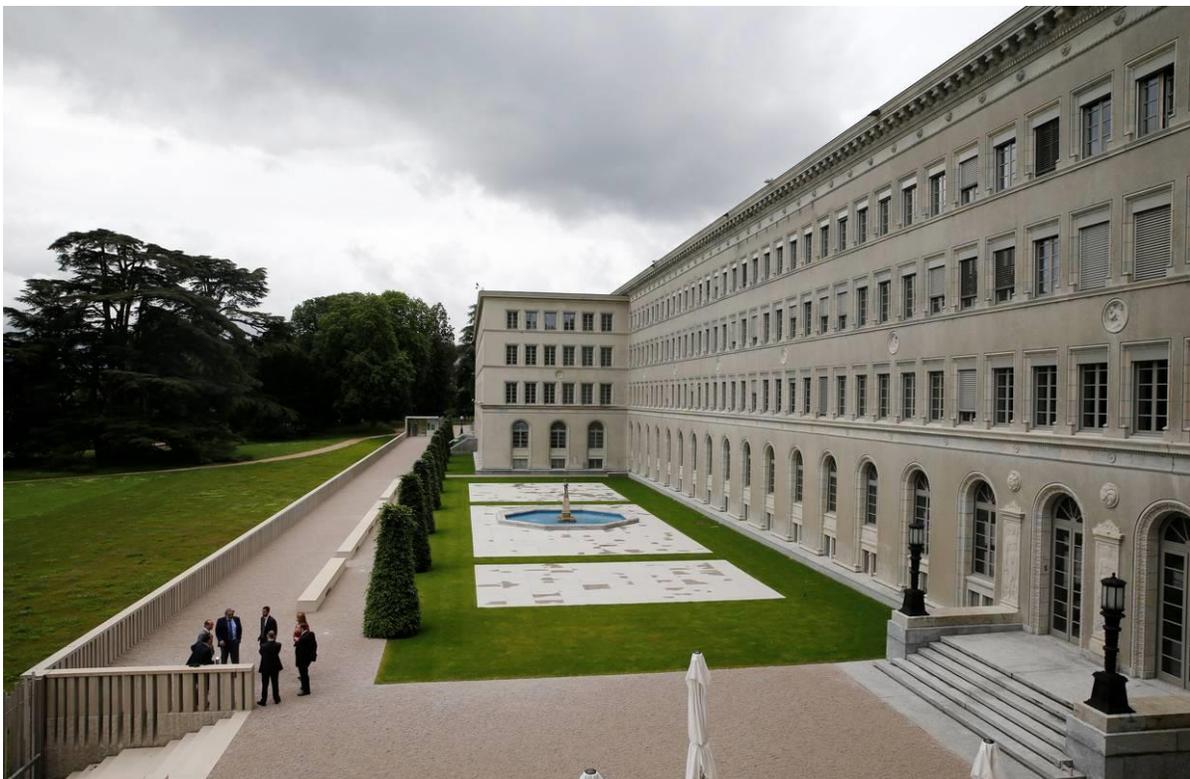


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Trump Trade Policy Expected to Seek Smaller WTO Role in the U.S.

Draft document says administration will champion U.S. law in effort to take on trading partners

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The draft document outlines the legal argument for rejecting dispute-settlement decisions by the World Trade Organization.

WASHINGTON—The Trump administration is developing a national trade policy that would seek to diminish the influence of the World Trade Organization in the U.S. and champion American law as a way to take on trading partners it blames for unfair practices, according to a draft document reviewed by The Wall Street Journal.

The policy, contained in a draft document due to be published as early as Wednesday, represents a dramatic departure from the Obama administration, which emphasized international economic rules and the authority of the WTO, a body that regulates trade and resolves disputes among its members.

By contrast, the new Trump administration will more assertively defend U.S. sovereignty over trade policy, ramp up enforcement of U.S. trade laws, and use “all possible sources of leverage to encourage other countries to open up their markets,” according to the document.

President Donald Trump defeated Republican rivals and beat Hillary Clinton based in part on strong rhetoric on trade, accusing China and other countries of currency manipulation, unfair state subsidies and other infractions.

In his speech to a joint session of Congress Tuesday night, Mr. Trump said he wouldn’t let American workers and businesses be taken advantage of. “I believe strongly in free trade but it also has to be fair trade,” he said.

