

# The World Trade Organisation: a relevant functioning body?

**12<sup>th</sup> Agribusiness Africa Conference**

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# Introduction

- Convenor for Business in the Trade and Industry Chamber of NEDLAC (National Economic Development & Labour Council – Nedlac Act)
- Deputy Chair of BUSA's Economic Policy Committee (Econpol), as well as an Alternate Director
- Agricultural Trade, and especially primary and processed agricultural exports, a major focus area of Agbiz
- Attended 11<sup>th</sup> WTO Ministerial Conference in Buenos Aires in December 2017 as part of South African delegation



# Background to the establishment of the WTO

- General Agreement on Tariffs and Trade (GATT) arose in 1947 out of the ashes of the Second World War, as did the IMF and the World Bank.
- Product of unprecedented international cooperation by an international community deeply scarred by the damage and destruction of endless warfare, an international community searching for an entirely new beginning and a new international order.
- While GATT ushered in a new era of international cooperation, it nonetheless had to weather the pressures of numerous conflicts, including the entire Cold War, before eventually evolving into the WTO in the mid 1990's.
- Problems underlying the Doha Development Round over past 15 years fundamental to WTO's future
- How the WTO deals with the development will determine the future negotiating agenda, but the WTO is more than a negotiating arm as its dispute settling mechanism is essential.
- Several new challenges to the multilateral trading system have emerged, led by the advent of greater protectionism by developed countries, especially the USA.
- In parallel though, many members continue to liberalize their trade unilaterally or through preferential trade agreements between pairs or groups of countries.

# Global trade: Quo vadis?

## 11<sup>th</sup> WTO Ministerial Conference in Buenos Aires in December 2017

- No substantial outcomes at MC11, no consensus on a ministerial declaration.
- No mention of Doha Round in communique
- Minor progress on fishing subsidies and e-commerce, as well as TRIPS non-violation and situation complaints, and work programme on small economies.
- Joint Statement on Trade in Food and Agricultural Products:

*Call on all Members to strengthen the implementation of the WTO SPS Agreement by reinforcing the work of relevant international standards organizations and ensuring the scientific basis of SPS measures is sound.*

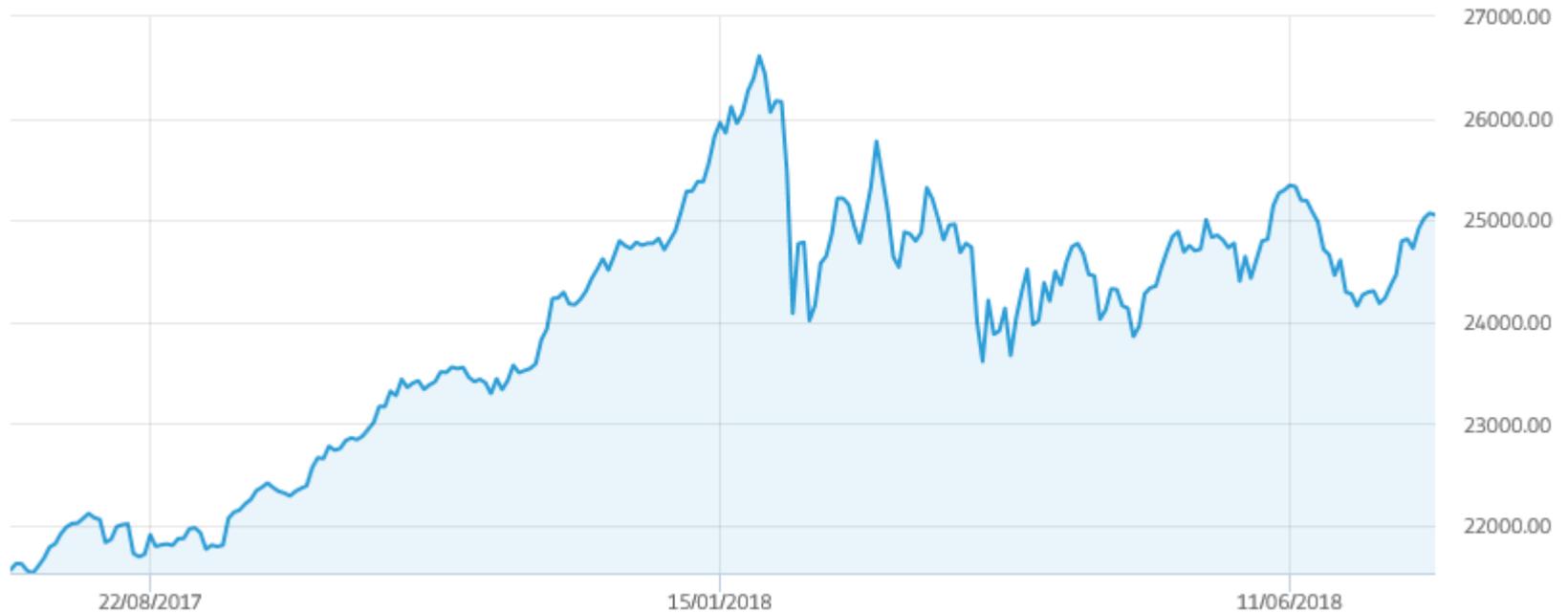
# Global Trade: Quo vadis?

