

# 2018 Academic WorldQuest Competition Hawaii Competition Study Guide



**All questions for the Academic WorldQuest competition will be drawn from the sources in this Study Guide.**

Academic WorldQuest is an exciting team quiz game designed to enhance international education. During the competition, you will be asked 10 multiple choice questions per category. There are 6 categories. You can consult your team members (4 people per team) to decide your final answer. Teams are not allowed to consult with the audience, wireless devices, cell phones, other teams, books or written material at any point during the competition.

Teams have 1 minute to answer each question. You will receive 1 point for each correct answer. There are no penalties for wrong answers. If a team wishes to challenge an answer, one team member may bring the challenge calmly and politely to the judges within the time period allotted after answers are announced. Teams are not allowed to discuss challenges with audience members or consult outside materials or devices. The decision of the head judge is final. If the challenge is unsuccessful, the team that made the challenge will forfeit one point. The team with the most points will represent the State of Hawaii at the National WorldQuest Competition in Washington, D.C. If there is a tie, tie-breaker rounds will be played.

## Category 1: Current Events

This round will consist of questions on world news and events. The emphasis will be on the second half of 2018. For the National Competition, the emphasis will be on the first months of 2019 and late 2018. In general, we recommend reading a variety of reputable national and international news sources. Most news sources (Wall Street Journal, BBC, CNN, Washington Post, etc.) can be obtained for free online.

## Category 2: How to Deal with North Korea

After failing in the Korean War (1950-53) to conquer the U.S.-backed Republic of Korea (ROK) in the southern portion by force, North Korea (DPRK), under its founder President Kim Il-sung, adopted a policy of ostensible diplomatic and economic "self-reliance" as a check against outside influence. The DPRK demonized the U.S. as the ultimate threat to its social system through state-funded propaganda, and molded political, economic, and military policies around the core ideological objective of eventual unification of Korea under Pyongyang's control. In 2011, the passing of Kim's son paved the way for his grandson, Kim Jong-un, to continue the dynasty's communist totalitarian rule. Recent high-stakes diplomacy over the North's nuclear weapons program has captured headlines worldwide. This topic will cover the country's history, including its relations with the U.S., its trade policies, foreign policy, and human rights record.

- **History of North Korea**

- All 7 sections of "North Korea" and watch "From King Gojong to Kim Jong-un" video (5:35) – Editors, History.com, September 28, 2017 (updated August 21, 2018)  
<https://www.history.com/topics/korea/north-korea-history>

- **How North Korea Is Ruled**

- All 6 sections of "North Korea's Power Structure" – Eleanor Albert, CFR Backgrounder, July 19, 2018
  - <https://www.cfr.org/backgrounder/north-koreas-power-structure>
- "Who Actually Runs North Korea?" video (6:52) – The Infographics Show on YouTube, February 8, 2018
  - <https://www.youtube.com/watch?v=UX0Sb1e2fc4>
- Take the CFR Quiz on North Korea <https://www.cfr.org/quiz/see-how-much-you-know-about-north-korea>

- **U.S.-North Korea Relations**

- "North Korean Nuclear Negotiations, 1985-2018" – Eleanor Albert, CFR Timeline, October 3, 2018
  - <https://www.cfr.org/timeline/north-korean-nuclear-negotiations>
- Executive summary of "A Precarious Accord: Navigating the Post-Summit Landscape" – Patrick Cronin and Benjamin K. Silberstein, Center for a New American Security, June 20, 2018
  - <https://www.cnas.org/publications/reports/a-precarious-accord-navigating-the-post-summit-landscape>

- “Trump Should Learn to Live with a Nuclear North Korea” – Richard Sokolsky and Aaron David Miller, Carnegie Endowment for International Peace, July 11, 2018
    - <http://carnegieendowment.org/2018/07/11/trump-should-learn-to-live-with-nuclear-north-korea-pub-76801>
  - “Trump Did Not Solve the North Korea Problem in Singapore” – Ryan Haas, NBC Think, August 12, 2018
    - <https://www.nbcnews.com/think/opinion/trump-did-not-solve-north-korea-problem-singapore-fact-threat-ncna899766>
  - “The Real Reason Kim Jong-un Wants to Declare an End to the Korean War” – Jung H. Pak, The Brookings Institution, September 17, 2018
    - <https://www.brookings.edu/blog/order-from-chaos/2018/09/17/the-real-reason-kim-jong-un-wants-to-declare-an-end-to-the-korean-war/>
- **Inter-Korean Relations**
    - “Why the Korean War Didn’t End – and Why It Could Now” – Washington Post, August 15, 2018
      - [https://www.washingtonpost.com/world/2018/08/15/why-korean-war-didnt-end-why-it-could-now/?noredirect=on&utm\\_term=.4d0824d9b4ab](https://www.washingtonpost.com/world/2018/08/15/why-korean-war-didnt-end-why-it-could-now/?noredirect=on&utm_term=.4d0824d9b4ab)
    - “Pyongyang Joint Declaration of September 2018” – National Committee on North Korea, September 19, 2018
      - <https://www.ncnk.org/node/1633>
    - “South Korea’s Leader Makes Bold Effort to Enhance the Prospects for Peace” – Scott A. Snyder, Council on Foreign Relations, September 19, 2018
      - <https://www.cfr.org/article/south-koreas-leader-makes-bold-effort-enhance-prospects-peace>
  - **Attitudes of North Koreans; and Perspectives of Defectors**
    - “What Hostile Policy? North Korean Views of the United States” – Victor Cha and Marie DuMond, CSIS Beyond Parallel, June 8, 2018
      - <https://beyondparallel.csis.org/hostile-policy-north-korean-views-united-states/>
    - “In North Korea, Rise of Consumer Culture Is the Real Revolution” – AP/Voice of America News, August 18, 2017
      - <https://www.voanews.com/a/north-korea-consumer-culture-real-revolution/3990832.html>
    - “What Happens to North Korean Defectors After They Escape” video (5:55) – Business Insider on YouTube, Aug 5, 2018
      - <https://www.youtube.com/watch?v=IAvgXmM7Elg>

## Category 3: Global Refugee and Migration Crisis

Migration is reshaping politics on an unprecedented scale the world over. The biggest refugee crisis since the end of World War II has seen asylum seekers pour into developing countries bordering conflict zones in a bid to cross deadly routes toward hoped-for safety in the developed world. Throughout history, those who flee their country due to political, economic, or religious concerns, bring with them a new sense of identity to their new country. These identities can sometimes clash with locals upon arrival and have caused political uproar, fueling the rise of populist authoritarianism. This has compelled governments, international organizations like the UN, and NGOs such as Refugees International to devise and advocate for better methods of handling large influxes of migrants, especially since the peak of the Syrian refugee crisis in 2015. This topic will examine the sources and nature of the crisis, its manifestations across several regions of the world, and the quest for humane solutions.

