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President Donald Trump's Trade War

Multilateralism at Risk

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The global trading system, with the World Trade Organization (WTO) at its center, has been under stress for more than a decade.¹ The Doha Round of trade negotiations failed to make progress beyond the Trade Facilitation Agreement. This has led many to ask whether the WTO can sustain the open trading system, which it and its predecessor institution, the General Agreement on Tariffs and Trade, have helped spawn. The challenge to the open trading system has reached a new height following the election of President Donald Trump in the United States. Under him, trade tensions have turned into a trade war of sorts, which threatens to bring down the entire multilateral trading system. The question now being asked is not whether conflicting interests of major trading nations would damage the system—that damage has already begun—but whether a different future leadership in the United States would be able to repair that damage and return the system to its healthier self.

The sources of stress in the trading system and possible solutions, if any, constitute the core of this paper. Before we get to that discussion, however, it is useful to take a brief stock of the history of the evolution of the global trading system. This stocktaking would help us appreciate that the road to achieving and maintaining a liberal trading system has always been bumpy. And yet, we have achieved unprecedented progress in creating and nurturing a highly open trading system. This liberal trading

¹ This paper builds on some of my earlier work, most notably, Panagariya (2013) and Bhagwati, Krishna and Panagariya (2016).

system has brought unprecedented prosperity around the world and is therefore worth every bit of our effort to preserve it.

1. Brief History of the Evolution of the Global Trading System

The year 1870 is generally accepted as the heralding of the First Globalization. A network of bilateral agreements between different pairs of Western European nations had resulted in substantial liberalization of trade within Western Europe, by far the most prosperous region of the world at the time. Inspired by the Anglo-French Cobden-Chevalier treaty of 1860, the agreements had built into them a Most Favored Nation (MFN) clause. Accordingly, each signatory country to a bilateral agreement recognized the other signatory country as its Most Favored Nation (MFN), whereby it committed to granting the latter any future tariff concessions granted by it to third countries. As more of such agreements were signed, more countries enjoyed the benefits of tariff reduction and the cost of not having such agreements rose. In turn, this induced more and more countries to sign them.

Outside Europe, self-interested colonial powers also forced full or near-full free trade on their colonies, principally in Asia and Africa. Motivation of the colonial powers in this respect was clear: they wanted free access to the markets of their colonies even as they themselves imposed tariffs on imports from the latter. European nations also obliged China and Japan to adopt very liberal trade policies through treaties forced on them by wars. Only the Americas remained regions with high levels of protection.

Facilitated by a liberal trade regime around the world, years 1870-1914 saw the western world grow by leaps and bounds.² But the First World War put an end to both the

² Because the policies within the colonies were largely designed to exploit them to the benefit of the respective colonial masters, they did not do so well.

liberal economic order and the rapid expansion of the western economies. The war itself contributed to the disruption of trade and proliferation of many tariff and non-tariff barriers. Moreover, the general atmosphere of mutual distrust and absence of the spirit of cooperation that followed the war gave rise to yet more barriers. Countries that returned to the gold standard after the war also found deflation in partner countries feeding into their economies and resorted to trade barriers to insulate themselves from such deflation. Like the Americas, Europe too now became heavily protected.

During the inter-war period, many of the colonies and independent Asian countries such as China and Japan acquired or recovered the ability to conduct their own trade policies. Protectionist impulses led these countries to raise trade barriers as well. The infamous Smoot-Hawley tariffs added to the already high level of protection in the United States in 1929. These tariffs resulted in a significant increase in protection to both agricultural and industrial products. With partner countries such as Canada, France, Italy, Spain and Switzerland retaliating, global protection rose yet more. In 1932, even the United Kingdom introduced a 10 percent tariff on a wide variety of products. With Hitler taking the helm in Germany in 1933, that country saw the implementation of quantitative controls on foreign trade in pursuit of self-sufficiency.

Some reversal of this movement toward protection finally began after Franklin D. Roosevelt won the 1932 presidential election in the United States and appointed pro-free trade Cordell Hull as his secretary of state. In 1934, the U.S. Congress passed the Reciprocal Trade Agreements Act, which authorized the Executive to conclude trade agreements with partner countries. This was the first time that the Congress delegated its tariff-making authority to the Executive. Until this happened, the Congress had set tariffs

unilaterally, which left no room for negotiation for lower tariffs in the partner countries. The advantage of delegation of the authority to the Executive was that it allowed the latter to seek tariff concessions from partner countries in return for lower tariffs by the United States. By 1939, the United States had signed twenty treaties covering 60 percent of its trade. These treaties brought American average tariffs down from more than 50 percent to less than 40 percent. But the liberalization process was abruptly brought to a halt by the breakout of the Second World War.³

As the Second World War drew to a close, the United States, assisted by the United Kingdom, began efforts to restore international financial stability, begin post-war reconstruction and development and promote a liberal trading environment. These efforts proceeded along two separate but parallel tracks. On the first track, discussions were held to create the post-war financial and development institutions. They culminated in the 1945 Bretton Woods Conference, which gave birth to the International Monetary Fund (IMF) to oversee international financial system and the International Bank for Reconstruction and Development—more popularly known as the World Bank—to promote post-war reconstruction and development.

On the second track, the United Nations Economic and Social Council kick started the efforts to draw up a charter for an International Trade Organization (ITO), which would implement an agreed upon set of rules relating to international flow of goods.⁴ For this purpose it established a Preparatory Committee of twenty-three nations in 1946. The Preparatory Committee drafted the charter, which came to be known as the

³ The facts and data up to this point in the present section are taken from Findlay and O'Rourke (2007 395-402 and 443-55).

⁴ The history of the failed attempt to create the ITO and founding of the GATT is based on the WTO online press brief "Fiftieth Anniversary of the Multilateral Trading System" available at https://www.wto.org/english/thewto_e/minist_e/min96_e/chrono.htm (accessed on July 31 2018).

Havana Charter. On March 24, 1948, 56 countries including the United States signed the Charter at a conference held in Havana. Unfortunately, the United States Congress chose not to ratify the Havana Charter with the result that the ITO was stillborn.

Interestingly, however, during April to October 1947, with the discussions for the ITO Charter still under way, the twenty-three members of the Preparatory Committee had gone on to negotiate some 45,000 tariff concessions covering \$10 billion worth of trade among themselves. On October 30, 1947, these nations signed an agreement titled the General Agreement on Tariffs and Trade (GATT) to make the negotiated tariff reductions effective beginning on January 1, 1948. The agreement was intended as an interim measure with the Havana Charter drafted later in a manner that subsumed it.

With the ITO failing to come to life, however, the GATT evolved into a de facto institution to not only implement the tariff concessions that had been agreed at the time of its signing but also serve as the umbrella for future negotiations for trade liberalization. This informal institution, with an office in Geneva, went on to promote and nurture a liberal global trading system for nearly fifty years. The same rules that had imparted permanence to the 45,000 original tariff concessions came to govern future rounds of trade negotiations conducted under GATT auspices. A total of as many as eight rounds of negotiations, spread over a period of almost fifty years, were conducted and successfully completed. The last of these rounds—the Uruguay Round (UR)—culminated in the GATT mutating into the WTO. Beginning on January 1, 1995, the global trading system came to be governed by the “WTO rules” brought into force by the UR Agreement. The WTO became the institution to oversee the implementation of these rules.

