

## 18-23 What Might a Trump Withdrawal from the World Trade Organization Mean for US Tariffs?

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President Donald Trump has long made clear his disdain for the World Trade Organization (WTO).<sup>1</sup> In October 2017, he stated: “The WTO, World Trade Organization, was set up for the benefit of everybody but us. They have taken ad-

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1. In an interview on NBC in 2016, during the presidential campaign, Trump told Chuck Todd “We’re going to renegotiate or we’re going to pull out. These trade deals are a disaster, Chuck. World Trade Organization is a disaster” (Meet the Press, July 24, [www.nbcnews.com/meet-the-press/meet-press-july-24-2016-n615706](http://www.nbcnews.com/meet-the-press/meet-press-july-24-2016-n615706)). Contempt for the WTO is also a repeated theme of Bob Woodward’s *Fear: Trump in the White House*, which quotes Trump as saying “We’ve talked about this ad nauseam. Just do it. Just do it. Get out of NAFTA. Get out of KORUS [the Korea-United States Free Trade Agreement]. And get out of the WTO” (Woodward 2018, 264) and “The World Trade Organization is the worst organization ever created!” (Woodward 2018, 276).

vantage of this country like you wouldn’t believe.”<sup>2</sup> In March 2018, in announcing plans for tariffs on imported steel and aluminum, he stated: “The WTO has been a disaster for this country. It has been great for China and terrible for the United States.”<sup>3</sup>

In June 2018, Axios reported that President Trump had repeatedly stated his desire to pull the United States out of the WTO.<sup>4</sup> Advisers to the president tamped down the report, as did the president, who later said, “I’m not talking about pulling out [of the WTO].” But, he added, “We’ve been treated very badly. . . . It’s an unfair situation.”<sup>5</sup>

Despite his denial, the president essentially confirmed his thinking in an interview with Bloomberg on August 30, 2018. “If they don’t shape up, I would withdraw from the WTO,” he said, arguing that the agreement establishing the body “was the single worst trade deal ever made.”<sup>6,7</sup>

Although there are no indications of specific plans to take such a step, Axios reported in early July that, on the orders of the president, the administration had drafted a bill—entitled the United States Fair and Reciprocal Tariff

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2. Robert Farley, “Trump Wrong about WTO Record,” *The Wire*, October 27, 2017.

3. Chris Isidore, “White House Lauded U.S. Record with WTO, Which Trump Now Calls a ‘Disaster,’” *CNN Money*, March 2, 2018.

4. As the Axios article put it: “‘He’s [threatened to withdraw] 100 times. It would totally [screw] us as a country,’ said a source who’s discussed the subject with Trump. The source added that Trump has frequently told advisers, ‘. . . I don’t know why we’re in it. The WTO is designed by the rest of the world to screw the United States’” (Jonathan Swan, “Scoop: Trump’s Private Threat to Upend Global Trade,” *Axios*, June 29, 2018).

5. Doug Palmer, “Trump: U.S. Not Withdrawing from the WTO,” *Politico*, June 29, 2018.

6. John Micklethwait, Margaret Talev, and Jennifer Jacobs, “Trump Threatens to Pull U.S. Out of WTO If It Doesn’t ‘Shape Up,’” *Bloomberg*, August 30, 2018.

7. He confirmed this statement on September 7, 2018, when he said, “And these deals that were made—NAFTA was one of the worst trade deals ever in history. World Trade Organization deal, that’s the—that goes down—to me, that goes down as the number one” (remarks by President Trump in press gaggle aboard Air Force One, White House Press Briefings, September 7, 2018, [www.whitehouse.gov/briefings-statements/remarks-president-trump-press-gaggle-aboard-air-force-one/](http://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-gaggle-aboard-air-force-one/)).

Act—that would do away with the most-favored nation (MFN) clause, which requires the United States to treat all WTO members equally in terms of the import duties applied to their goods.<sup>8</sup> Such a step would allow the president to increase tariff rates, even rates “bound” (fixed) in previous trade negotiating rounds.<sup>9</sup>

Given that the president withdrew the United States from the Trans-Pacific Partnership (TPP) and repeatedly threatened to withdraw from the North American Free Trade Agreement (NAFTA), merely floating the idea that the United States would pull out of the WTO has set off alarm bells in Washington and around the world. Before Trump became president, a US withdrawal from the WTO had never been considered within the realm of possibility. It now raises several important questions.