- **United Nations**

- “Refugees” webpage
  - <http://www.un.org/en/sections/issues-depth/refugees/>
- All website chapters of UNHCR’s “Global Trends: Forced Migration in 2017” (not the PDF full report)
  - <http://www.unhcr.org/globaltrends2017/>
- “Migration” webpage
  - <http://www.un.org/en/sections/issues-depth/migration/index.html>
- “United Nations Launches Youth2030 Strategy” – Amira Nassim, International Organization for Migration (IOM), September 26, 2018
  - <https://medium.com/@UNmigration/un-focuses-on-youth-launch-of-youth-2030-the-united-nations-youth-strategy-1a81a6701cfd>
- “World Humanitarian Day: Abdullah’s Story” video (3:08) – IOM-UN Migration on YouTube, August 15, 2018
  - <https://www.youtube.com/watch?v=bWoy-ElQVoE&feature=youtu.be>

- **Refugees International**

- “Our Mission” webpage and watch “Refugees International: Speak Up, Save Lives” video (2:00) at the bottom of the RI Our Mission webpage
  - <https://www.refugeesinternational.org/what/>
- “What We Do” webpage
  - <https://www.refugeesinternational.org/currentwork/>
- “Climate Displacement Program” webpage
  - <https://www.refugeesinternational.org/about-our-climate-program>
- “5 Key Priorities to Address the Rohingya Crisis” – Daniel Sullivan, Refugees International Issue Brief (PDF), August 22, 2018
  - <https://www.refugeesinternational.org/reports/2018/8/22/5-key-priorities-to-address-the-rohingya-crisis>

- **U.S. Immigration and Refugee Policies**

- All 6 sections of “The U.S. Immigration Debate” – Claire Felter and Danielle Renwick, CFR Backgrounder, July 2, 2018
  - <https://www.cfr.org/backgrounder/us-immigration-debate-0>
- All 10 sections of “How Does the U.S. Refugee System Work?” – Claire Felter and James McBride, CFR Backgrounder, October 10, 2017
  - <https://www.cfr.org/backgrounder/how-does-us-refugee-system-work>

- Take the CFR Quiz on Immigration in the U.S.
  - <https://www.cfr.org/quiz/see-how-much-you-know-about-immigration-united-states>
- **Europe**
  - “Is Europe Afraid of Migration?” – Judy Dempsey, Carnegie Europe, September 13, 2018
    - <https://carnegieeurope.eu/strategieurope/77246>
- **Syria**
  - “Europe's Great Challenge: Integrating Syrian Refugees” – Ernesto F. L. Amaral, Mahlet A. Woldetsadik, and Gabriela Armenta, Georgetown Journal of International Affairs, April 20, 2018
    - <https://www.georgetownjournalofinternationalaffairs.org/online-edition/2018/4/20/europes-great-challenge-integrating-syrian-refugees>
  - “Preventing a Syrian Lost Generation” video (4:37) – RAND Corporation, June 7, 2017
    - <https://www.rand.org/multimedia/video/2017/06/07/preventing-a-syrian-lost-generation.html>
- **Latin America**
  - “They Are (Still) Refugees: People Continue to Flee Violence in Latin American Countries” – Silva Mathema, Center for American Progress, June 1, 2018
    - <https://www.americanprogress.org/issues/immigration/reports/2018/06/01/451474/still-refugees-people-continue-flee-violence-latin-american-countries/>

## Category 4: Japan - U.S. Relations

Japan is one of the most successful democracies and the world’s third-largest economy. The United States and Japan have maintained a very close economic, political, and military partnership since the end of World War II. The U.S.-Japan Alliance has been the cornerstone of American security interests in Asia and is fundamental to regional stability and prosperity. While the partnership is based on shared vital interests and values, it faces major strains and risks. The following resources, curated by topic sponsor Sasakawa USA, will look at how the administrations of Shinzo Abe, who is likely to be the longest-serving Japanese prime minister in the postwar era, and President Donald Trump, aim to chart the next phase of the relationship. Japan’s domestic politics, economy, and culture are also key subject areas for study.

- **The U.S.-Japan Alliance**
  - “More Important than Ever: Renewing the U.S.-Japan Alliance for the 21<sup>st</sup> Century” – Center for Strategic and International Studies, October 3, 2018
    - [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/181003\\_MorethanEver\\_WEB\\_revised.pdf?gaXx7CpyLmT\\_8gK9d\\_Q.Smu5pMFrC9r](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/181003_MorethanEver_WEB_revised.pdf?gaXx7CpyLmT_8gK9d_Q.Smu5pMFrC9r)
  - “Public Opinion and the U.S.-Japan Alliance at the Outset of the Trump Administration” – Craig Kafura, Chicago Council on Global Affairs – February 8, 2017
    - <https://www.thechicagocouncil.org/publication/public-opinion-and-us-japan-alliance-outset-trump-administration>

