

Trade conflicts deepen at WTO meeting

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18 December 2017

A three-day meeting of the World Trade Organisation (WTO) held in Buenos Aires, Argentina, last week, barely received any media coverage. Nonetheless, it was very significant for it revealed the deepening divisions wracking the global trading system.

The eleventh ministerial meeting of the 164-member international trade organisation concluded without any final statement because of US intransigence over its wording. In fact, attempts to draft such a statement were abandoned last month when the US insisted on removing longstanding references to the role of the multilateral system in the world economy.

Under its “America First” agenda, the Trump administration has criticised the operations of the WTO for acting in ways inimical to the US and accused its disputes-settling procedures of creatively interpreting trade rules rather than applying them. In the lead-up to the meeting, US officials reportedly wanted language to be included in the final statement to prevent the WTO’s appellate body, which decides on trade disputes, from violating the “sovereignty” of its members.

The major outcome of the meeting was an agreement between the US, Japan and the European Union, reached on the sidelines, calling for action over “severe excess capacity” in areas such as steel and against state subsidies and state-owned enterprises. The agreement also opposed rules that require foreign investors to make available important technologies to the host country. The statement did not name China but it was undoubtedly the target.

In an editorial published today, the *Financial Times* commented that the “mounting tensions represent an existential test for the global trading system. At issue is whether China’s state-driven, hybrid system has become so divergent from free-market principles that fruitful cooperation is precluded.”

China has launched a case through the WTO against

the US and the EU for their failure to support it being accorded “market economy status” in line with a commitment made when it joined in 2001 to grant such a designation within 15 years. China wants the status because that would make anti-dumping cases more difficult to be launched against it.

In the wake of the WTO impasse, tensions between the US and China are set to escalate. The US is expected to announce its national security strategy today. According to a source cited by the *Financial Times*, the strategy is “likely to define China as a competitor in every realm. Not just a competitor but a threat, and therefore, in the view of many in this administration, an adversary.”

The “America First” agenda is not only directed against China but the entire system of trade rules enshrined in the WTO, set up in 1995 as the successor to the General Agreement on Tariffs and Trade, established in 1947.

US trade representative Robert Lighthizer spelled out the US position at the outset of the three-day meeting last Monday. Dismissing the official agenda to discuss new rules on fishing and e-commerce, he said: “It’s impossible to negotiate new rules when many of the current ones are not being followed.”

With the WTO unable establish new international regulations governing trade and the so-called Doha Round of negotiations that began in 2001 is regarded as dead in the water, the body has become a battleground for disputes between member nations.

“The WTO is losing its essential focus on negotiations, and is becoming a litigation-centred organisation,” Lighthizer said. “Too often members seem to believe they can gain concessions through lawsuits they could never get at the negotiating table.”

The US is not leaving its opposition at words. The Trump administration is blocking the WTO’s ability to fill vacancies on its appellate body, creating a backlog

of cases. Here, as in other areas of trade, the Trump White House is continuing, while at the same deepening, the Obama administration's policies.

Michael Froman, the chief US trade negotiator under Obama, told the *Financial Times*: "Our beef with the appellate body was that certain members were way too creative in creating law. It wasn't about blowing up the binding dispute settlement procedure itself."

It is not just the disputes-settling procedure that is under fire. After campaigning against the multilateral trading system, Trump appeared to at least hold back somewhat on actions against China following his meeting with Chinese President Xi Jinping at Trump's Mar-a-Largo resort in Florida in April.

However, Trump's outburst at the Asia-Pacific Economic Cooperation meeting in Vietnam last month marked a new offensive.

"Simply put, we have not been treated fairly by the World Trade Organisation," Trump said, accusing others of gaming the system at the expense of the US. His remarks were directed against China without specifically naming it. "We can no longer tolerate these trade abuses, and we will not tolerate them," he insisted.

The response of other leaders at last week's WTO meeting was to issue vague but empty calls, without identifying the US directly, for countries to recognise the importance of the multilateral system.

Opening the conference, Argentine President Mauricio Macri appealed for a strengthening of the international system. "The problems of the WTO can only be resolved with more WTO, not less WTO," he said, criticising those who pursue the "primacy of national interest."

In his concluding remarks, WTO director-general Roberto Azevedo acknowledged that progress would have required a "leap" in members' position, which was not seen. Trying to put the best face on a worsening situation, and in obvious contradiction to what had taken place, he claimed all members were in agreement that the WTO was the only organisation capable of policing global trade.

The overriding fear is that a complete breakdown will lead to the kind of trade wars that had such disastrous consequences in the Great Depression of the 1930s and played no small part in creating the conditions for World War II.

The WTO had to do some "real soul searching," Azevedo said. "The system is not perfect but it is the best we have and we will all—all—deeply regret it if we ever lost it."

Such appeals, however, cannot cover over the fact that the US, which was the chief architect of the post-war multilateral trading system, is now playing the central role in the system's destruction as it seeks to counter its economic decline with ever-more aggressive nationalist economic policies.



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