This Policy Brief addresses two of them. First, what would be the consequences for US tariffs if the United States withdrew from the WTO? Second, does the president have the legal authority to pull the United States out of the organization and impose higher tariffs without congressional approval?

## HOW WOULD A US WITHDRAWAL AFFECT TARIFF RATES?

If it were to withdraw from the WTO, the United States would be freed from its obligation to apply most MFN tariffs on imports from other WTO members. The tariffs applied to imports entering the United States, however, would not change automatically. Such a step would require an executive order from the president withdrawing previous tariff concessions. If the United States left the WTO, other countries would be free to discriminate against it even if US duties remained unchanged. It would thus make sense to withdraw only if the United States intended to raise tariffs against other countries.

What could be the most dramatic change in the tariff that the United States imposed on imports as a result of such an action? One extreme scenario would be that the United States rescinds all of the negotiated tariff reductions—known as tariff “concessions”—since the first trade agreement was

reached under the Reciprocal Trade Agreements Act of 1934. Congress last set rates of import duty in the Tariff Act of 1930, in what is commonly known as the Smoot-Hawley tariff. But from that point on, the president has, through executive order, reduced import duties—first as a result of reciprocal trade agreements reached in 1930s, then through the lower tariffs negotiated at the first General Agreement on Tariffs and Trade (GATT) meeting in 1947 as well as subsequent multilateral rounds, notably the Kennedy Round (1964–67), the Tokyo Round (1973–79), and the Uruguay Round (1986–93).<sup>10</sup> According to WTO (2017), about 99.9 percent of US import duties are bound as a result of these negotiated agreements. If the United States were to withdraw from the WTO, the president could issue an executive order rescinding all of these negotiated tariff reductions, and import duties could revert to those set by Congress in 1930. (Such an order would not affect duties applied to countries with which the United States has free trade agreements.)

The US tariff schedule has two main columns. Column 1 consists of the MFN tariff; column 2 consists of the 1930 duties.<sup>11</sup> Figure 1 provides a snapshot of a representative page from the 2018 Harmonized Tariff Schedule of the United States. After the heading and subheading number, article description, and unit of quantity are three columns for the rate of duty. Column 1 is divided into two subcolumns, general and special. The general column is the MFN tariff; the special column usually says “free” and lists the countries or programs eligible for duty-free treatment. Countries are eligible either because they have a free trade agreement with the United States or because they are covered by a unilateral tariff preference program, such as the Generalized System of Preferences (GSP) or the African Growth and Opportunity Act (AGOA).<sup>12</sup> Column 2 is the non-MFN tariff rate established in 1930.<sup>13</sup> As shown in figure 1, imports of “tin bars, rods, profiles, and wire” are taxed at a rate of 3 percent under MFN; they are duty free for countries that have free trade agreements with the United States or are part of a designated tariff preference program and taxed at 45 percent for non-MFN countries.

8. Jonathan Swan, “Exclusive: A Leaked Trump Bill to Blow Up the WTO,” *Axios*, July 1, 2018.

9. This is not the Trump administration’s first public expression of frustration with the MFN clause. Secretary of Commerce Wilbur Ross penned a May 15, 2017 letter to the *Wall Street Journal* with the title “Most Favored Nation Rule Hurts Importers, Limits U.S. Trade,” in response to an op-ed written by Chad P. Bown and Alan O. Sykes (“The Trump Trade Team’s Vocabulary Problem,” *Wall Street Journal*, May 14, 2017). In order to get around the MFN tariff binding commitments on steel and aluminum, the Trump administration has implemented higher tariffs by triggering Section 232 of the Trade Expansion Act of 1962.

10. Bown and Irwin (2017) discuss the size of the tariff cuts in different GATT negotiating rounds.

11. The Harmonized Tariff Schedule of the United States is available at [www.usitc.gov/tata/hts/index.htm](http://www.usitc.gov/tata/hts/index.htm).