The UR Agreement was a watershed in the history of global trading system. It not only created the powerful formal institution of the WTO in place of the low-profile informal institution of the GATT, it also brought agriculture, services and intellectual property rights centrally into the fold of enforceable multilateral rules. Furthermore, it created a strong dispute settlement body whose rulings were binding on all members. Finally, having genuinely participated in the exchange of concessions in the UR negotiations, developing countries became active participants in the new institution.

2. A Highly Open Trading System

With news stories focusing on trade tensions among WTO members dominating the conventional and social media, it is easy to lose sight of the fact that the past seventy years have seen the world steadily moving toward the most open trading system in human history. Indeed, during the last two decades, the global economy has been more open than in any other era. True, we have failed to make a success of the Doha Round. But that should not distract us from the fact that we have fully implemented the UR Agreements thereby bringing three major areas—agriculture, services and intellectual property—within the fold of multilateral discipline. The WTO as an institution has gained full legitimacy with all member countries, small and large, accepting the rulings by its dispute settlement body. Alongside, countries have undertaken massive liberalization. For the first time, developing countries have opted for trade liberalization in their own interest.

To underline the extent of liberalization achieved, begin by noting that protection-motivated non-tariff barriers, which had plagued the system until as recently as the 1980s, are virtually gone. Tariffs exist but they too have come significantly down. Table 1, which reports some indicators of tariffs on industrial products in selected major

economies from different parts of the world, illustrates this point. According to it, developed countries have come to bind virtually all their tariff lines. Developing countries have not reached the same stage but they too have bound a significant proportion of their tariff lines. More importantly, applied tariffs in the developed countries have dropped to historically the lowest levels. Average applied tariffs in these countries are uniformly below five percent. Unlike during the First Globalization, the United States and Canada are highly open today.

Developing countries maintain higher tariffs than they did during the First Globalization, but this anomaly is due to the fact that colonial powers had forced free trade in the colonies to serve their own interests. Considering that the developing countries now choose their own trade policies, their protection levels too have dramatically declined relative to the levels they had adopted at independence in the immediate post-Second World War years. In India, which is often depicted as a highly protected country, the simple average of applied industrial tariffs stands at 10.7 percent. This is only slightly higher than the 8.8 percent average tariff in China. Though tariffs in some Latin American countries (Argentina and Brazil) and Africa are higher, even they are below 15 percent on average.

The proportion of applied tariff rates exceeding 15 percent is also generally low. In Asia, this proportion is uniformly below 12 percent. Remarkably, at 9.4 percent, this proportion in India is significantly below 11.9 percent observed in China. In the developed countries, the proportion is uniformly well below 3 percent with Canada being the major exception. Continuing exceptions are some of the countries in Latin America and Africa.

Agriculture is protected at a higher level than industrial products. Nevertheless, progress in liberalizing this sector has been among the most important developments in recent years. For decades, this sector had remained effectively outside the GATT discipline. But the UR Agreement successfully brought it under multilateral discipline with some progress made towards its liberalization as well. Table 2 provides some indicators of tariffs in agriculture. All member countries have bound all tariff lines in agriculture. As of 2017, average applied tariffs stand at 5.3 and 10.8 percent in the United States and European Union, respectively. Protection in many countries in other parts of the world is significantly higher, however. Export subsidies, which had been highly contentious at the launch of the Doha Round, have been entirely eliminated. Even domestic agricultural subsidies have seen a significant decline in the United States and European Union from their levels at the time of the launch of the Doha Round.

Finally, both the attitude and actual trade policy towards services trade have been transformed compared with the situation that prevailed at the time of the launch of the Uruguay Round. So opposed were the developing countries to negotiations in this area that they insisted on keeping them out of the core negotiating agenda, which constituted a single undertaking. At their insistence, services-trade negotiating agenda was relegated to a separate track. Yet, services trade is now centrally within the multilateral trading system with the General Agreement on Trade in Services (GATS) governing it. Most developing countries are now keen to attract foreign investment in services and have undertaken substantial liberalization in this area through domestic policy reform. India, China and many other developing countries are now highly open to foreign investors in services.

Growth in the world trade has mirrored this liberalization. This is seen in Figure 1, which depicts the total world exports for selected years from 1948 to 2016. In 1948, world exports amounted to just \$59 billion. They rose to \$157 billion in 1963 and then more than tripled during 1963-73 as well as 1973-83. Even after 1983, despite a very large base, exports have been approximately doubling every decade. By 2016, merchandise exports had reached 15.5 trillion. Exports of commercial services amounted to another \$4.8 trillion. Therefore, the total exports in 2016 stood at an unprecedented \$20.3 trillion.

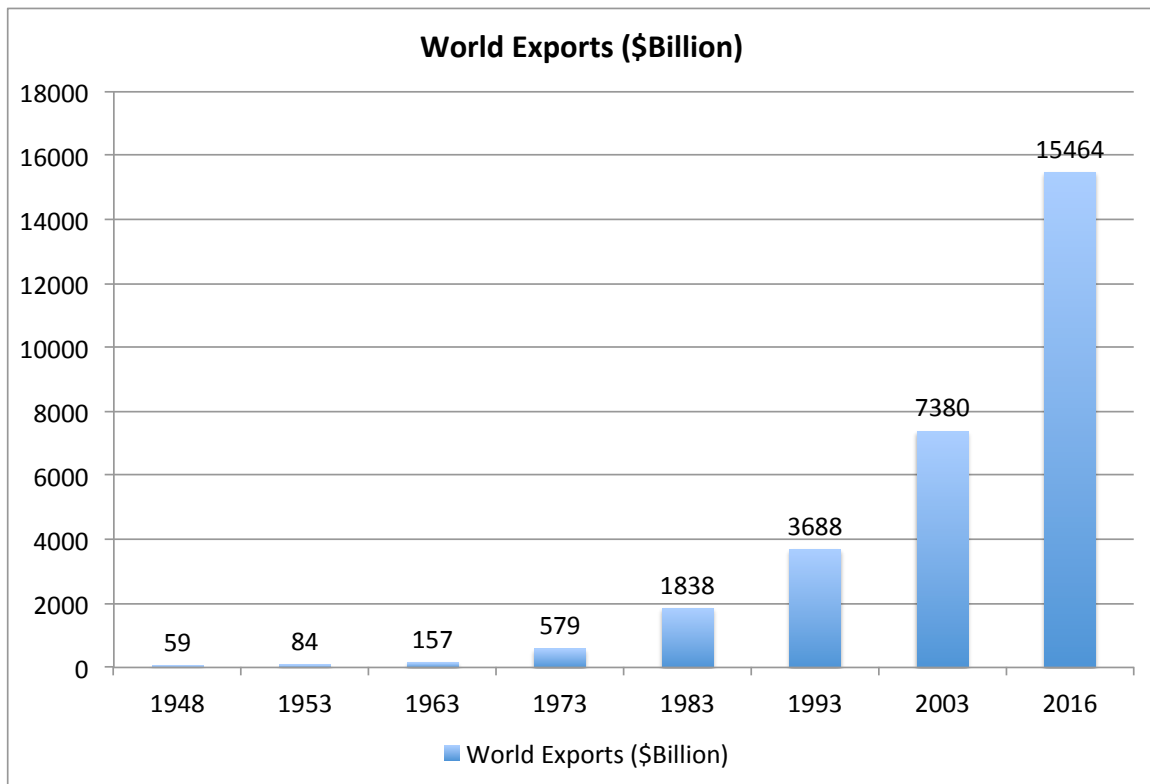


Figure 1: World merchandise exports, 1948 to 2016

Source: Author's construction using data from the WTO

A key point that deserves repeating and elaborated upon is that the recent decades have seen the developing countries voluntarily embrace liberal trade policies and benefit

from it. While the fact of liberalization by these countries is well recognized, their success in achieving high growth under these liberal policies has not received equivalent attention. Few commentators recognize that the claims by authors such as Dani Rodrik and Ha-Joon Chang that import substitution decades of the 1960s and 1970s had produced the best outcomes for the developing countries have been overturned by the stellar performance of these countries during the more liberal decades following mid 1990s.⁵

