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Trump May Withdraw U.S. From WTO, Outside Advisor Says

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During the presidential transition period, Dan DiMicco, the former CEO of Nucor Steel Corp., was thought to be the likely choice to be the U.S. Trade Representative in the Trump administration.

Let us be thankful that didn't happen.

DiMicco said in an interview with CNBC last week that President Trump might withdraw the United States from the World Trade Organization.

"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," he said.

During the 2016 presidential campaign, Trump himself has said he might cancel America's WTO membership, but he hasn't said anything about it publicly since taking office.

The WTO certainly has problems, but failure to enforce its rules is among the least of them. Its Dispute Settlement Body has received about 500 complaints during the last 20 years and has issued rulings in 350 of them. Most of the rest were resolved through consultations between the parties.

The Obama administration filed 26 disputes in the DSB, most of them against China, and won every one that has been decided to date.

If Trump imposes any of the punitive tariffs he has threatened, DiMicco is going to find out how wrong he is about the WTO's willingness to enforce its rules.

Hitting Mexico with a 35 percent tariff, or a 20 percent tariff, or whatever number Trump dreams up next would violate NAFTA and WTO rules. A 45 percent tariff against China would violate WTO rules. Both countries would retaliate in kind and would drag the United States into a WTO dispute settlement proceeding. And they'd win.

Trump has called the WTO a “disaster.” Withdrawing from it would be a disaster. Other countries could raise tariffs against us, dump products in our markets, steal our intellectual property and cheat us every which way from Tuesday and our ability to retaliate would be severely weakened.

Trump keeps complaining that other countries are taking advantage of us. If that’s true, why would he decouple the United States from the one organization that can do something about it?

It’s astonishing that our president and his commerce secretary, Wilbur Ross, believe that protectionism and economic isolationism are the yellow brick road to a renaissance of American manufacturing. It’s amazing that they don’t know that every administration that has walked that road has found that it leads to higher unemployment and lower economic growth.

There is reason for hope, though – if you’re an optimist, that is. Trump has nominated a man who actually knows something about trade to be his U.S. trade representative. Robert Lighthizer was a deputy U.S. trade representative during the Reagan administration and has been practicing trade law at a prestigious Washington law firm since then. It’s hard to know how much clout he’ll have against Ross and Peter Navarro, the head of Trump’s new National Trade Council. *The Economist* called him a “China-bashing eccentric.”

Navarro said in a January 29 interview with Fox News that the Trump administration would approach Australia about negotiating a free trade agreement. The U.S. and Australia already have a free trade agreement.

Lighthizer said in 2010, “USTR should pursue WTO litigation with respect to all such examples of non-compliance (by China). If necessary, Congress should give USTR additional resources to increase its ability.”

While at USTR, he told the *New York Times*, “I try to be friendly in negotiations. I’m not the theatrical type.”

Based on those two statements, one can infer that Lighthizer’s philosophy and *modus operandi* are diametrically opposed to those of his boss-to-be and of the rabid protectionists Ross and Navarro.

He’ll have a tough row to hoe if he hopes to inject some sanity into the Trump administration’s trade policies. Let’s wish him luck.