12. Sometimes a duty is listed under the special column, a rate less than the general MFN rate, depending on the year and how long the phaseout of tariffs is planned under the free trade agreement.

13. Some adjustments to the duties established in 1930 have been made over the years, such as the conversion of some specific duties to ad valorem duties.

**Figure 1 Representative page from the Harmonized Tariff Schedule of the United States, 2018**

<b>Harmonized Tariff Schedule of the United States (2018) Revision 11</b>						
Annotated for Statistical Reporting Purposes						
Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
8001		Unwrought tin:				
8001.10.00	00	Tin, not alloyed.....	kg.....	Free		Free
8001.20.00		Tin alloys.....		Free		Free
	10	Containing, by weight, 5 percent or less of lead.....	kg			
	50	Containing, by weight, more than 5 percent but not more than 25 percent of lead.....	kg			
			Pb kg			
	90	Containing, by weight, more than 25 percent of lead...	kg			
			Pb kg			
8002.00.00	00	Tin waste and scrap.....	kg.....	Free		Free
8003.00.00	00	Tin bars, rods, profiles and wire.....	kg.....	3%	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	45%
8007.00		Other articles of tin:				
8007.00.10		Articles not elsewhere specified or included of a type used for household, table or kitchen use; toilet and sanitary wares; all the foregoing not coated or plated with precious metal.....		2.1%	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	40%
	10	Suitable for food or beverage service.....	No.			
	50	Other.....	X			
8007.00.20	00	Tin plates, sheets and strip, of a thickness exceeding 0.2 mm.....	kg.....	2.4%	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	45%
8007.00.31	00	Tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm.....	kg.....	3%	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	35%
8007.00.32	00	Powders and flakes.....	kg.....	2.8%	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	45%

Source: US International Trade Commission, <https://hts.usitc.gov/current>.

Column 2 duties are applied to only two countries, Cuba and North Korea (US Customs and Border Patrol 2017). Other countries are either WTO members, in which case they are entitled to the column 1 MFN tariff, or receive at least the MFN tariff by courtesy. Countries that have a free trade agreement with the United States, such as Canada and Mexico, have a zero tariff applied to most bilateral trade, and many developing countries receive zero tariffs for certain products under the GSP, AGOA, or other unilateral tariff preference programs.

How high, on average, are the import duties in column 1 and column 2? The tariff schedule organizes goods into 23 sections and 99 chapters, with 11,621 tariff lines on specific goods. There are multiple ways of condensing these thousands of tariff rates into a simple summary measure. This Policy Brief considers two complementary approaches.<sup>14</sup>

The first approach is the import-weighted average tariff on total or dutiable imports. In 2017 the import-weighted average tariff was 2.0 percent, and the average tariff on dutiable imports was 4.7 percent, according to data from the US International Trade Commission (USITC 2018).<sup>15</sup> Dutiable imports are defined as those products with a tariff rate that is greater than zero.

The distinction between dutiable and duty-free imports is important because, even before the reciprocal trade agreements of the 1930s and the original GATT in 1947, Congress allowed a significant share of foreign goods to enter the country duty free. They included consumer goods such as coffee, tea, and bananas, as well as raw materials not produced in the United States, such as tin. Most manufactured goods, however, were subject to some import duty, because some domestic producers sought protection from foreign competition. In 2017, about 70 percent of US imports entered duty free; in 1930 about 65 percent of US imports entered duty free.

14. These tariff calculations do not include any of the special tariffs imposed as countervailing or antidumping duties, safeguards, or the tariffs that the Trump administration has imposed under Section 232 of the Trade Expansion Act of 1962 or Section 301 of the Trade Act of 1974.

15. The latter calculation is based on the revenue generated from the import duties themselves. The average tariff on dutiable imports is simply the tariff revenue divided by dutiable imports. The average tariff on total imports can be constructed in two ways, either as the tariff revenue collected divided by the total value of imports, both dutiable and duty free; or by using the product-level tariff rate weighted by that product's imports. USITC (2018) reports an aggregate measure of the average tariff based on revenue as 1.3 percent for 2017. Our measure, based on product-level tariff revenue, differs slightly from the aggregate number reported by the USITC.

