



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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Trade War Launched!

The May 30-31, 2018 Organisation for Economic Co-operation and Development (OECD) Ministerial meeting started in Paris (France) with a call for countries to support and strengthen the Multilateral Trading System (MTS) by bringing appropriate changes in order to better address today's global challenges.

At the opening session, France's President, Emmanuel Macron, called for effective support of the World Trade Organization (WTO) by rejecting unilateral actions such as the one taken by the U.S. on steel and aluminum.

The Trump Administration decided early this year to impose tariffs on steel (25%) and aluminum (10%) based on the rarely used and so-called Section 232 of the *Trade Expansion Act* of 1969, which allows Washington to limit imports that pose a threat to the country's national security. Canada, the EU, and Mexico, were among the temporarily (until June 1st) exempted countries negotiating a permanent exemption through bilateral talks in the case of the EU, and contingent on a NAFTA deal for Canada and Mexico.

Macron tried to warn the U.S. against the consequences of the imminent June 1st deadline, saying that "on the eve of important decisions, unilateral responses and threats of trade wars will not solve the serious global trade imbalances. These remedies can be a symbolic satisfaction in the short term (...) but they are not answers. Our challenge is to find a collective answer," he told the OECD audience.

Macron called for WTO Members to reform the organization whose negotiations have been stalled for several years, and the latest advances date back to the creation of the WTO itself, he said. "A reformed WTO (...) is therefore necessary to concretely relaunch the capacity of the organization to publish new rules."

The Trump Administration has called for the WTO to reform, saying that the organisation has not been beneficial to the U.S., particularly its Appellate Body. The U.S. has blocked the selection of new Appellate Body Members who are down to 4 out of 7 Judges.

Macron conceded that some improvements could be made.

"The dispute settlement body is an essential step forward for multilateralism. It helps to enforce the rules and resolve disputes in a fair way between countries. But we need to improve its functioning, including its Appellate Body. However, if I can hear the critics, I reject the blocking method which is a threat to the entire system," the French president declared, adding that "if we want to make progress, we must make pragmatic reforms. That alone will enable this multilateral trade to function and thus have an effective response to contemporary challenges."

Macron went on to suggest that a group of four countries – China, the EU, Japan, and the U.S. – begin looking at how to reform the WTO. The group could be quickly expanded to include G-20 and OECD countries to lead a convergent diagnosis of the dysfunction of the current system and set up new rules to respond to the contemporary global trade challenges, i.e. "massive public subsidies distorting world markets; intellectual property, social rights and climate protection."

The November 30th - December 1st G-20 Meeting in Buenos Aires is the proposed target date to come up with a first roadmap.

The WTO Director-General, Roberto Azevêdo, warmly welcomed Macron's call to strengthen the MTS.

"I agree entirely with his assessment on the need to strengthen the WTO and to make it more effective in addressing the trade challenges of today," Azevêdo said, adding that he doesn't think that Members have a lot of time to spare in seeking to move such a discussion forward.

One day after Macron's speech, U.S. Commerce Secretary, Wilbur Ross, announced that the temporary exemptions from steel and aluminum tariffs for Canada, the EU, and Mexico will end, triggering a series of reactions from the concerned countries.

Canada said it will fight back by imposing retaliatory measures on U.S. goods, starting July 1st. Mexico plan to do the same, whereas the EU submitted a notification outlining the tariff measures it intends to put into place starting from June 20 on certain imported U.S. goods.

On June 1st, the EU submitted two requests for consultations under the WTO's Dispute Settlement Understanding: one with the U.S. regarding on steel and

aluminium tariffs (Canada made its request on June 6th and Mexico on June 7th) and the other with China on the latter's policy pertaining to the transfer of foreign technology into China.

This comes in addition to China, India, Japan, Russia, and Turkey who have all filed notifications on tariffs they intend to impose as a result of the U.S. steel and aluminium duties.

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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