Given that even during the 1960s and 1970s the best performing countries—the Asian tigers including South Korea, Taiwan, Singapore and Hong Kong—achieved miracle-level growth by embracing outward-oriented policies, the claims of Rodrik and Chang should have been suspect from the beginning. But the more recent performance of a large number of countries in different parts of the world must put to rest any lingering doubts about the power of outward orientation. Table 3 lists fifteen countries from Africa, fifteen from Asia and six from Latin America that experienced annual growth rates of five percent or higher during 2004-13.⁶ Most of these countries also saw rapid growth in the preceding decade, 1994-2003. Such high growth rates for extended periods in such a large number of countries have never been seen in recorded history in any earlier period. In my forthcoming book, *Free Trade and Prosperity: How Openness Helps the Developing Countries Grow Richer and Combat Poverty*, I document that each of these growth episodes has taken place alongside progressively liberal trade policies.

⁵ Rodrik 1999, ch. 4 and Ha-Joon Chang 2007, 27.

⁶ Only Botswana in Africa and Chile and Costa Rica in Latin America in Table 3 miss the five percent growth mark during 2004-13 by a hair's breadth. I have, nevertheless, included these countries in the table because of the sustained growth they have achieved over several decades.

3. Early Fissures in the System

The First World War triggered the end to the liberal order of the First Globalization. It was inevitable that disruptions to supply chains, diversion of transport infrastructure to meet the demands of the war and strategic trade restrictions would undermine the liberal order. Seen in this context, the challenges to the current Second Globalization are altogether different. At the heart of the current challenges are distributional conflicts, both internal and external. Internal conflicts, especially applicable to the developed countries, relate to perceptions that benefits of openness have accrued disproportionately to those at the top end of income and wealth distributions while those at the bottom end of the distributions have been actually damaged. External conflicts have been triggered by a sense on the part of certain nations that benefits of opening up have gone disproportionately to their trading partners. This is the dimension that particularly dominates the current prickly relationship between the United States and China.

Some of the challenges to multilateral trading system had begun to emerge even as the negotiations for the creation of the WTO were reaching a successful conclusion. Subsequently, some of these challenges have become more acute while new challenges have emerged as well. In this section, I summarize these earlier challenges, leaving the latest ones, whose origin is more closely tied to the current United States administration, for the next section.

3.1. Preferential Trade Agreements

At the heart of the WTO is the MFN clause of the GATT and GATS, which stipulates that the member countries must not discriminate among their trading partners in

setting their trade policies. The beauty of this principle is that when a member country enters a bargain with one or more member countries for mutual reduction in trade barriers, the reductions so negotiated become automatically applicable to all member countries. The principle thus results in liberalization on a wider scale than would be the case if liberalization were limited to members negotiating the reductions in barriers. It also ensures that the tariff on a product charged by a country is the same regardless of the country from which it came.

Unfortunately, however, the GATT article XXIV (and GATS article V) gives preferential trade areas (PTAs), which free up substantially all trade between two or more WTO members, exemption from the MFN principle. That is to say, this article allows two or more member countries to remove trade barriers against one another without offering these reductions to other WTO members as long as the removal of barriers among them is complete (i.e., tariffs and quotas are eliminated rather than partially liberalized) and cover substantially all products.

Originally, in 1947 when the GATT was signed, this accommodation was made in the expectation that only a handful of countries would form such arrangements. This indeed remained true until mid 1980s with the European Economic Community, European Free Trade Area and South African Customs Union being the only truly effective PTAs. Global trading system remained uncluttered with each country maintaining a single tariff on any given product.⁷ An important motivating factor for countries to steer clear of PTAs was that the United States remained fully committed to multilateral liberalization and refused to enter such arrangements.

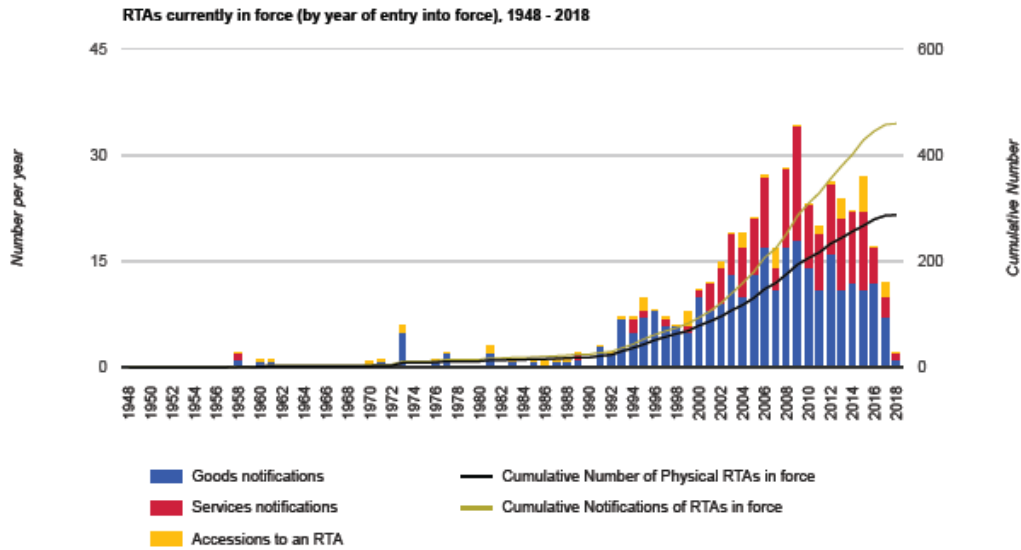
⁷ Under the generalized System of Preferences, developed countries did give trade preferences to the developing but these were usually in the form of complete exemption and therefore created minimal clutter.

This state of affairs changed in mid 1980s, however. Even as the United States tried to persuade the European Economic Community, which had been distracted by its Single Market project, to launch a new round of GATT negotiations, it decided to simultaneously pursue PTAs. In 1986, it signed the Canada-United States Free Trade Agreement and proceeded to open negotiations with Mexico to convert the agreement with Canada into the North American Free Trade Agreement (NAFTA).

The decision by the United States to engage in bilateral and plurilateral deals had a profound effect on the global trading system. One by one, all WTO member countries came to the view that they could not be left behind in the race to form PTAs. As Figure 2 shows, once the NAFTA began to turn into reality, PTA activity exploded. Today, the number of PTAs runs into hundreds. All WTO members have signed on to one or more PTAs and some such as Chile and Mexico are participants in a dozen or more arrangements. Figure 3 further testifies to the multiplicity of the arrangements in every single region of the world today.

In the early phase of proliferation of PTAs, many influential economists had passionately argued that these arrangements were WTO plus and that they complemented trade liberalization agenda of the GATT-WTO system.⁸ But it is now clear that they have ended up fragmenting the trading system by greatly undermining the MFN principle. We have created what Jagdish Bhagwati has called the spaghetti bowl of tariffs whereby tariff rates now depend on the rules of origin and the stage of implementation of the PTA with the country from which a given product is imported.