The import-weighted measure of a country's average duty is imperfect in many ways.<sup>16</sup> The most obvious problem is that the measure is downward-biased because goods subjected to high tariffs will not be imported in large quantities and will therefore receive a lower weight in the average. For example, if a duty of 100 percent on a product ensures that there will be no imports in that category (something known as a prohibitive tariff), then that tariff will not raise any revenue. That product with the very high tariff will then receive a zero weight—i.e., effectively being unaccounted for—in the trade-weighted average.

A second approach is the simple average of all the tariff rates in the tariff code. The simple average MFN applied tariff for the United States was 3.3 percent in 2017. This method avoids the problem that products with high tariffs carry a low weight because of low levels of imports. But a limitation of this approach is that every tariff line gets an equal weight, even though tariffs may affect very different amounts of trade. Although many low duties may affect few imports and a few higher duties may affect a great deal of trade, the simple average will take every observed duty (tariff line) as an equally weighted observation.

In sum, no perfect way of measuring a country's average tariff exists, but simple averages and trade-weighted averages are easy to calculate and do reveal useful information about the approximate level of a country's import duties.<sup>17</sup>

However, the standard and readily available measures of average US tariffs ignore the rate of duty under column 2.<sup>18</sup> The question of column 2 duties now seems important given that a US withdrawal from the WTO is a possibility.<sup>19</sup>

16. See the discussion in Anderson and Neary (2005) and Irwin (2010).

17. Irwin (2010) examines how biased various calculations of the average tariff can be. Below, this Policy Brief also presents additional estimates of the average tariff weighted by world imports instead of US imports. Nevertheless, even this adjustment does not fully address the problem, because tariffs in certain sectors (e.g., agriculture, textiles, clothing, and footwear) are higher than other sectors across countries (Bown and Crowley 2016), and their trade-depressing effect will have a systemic downward bias in the overall average.

18. Some academic research has looked at column 2 tariffs. Broda, Limão, and Weinstein (2008) examine optimal tariffs. Ossa (2014) examines how they compare to the theoretically predicted tariffs that might arise in a trade war. Pierce and Schott (2016) and Handley and Limão (2017) rely on them as the tariffs that would face China's exports if China did not receive MFN tariffs in the 1990s, in the period before China entered the WTO.

19. Aside from the WTO, the United States also has 14 free trade agreements with 20 countries. In the absence of US withdrawal from these agreements, these countries would continue to face zero tariffs even if the United States withdrew from the WTO.

**Table 1 US 2017 and column 2 tariffs**

Category/sector	2017 tariff, simple average	Column 2 tariff, simple average	2017 tariff, import-weighted average	Column 2 tariff, import-weighted average
<b>All goods</b>	3.3	32.3	2.0	28.1
<b>By broad economic categories</b>				
Consumer goods	4.6	35.5	4.8	39.6
Intermediate inputs	3.0	31.0	1.4	26.4
Capital goods	1.4	34.3	1.6	35.0
<b>By sector</b>				
Animal products, live animals	2.2	5.2	1.1	3.8
Vegetable products	2.9	11.7	2.6	5.4
Animal or vegetable fats and oils	3.6	11.7	2.7	3.4
Prepared foodstuffs, beverages, spirits, vinegar, tobacco products, edible fats	6.1	20.2	3.2	12.8
Mineral products	0.2	6.4	0.2	0.7
Chemicals	2.3	29.2	1.2	17.8
Plastics and rubber	3.2	35.2	3.5	39.9
Hides, skins, leather, etc.	3.5	29.1	10.7	44.2
Wood and articles of wood	1.1	17.9	0.8	16.6
Pulp of wood, scrap or paperboard	0	22.3	0	23.1
Textiles and textile articles	8.2	58.1	14.5	70.2
Footwear, headgear, umbrellas, feathers, etc.	7.6	42.4	10.3	33.4
Stone, cement, plaster, ceramics, glassware, pearls, etc.	3.0	40.2	3.2	38.0
Pearls, precious stones, etc.	2.1	28.7	1.0	27.5
Base metals and articles of base metal	1.5	28.4	1.3	26.6
Machinery, mechanical appliances, electrical equipment	1.2	32.9	0.8	35.0
Transportation: vehicles, aircraft, vessels	2.5	21.9	2.3	10.1
Precision instruments; optical, surgical, etc.	1.6	40.3	0.5	39.2
Arms and ammunition	1.0	45.7	1.3	48.5
Miscellaneous	2.8	43.7	1.3	46.2

Note: Broad economic categories are defined by the United Nations. Sectors are defined in Bown and Crowley (2016, appendix B).