- “Joint Statement of the United States and Japan” – The White House, September 26, 2018
  - <https://www.whitehouse.gov/briefings-statements/joint-statement-united-states-japan/>
- “Joint Statement from President Donald J. Trump and Prime Minister Shinzo Abe” – The White House, February 10, 2017
  - <https://www.whitehouse.gov/briefings-statements/joint-statement-president-donald-j-trump-prime-minister-shinzo-abe/>
- “U.S. Relations with Japan” – U.S. State Department Fact Sheet, July 17, 2018
  - <https://www.state.gov/r/pa/ei/bqn/4142.htm>
- **Security and Foreign Affairs**
  - “Abe’s Push to Change Japan’s Defense Strategy” – Brittney Washington and Kangkyu “David” Lee, Japan Today, April 30, 2018
    - <https://japantoday.com/category/politics/abe%E2%80%99s-push-to-change-japan%E2%80%99s-defense-strategy?key=lofls3u8u1zpuuwqq4970andccvgilu>
- **Economics and Trade**
  - “Abenomics and the Japanese Economy” – James McBride and Beina Xu, CFR Backgrounder, March 23, 2018
    - <https://www.cfr.org/backgrounder/abenomics-and-japanese-economy>
- **Japan’s Domestic Politics and Challenges**
  - [Read the October 5 and July 11, 2018 posts on “Japan Political Pulse”](#) – Tobias Harris
    - <https://spfusa.org/category/japan-political-pulse/>
  - “Why Japan Will Lose 20 Million People by 2050” – Michael Richey, Sasakawa USA and Tofugu, February 7, 2017
    - <https://www.tofugu.com/japan/population-decline/>
- **Japanese American Experience in the U.S**
  - “Civil Rights: Japanese Americans” and “Fighting for Democracy” from The War documentary directed by Ken Burns and Lynn Novick, PBS, 2007
    - 1. [http://www.pbs.org/thewar/at\\_home\\_civil\\_rights\\_japanese\\_american.htm](http://www.pbs.org/thewar/at_home_civil_rights_japanese_american.htm)
    - 2. [http://www.pbs.org/thewar/at\\_war\\_democracy\\_japanese\\_american.htm](http://www.pbs.org/thewar/at_war_democracy_japanese_american.htm)
  - “A Historical Overview: Japanese American Internment in the 1940’s and Muslim Registry in the 2010’s under President-elect Trump” – Kei M. Ashizawa, Ginger Koto Vaughn & Andy Vo, Asian American Policy Review, November 28, 2016
    - <http://aapr.hkspublications.org/2016/11/28/a-historical-overview-japanese-american-internment-and-muslim-registry/>
- **Cool Culture**
  - “Japanese Restaurants on the Rise Abroad” – Nippon.com, February 4, 2016
    - <https://www.nippon.com/en/features/h00128/>
  - “Japan’s Ministry of Cool” – Patrick St. Michel, The Atlantic, March 19, 2015
    - <https://www.theatlantic.com/entertainment/archive/2015/03/japan-and-the-power-of-coolness/387664/>
  - “Tokyo Wants to Surpass Pyeongchang as the Most High-Tech Olympics” – Blanche Lim, CNBC, February 26, 2018
    - <https://www.cnbc.com/2018/02/26/tokyo-wants-to-surpass-pyeongchang-to-be-the-most-high-tech-olympics.html>

## Category 5: Space Policy

The United States, as the world's leading power, has tapped its space capabilities to advance scientific endeavors, the information age economy, and national security. During the Cold War, the space race reflected a key element of national power and prestige in a battle with America's ideological rival. Decades of investment have inspired scientific discovery and yielded important military and intelligence advantages for the United States and allies. In the words of President John F. Kennedy, "We do these things not because they are easy, but because they are hard." This topic will cover the Trump administration's recently announced space strategy, the pursuit of space technologies and power by other major countries, whether this competition tilts to cooperation or conflict, and how billionaires are getting into the act.

- **United States Government**

- "An America First National Space Strategy" – The White House, March 23, 2018
  - <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-unveiling-america-first-national-space-strategy/>
- "What Does Trump Mean by 'Space Force'" – Marina Koren, The Atlantic, March 13, 2018
  - <https://www.sciencealert.com/neil-degrasse-tyson-astronaut-mark-kelly-opinions-trump-space-force>
- "The Most Important Reactions to Trump's Space Force You Need to Read" – Carly Cassella, ScienceAlert.com, June 27, 2018
  - <https://www.cnn.com/2018/02/26/tokyo-wants-to-surpass-pyeongchang-to-be-the-most-high-tech-olympics.html>
- "Why We Need a Space Force" – Todd Harrison, Center for Strategic and International Studies, October 3, 2018
  - <https://aerospace.csis.org/why-we-need-a-space-force/>

- **Role of the Private Sector**

- "Billionaires May Be the Future of Space Policy. Here's What They Want." – Emily Tamkin, Foreign Policy, December 17, 2017
  - <https://foreignpolicy.com/2017/12/18/billionaires-may-be-the-future-of-space-policy-heres-what-they-want/>
  - Article also included in Study Guide Index
- "Trump Hails Astronauts That Will Fly on SpaceX and Boeing Spaceships. And Space Force, Too?" – Tariq Malik, Space.com, August 3, 2018
  - <https://www.space.com/41379-trump-hails-nasa-commercial-crew-astronauts.html>

- **Russia, Europe, and China**

- "Roscosmos: Russia's Space Agency" – Elizabeth Howell, Space.com, January 29, 2018
  - <https://www.space.com/22724-roskosmos.html>
- "A United Europe in Space?" – Alexandra Stickings, Royal United Services Institute (RUSI), July 19, 2018
  - <https://rusi.org/commentary/united-europe-space>
- "The 'Celestial Empire' Looks to Space" – Veerle Nouwens and Alexandra Stickings, Royal United Services Institute (RUSI), February 24, 2017
  - <https://rusi.org/commentary/%E2%80%98celestial-empire%E2%80%99-looks-space>

- **War and Peace in Space**

- “Safeguarding the Heavens: The United States and the Future of Norms of Behavior in Outer Space” (download PDF) – Frank A. Rose, The Brookings Institution, June 2018
  - [https://www.brookings.edu/wp-content/uploads/2018/06/FP\\_20180614\\_safeguarding\\_the\\_heavens.pdf](https://www.brookings.edu/wp-content/uploads/2018/06/FP_20180614_safeguarding_the_heavens.pdf)
- “The Bold Future of the Outer Space Treaty” – Ann Deslandes, JSTOR Daily, August 1, 2018
  - <https://daily.jstor.org/the-bold-future-of-the-outer-space-treaty/>
- “Cooperation in Space Can Bridge Differences Between U.S. and Russia” – Pavel Luzin, Kennan Institute at the Wilson Center, August 29, 2017
  - <https://www.wilsoncenter.org/blog-post/cooperation-space-can-still-bridge-differences-between-us-and-russia>

## Category 6: World Trade Organization (WTO)

The World Trade Organization is an intergovernmental organization that regulates international trade. Created on January 1, 1995, under the Marrakesh Agreement signed by 124 nations the previous year, the WTO replaced the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The WTO, based in Geneva, is the world’s largest international economic organization. It deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating trade agreements and resolving disputes among its members. Studies show that the WTO has boosted trade, supporting global economic growth, and that barriers to trade would be higher in the absence of the WTO. But the organization has come under much criticism as the U.S. and China appear to be precipitating a trade war. This topic explores these issues.