Some business groups and Republicans who back traditional trade policy have hoped the new administration would moderate its most aggressive policy proposals to protect U.S. industries.

But the administration sees a clear mandate to change its approach. “The American people grew frustrated with our prior trade policy not because they have ceased to believe in free trade and open

markets, but because they rejected the way in which the framework of rules governing international trade operates,” the document says.

The U.S. trade representative’s office said it has a policy of not commenting on draft documents.

Congress requires the president to submit the administration’s trade policy annually by March 1, according to U.S. law. The framework is a signal to lawmakers, businesses and trading partners about how the administration plans to carry out its policies. Several business leaders and congressional aides were briefed on the trade-policy blueprint and are aware of the draft document’s contents.

In the face of Republican concerns, a congressional aide said language in the draft challenging the WTO could still be toned down in a final, public version.

The policy mainly spelled out a broad approach to dealing with trading partners—including China, South Korea and Mexico, where the U.S. has trade deficits—and the global trading system as a whole, via the Geneva-based WTO.

The outcome of **two important test cases at the WTO** could help determine the Trump administration’s attitude toward the international trading system, trade lawyers say.

The first is a challenge China brought when the U.S. failed to grant the country “market economy” status in December on the 15th anniversary of the country’s membership in the WTO. By not granting Beijing that status, the U.S. can continue calculating punitive tariffs on allegedly dumped Chinese goods in ways that are often disadvantageous to Chinese companies.

The second is a case the Obama administration brought that challenges China’s subsidies for aluminum production. The WTO has only limited rules to prevent subsidies, and a ruling for China in

that case could lead the Trump administration to look for other measures to challenge Chinese subsidies.

“Americans are subject only to U.S. law not to WTO decisions,” the draft document reads. **“The Trump administration will aggressively defend American sovereignty over matters of trade policy.”**

The draft document outlines the legal argument for rejecting WTO dispute-settlement decisions. Some economists and lawmakers fear that failure of the U.S. to abide by WTO decisions or unilateral action by the U.S. not compliant with international law will trigger retaliation by other countries. The risk is that such an approach, if copied by other countries, could weaken adherence to the WTO’s rule-based system around the globe and upend seven decades of increasing U.S.-led cooperation on trade since World War II.

The WTO sometimes interprets trade agreements in a way that hamstrings the ability of the U.S. to respond effectively to unfair trade practices under WTO rules, the administration said in the document.

“Those activist interpretations, untethered from economic realities, undermine confidence in the trading system,” the document said. The administration **“will act aggressively as needed to discourage this type of behavior.”**

One trade lawyer who has been briefed by the administration said while the principles may appear more aggressive on paper than past administrations, the true test is how the administration applies the agenda in practice. **“It’s red meat for the public, but the question is, how do they actually execute it?”**

Beijing is singled out in the document, which pointed to China’s entry into the WTO in 2001 as when U.S. trade policy went awry. The Asian powerhouse—now the No. 2 economy in the world—**has been targeted as representing many of the administration’s worst trade-practice complaints.** Mr. Trump and his trade lieutenants have

lambasted Beijing for using a depreciated exchange rate to gain a competitive advantage, subsidizing industries, including through state-owned firms, inadequately protecting against theft of intellectual-property rights and using a host of nontariff trade barriers to block access to international firms.

One key principle the administration said it plans to apply is a form of trade quid pro quo called “reciprocity” to countries that refuse to open up their markets. Lawmakers and the Trump administration are considering toughening up national-security reviews of foreign investments into the U.S. to leverage better trade terms with China. If Beijing doesn’t open up its markets to U.S. investors or exports, for example, the administration could use its powers to block Chinese deals to buy U.S. assets, or threaten higher tariffs on Chinese imports.

“This is a completely new challenge of the WTO, existentially questioning whether we should be part of the WTO,” said a senior congressional aide who reviewed the document. “Previous administrations never called that into question.”

The administration says it intends to update the document when Congress confirms a U.S. trade representative. Robert Lighthizer, Mr. Trump’s pick, is widely expected to win confirmation but is facing questions about decades-old work representing foreign governments.

Parts of the policy document contain arguments similar to those in a widely circulated memorandum Mr. Lighthizer wrote in 2010. At the time, Mr. Lighthizer told a congressionally mandated China commission that the U.S. could put its WTO commitments on hold, restricting imports from China until the country changes its behavior in key areas.