Source: Constructed by the authors with data from USITC Dataweb, [www.usitic.gov/dataweb](http://www.usitic.gov/dataweb).

So what if—hypothetically—the United States withdrew from the WTO and shifted from applying column 1 to column 2 duties on all imports? How high would the average tariff go?

Table 1 provides the answer by comparing the column 1 and column 2 duties. The simple unweighted average duty in column 1 is 3.3 percent; the unweighted average duty in column 2 is a whopping 32.3 percent. When weighted by US imports, the average duty in column 1 is 2.0 percent and 28.1 percent in column 2.<sup>20</sup> The reason why the import-

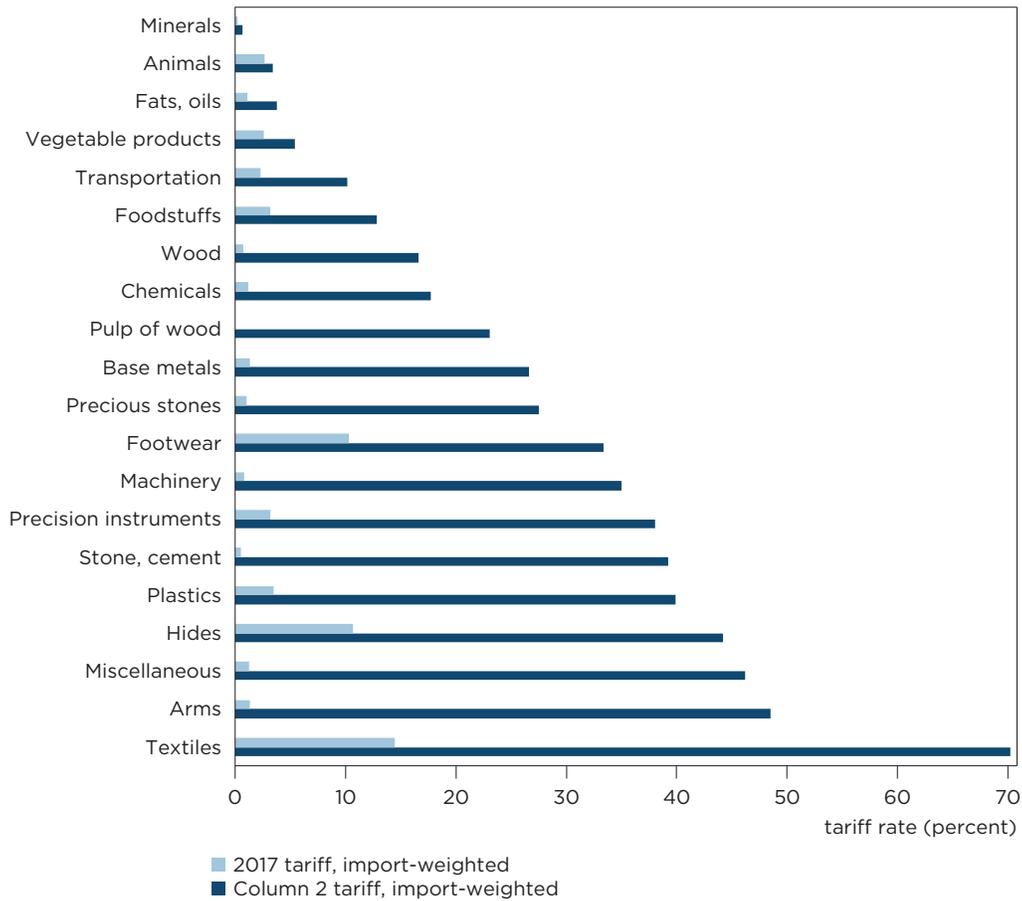
weighted duties are lower than the simple average of rates is that high-duty categories have lower imports and hence a smaller weight in the index. For the unweighted average column 2 tariff across all 8-digit Harmonized Tariff Schedule lines, the minimum is 0, the maximum is 350 percent, and the standard deviation is 35.9.<sup>21</sup>