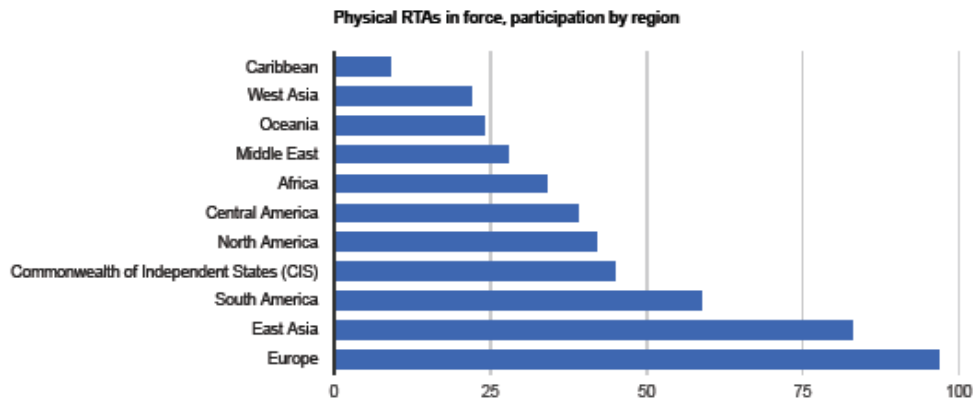
⁸ For example, see the contributions by Dornbusch and Krugman in De Melo and Panagariya (1993) and Summers (1991).



Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs currently in force.
 Source: WTO Secretariat - August 5, 2018
 © World Trade Organization 2018

Figure 2: Evolution of PTAs, 1948-2018

Source: WTO at <http://rtais.wto.org/UI/charts.aspx> (accessed on August 5, 2018)



Note: The composition of regions may be found in the RTA database [User Guide](#). RTAs involving countries/territories in two (or more) regions are counted more than once.
 Source: WTO Secretariat - August 5, 2018
 © World Trade Organization 2018

Figure 3: Physical (goods) RTAs in force, August 5, 2018

Source WTO at <http://rtais.wto.org/UI/Charts.aspx> (accessed on August 5, 2018)

More importantly, PTAs have weakened the will of the influential WTO members to negotiate in earnest at the multilateral forum. Larger countries find it easier to extract concessions in one-on-one bargains with smaller and weaker countries. Export interests, especially in the developed countries, find that they can cut better deals within PTAs since those damaged by such deals, namely non-members, are not represented on the negotiating table. This is even truer of developed country lobbies seeking concessions on non-trade subjects such as intellectual property rights and labor standards. As long as larger and stronger developing countries such as India, China and Brazil, which oppose linking non-trade subjects with trade, are not participants in the PTAs, concessions on these subjects can be extracted from other developing countries.

PTAs also allow the richer countries to maintain distortions in agriculture that can only be addressed genuinely in multilateral context. As an example, staying away from multilateral negotiations allows the United States to maintain cotton subsidies indefinitely. Cotton clothing exporters such as Bangladesh are happy to buy cotton at lower prices that result from cotton subsidies. At the same time, small and poorer cotton exporters in West African countries and India, which lose from low cotton prices, are unable to challenge those subsidies.

The latest trend has been toward larger PTAs. Two such PTAs have been under negotiation: Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP). As it stands, twelve countries including the United States originally signed the former agreement. But while the United States has now withdrawn from it, other eleven countries have moved ahead with its implementation. TTIP, on the other

hand, has not yet got off the ground and it is unlikely that it will make progress during the tenure of President Trump.

3.2. Emergence of Large Developing Country Players

Negotiations for the Doha Round were also complicated by the emergence of several large developing countries, namely, Brazil, China, India and Indonesia. These countries have been growing rapidly and therefore are expected to grow yet larger in the near future. As it happens, despite having undertaken considerable liberalization, countries such as China and India continue to have higher levels of average protection than the developed countries. This asymmetry, complemented by the expectation of a future large market in these emerging market economies, has given rise to complications in bargaining that had not been experienced in the past.

Till the Tokyo Round, which concluded in 1979, multilateral negotiations were confined to the developed countries, with the developing countries benefiting from whatever liberalization the former agreed to undertake. Interests of the developed countries were broadly aligned and once the Quad countries—United States, European Economic Community, Japan and Canada—agreed to a deal, an agreement could be reached. But beginning with the Uruguay Round, the developed countries insisted that the developing countries also make liberalizing commitments. This inclusion had already made the negotiations for the UR Agreement very difficult and many experts had begun to prematurely announce the death of GATT. But in the end, the negotiation could succeed because of the tactical decision by the developed countries to create the new institution of the WTO midway through the negotiations. This meant that those choosing to stay out of the WTO would face the prospect of losing the MFN status vis-à-vis those

joining it. No country could afford to incur the loss associated with such exclusion.

Therefore, all negotiating countries signed the final deal.

The threat of being left out of the WTO is no loner there now. Moreover, in 2001, China, by far the largest single developing country, was granted entry into the institution as well. Other developing countries such as Brazil, India and Indonesia have grown further and therefore have significantly greater heft than at the time of the UR negotiations. These developments combined with the fact that developed and developing country interests are far less aligned than was the case with developed countries alone has made multilateral negotiations more difficult.

The levels of protection in the developing countries are also significantly higher than those in the developed countries. Moreover, in many cases their applied tariffs are far lower than their bound tariffs. Given this asymmetry, developed countries insist that the developing countries lower their tariff bindings proportionately far more than them to harmonize the tariffs across countries. The developing countries take the view that the reductions should be proportionately equal, which would, of course, leave the developing country tariffs much higher. This too creates an impasse in negotiations.

3.3. The Rise of Multinationals

Multilateral negotiations have been further hampered by the emergence of large multinationals on a scale never previously experienced. This development has undermined multilateral negotiations in two ways. First, in the United States, export-oriented businesses have usually served as pro-liberalization lobby group. But multinationals have their production bases in multiple countries. They gain from protection in these countries. Therefore, their appetite to lobby the United States Trade

Representative (USTR) for liberalization in the countries in which they have production bases has declined. This factor has contributed to a general lack of enthusiasm on the part of the United States business lobbies at the USTR. This problem is far less acute in the PTA context. Second and related, there has also been a decline in the credibility of the multinationals with the USTR since the latter cannot be sure as to which country's interests they would lobby for: the United States or the countries in which they have operations.

3.4. Withdrawal by the United States from the Leadership Role

The decision by the United States to withdraw from championing the cause of multilateral trade liberalization has further undermined success in multilateral negotiations. In July 2008, prospects for a deal on the Doha Round had looked good. But in the end, the United States' insistence on zero-for-zero tariffs in certain sectors on top of the agreed upon formula based tariff reductions in industrial products on the one hand and the Indian demand for a Special Safeguard in agriculture on the other resulted in a collapse of the talks.

Subsequently, President Barack Obama and his USTR showed little interest in advancing the Doha negotiations. Indeed, Obama hardly ever mentioned the word "Doha" during his presidency though he went on to complete at least three free trade agreements, one with South Korea, another with Colombia and the mega deal of TTP with eleven other countries. The refrain of lower-level officials in the administration during those years had been that China, which now has the largest share in the world market for manufactures, should lead the process. But that is a non-starter. As a result,

the only progress in multilateral negotiations that took place was the conclusion of the Trade Facilitation Agreement at Bali Ministerial Conference in December 2013.

