

Trump's China tariffs violate global trade rules, WTO says

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President Trump's "America First" policy drew strong pushback on two fronts Tuesday, as the World Trade Organization sided with China in a legal challenge to U.S. tariffs and Canadian threats of retaliation led the United States to abandon plans for a fresh set of import taxes.

The pair of developments — coupled with the release earlier [this month of data showing the trade deficit at its worst point in 12 years](#) — reflected the incomplete state of the president's promised globalization overhaul seven weeks before he faces voters.

A three-member WTO panel struck at the core of Trump's trade war on China, ruling that the tariffs [he imposed more than two years ago](#) on \$234 billion worth of Chinese goods ran afoul of U.S. commitments under global trading rules.

The ruling will have no immediate impact on U.S. customs officials' ability to collect the levies from American importers, but it represents a diplomatic dent in the president's trade offensive.

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Several hours later, the administration said it was abandoning a tariff on aluminum from Canada that the president had imposed just last month, settling instead for making public its expectation that imports will decline. The move came hours before Chrystia Freeland, Canada's deputy prime minister, who had vowed a "dollar for dollar" response, was expected to announce retaliatory tariffs on American products.

["Both actions reflect the iron law of trade retaliation.](#) When the U.S. imposes import taxes on foreign goods, other countries will hit back," said John Veroneau, a partner at Covington & Burling and a former U.S. trade negotiator in the administration of President George W. Bush.

That view has not always been accepted by senior Trump administration figures. In 2018, Peter Navarro, one of the president's closest trade advisers, insisted that U.S. trading partners would not respond if the president made their products more expensive for American buyers.

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"I don't believe any country is going to retaliate for the simple reason that we are the most lucrative and biggest market in the world," Navarro told Fox Business. "They know they're cheating us, and all we're doing is standing up for ourselves."

The administration had argued before the WTO that its tariffs were needed to curb years of trade cheating by China. But in a [66-page report](#), the panel rejected that claim.

“The United States has not met its burden of demonstrating that the measures” are justified, the panel concluded.

Robert E. Lighthizer, the U.S. trade representative, issued a statement criticizing the decision, saying it showed that the WTO was unable to prevent Chinese policies from distorting global trade and harming the U.S. economy. The president imposed the tariffs on Chinese goods following an investigation by Lighthizer’s office that concluded China routinely engaged in unfair trade practices, including compelling foreign firms to transfer technology secrets and violating intellectual property safeguards.

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“Although the panel did not dispute the extensive evidence submitted by the United States of intellectual property theft by China, its decision shows that the WTO provides no remedy for such misconduct. The United States must be allowed to defend itself against unfair trade practices, and the Trump Administration will not let China use the WTO to take advantage of American workers, businesses, farmers, and ranchers,” Lighthizer said.

In a separate announcement, Lighthizer said the administration was dropping a 10 percent tariff on Canadian aluminum, which took effect Aug. 16.

The U.S. move followed consultations with the Canadian government and came as Canadian officials were preparing to unveil retaliatory tariffs on U.S. goods. Lighthizer said the United States had scrapped its tariff plans based on “expectations” that Canadian shipments of the industrial metal would decline by 50 percent from levels during the first half of this year, and he released specific permissible monthly totals for imports in each of the next four months.

The United States reserves the right to reimpose the import levies if imports exceed 105 percent of those levels, though Lighthizer’s statement effectively postpones any resumption of the tariff fight until after the election.

Freeland bluntly described the U.S. decision as a “unilateral” one and reiterated that Canada would strike back against any future threats.

“This is not a negotiated deal between Canada and the United States,” she told reporters. “We have not agreed to anything. We have not negotiated an agreement with the United States on quotas.”

The United States first imposed tariffs on imports of steel and aluminum in 2018, citing the threat to national security from a reliance upon foreign suppliers. The president exempted Canada and Mexico from the levies the following year when a new North American trade pact was completed.

When Trump announced last month that he was reimposing the aluminum tariffs, citing an import surge, Canadian officials said they would retaliate against \$3.6 billion in U.S. goods, including bicycles, washing machines and refrigerators.

The items were “explicitly targeted at products that were politically sensitive” and made in swing-state factories, according to Eric Miller, president of Rideau Potomac Strategy Group, a trade consultancy.

The on-again, off-again nature of the president’s tariffs has confounded American businesses, leaving many uncertain of their raw material costs from one month to the next. The Aluminum Association, an industry group, endorsed the decision to drop the tariffs, which it called “disruptive and unnecessary.”

The U.S. Chamber of Commerce, which often has been critical of the administration’s **tariff diplomacy**, also welcomed the move.

“What American manufacturers need now is certainty that these tariffs won’t make another reappearance. Setting aside these threats once and for all will allow American job creators to focus on economic recovery,” said Myron Brilliant, executive vice president of the U.S. Chamber.

In the case of the China tariffs, the WTO ruling could eventually authorize China to impose higher tariffs on a range of U.S. products. But the United States can effectively stall any further action by appealing Tuesday’s ruling. The administration has blocked for months the appointment of new members to the WTO’s appellate body, leaving the organization unable to fulfill its assigned role of adjudicating trade spats. The panel acknowledged its ruling comes amid “unprecedented global trade tensions.”

Wendy Cutler, vice president of the Asia Society, said the verdict illustrated the weakness of the global trading regime established in 1995 with U.S. support.

“In another era, this ruling would have been the talk of the town in the trade community. But the finding comes as no surprise, and without a fully operating appellate body it won’t have a consequential impact,” said Cutler, a former trade negotiator.

China petitioned the WTO within weeks of the first U.S. tariffs, arguing that the Trump administration had breached global trade rules by unilaterally imposing the import levies.

The two countries subsequently negotiated a partial trade deal, which was unveiled at a White House ceremony in January. The “phase one” deal called for China to buy an additional \$200 billion from U.S. suppliers but left many of the administration’s broader complaints about Chinese state subsidies and trade practices for future negotiations.