Table 1 also reports the average tariff by broad economic categories (consumer goods, intermediate goods, and capital goods). In general, tariffs are higher on consumer goods than intermediate inputs and capital equipment, a phenomenon referred to as “tariff escalation.” This relationship is common

20. In the trade-weighting for column 2 calculations, the maintained assumption is that countries with which the United States had a free trade agreement as of 2018 would continue to receive the zero tariff.

21. If the average tariff figure is weighted by world imports instead of US imports, the average column 1 duty is 3.4 percent and the average column 2 duty is 33.5 percent.

**Figure 2 US 2017 and column 2 tariffs by sector**



Source: Table 1.

within and across countries and sectors (Bown and Crowley 2016), because countries tend to impose lower tariffs on intermediate inputs and capital equipment, in order to encourage imports that may enhance the competitiveness of the manufacturing sector.

What happens if tariffs move from column 1 to column 2? For consumer goods, the simple average tariff would increase from 4.6 percent to 35.5 percent. Tariffs on intermediate goods would increase from an average of 3.0 percent to 31.0 percent, and tariffs on capital goods would rise from an average of 1.4 percent to 34.3 percent. The imposition of these tariffs would thus significantly raise the cost of imported inputs to US firms, reducing their competitiveness relative to companies located abroad that have access to these inputs at lower tariff rates.

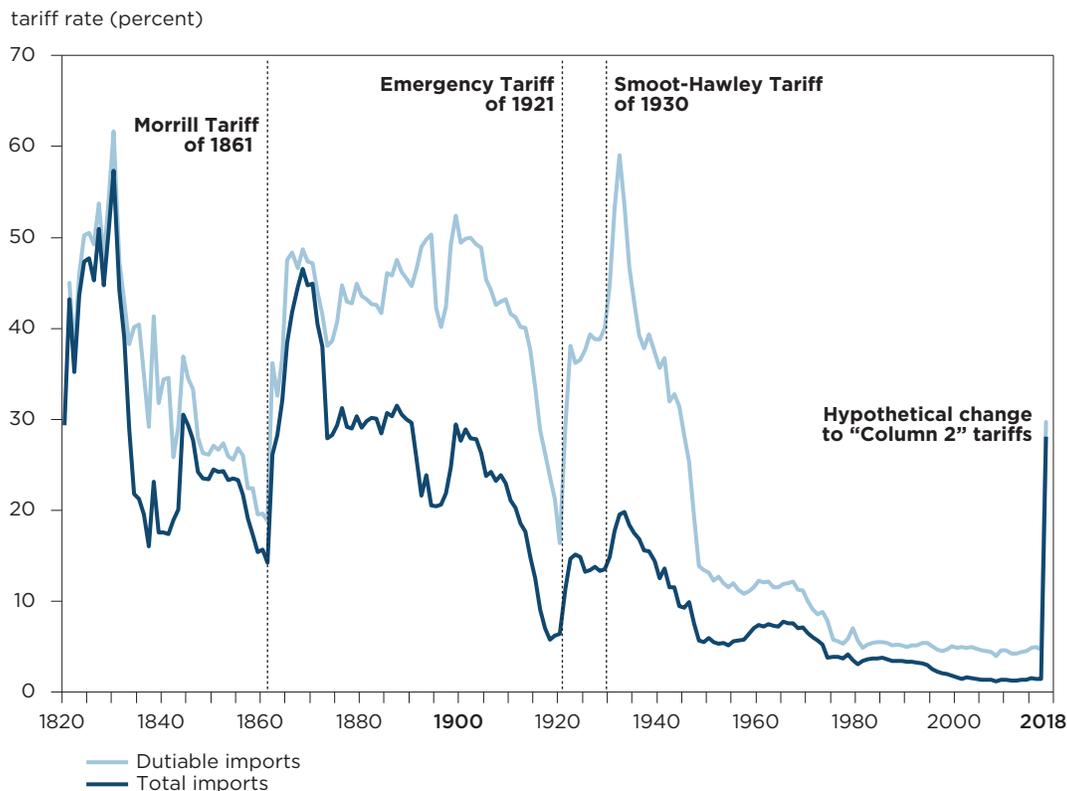
Table 1 also reports information by sectors. In a few cases, such as animal products and minerals, the difference between the column 1 and column 2 tariffs is minor. But as figure 2 also illustrates, in most cases the difference in rates is enormous. Tariffs would rise from 1.1 percent to 17.9