4. Trump Tariffs: The Great Disruption

Fissures in the trading system I have described in the previous section are of a longer-term nature and have been with us for some time. But more recently, under President Donald Trump, much deeper and wider cracks have appeared in the multilateral trading system. Whereas the older fissures had impeded further progress in multilateral negotiations, the current cracks pose an existential threat to multilateral trading systems.

Trade dispute under both GATT and WTO were of a nature that they could be resolved within the rules governing these institutions. Member countries placed the preservation of the system above all else and therefore abided by the rulings. In general, members also avoided raising trade barriers except under various safeguard provisions of the GATT-WTO agreements. And when violations occurred, countries generally sought relief through mediation via the GATT and WTO instead of retaliating unilaterally. But trade actions of the current United States administration have a strong unilateral flavor since the GATT came into existence. Sadly, it may also lack an acceptable remedy via the dispute settlement process of the WTO.

4.1. Steel and Aluminum Tariffs and National Security Exception in GATT

On March 8, 2018, the United States imposed 25 percent tariff on steel imports and 10 percent tariff on aluminum imports. Initially, Canada, Mexico and EU were given exemption but the exemption was withdrawn on June 1, 2018. Five large WTO members—China, Turkey, Mexico, Canada and EU—have now retaliated against these tariffs. China took action on April 2, 2018 levying 25 percent tariff on food imports

worth \$3 billion from the United States. Mexico imposed 15 to 25 percent duties on bourbon, apples, potatoes, cheese and pork on June 5, 2018. Turkey responded with tariffs ranging from 4 to 70 percent on \$265.5 million worth of imports from the United States on June 21, 2018. Products subject to the tariffs included automobiles, whiskey, tobacco, coal, cosmetics, machinery equipment, paper, and petrochemical products. EU responded on June 22, 2018 with 25 percent tariff on \$3 billion worth of imports including items such as bourbon, corn and Harley-Davidson. Canada imposed tariffs on imports worth \$12.5 billion from the United States on July 1, 2018. It applied 25 percent duty to more than 40 US steel products and 10 percent duty on over 80 other items including toffee, maple syrup, coffee beans and strawberry jam.

Domestically, the administration justified its action on steel and aluminum under Section 232 of the Trade Expansion Act of 1962, which gives the President authority to impose trade restrictions on national security grounds. Internationally, it has relied on GATT article XXI, which allows member countries to take actions otherwise in violation of GATT rules on national security grounds. But there are potential legal problems with the actions under the domestic as well as international rules.

Domestically, the American Institute for International Steel (AIIS)—a coalition of U.S. steel users—and two steel trading companies have filed a complaint in the United States Court of International Trade questioning the constitutionality of the tariffs. Filed on June 27, 2018 the lawsuit notes that Article I of the Constitution gives the authority to set custom duties to the Congress. It goes on to argue that the delegation of this authority on national security grounds under Section 232 of Trade Expansion Act of 1962 is unconstitutional. The logic behind the argument is that the definition of “national

security” in Section 232 provides no “intelligible principle” that would circumscribe the President’s authority. For example, the statute does not require the President to consider whether the products are imported from close allies; or that the imports being subject to tariffs are used to manufacture weapons or other products that aid national security; or that retaliation by partner countries could result in damage to national security.

Internationally, the United States steel tariffs raise an even more serious problem. In principle, the tariffs can be justified under GATT Article XXI, which permits such action on national security grounds. The key relevant provision in this article states:

“Nothing in this Agreement shall be construed ... to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests ... taken in time of war or other emergency in international relations.”

The United States and many legal scholars of the WTO take the view that this provision allows any member country to take any trade policy action necessary to protect its national security interests and only the member has the authority to determine what is required to protect its national security. Judgment of the member in this respect cannot be challenged. Most recently, the United States has expressed this view in its third-party oral statement in the on-going WTO dispute that Ukraine has brought against Russia.⁹

This interpretation of the relevant provision in GATT Article XXI is plausible. For the purpose of the article is to allow member countries utmost flexibility in their trade

⁹ The relevant part of the oral statement by the United States says, “On its face, the text establishes two crucial points: first, nothing in the GATT 1994 prevents a Member from taking any action needed to protect an essential security interest; and second, the action necessary for the protection of its essential security interests is that ‘which it considers necessary for’ such protection. That is, a Member has the discretion and responsibility to make the serious determination, with attendant political ramifications, of what is required to protect the security of its nation and citizens.” For further details, see <http://worldtradelaw.typepad.com/ielpblog/2018/03/litigating-gatt-article-xxi-the-us-view-of-the-scope-of-the-exception.html> (accessed on August 7, 2018).

policies in times of war or war-like emergencies. Faced with threats to national security, a member country will find itself unable to live by its normal WTO obligations. Under such circumstances, if it were not given an exemption from the latter, it will face retaliatory actions from all around. In turn, this prospect would discourage the country from joining the WTO in the first place. Blanket exemption is the only way to persuade countries to be a part of the WTO system.

This being said, there is also an expectation that member countries will use the provision with great discretion and not abuse it to justify protectionist actions taken for reasons other than national security. Use of the security exception to defend violations of WTO rules that did not originate in a threat to national security are bound to result in serious systemic risk. Such actions by one country will lead the damaged countries to take retaliatory actions. And if retaliation were followed by counter-retaliation, we would get into a vicious cycle of retaliatory tariffs, which may bring the entire edifice of the WTO down. Current U.S. tariffs and retaliatory actions by other countries constitute precisely this kind of systemic threat.

As it stands, a number of countries including China, Canada, Mexico, and EU have separately filed complaints in the WTO dispute settlement body stating that the United States steel and aluminum tariffs violate their WTO rights. These complaints effectively question the applicability of Article XXI to the United States steel and aluminum tariffs. The United States has in turn filed similar complaints against all five countries that have imposed retaliatory tariffs.

While the official stance of the United States is that it has imposed tariffs on steel and aluminum on national security grounds, it is not clear under which WTO provision

China, Canada, Mexico, Turkey and EU have taken their “retaliatory” trade policy actions. Ironically, in strictly legal terms, while the United States steel and aluminum tariffs have a good chance of passing muster under the national security clause, retaliatory actions by China, EU, Canada, Mexico and Turkey are clearly in violation of the WTO rules. Article 23.2 of the Dispute Settlement Understanding is unequivocal that countries whose trading rights are damaged by other WTO members must not take retaliatory action unilaterally. They must bring the matter to the WTO dispute settlement body. In effect, within the WTO rules, the United States has a better case against the retaliating countries than the latter do against the United States.

4.2. Unilateral Tariffs by the United States on Imports from China

On July 6, 2018 the United States decided to take further unilateral trade policy action. This time, it imposed a 25 percent tariff on Chinese imports worth \$34 billion. China responded the same day with its own tariffs at the same rate on imports of equal value from the United States. On August 2, 2018, the United States threatened another round of 25 percent tariffs on imports worth \$200 billion from China to which China responded with its own counter-threat of tariffs on imports worth \$60 billion from the United States. Subsequently, the United States issued another list of imports from China worth \$16 billion on which it imposed a 25 percent tariff beginning on August 23, 2018. China immediately announced retaliatory tariffs on imports from the United States of equivalent worth at the rate of 25 percent.

