

Trump has WTO rulings in sights, leaked report shows

Administration vows to defend American sovereignty on policy

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The Trump administration is preparing to ignore any rulings by the World Trade Organisation that it sees as an affront to US sovereignty, according to a leaked report prepared by officials.

The move would be a departure from US practice and a blow to the international watchdog's credibility. The hard-hitting report, which was sent to Congress on Wednesday and obtained by the Financial Times, marks the ***first time that the Trump administration has laid out its trade plans in writing.***

The administration promises to shake up US trade policy and confront what it portrays as a dysfunctional global system that has benefited China and other emerging economies at a cost to US workers. "Ever since the United States won its independence, it has been a basic principle of our country that American ***citizens are subject only to laws and regulations made by the US government — not rulings made by foreign governments or international bodies,***" officials wrote in the draft seen by the FT.

"Accordingly, the Trump administration will aggressively defend ***American sovereignty over matters of trade policy.***" Asked about the report on Wednesday, Sean Spicer, the White House spokesman, said it was too early to discuss US trade policy as Robert Lighthizer, Mr Trump's pick for US trade representative, had not yet been confirmed. But he also appeared to reject the idea of ignoring WTO rulings. "That's not — full stop — that is not our policy and that's not where we're going," he said. But the report laying out President Donald

Trump's 2017 trade agenda comes as his administration **has been examining alternatives to using the WTO's dispute settlement system.**

It also makes clear the scorn with which Mr Trump, who during last year's campaign called the WTO "a disaster", and his aides regard the Geneva-based institution which Washington played a key role in establishing in the 1990s.

Some leading members of Congress made clear on Wednesday that they disagreed with the Trump administration's take on the WTO. "I strongly believe that our current trade agreements, including the WTO, have been successful for Americans," said Kevin Brady, the pro-trade Republican head of the House Ways and Means committee. His Democratic counterpart, Richard Neal, questioned the report's focus on US sovereignty and the WTO. "It sounds like the Administration is considering a far too drastic response," he said. "We need to fix the problems with the current international trading system, not scrap the system altogether."

Washington is facing several important WTO decisions, particularly involving China, in the months ahead that are likely to test the Trump administration's relationship with the multilateral body. Potentially the most important is a WTO complaint filed in December by Beijing against the EU and US for blocking China's request to be treated as a "market economy" under the institution's rules. A final ruling could be years away. But were the US to ignore a finding in China's favour it could have big consequences for the WTO as a venue for resolving trade disputes before they fester into destructive trade wars.

Echoing Mr Trump's vows to rip up and renegotiate existing trade deals, the report blames the WTO for enabling the economic rise of China and failing to enforce its rules on Beijing. "President Trump has called for a new approach, and the Trump administration will deliver on that promise," it declares. "It is time for a more aggressive approach." The administration said it planned to use "all possible leverage" to open up foreign markets to US goods and companies. **Among the tools it cites is a provision known as Section 301 of the US trade act of 1974 that allows the US to impose punitive tariffs against countries for discriminating against US goods, but which has not been used by Washington since the WTO's creation in 1995.**The measure, which was used in the 1980s against Japan and other trading partners, has long been seen as a blunt unilateral instrument of US trade policy. But in the report, administration officials call it "a powerful lever to encourage foreign countries to adopt more market-friendly policies".

The change, the administration argues, is needed to address a US trade deficit in manufactured goods with the rest of the world that has more than doubled over the past 16 years to \$648bn last year. Over that time, the US has lost almost 5m manufacturing jobs while real median household incomes have declined. “The results of this system have not lived up to expectations,” the draft report says. “These figures indicated that while the current global trading system has been great for China, a giant economy that does not act on the basis of market principles, the United States (and many other countries) that practise market-based capitalism have struggled over the last 16 years.”