percent on wood pulp and related goods, from 8.2 percent to 58.1 percent on textiles, from 1.2 to 32.9 percent on machinery, and from 1.6 percent to 40.3 percent on precision instruments (figure 2).

These numbers are astounding and have several important economic implications. First, they indicate how much US import duties have fallen as a result of previous trade negotiations. Had there been no change in the 1930 tariff rates, the average tariff would be 28–32 percent, not 2–3 percent.

Second, withdrawing from the WTO and abruptly reverting to the column 2 duties would amount to the largest tariff increase in US history. Figure 3 puts a potential tariff change in historical perspective using the trade-weighted average for both all imports and dutiable imports. Moving to column 2 rates would push the US trade-weighted average tariff back to levels not seen since the late 1930s or early 1940s—back in the range that prevailed in the late 19th and early 20th century. Though the average tariff rate in the United States was similarly high in the late 19th and early

**Figure 3 US trade-weighted average tariff (1820–2017) and hypothetical column 2 tariff in 2018**



Source: *Historical Statistics of the United States, Millennial Edition* (New York: Cambridge University Press, 2006, series Ee424-430), updated with data from USITC Dataweb, [www.usitic.gov/dataweb](http://www.usitic.gov/dataweb) and authors' calculations.

20th centuries, the changes in legislated rates were never abrupt or large between acts.

Take the infamous Smoot-Hawley tariff of 1930, which was a much more modest adjustment than even figure 3 reflects. According to a Senate Finance Committee report in 1930, had the new 1930 duties been applied to 1928 imports, the average tariff on dutiable imports would have risen from 38.75 percent to 41.14 percent, an increase of just 2.4 percentage points and 6 percent (Irwin 2011, 102–103). Figure 3 illustrates a much larger increase in the trade-weighted average tariff on dutiable imports than the legislated 2.4 percentage points because some additional restrictiveness of US tariffs arose due to declining import prices during 1929–32. Because most tariff rates were applied as specific duties, falling prices meant the ad valorem equivalent tariff would have increased even if there had not been a legislated tariff increase arising from Smoot-Hawley (Irwin 1998).

We emphasize that this is an extreme hypothetical scenario. A 26 percentage point increase in the average tariff today would be enormously problematic for the US economy. The sharp increase in tariffs on intermediate

inputs and capital equipment would quickly raise the costs of US-based production and erode the country's industrial competitiveness. It would make the United States a less attractive base for manufacturing for export to the more than 7 billion consumers living outside the country. The sharp increase in tariffs on final goods would reduce competition facing US producers and result in price increases for US consumers. Higher prices would effectively eliminate the availability of certain products for many Americans.

Furthermore, US withdrawal from the WTO and such a large increase of its tariff would surely be met with foreign retaliation against US exports. Those tariffs would make the United States an unattractive location in which companies would invest and produce.

The practical import of leaving the WTO would be significant, even if US import duties did not change as a result. The United States would no longer be constrained in terms of its tariff policy, and other countries would face no limit on what tariffs they could impose on US exports. In response to the Trump administration's steel and aluminum tariffs (imposed under the guise of national security), five

trading partners almost immediately retaliated against more than \$23 billion of US exports. It is likely that a general US tariff increase would be met with an even greater response.<sup>22</sup> Other countries would feel free to discriminate against US exports in favor of trade with other countries, and the United States would have no recourse to object. Its only course of action would be counterretaliation. But this would have limited additional effectiveness given that the United States would already have choked off imports by raising its tariffs the first time—little additional pain could be inflicted.