The United States has exchanged similar threats with the European Union. Though a truce was declared between the two sides after President Trump and President Jean-Claude Juncker of the European Commission on July 25, 2018, the threat of tariffs

and counter-tariffs between the two sides remains. In a recent interview to Bloomberg, President Trump has stated that the European union is “as restrictive as any single country in the world including China.” He accused the European Union of having a wall against the United States agricultural exports and of using technical standards to block its exports of medical equipment. He further stated that consumer habits in the European Union are such that they do not buy American automobiles. As a result, even the elimination of tariff on American automobiles by the European Union will not be good enough for the United States. The threat of a trade war between the United States and Europe thus looms.¹⁰

The United States has imposed tariffs on China under Section 301 of the Trade Act of 1974. Section 301 gives the USTR broad authority to respond to a foreign country’s unfair trade practices. Upon affirmative determination of actionable conduct, USTR has the authority to take all appropriate and feasible action to obtain the elimination of the foreign country’s act, policy, or practice, subject to the direction of the President. The statute allows for actions within the President’s power with respect to trade in goods or services, or any other area. The USTR has announced the tariffs on imports from China upon determination that the latter’s forced technology transfer rules and other industrial policies give Chinese companies unfair access to the R&D and business know-how of U.S. companies operating in China.

While the U.S. action, thus, has a legal basis within its domestic laws, it lacks such a basis under the WTO rules. A dispute brought by the EU in 1999 at the WTO led to a WTO ruling in January 2000 making trade sanctions against a WTO member under

¹⁰ Transcript of the Bloomberg interview may be found at <https://www.bloomberg.com/news/articles/2018-08-31/president-donald-trump-interviewed-by-bloomberg-news-transcript>.

Section 301 WTO illegal. Though the United States did impose trade sanctions under Section 301 on Ukraine in December 2001, the latter was not a member of the WTO at the time. Since China is a WTO member, any Section 301 actions against it are in violation of its WTO rights.

China has already filed a challenge to Section 301 tariffs at the WTO. The United States has not made it clear under which WTO provisions it proposes to defend its actions. As far as I can see, the only option it has is to once again invoke the national security exception. If it does so, what has been said above about steel and aluminum tariffs regarding WTO legality of the tariffs by the two sides would apply to these tariffs as well.

5. Deeper Concerns of the United States

Throughout the post-Second World War history, the key to the resounding success of the GATT-WTO system has been the leadership that the United States has provided. There is no doubt that the United States saw a rules-based trading system to its advantage. Even so, it could have taken a narrow and short-term view of what was good for it and chosen to engage in market access agreements with smaller groups of countries adhering to strict reciprocity. Like Europe, it could have also chosen to engage in small regional arrangements of its own. Instead, it took a wider and longer-term view of what was beneficial and went for a non-discriminatory trade regime that nevertheless accommodated the formation of free trade areas and customs unions. It also accommodated the demands of the developing countries for special and differential treatment and carried them along as GATT members rather than insist on full reciprocity from the beginning and risk pushing them out of the system. It remained wedded to the

principle of the Most Favored Nation even though the developing countries had opted out of trade negotiations during the first four decades.

For a solution to be viable, a necessary condition is for the United States to return to its leadership role. Recent events have brought home in sharp relief that the European Union, the only other entity in the GATT-WTO system with economic size and per-capita income comparable to the United States is utterly incapable of providing such leadership. As Jagdish Bhagwati has pointed out to me in private communications and conversations, when the United States imposed the tariffs on steel and aluminum, the reaction of European Union was to immediately seek exemption for itself. In the rush to protect its narrow and short-term interest, it did not occur to its leadership that the United States tariffs struck at the very heart of the multilateral trading system. Rather than lead the rest of the GATT-WTO membership into confronting the United States and force a negotiated solution to the U.S. complaints, it was willing to let the system be damaged as long as it got an exemption from the tariffs. Japan and Canada, the other two members of the old Quad, behaved exactly similarly. After the United States refused the exemption, the European Union did its equivalent retaliation and then sent Jean-Claude Juncker, the President of the European Commission, to the United States to seek a bilateral deal for itself.

China is the only other country at present that could provide a leadership role in protecting the multilateral system of which it has been arguably the greatest beneficiary. One would think that with the largest share in the world merchandise trade, it would have the greatest stake in preserving and promoting the system. But, alas, it has emerged as an aggressive and belligerent power that works in narrow self-interest rather than a

constructive and cooperative world leader that helps promote and preserve global institutions. Its aggressive posturing has been amply on display in its dealings in the South China Sea as well as the Belt and Road Initiative.

From being a world power, which once saw great benefit to it from building an open world trading system, the United States today sees itself as a victim of that same system. It is aggressively seeking redress from other large economies, most notably China and the European Union. These latter are unable or unwilling to deliver, which has now resulted in aggressive unilateral actions by it.

To seek solution, we need to first understand the fundamental concerns of the United States and then ask whether they can be satisfactorily addressed. In my understanding, three asymmetries, all of them having a strong China angle, are at the heart of the United States dissatisfaction with the current system. The asymmetries are:

- There are large imbalances in the external accounts with the United States exhibiting large deficits in the trade and current accounts overall as well as bilaterally with the European Union and China.
- The average level of protection in many large developing countries that have experienced increased prosperity in recent decades remains significantly higher than in the United States. The United States finds this particularly problematic in the case of China.
- Internal structure and rules including the heavy presence of public sector enterprises (PSEs), intellectual property protection, and interventions by the state on behalf of domestic firms in relations to foreign firms in China work against the United States' interests.

- The United States also feels that the WTO as an institution has been ineffective in protecting its interests.

Consider the difficulties in addressing each of these asymmetries in short to medium terms within the existing system.

5.1. External Imbalances

One of the key concerns of the United States has been its large external account deficit. This is probably the most difficult complaint to address, especially in the short term. Even in a medium term it can be addressed only partially. The problem is that what happens to the external imbalance is intimately related to what happens to the internal balance. In particular the following two identities must hold at all times for every country:

$$(1) \quad (I-S) + (G-T) \equiv CAD \equiv K$$

Here I denote investment, S savings, G government spending, T total revenue, CAD current account deficit and K net capital inflow from abroad. The first identity says that the sum of investment-savings gap and fiscal deficit must be financed by an equivalent current-account deficit. The second identity says that the current account deficit is identically equal to capital-account surplus.

According to the first identity, a country that does not save enough to finance its investment and runs large fiscal deficits cannot escape current-account deficit. Stated differently, if the investment demand plus government spending exceed revenues plus domestic savings, the gap must be financed by borrowing abroad. But net borrowing abroad will inevitably translate in an equivalent net spending on foreign goods and services, meaning an equivalent excess of imports over exports.

Effectively, thus, the solution to the external imbalance of the United States lies at home. The United States has specifically targeted China's external account surplus but the reality is that even if the latter entirely eliminates its current account surplus, it will not eliminate the current account deficit of the United States. As long as the imbalance between investment plus government spending and savings plus taxes is unchanged in the United States, its current account deficit will remain unchanged. Elimination of the Chinese surplus will simply be reflected in equivalent increase in external surpluses of other countries. For instance, cuts in the Chinese exports of apparel may simply be replaced by increased apparel exports by Bangladesh and Vietnam with no net change in the United States apparel imports. It is only if all trading partners of the United States taken together fully balance the sum of their external accounts can they deliver on bringing balance to the external account of the United States. Such coordination is impossible in practice.

The external imbalance problem posed by the United States is complicated by two additional factors. First, unlike in the past, it is now focused on cutting the merchandise trade deficit. This is even more difficult since the United States has a comparative advantage in services exports. As such, even as its internal balance improves leading to an improvement in the current account, it will likely occur through improvement in net services balance than net merchandise trade balance.