- As relates food and agriculture trade, no substantive progress on
  - (i) domestic support,
  - (ii) market access,
  - (iv) public stockholding (India issue primarily),
  - (v) special safeguard mechanism,
  - (vi) export prohibition and restrictions, and
  - (vii) cotton.
- Very clear that there were very divergent positions between major power players, among others USA, EU, China, India, Cairns Group, Developing Nations Group, Africa Group and others.
- Additionally, appointments to the appellate body of the disputes resolution mechanism of the WTO have been blocked by the USA, essentially rendering it ineffective.
- The Big Question: **Death of real multilateralism in trade?**

# Subsequent developments to 11<sup>th</sup> WTO MC

- March 2018, USA announce a 25 percent tariff on steel imports and a 10 percent tariff on aluminium. Trump said, "Trade wars are good, and easy to win."
- Initially aimed primarily at China, Russia and Japan, but now also Canada, Mexico and the EU. Certain countries exempted, among others Australia, Brazil and Argentina.
- **U.S. Trade War with China**
  - Early March: Trump asked China to reduce the \$375 bn U.S. trade deficit by \$100 bn
  - Later in March, USA announces levy tariffs on \$60 bn of imports from China
  - Various tit for tat measures, including China cancellation of all USA soybean contracts
  - USA demands:
    - End subsidies to tech companies.
    - Stop stealing U.S. intellectual property.
    - Cut tariffs on U.S. goods by 2020.
    - Open China to more U.S. investment.
    - Reduce the trade deficit by \$200 billion by 2020.
- **Analysts see escalating trade war, and stock markets volatile and down**
- **In the long term, trade wars slow economic growth.**

# Dow Jones Index Average (1 year)



# Trump's trade policy a major debate in the USA: Impact on agriculture and food trade?



## What's at stake in US-China trade war: the full list

Explore the more than 1 500 items threatened by new tariffs



*Joanna S Kao, Ed Crooks, Jane Pong, Robin Kwong and Tom Hancock Tuesday, 19 June 2018*

- China and the US are on the brink of a full-scale trade war.
- Tariffs announced three weeks ago would affect a combined **\$100bn worth** of trade between the world's two largest economies. China and the US have both already imposed tariffs on steel, aluminium and some agricultural goods.
- On Monday June 18, President Donald Trump ordered his administration officials to draft plans for tariffs on a **further \$200bn** in Chinese imports if Beijing follows through on its threat to retaliate against US duties on imports announced last week.

# *New York Times*: Editorial Board

## Chinese Tariffs Are Already Hitting Trump Voters

- In Iowa, where farmers raise 40 million to 50 million pigs annually, President Trump's tariffs on steel and aluminium from Mexico have already cost producers \$560 million, according to an Iowa State University economist. How can that be, you ask. Mexico has threatened countervailing tariffs that include a 20 percent tariff on American pork. That prospect alone sent hog prices tumbling.
- Soybean growers throughout the Midwest are nervously watching as China, which buys a quarter of American soybeans, takes aim at their crop in response to the Trump administration's announcement that it will move ahead with \$50 billion in tariffs on "industrially significant technologies" in more than 1,000 categories.
- Threatening an all-out trade war, insulting our next-door neighbour and ally, will not change the nature of our economy, only damage it. In Wisconsin and Iowa, Nebraska and Kansas, farmers who need to maintain access to foreign markets are **hoping that Mr. Trump's bluster is just that, a negotiating tactic, and that cooler heads will eventually prevail.**

# USA lawmakers and farm lobby response

- **Tariffs have drawn pushback from US lawmakers** from both major political parties, along with industry representatives from multiple sectors, including agriculture.
- For example, **Farmers for Free Trade** issued a statement on Friday 15 June regarding the White House's earlier tariff announcement, saying that **“American farmers demand that elected officials support them by ending this trade war.”**
- **Farmers for Free Trade** is a coalition that names among its supporters a variety of farmer associations, including **corn and wheat growers, pork producers, the American Farm Bureau**, and other organisations.
- The coalition has reacted specifically to the prospect of Chinese tariffs on imported farm goods, in response to the US' Section 301 actions.

# Latest developments.....

- Donald Trump warned the WTO on 2 July that "we'll be doing something" if the US is not treated properly. "The WTO has treated the US very, very badly and I hope they change their ways."
- US-EU trade talks to kick off. Further tariff imposition on cars and car parts....? Using guise of national security for 'protectionism', despite warnings from US motor manufacturers themselves.
- NAFTA restart on the cards, but long way to go.....!
- Dynamic of new leftist Mexican President, as well as Canadian position, will be critical.
- Trump has not yet laid out a clear vision of success for the trade fights he is engaging in.

# So, what's the end game in this.....?

- Trump's trade disruption not limited to China and steel products, but attacking allies and foes alike.
- NAFTA clearly in the crosshairs, as are other multilateral trade agreements. Future uncertain for multilateral trade agreements, also TTIP and TPP.
- Will China and EU team up at WTO on multilateralism reform - is this possible, and if so, what time horizon? Certain reform issues are necessary.
- Donald Tusk, EU President, says it is the duty of the EU & China, but also the US and Russia, not to destroy the global trade order.
- Greater protectionism in agriculture through NTM's and NTB's on the increase, especially in the EU. Makes credible dispute resolution mechanism of the WTO even more important.
- So where does this take us in the agriculture and agribusiness environment, and our vision of a food secure world by 2050?
- **We need the WTO, but a serious conversation on this matter, both nationally and internationally, is essential!**

Thank you

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