- **Introduction**

- “WTO Members, Categories & Benefits” – Kimberly Amadeo, The Balance, July 10, 2018
  - <https://www.thebalance.com/wto-membership-benefits-and-importance-3306364>

- **World Trade Organization, Official Website**

- The WTO... In brief; also read subcategories History, Organization, Agreements, and Developing Countries
  - [https://www.wto.org/english/thewto\\_e/whatis\\_e/inbrief\\_e/inbr00\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm)
- Understanding the WTO; Under “Basics” read subcategories What is the WTO, Principles of the Trading System, and the Case for Open Trade
  - [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact1\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm)
- 10 things the WTO can do
  - [https://www.wto.org/english/res\\_e/publications\\_e/wtocan\\_e.pdf](https://www.wto.org/english/res_e/publications_e/wtocan_e.pdf)
- “Trade at Work” video (3:50) – WTO on YouTube, September 30, 2015
  - [https://www.youtube.com/watch?v=Y0hAJG\\_8qVg](https://www.youtube.com/watch?v=Y0hAJG_8qVg)
- “The Future of Trade – WTO Public Forum 2018” video (2:32) – WTO on YouTube, October 2, 2018
  - [https://www.youtube.com/watch?time\\_continue=8&v=aCLv6A1zwX0](https://www.youtube.com/watch?time_continue=8&v=aCLv6A1zwX0)



- **Office of the United States Trade Representative**
  - “Mission of the USTR” – Office of the U.S. Trade Representative website
    - <https://ustr.gov/about-us/about-ustr>
  - “United States Trade Representative, Robert E. Lighthizer” bio – USTR.gov
    - <https://ustr.gov/about-us/biographies-key-officials/united-states-trade-representative-robert-e-lighthizer>
  - “Office of WTO and Multilateral Affairs” – USTR.gov
    - <https://ustr.gov/issue-areas/trade-organizations/world-trade-organization-wto>
  - Introduction only (pp. 85-86) to Chapter V – World Trade Organization of the “2018 Trade Policy Agenda and 2017 Annual Report.”
    - <https://ustr.gov/sites/default/files/files/Press/Reports/2018/AR/2018%20Annual%20Report%20V.pdf>
- **World Economic Forum**
  - “The WTO: What is It, and What Does It Do?” – Stephen J. Silva, July 5, 2018
    - <https://www.weforum.org/agenda/2018/07/what-is-the-wto>
  - “Trade Wars Won’t Fix Globalization. Here’s Why” – Aditi Verghese and Sean Doherty, June 28, 2018
    - <https://www.weforum.org/agenda/2018/06/trade-wars-wont-fix-globalization-tariffs>
  - “Three Things the G20 Can Do to Save the WTO” – Shuaihua Cheng, September 11, 2018
    - <https://www.weforum.org/agenda/2018/09/g20-wto-2018-trade-china/>
- **Council on Foreign Relations: Backgrounder and Blog Posts**
  - Read all 7 sections of “What’s Next for the WTO?” – James McBride, CFR Backgrounder, March 23, 2018
    - <https://www.cfr.org/backgrounder/whats-next-wto>
  - “Trump, China, and Steel Tariffs: The Day the WTO Died” Blog Post – Edward Alden, CFR, March 9, 2018
    - <https://www.cfr.org/blog/trump-china-and-steel-tariffs-day-wto-died>
  - “The Promising Future of the WTO: A Response from the Deputy Director-General” Blog Post – Alan Wm. Wolff, CFR, March 12, 2018
    - <https://www.cfr.org/blog/promising-future-wto-response-deputy-director-general>
- **WTO in the News**
  - “Once the WTO’s Biggest Supporter, U.S. Is Its Biggest Skeptic” – Ana Swanson, New York Times, December 10, 2018
    - <https://www.nytimes.com/2017/12/10/business/wto-united-states-trade.html>
    - Article also included in Study Guide Index
  - “The World Trading System Is Under Attack” – Briefing, The Economist, July 19, 2018
    - <https://www.economist.com/briefing/2018/07/19/the-world-trading-system-is-under-attack>
    - Article also included in Study Guide Index
  - “How to Rescue the WTO” – Lead Editorial, The Economist, July 19, 2018
    - <https://www.economist.com/leaders/2018/07/19/how-to-rescue-the-wto>
    - Article also included in Study Guide Index

**\*\*Several articles are posted on websites that have paywalls – we have included a copy of these articles in the Study Guide Article Index in the pages that follow.**

# Study Guide Article Index

1. “Billionaires May Be the Future of Space Policy. Here’s What They Want.” – Emily Tamkin, Foreign Policy, December 17, 2017
2. “Once the WTO’s Biggest Supporter, U.S. Is Its Biggest Skeptic” – Ana Swanson, New York Times, December 10, 2018
3. “The World Trading System Is Under Attack” – Briefing, The Economist, July 19, 2018
4. “How to Rescue the WTO” – Lead Editorial, The Economist, July 19, 2018

## 1. Billionaires May Be the Future of Space Policy. Here’s What They Want.

Space nations, UFOs, and Mars colonies are on the wish list.

By Emily Tamkin

| December 18, 2017, 11:57 AM      Foreign Policy

Last month, the first space nation left the International Space Station.

That space nation, Asgardia-1, is actually a satellite containing personal data from some of the “nation’s” 300,000 “citizens,” launched into space by billionaire Igor Ashurbeyli.

Asgardia is as yet unrecognized by the United Nations, and its citizens are people who filled out an application form. The goal “is to provide permanent presence of humans in space,” Ashurbeyli told Foreign Policy in a recent interview.