Second, the United States also seeks external balance on a bilateral basis. This makes matters far more difficult. Any efforts to force balance with a handful of trading partners even if successful can readily result in imbalance with countries outside the targeted group.

As far as the Chinese surpluses are concerned, past experiences of successful developing countries such as South Korea, Taiwan and Singapore tell us that once per-capita incomes reach a comfortable level, consumption begins to rise rapidly with the savings rate declining. The same process is now under way in China but can possibly be sped up. But it is difficult to say if this rebalancing in China would also produce rebalancing of the external account of the United States.

5.2. Asymmetric Levels of Protection

In the early decades, the developed countries had accepted the higher levels of protection in the developing countries. In the multilateral context, they required the latter to begin liberalizing their trade policies beginning with only the Uruguay Round negotiations. In these negotiations, reductions were applied to bound rates. In so far as most of the developing countries had not bound any of their tariff rates in the past, they could begin negotiations from arbitrarily chosen rates. The formulaic tariff reductions that were negotiated did cut the high tariff rates more than low tariff rates. But with the initial discrepancy being large, the reductions still left the developing country bound rates well above those of the developed countries. Only in the case of China, which entered the WTO in 2001, the developed countries could force it to bind its tariffs at applied rates as a part of their entry conditions. Nevertheless, despite liberalizing obligations undertaken as a part of the entry conditions, Chinese tariffs remain higher than those of the developed countries.

During the last two decades, most developing countries have undertaken trade liberalization on a unilateral basis. As a result, their applied tariffs are significantly lower than their bound tariffs. But these applied tariffs remain significantly higher than

the bound and applied rates in the developed countries. As a part of the Doha Round negotiations, the United States tried to bridge the gap by making demands of substantial reductions by the developing countries. But these efforts did not succeed since negotiations require a balance of concessions *on the margin*. Even if formulaic reductions provide for larger reductions in higher tariffs, they fail to harmonize absolute levels of tariffs across countries. For many developing countries, formulaic reductions can fall short of their applied tariffs leading the United States to conclude that such reductions do not result in any additional market access. At the same time, the developing countries take the view that concessions are to be granted on the bound rates and they are offering their fair share of them.

5.3. Internal Policies and Regulations

The United States (along with the European Union and Japan) also argues that China has failed to live up to its commitments made at the time of entry into the WTO. The report “2017 Report to the Congress on China’s WTO Compliance,” issued by the USTR in January 2018, states that despite constant high-level engagement with China since its entry into the WTO, nothing more than “incremental market access improvements or the repeal or modification of problematic Chinese measures that should never have been issued in the first place” has been achieved.¹¹ The report goes on to note that despite repeated assurances at the highest levels by China, its regulatory authorities “do not allow U.S. companies to make their own decisions about technology transfer and the assignment or licensing of intellectual property rights, but instead

¹¹ United States Trade Representative (2018a).

continue to require or pressure foreign companies to transfer technology as a condition for securing investment or other approval.” The report summarizes the situation thus,

Other examples could be given, but there can be no serious question about the underlying dynamic. China has shown a willingness to take modest steps to address isolated issues, and it will sometimes make broader commitments when pressed at very high levels, but it is not prepared to follow through on significant commitments or to make fundamental changes to its trade and investment regime. China is determined to maintain the state’s leading role in the economy and to continue to pursue industrial policies that promote, guide and support domestic industries while simultaneously and actively seeking to impede, disadvantage and harm their foreign counterparts, even though this approach is incompatible with the market-based approach expressly envisioned by WTO members and contrary to the fundamental principles running throughout the many WTO agreements.

Based on assessments along these lines, the United States, European Union and Japan have decided not to give China the market economy status, which was due to it on December 11, 2016, fifteen years after it had joined the WTO. China has challenged the decision in the WTO. Once again, we have an impasse within the system.

5.4. WTO and the United States Trade Interests

The United States also contends that the WTO as an institution is unable to protect its interests. The dissatisfaction relates to both the outcomes of disputes involving the United States and the rules, which it views as constraining its ability to take actions necessary to protect its economic interests. These views find explicit expression in the recent “2018 Trade Policy Agenda and 2017 Annual Report of the President of the

United States on the Trade Agreements Program” to the Congress.¹² Regarding the dispute settlement rulings, the report says when the WTO dispute settlement body functions according to agreed upon rules, it serves as an important tool to protect trading rights of member countries. “However, the United States has been raising its concerns for well over a decade that a number of WTO dispute settlement reports have not followed those rules.” The report goes on to state, “Concerns abound that dispute reports have added to or diminished rights or obligations in varied areas, such as subsidies, antidumping duties, and countervailing duties; standards (under the TBT Agreement); and safeguards.”

In the Executive Summary, the report expresses frustration with the constraints that WTO rules impose on the ability of the United States to protect its commercial interests. Of particular importance is the following statement:

Instead of constraining market distorting countries like China, the WTO has in some cases given them an unfair advantage over the United States and other market based economies. Instead of promoting more efficient markets, the WTO has been used by some Members as a bulwark in defense of market access barriers, dumping, subsidies, and other market distorting practices. *The United States will not allow the WTO – or any other multilateral organization – to prevent us from taking actions that are essential to the economic well-being of the American people.* [Emphasis added]

Initially, the United States expressed its dissatisfaction with the WTO dispute settlement body through a denial of approval of WTO appellate body judges. As a result, several vacancies remain unfilled currently with the institution unable to discharge its functions

¹² United States Trade Representative (2018b).

smoothly. More recently, as the above quote illustrates, the administration has expressed its willingness to take actions to protect the United States interests even if those actions violate the WTO rules. Steel and aluminum tariffs and Section 301 tariffs against China have been imposed in violation of the spirit and arguably even the letter of the WTO law.

6. Concluding Remarks

Given the polarization that currently exists, there are no obvious solutions that can return the system to status quo. While the United States and European Union have tentatively agreed to work together, it remains to be seen whether they make genuine progress or the former returns to its original threats of imposing additional tariffs on auto and other imports from the latter. In regards to the United States and China, they remain firmly locked in a tariff war with near certainty that more shots will be fired in the near future.

A Panglossian optimist may offer the following optimistic scenario. As the current trade war progresses, dislocations of supply chains and associated jobs and output losses will lead political leadership and public to realize that trade and open markets are not the enemy they thought; instead, they are the source of prosperity. The damage may teach them what reasoning and analysis could not.

Small, localized acts of protectionism can give the impression that it is beneficial overall. This is because the positive impact of increased protection in one or two sectors is visible in terms of improved prospects of those sectors while the damage, which is spread throughout the economy, is invisible. But the damage becomes a lot more visible when acts of protectionism are spread throughout the economy and, more importantly, accompanied by retaliatory actions by partner countries. In this Panglossian scenario,

after feuding for a year or two, the participating countries would return to the negotiating table and restore status quo. If the Republican Party does poorly in the elections in coming November, chances of this scenario playing out improve.

A variation on this scenario is that the current impasse has resulted from a rigid position taken by President Trump. In a little more than two years, there will be another presidential election and hopefully a new occupant of the White House. In all likelihood, the new president would opt for greater continuity with pre-Trump history of the United States' trade policy and therefore more inclined to restore the WTO and the trading system to their original positions. Having experienced the damage caused by the trade war in the intervening years, it is likely that other major players in the trading system such as the European Union and China would also adopt more conciliatory positions in two years time.

