



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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U.S. to Withdraw from the WTO?

In an interview with Bloomberg last Thursday (August 30th), President Trump said he would withdraw the U.S. from the World Trade Organization (WTO) if the reforms the U.S. is looking for are not taken into account by the organization.

“If they don’t shape up, I would withdraw from the WTO,” the U.S. President said. The U.S. claimed that the organization has not been favourable to them, particularly the WTO’s Dispute Settlement Body which has been hampered by the U.S.’s refusal to launch the selection of new judges to its the Appellate Body (AB).

In addition to its concerns with the AB, the U.S. has criticized the “developing” status of some Members such as China and India. It stressed that the WTO system will continue to suffer as long as the privileges given to these countries remain as they are.

Last June, French President Emmanuel Macron suggested that a small group of countries – including the U.S., the EU, Japan, and China – get together to brainstorm how to improve the organization and strengthen the multilateral trading system (MTS).

Canada has taken the lead in organizing the very first brainstorming session on the future of the WTO. According to informed sources, Canada’s International Trade Minister, François-Philippe Champagne, has invited a group of 20 like-minded countries to jumpstart informal discussions in Quebec City the week of October 21st. There, the group is expected not only to address the U.S.’s complaint about the AB but would also try to identify the next set of issues to be harvested at the MC12 in Kazakhstan in June 2020.

WTO’s Director General, Roberto Azevedo, welcomed the call for reforms saying that targeted countries such as China have been open to discuss the U.S.’s concerns. China in particular has been “pragmatic” in that regard,

he said last week, adding that Beijing is supportive of a well-functioning MTS.

The informal ministerial meeting in Quebec City will be the first of several discussions on how to reform of the WTO, sources said. The issue has also been added to the agenda of the G-20 Leaders’ Summit late November (Nov. 30-Dec.1, 2018) in Buenos Aires (Argentina).

NAFTA 2.0 – Crunch Time for Canada

On August 31st, President Trump notified the U.S. Congress of “his intent to sign a trade agreement with Mexico – and Canada, if it is willing –” in late November (90 days after the notification). This was largely anticipated as it allows Mexico to secure passage from its legislature and sign the deal before the new government of newly elected President of Mexico, Andrés Manuel López Obrador (AMLO) takes office on December 1, 2018.

“The agreement is the most advanced and high-standard trade agreement in the world. Over the next few weeks, Congress and cleared advisors from civil society and the private sector will be able to examine the agreement. They will find it has huge benefits for our workers, farmers, ranchers, and businesses,” the USTR, Robert Lighthizer, said of the U.S.-Mexico deal reached on August 27th.

Following the announcement, Canada officials traveled to Washington D.C. to review the deal, which sources said was negotiated by taking into account its positions on many chapters. At the time it was reported that only few issues were truly left open for negotiation, including access to Canada’s supply management/dairy market, some intellectual property rights (IPR) issues and Chapter 19, pertaining to dispute resolution which had hardly been discussed by the U.S. and Mexico.

However, the trilateral talks broke down on August 31st as a number of issues proved too difficult to be resolved in a span of only four days. In truth, observers said Canada decided to leave the table following President Trump's rigid posture on the talks. The U.S. president tweeted later that "there is no political necessity to keep Canada in the new NAFTA deal. If we don't make a fair deal for the U.S. after decades of abuse, Canada will be out." Trump wrote, before adding that U.S. Congress should refrain from interfering with these negotiations or "I will simply terminate NAFTA entirely & we will be far better off."

Can President Trump really withdraw from the existing NAFTA or could he leave Congress with the option of voting for his NAFTA deal or run the risk of no NAFTA at all? Observers are not so sure about the answer to that question, as there are several procedural challenges to this approach they said, including the six-month notice required to withdraw from the NAFTA and the legal grey area as to whether the President can indeed withdraw without the consent of Congress.

However, in a statement issued on September 4th, Senate Finance Committee Ranking Member Ron Wyden, D-Ore., refuted President Trump's assertion that he can unilaterally withdraw from NAFTA without Congressional approval.

"The president needs to take a look at the Constitution – it gives Congress authority over trade. The president cannot pull America out of NAFTA without Congress's permission," Wyden said, adding that Trump doesn't have a deal, nor a plan, and even "the power to follow through on his empty threats."

What is sure for now is that the U.S. Congress – which would rather see a trilateral agreement which includes Canada rather than a bilateral with Mexico only – is not willing to interfere in the current talks between Canada and the U.S. but would rather leave the negotiations to continue for 30 more days after the Aug 31st notification, i.e. until the end of September to reach an agreement.

"We have also been negotiating with Canada throughout this year-long process. This week those meetings continued at all levels. The talks were constructive, and we made progress," Lighthizer stressed in a statement released on August 31st. "Our officials are continuing to work toward agreement. The USTR team will meet with Minister Freeland and her colleagues Wednesday of next week (September 5th)," the USTR added.

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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