Ashurbeyli isn’t the only billionaire with unusual ideas about what humanity should be doing in space. On Saturday, Politico and the New York Times both published articles revealing that another tycoon, Robert Bigelow, had convinced lawmakers to secretly appropriate money to have the Pentagon look for UFOs.

In fact, a number of private individuals of great wealth are charting the future of space policy, whether through money or influence. Some are in it for commercial interests, others for scientific curiosity. But whatever the reason, their new space race will change the rules of the game — space is currently the realm of governments (the Outer Space Treaty of 1967 was written for countries, not business magnates), and so the involvement of wealthy individuals is changing the nature of all that’s out of this world.

Here are some of their plans:

**Life on Mars:** Elon Musk’s SpaceX, which he founded and leads as both CEO and CTO, makes space launch vehicles. The company is trying to advance rocket technology, decrease the cost of human spaceflight — notably by reusing rockets, and colonize Mars. But some see Musk as more commercially than environmentally motivated in his quest to escape Earth. In the 1970s, getting away from Earth was, in a way, about getting back to it — that is, an escape from governments and religions and a move toward environmental consciousness, according to Patrick McCray of University of

California, Santa Barbara. “The part that I find odd, or maybe just disappointing, is that the original ideas about moving people off this planet into space in large numbers had more of an environmental angle, trying to improve society as a whole,” McCray told FP. “I’m not really seeing that in Elon Musk’s descriptions of colonies on Mars.”

**Space tourism:** Jeff Bezos’s Blue Origin, founded in 2000, also exists in part to bring down the cost of space travel by reusing rockets. But the company is interested in suborbital human space flights. On Dec. 12, Blue Origin launched its New Shepard tourist rocket for the first time in more than a year (the tourist this time, however, was a test dummy).

Blue Origin actually launched an earlier version of that reusable rocket into space and landed it back on Earth intact before SpaceX conducted a similar exercise, but SpaceX’s rocket was longer, and its flight was longer. None of that stopped Bezos from tweeting, “Congrats @SpaceX on landing Falcon’s suborbital booster stage. Welcome to the club!” in Dec. 2015. “Elon is absolutely fixated on going to Mars, and I think it’s his life mission,” Richard Branson, founder of Virgin Galactic, said in October on CNBC’s Squawk Box. “Jeff and ourselves [at the Virgin Group] are more interested in how we can use space to benefit the Earth.” Virgin Galactic is looking to send a manned spacecraft up to altitudes of over 50 miles above Earth’s surface in the coming months.

Space tourism might someday include a stay in a space hotel, if Bigelow — yes, the one who got the Pentagon to spend money on searching for UFOs — has his way. Bigelow Aerospace has high hopes of sending an inflatable hotel to orbit the moon. The company already has a commercial module mounted outside the International Space Station, where it will remain for at least three more years.

**Alpha Centauri dreams:** Yuri Milner’s followers are quick to tell you that, unlike Bezos, Branson, and Musk, Milner is not out to make money from space. Rather, he put \$100 million into the Breakthrough Starshot Initiative to push scientists to send a probe to Alpha Centauri (the closest star system to our solar system). He’s also Russian, and thus hailed by some as an example of the way in which the involvement of the mega-rich could help further harmony between even unfriendly countries. “Moving away from politics into the science-commercial approach, which is more global, is a blessing, in a way,” said Avi Loeb, chairman of the astronomy department at Harvard University and of the advisory committee for the Breakthrough Starshot Initiative.

Space is, at present, one of the only arenas in which Russia and the United States are playing nice. The two countries agreed to work together to build the first space station to orbit the moon as recently as late September. That plan could fall by the wayside if private wealthy citizens take the place of governments — Rep. Jim Bridenstine (R-Okla.), Trump’s pick to head NASA, has already said he would re-evaluate Russia’s relationship with the United States in space. (At present, the United States relies on Russia for transit to and from the International Space Station, for which it pays \$81 million a seat.) Adam Routh of the Center for a New American Security said he could imagine a world in which businessmen in space ask themselves, “What is the net gain for partnering with Russians?”

**Asteroid mining:** Larry Page and Eric Schmidt, the CEO and executive chairman, respectively, of Alphabet, Google’s parent company, both invested in Planetary Resources, whose mission is to mine asteroids, “add trillions of dollars to the global GDP,” and “help ensure humanity’s prosperity.” “I think it’s actually growing the pie,” said Peter Marquez, vice president for global engagement at Planetary Resources, of private citizens joining national governments in space exploration. “They’re doing different things, but they’re all doing them in space.” Marquez is another optimist when it comes to the involvement of wealthy men on the actions of governments, saying it is “increasing cooperation,” because investors are coming from different countries, where they are well known and influential. That influence is needed for regulatory support, because the laws governing space are, in some cases, still to be written.

**Space nations:** That brings us back to Ashurbeyli, who doesn't want to increase government cooperation, but to do away with governments all together. There is "one humanity, one unity," Ashurbeyli said. Any individual anywhere in the world 18 or over can apply for citizenship in Asgardia, the first space nation. Ashurbeyli envisions one day putting arks of pensioners into space, and then, eventually, colonizing the moon. The Asgardia-1 satellite launched from NASA's Wallops Flight Facility, and it holds Asgardia's "citizens'" data, stored in space, safe away from the rules and regulations of feuding nations (except, of course, for the United States, the laws of which technically govern the satellite because it launched from a NASA-funded mission; terms and conditions of the "country's" constitution warned, "Asgardia reserves the right to refuse access ... to any user ... [violating] any of the copyright or trademark laws of the United States, Austria or Great Britain."). Ashurbeyli would not disclose how much this cost, but he said it could be paid for with the money he had in his pocket. (He would not say how much he had in his pocket, either.)

## 2. Once the W.T.O.'s Biggest Supporter, U.S. Is Its Biggest Skeptic

By Ana Swanson

- Dec. 10, 2017, New York Times
- <https://www.nytimes.com/2017/12/10/business/wto-united-states-trade.html>

WASHINGTON — As officials from the 164 countries in the World Trade Organization gather in Buenos Aires this week for their first major meeting in two years, they will be watching to see whether the United States, once the group's biggest advocate, is seeking to subvert it.

