTR transition team, said the idea of pursuing alternatives to the WTO had been discussed for some time. “My own personal

view is that the WTO does not work,” he said. But Mr DiMicco said the administration would adopt a wait-and-see approach. “The WTO as it exists today is a body that we deal with and that is going to continue unless we see that it is not working for us,” he said. “If we start filing a lot of trade cases and anti-dumping cases and the WTO overrules us that is not going to be a good thing.”

**A number of important cases launched by the Obama administration against China are now before the WTO. It is also hearing a case filed by Beijing against the EU and US over whether China should be treated as a “market economy” under WTO rules.** Experts are concerned that any move to use unilateral alternatives could undermine a global system that Washington spent decades establishing. “Once the United States signals that it is bypassing the WTO and taking trade disputes into its own hands, others won’t be far behind,” said Wendy Cutler, who oversaw the TPP talks during the Obama administration. “It will lead to the wild Wild West on trade.” Another former official called the new discussions “shortsighted”. “The administration should focus on how to make the US economy more globally competitive, not abandoning leadership of the rules-based system we have worked for generations getting others to accept,” the official said.