Even a WTO withdrawal that merely eliminated the constraint on tariff policies without actually raising tariffs would generate uncertainty, which is likely to be harmful for investment and trade, especially for US companies and workers seeking access to foreign markets.<sup>23</sup>

### **CAN THE PRESIDENT UNILATERALLY PULL THE UNITED STATES OUT OF THE WTO?**

The texts of trade agreements like the WTO do not provide the president alone with the explicit authority to withdraw from such agreements; whether or not the executive could do so is legally uncertain.<sup>24</sup> Presidents have not previously attempted to withdraw from trade agreements without congressional approval, so there is no legal precedent to go by should such an attempt arise and be challenged in US courts.

Legal scholars like Trachtman (forthcoming) argue that the constitutional authority to regulate foreign commerce is given exclusively to Congress under Article I; the president does not have the power to withdraw from trade agreements. Trachtman's reasoning is that independent presidential authority to terminate trade agreements is inconsistent with exclusive congressional power over commerce.

Other examinations into whether the president has the legal authority to unilaterally withdraw from trade agreements are more sanguine. Hufbauer (2017) points to the role that trade deals have had in furthering US foreign policy. He worries that that role might be used as a legal argument to justify the president's authority under the Article II powers

granted to the executive to make treaties. Another possibility is that the executive could have legal authority to withdraw from an agreement unilaterally but not to proclaim a new US tariff schedule.

Much of US trade law was premised on the notion that Congress would be more likely to want to implement protectionist measures or withdraw from trade agreements than any president would. This premise reflected the postwar norm that Congress was susceptible to interest group and constituent pressure against trade agreements whereas the executive branch was more committed to US engagement in international affairs. The executive branch thus negotiated the terms of trade agreements. The president too could not go it alone, however. Because all modern US trade agreements contain rules not just on tariffs but also on nontariff barriers that may require changes to US domestic law, they have required implementing legislation and passage by a majority in both the House of Representatives and the Senate. All such US trade deals have been enacted by congressional-executive agreement.

For example, US participation in the WTO was established when Congress enacted the Uruguay Round Agreements Act in 1993. Its enactment ensured that many of the provisions of the agreement were codified into US domestic law. For those laws to no longer hold would require an act of Congress explicitly repealing them. There is no explicit language in this legislation about a presidential withdrawal from the WTO. Section 125(b) of the Uruguay Round Agreements Act lays out the process for "Congressional Disapproval of US Participation in the WTO" but has no parallel provision for presidential disapproval of US participation in the WTO. Congressional legislators did not consider the contingency that the executive would want to take the United States out of the organization (GPO 1994). Presumably, if the president wanted to do so, he or she would have to work through Congress.

An action by President Trump to withdraw from the WTO without congressional consent would be challenged in the courts. A variety of commercial interests harmed by such a decision would likely have standing to contest the issue (see Bown and Keynes 2018). How the US courts, including the Supreme Court, would rule is an open question.

A decision by President Trump to withdraw the United States from the WTO—if deemed legal under US law—could deal a disastrous blow to America's foreign trade. The cost to consumers and import-reliant manufacturers of the president raising import tariffs significantly would be enormous. And the resulting foreign retaliation against American exporters—farmers and manufacturers alike—would severely damage the economy.

22. The Trump administration's tariffs imposed on China under Section 301 of the Trade Act of 1974 were also met with immediate tariff retaliation. For a summary, see Chad P. Bown, "For Trump, It Was a Summer of Tariffs and More Tariffs. Here's Where Things Stand," *Washington Post* (*Monkey Cage*), September 13, 2018.

23. Recent research has shown that uncertainty also has an important detrimental impact on investment and trade flows (Handley 2014; Handley and Limão 2015, 2017; Pierce and Schott 2016; Crowley, Meng and Song 2018).

24. On the legal question of whether the president can unilaterally withdraw from US trade agreements, see Murrill (2016); Hufbauer (2016, 2017); and Trachtman (forthcoming). Bown and Keynes (2018) provide a summary.

On top of that, the US action would likely cripple an organization that the United States had created after the devastation of World War II and that has helped foster peaceful commercial relations for over seven decades. Withdrawing

from the WTO would be detrimental to US foreign economic and security interests and would raise even bigger questions as to what, if any, system of internationally agreed-upon rules would replace it.

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