The World Trade Organization knits together countries around the world by working to reduce trade barriers and resolve disputes among its members but it has come under criticism not just from globalization's critics. Its supporters have said it has fallen short of its ambitious goals to create trade agreements among scores of countries with different economies, cultures and income levels.

But it has never faced such uncertainty as it does now, when its longtime leader and champion, the United States, has turned into a skeptic — putting the future of the group and the kind of broad trade agreements it is aimed at forging in doubt.

In recent months, the Trump administration has led the United States in stepping back from its traditional role at the head of global institutions like the World Trade Organization, creating a vacuum in leadership and throwing their future into question.

The change reflects a philosophy, shared by the president and his top trade advisers, that the current global structure of rules and organizations compromises the United States' sovereignty and cheats American workers. In his first year in office, Mr. Trump has criticized international agreements like the North Atlantic Treaty Organization, pulled out of the Paris climate change accord and the Trans-Pacific Partnership, and began renegotiating trade deals with Canada, Mexico and South Korea.

Like many of the administration's positions, its view of the World Trade Organization represents a historic shift, said Douglas Irwin, a professor of economics at Dartmouth College.

“The Reagan and Bush administrations wanted to create it,” he said. “The Clinton, Bush and Obama administrations tried to strengthen it. Now we have an administration that is very skeptical of it, and some would say has tried to undermine it.”

Mr. Trump and his trade advisers criticize the World Trade Organization for failing to police what they describe as China’s infractions of global trade rules. China’s entry into the organization in 2001 accelerated the hollowing out of American manufacturing jobs, as imports of cheap Chinese products boomed. But the Trump administration has argued that China never held up its end of the bargain by curtailing the role of its Communist government in the economy.

Late last month, the United States said it would join the European Union in an action involving China about that very matter. In discussing that dispute, a senior White House official said that it was unclear whether the World Trade Organization could work when China, the world’s second-largest economy, clearly did not share the goal of moving toward a market-based system.

But what the Trump administration intends to do about the organization’s perceived shortcomings is less clear. Some of the measures proposed under Mr. Trump’s “America First” economic policy appear to make use of the World Trade Organization, while others could violate its rules and undermine its very existence.

Most notably, the United States could run afoul of international convention with actions it might take as a result of investigations into imports of cheap solar products and washing machines. In the past, the World Trade Organization has decided that tariffs imposed as a result of these kind of “safeguard” investigations, which aim to protect domestic industries from a surge of imports, violate its rules.

In a separate investigation into China’s infringement of American intellectual property, administration officials are currently debating whether to use existing global rules (by filing trade cases through the World Trade Organization) or break them (by erecting the kind of across-the-board tariff on Chinese imports that President Trump often pledged during the campaign).

Some of the tax policies the United States is considering might also run afoul of the organization’s guidelines. In a report published Thursday, a group of lawyers and academics argued that a proposal intended to exempt the foreign income of domestic corporations from American taxes might not comply with the World Trade Organization or bilateral tax treaties.

The question, trade analysts say, is what the Trump administration would do if the World Trade Organization rules against these policies. Several administration officials have suggested that they might respond by ignoring the trade organization or withdrawing from it altogether — two options that might weaken the organization enough to serve as a death blow.

“On China, there’s lots that can be done using our current trade laws,” said Dan DiMicco, a trade adviser to the Trump administration. “We can go to the W.T.O. and file more trade cases. And if they don’t work with us, we can leave the W.T.O.”

Proponents of the trade group are also concerned by what they describe as the Trump administration’s effort to undermine the organization’s system for settling trade disputes among its members.

Since President Trump came into office, the White House has blocked the appointments of new judges to a body that considers appeals, slowing the pace at which the World Trade Organization can process trade cases. As more judges see their terms expire in the coming months, experts fear the dispute settlement system could be paralyzed.

In a letter this week, farm groups said “the current actions by this administration to block appointments indefinitely” could prevent the resolution of cases that might benefit American agriculture.

Chad Bown, a senior fellow at the Peterson Institute for International Economics, said that the trend may be intentional. Mr. Trump’s top trade negotiator, United States trade representative Robert Lighthizer, has been critical of the appellate body for passing judgments outside the scope of the original World Trade Organization agreement — akin to what some in the United States term “judicial activism.”

In a speech in Washington in September, Mr. Lighthizer said that Americans tended to view the trade group as a contract with clearly defined rights. “Others — Europeans, but others also — tend to think they’re sort of evolving kinds of governance,” he said. “And there’s a very different idea between these two things.”

The Trump administration has also been slower than its predecessors to bring trade cases against other countries at the World Trade Organization — cases that the United States frequently wins, Mr. Bown said. That could soon result in a situation where the United States is losing cases, but not winning many — a set of circumstances that could fuel opposition to the World Trade Organization in the White House, he said.

In other matters, however, the Trump administration is making use of the organization’s rules. That includes the decision to join the European Union in arguing its case before the World Trade Organization for not labeling China a “market economy” — a distinction that would entitle China to preferential economic treatment that the United States feels it does not deserve.

So far, the Trump administration’s “America First” policy does not appear to be greatly dampening international trade.

The World Trade Organization is projecting that global trade in goods will grow 3.6 percent this year, more than double the rate last year, as economies around the world continue to strengthen. On Monday, the organization announced that its members introduced fewer measures to restrict trade between October 2016 and October 2017 than they had the previous year.

New trade pacts are also moving forward. On Friday, the European Union and Japan announced that they had finalized a deal to create a sweeping new free trade agreement. During President Trump’s trip to Asia, in which he proclaimed that the United States was no longer entering into multinational trade agreements, the 11 remaining countries of the Trans-Pacific Partnership pushed ahead with forming the pact.

Few trade experts expect much progress out of the meeting in Buenos Aires, which runs through December 13. It’s unclear whether the members will reach a consensus on new rules on global fishing. Other recent efforts toward reforming digital trade and services that were formerly pushed by the Obama administration now appear to be bogged down.

“Every country in the world hates the W.T.O., they just hate all the other alternatives worse,” said Rufus Yerxa, the president of the National Foreign Trade Council and the World Trade Organization’s former deputy director general. “That’s really the lesson that the U.S. has to draw. It’s easy to hate some system of rules. The question is, what’s the alternative?”

