



# Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

## President Trump's Trade Policy Agenda

**The office of the U.S. Trade Representative (USTR) released a report on March 1<sup>st</sup> detailing the key objectives the Trump administration will pursue in the coming years. As the USTR nominee, Robert Lightizer, has yet to be confirmed, the report is considered interim until he has a full opportunity to participate in finalizing it, once he has been confirmed.**

The 336 page report outlines the strategy the Trump administration is pursuing as it says the U.S. people have grown frustrated with their existing trade agreements, which have not been beneficial to American workers and businesses. As such, President Trump has called for a new approach which seeks, among other things, to strengthen the American manufacturing base and expand the country's agricultural and services industry exports.

"As a general matter, we believe that these goals can be best accomplished by focusing on bilateral negotiations rather than multilateral negotiations – and by renegotiating and revising trade agreements when our goals are not being met," the report states.

China, the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), the Trans-Pacific Partnership agreement (TPP) and the U.S.-Korea FTA (KORUS) are a few examples of what have not worked well for the U.S. economy in the past, according to the USTR. Among the objectives pursued by the new administration, the USTR cites the need to resist "efforts by other countries – or Members of international bodies like the WTO – to advance interpretations that would weaken the rights and benefits of, or increase the obligations under, the various trade agreements to which the United States is a party."

In response to the USTR trade policy paper, the WTO's Director-General Roberto Azevêdo acknowledged that the U.S. clearly has "a variety of trade concerns, including about the WTO dispute settlement system." Azevêdo said he stands "ready to sit down and discuss these concerns and any others with the trade team in the U.S., whenever they are ready to do so."

The USTR report includes claims that "important sectors of the global economy, and significant markets around the world, have been at times distorted by foreign government subsidies, theft of intellectual property, currency manipulation, unfair competitive behavior by state-owned enterprises, violations of labor laws, use of forced labor, and numerous other unfair practices" and stresses that the Trump administration will engage in efforts to break down such barriers and open foreign markets to U.S. competition.

"The first challenge is that the WTO rules, and those of some bilateral and plurilateral trade agreements, are often written with the implicit understanding that countries implementing those rules are pursuing free-market principles. In a world in which there are several important players in the global economy that do not fully adhere to the free-market principles in the organization of their economic systems, systematic analysis of such economies relative to economic principles must become more acute. Furthermore, the drafting, implementation, and application of trading rules must find ways to adjust," the USTR report says in an apparent reference to China's trade policy.

Ever since China joined the WTO, the U.S. trade deficit in manufactured goods has more than

doubled, increasing from \$317 billion in 2000 to \$648 billion in 2016. This has resulted in a loss of almost five million manufacturing jobs in the U.S. during the same period, the USTR finds. The U.S. industrial production grew by less than 9% during the same period compare to almost 71% between 1984 and 2000.

In addition, the trade deficit in goods and services with China went from \$81.9 billion to almost \$334 billion in 2015, while American real median household income decreased by \$1,274 between 2000 (\$57,790) and 2015 (\$56,516).

“[T]hese figures indicate that while the current global trading system has been great for China, since the turn of the century it has not generated the same results for the United States,” the USTR says, claiming that the time has come for a more aggressive approach which will allow the new administration to use all possible leverage to encourage other countries to give U.S. producers fair, reciprocal access to their markets.

### **NAFTA and KORUS Deficits**

The USTR also cites NAFTA and U.S.-Korea FTA (KORUS) as significant reasons to be concerned with major trade agreements. The country recorded a combined trade deficit in goods with Canada and Mexico of more than \$74 billion in 2016. President Trump is not the first to U.S. politician to denounce this situation and look to reopen the NAFTA deal, as both Barack Obama and Hillary Clinton called for the U.S. to renegotiate NAFTA in 2008, or withdraw from the pact, the report added.

The implementation of KORUS in 2012 has also contributed to increasing the U.S. trade deficit. The report cites a \$1.2 billion drop in the total value of U.S. goods exported to South Korea since the entry into force of the agreement, whereas the U.S. imports of goods from South Korea grew by more than \$13 billion over the same period.

“As a result, our trade deficit in goods with South Korea more than doubled. Needless to say, this is not the outcome the American people expected from that agreement (...) For decades now, the United States has signed one major trade deal after another – and, as shown above, the results have often not lived up to expectations,” the USTR wrote.

This is why the U.S. has decided to withdraw from plurilateral agreements like the TPP, to favor potential bilateral discussions with the remaining TPP countries who expected to learn more from the Trump administration’s new trade approach at a summit hosted by Chile in Viña del Mar.

Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam will hold a breakfast meeting on March 15<sup>th</sup>, along with bilateral or small group meetings with Korea, China and Colombia. The U.S., however, decided to be represented by its local ambassador which clearly signals that it is not yet ready to start its bilateral negotiations with its former TPP partners.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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