While these scenarios or some variations of them may obtain in the next two to three years, the risks of continued disruption can hardly be ruled out. As described in the previous section, the dissatisfactions of the United States with the current system and trade outcomes it has produced are wide and deep. There is no easy way to eliminate the asymmetries the country sees in the short to medium run. And it will be politically difficult for the future leadership to return to business as usual without showing some progress in containing the asymmetries.

At the same time, the wide differences between the United States and China, an emerging aggressive power, will not go away easily. Indeed, as other larger developing countries such as India and Brazil gain economic heft, challenges similar to those

currently originating in China would arise. The road to bringing order to the trading system is likely to be rough.

At one time, it had seemed that even if we do not make major progress toward liberalization under the WTO auspices, what has been achieved so far could be preserved, with the WTO successfully maintaining a liberal trading environment. But this scenario now appears less and less likely to obtain. More likely, we are entering a world much like the one we confronted during the inter-war period. While we may not be in danger of resurrecting the kind of protectionist regime that existed at the end of the Second World War, some retreat from the current liberal rules can hardly be ruled out.

It is also likely that regional trade agreements in which countries can choose trade partners as per their comfort will come to dominate the system with the WTO taking a backseat. If so the fears many of us had expressed that the PTAs would prove stumbling blocks rather than building blocks of an open multilateral trading system would have come true. We shall see.

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Table 1: Tariffs on Non-agricultural Products in Selected Countries

Country/Territory	Binding coverage	Simple average		Duty-free		Duties > 15 %	
		Bound	MFN applied	Bound	MFN applied	Bound	MFN applied
	In %	Share of HS 6 digit subheadings in per cent					
1	2	3	4	5	6	7	8
North America							
Canada	99.7	5.2	2.1	38.1	78.8	6.8	6.1
USA	100.0	3.2	3.1	49.0	49.3	2.4	2.2
Europe							
European Union	100	3.9	4.2	28.9	27.6	1.0	1.5
Norway	100	3.0	0.5	51.7	95.5	0.0	0.0
Switzerland	99.7	1.9	1.8	17.9	24.3	1.1	1.0
Turkey	43.0	17.3	5.8	3.3	24.4	20.4	6.1
Latin America							
Argentina	100	31.7	14.3	0	5.5	98.2	39.9
Brazil	100	30.8	13.9	0.7	5.2	96.5	38.6
Chile	100	25.0	6.0	0.0	0.8	100.0	0
Colombia	100	34.6	4.5	2.4	55.3	97.6	0.4
Mexico	100	34.8	5.8	0.3	54.2	99.2	7.5
Indo-Pacific							
Australia	96.7	10.7	2.7	21.0	46.9	14.7	0.1
China	100	9.1	8.8	6.6	7.1	13.3	11.9
India	70.5	34.6	10.7	2.6	2.7	67.5	9.4
Indonesia	95.8	35.5	8.0	2.8	13.8	89.3	9.8
Japan	99.6	2.5	2.5	55.9	54.9	0.7	0.7
South Korea	94.1	9.8	6.8	18.3	16.6	11.9	3.9
Africa							
Egypt	99.3	27.4	11.8	2.2	11.1	70.0	20.2
Kenya	2.6	58.5	11.6	0	41.2	2.6	37.9
Nigeria	6.8	49.7	11.5	0	3.0	6.8	36.6
South Africa	93.4	15.7	7.5	13.0	63.2	33.8	20.2
Tanzania	0.3	120.0	11.6	0	41.3	0.2	37.9

Note: All MFN rates relate to year 2017.

Source: https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm (accessed August 1 2018)

Table 2: tariffs on Agricultural Products in Selected Countries

Country/Territory	Simple average		Duty-free		Non ad valorem duties		Duties > 15 %	
	Bound	MFN applied	Bound	MFN applied	Bound	MFN applied	Bound	MFN applied
Share of HS 6 digit subheadings in per cent								
1	2	3	4	5	6	7	8	9
North America								
Canada	16.0	15.7	46.1	68.5	19.5	11.1	8.9	8.9
USA	4.9	5.3	30.2	30.6	41.3	41.7	5.5	5.9
Europe								
European Union	11.8	10.8	31.4	31.7	31.7	32.3	23.9	21.4
Norway	133.5	42.1	28.0	51.7	66.7	43.3	48.4	38.7
Switzerland	45.5	35.2	22.0	29.6	78.0	70.4	40.3	28.5
Turkey	61.8	43.1	0.0	16.9	0	5.7	87.7	66.0
Latin America								
Argentina	32.4	10.3	0.1	7.4	0	0	95.2	15.3
Brazil	35.4	10.2	2.7	7.2	0	0	95.7	14.7
Chile	26.1	6.0	0	0	0	0	100.0	0
Colombia	91.5	14.3	0	0.4	0	15.8	99.8	3.6
Mexico	45.0	13.5	0.4	22.2	7.3	4.7	95.4	38.6
Indo-Pacific								
Australia	3.4	1.2	31.3	76.8	1.7	0.9	3.5	0.3
China	15.7	15.6	6.0	7.2	0	0.3	35.5	35.2
India	113.5	32.8	0	5.1	0.3	0.3	98.4	81.5
Indonesia	47.1	8.7	0	8.4	0	1.4	99.4	9.6
Japan	18.0	13.3	34.1	36.4	15.1	11.6	22.9	20.8
South Korea	57.9	56.9	2.2	5.5	5.2	3.2	75.5	53.1
Africa								
Egypt	91.3	63.0	0	15.9	1.6	1.3	68.6	29.5
Kenya	100.0	20.2	0	15.3	0	1.2	99.9	68.5
Nigeria	150.0	15.7	0	0	0	0	99.9	53.6
South Africa	39.1	8.5	22.5	46.0	0	13.7	72.0	22.1
Tanzania	120.0	20.5	0	15.1	0	1.2	99.9	68.5

Note: All MFN rates relate to year 2017.

Source: https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm (accessed August 1

2018)

Table 3: Countries experiencing rapid growth alongside liberal trade policies

Country Name	1994-2013	1994-2003	2004-13
Africa			
Botswana	4.6	4.8	4.5
Burkina Faso	6.0	6.0	6.0
Cabo Verde	7.9	10.6	5.3
Ethiopia	7.5	4.0	11.0
Ghana	5.9	4.3	7.6
Kenya	3.9	2.5	5.3
Malawi	4.1	2.8	5.4
Mozambique	7.3	7.4	7.2
Namibia	4.3	3.3	5.3
Rwanda	6.8	6.0	7.7
Sierra Leone	3.8	2.1	5.5
Tanzania	5.8	4.7	7.0
Timor-Leste	7.4	6.2	7.9
Uganda	6.9	6.9	7.0
Asia			
Bangladesh	5.6	5.0	6.2
Bhutan	7.3	7.0	7.6
Cambodia	7.7	7.5	7.9
China	9.8	9.5	10.2
India	6.8	6.1	7.5
Indonesia	4.6	3.4	5.8
Lao PDR	7.1	6.4	7.8
Malaysia	5.3	5.6	5.0
Maldives	6.8	10.1	6.1
Mongolia	6.5	3.7	9.2
Myanmar	9.8	9.4	13.6
Philippines	4.6	3.9	5.4
Singapore	5.9	5.4	6.4
Sri Lanka	5.5	4.5	6.5
Viet nam	6.8	7.3	6.4
Latin America			
Chile	4.6	4.7	4.4
Costa Rica	4.5	4.4	4.7
Cuba	4.5	3.4	5.9
Dominican Republic	5.1	5.0	5.2
Peru	5.4	4.3	6.4
Uruguay	3.3	1.0	5.6