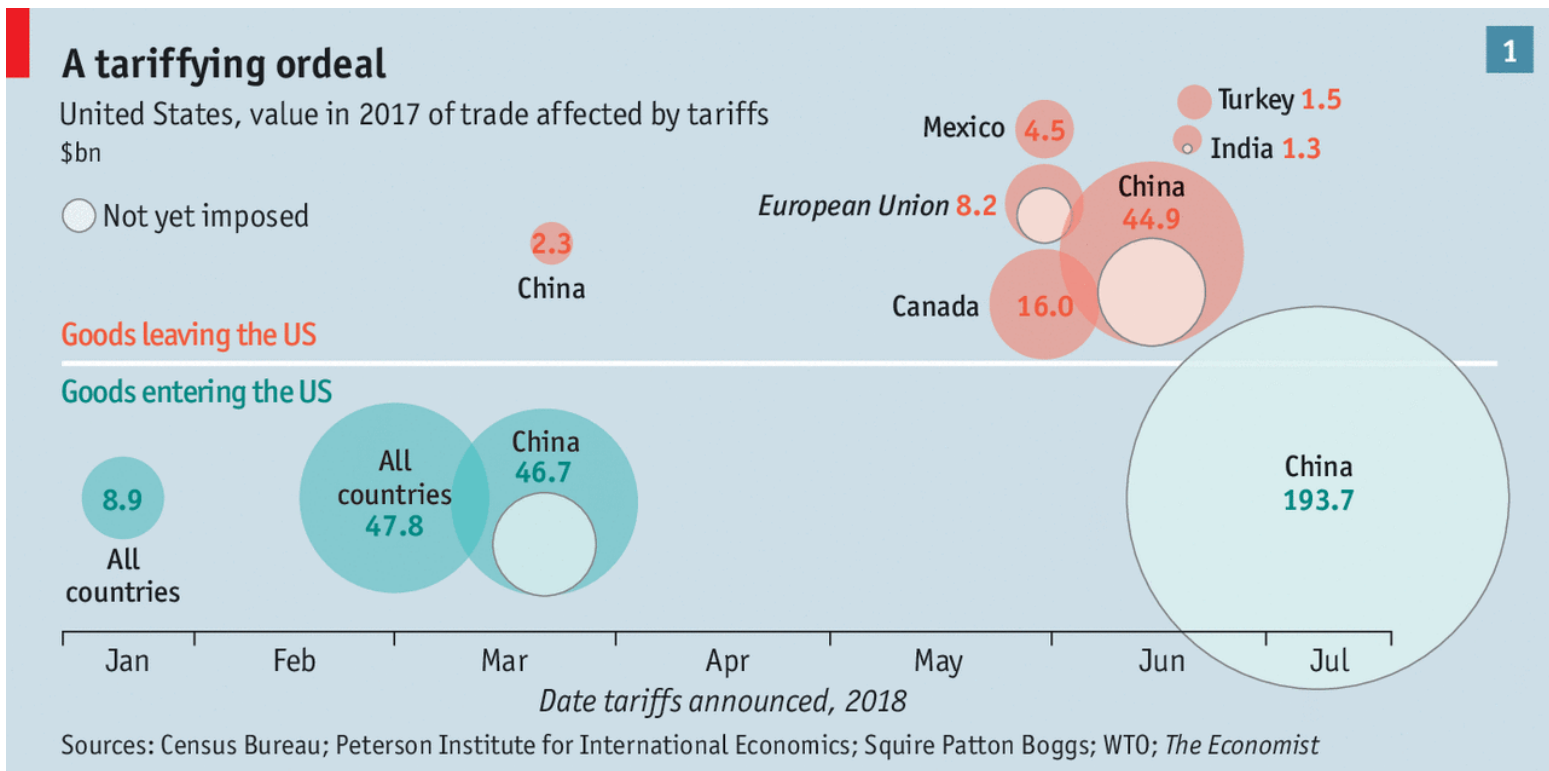
### 3. “The World Trading System Is Under Attack”

Briefing, The Economist, July 19, 2018

<https://www.economist.com/briefing/2018/07/19/the-world-trading-system-is-under-attack>

But a peace plan may be emerging

“MAN is an animal that makes bargains,” said Adam Smith, the father of modern economics and a champion of free trade. After reminding his American counterpart of this quote in May, the Chinese ambassador to the World Trade Organization (WTO) added a request. “As trade negotiators, let’s bargain with each other, instead of biting each other.” Publicly, at least, the administration of Donald Trump has only bared its fangs.



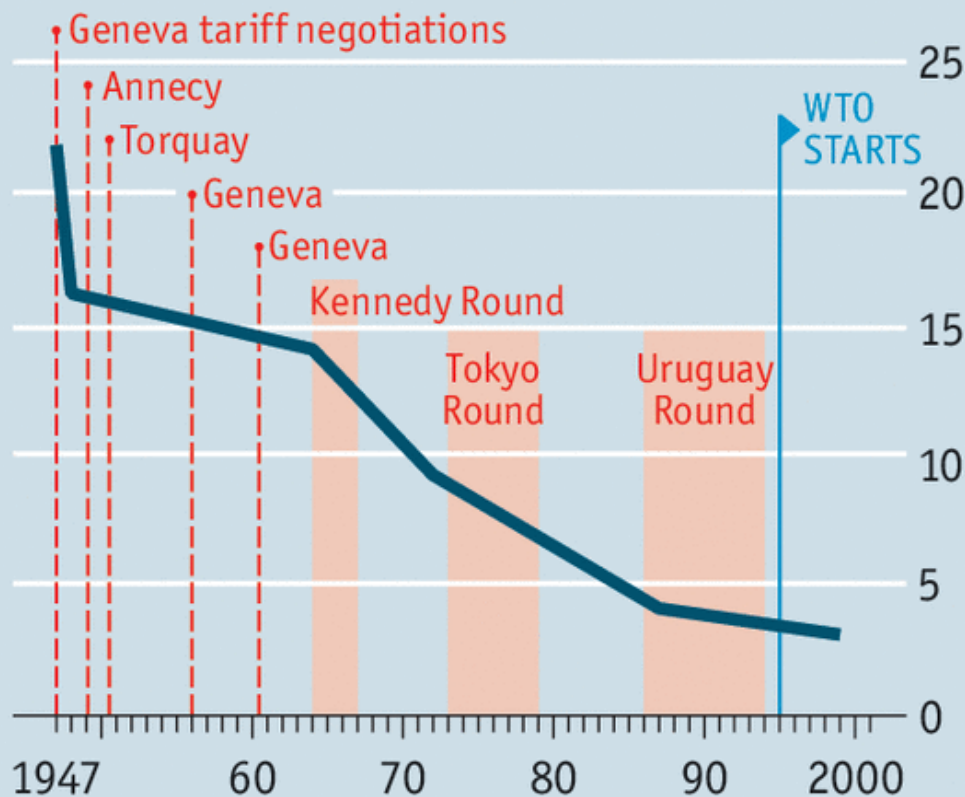
Economist.com

Mr. Trump is waging a trade war that this year has already hit imports worth over \$89bn in 2017, including \$32bn of goods from China, and \$48bn of steel and aluminum (see chart 1). The fight will intensify. America plans further tariffs on \$208bn of Chinese imports and is threatening duties on imported vehicles and car parts that will hit European and Japanese firms hard. As well as generating trade disputes with new tariffs, America is also gumming up the WTO’s system for solving them, by blocking the appointment of judges to its Court of Appeals.

Mr. Trump’s assault on the multilateral rules-based system threatens decades of trade liberalization, which has nudged average tariffs between America, Europe and Japan down from 22% when the system started in 1947 to around 3% by 2000, roughly where they remain today (see chart 2). Supporters of the system, both beyond the Trump administration and throughout most of the rest of the world, fear that America’s president is intent on destroying the WTO and undoing this progress. They are right to worry but may be wrong to despair. A plan is brewing to save the WTO from being torn apart in the Trump administration’s jaws.

## Fall of duty

GATT average tariff rates for US, EU and Japan, %



Source: Chad P. Bown and Douglas A. Irwin

Economist.com

At the core of modern-day multilateralism is the idea that countries sign up to a set of clear commitments. The WTO's members promise not to raise tariffs above agreed levels and to apply them based on the principle of "most favored nation" (MFN). Applied strictly, countries should not be able to discriminate between their economic friends and foes, because a lower tariff granted to one member should be granted to all. China's membership, for example, means it must apply equal tariffs on cars coming from the EU and America. And America signs up to the same treatment of cars from China and the EU.

The system is supposed to be self-reinforcing. WTO membership involves a trade-off, between the costs of compliance and the benefits of maintaining access to a 164-strong club accounting for 98% of world trade. When deals are first struck, negotiators bargain so that the benefits of trade liberalization outweigh the political penalties. If the penalties turn out to be greater than expected, the system has built-in safety valves. If imports are surging, subsidized or sold below cost, threatening domestic industries and jobs, members can apply defensive duties. And since 1995, if one member suspects another of rule-breaking, they have had the case heard by the WTO's panel of judges. If these arbiters decide there has been wrongdoing, they can sanction limited retaliation. The pinch of such tariffs and the shame of being labelled a rule-breaker are both supposed to ensure good behavior.



## **WTOOut**

Understanding the American assault on this system requires identifying its various fronts. The first is driven by Mr. Trump's disregard for rules. According to Axios, an American news website, he is itching to withdraw from the WTO altogether. Unshackled from the MFN principle, Mr. Trump would be free to enact his own version of reciprocal trade, with tariffs that match those applied by other countries.

The prospects of an American exit are slim, as it would require the approval of Congress. But in the meantime the Trump administration is doing damage from within. Its claim that imports of steel and aluminum pose a threat to national security exploits a loophole that allows WTO members to impose tariffs in times of national emergency. Unconcerned by the erosion of trust this causes, or by damage from retaliation and higher metal prices at home, Mr. Trump is undermining a set of norms that Americans have spent decades trying to build.

Such bullying is specific to this president. America's trading partners hit by its tariffs on steel and aluminum have so far tried to strike back within the rules, or in proportion to the damage done to them. Eight have launched formal WTO disputes. At home Mr. Trump's tariffs on Canadian steel and aluminum have prompted a bipartisan chorus of disapproval.

But other fronts in the Trump administration's trade policy have greater sticking power. They are being pushed by Robert Lighthizer, the United States Trade Representative (USTR), whose influence in the White House is in stark contrast to his low profile outside it. Unlike many in the administration, he understands how the global trading system works, from experience as a trade lawyer and as a trade negotiator in the Reagan administration. He appreciates the system's value, conceding in December that the WTO does "an enormous amount of good". And crucially, his complaints about it are shared by many in Washington, DC, and across the world.

### **Judge not...**

Two stand out. The first relates to the WTO's appellate body—the system's supreme court. Members must unanimously approve judges to sit on a roster of seven, from which three are chosen to hear any given case. But as vacancies have arisen, the Trump administration has refused to let them be filled. From December 2019, there will be fewer judges than the minimum required to hear a case.

The Americans complain that the appellate body has become too big for its boots. Since 2011 it has not consulted WTO members when exceeding the 90-day limit to conclude a case. Often its reports are long, in part because judges make legal commentaries on arguments that were not presented by either side. To some, this is careful and principled application of the law. To others, it looks like empire-building.

More fundamentally, Mr. Lighthizer fumes that this body has overstepped its remit. America's gripe is that rulings have impeded its ability to use the WTO's pressure valves. In 2003 the Bush administration was told that duties imposed to combat surging steel imports violated WTO law. (The duties were subsequently withdrawn.) In a series of cases the body has also found that the way America applies anti-dumping duties breaks WTO rules.

One particularly painful decision relates to what exactly counts as a "public body" within WTO rules. In general, members are allowed to apply defensive duties on imports supported by government subsidies. But in China, knowing where the government ends and the private sector starts is tricky. The Americans had claimed that where the government owned a majority stake in an enterprise, it should automatically count as a "public body" liable for handing out subsidies. But the appellate body ruled against them, making it harder to apply defensive duties against state-supported production.

This leads to Mr. Lighthizer's second set of grievances, regarding China's place in the trading system. He claims that, when WTO negotiators agreed that China should join in 2001, they expected it to evolve towards Western-style capitalism. What has emerged instead is an economy dominated by state-subsidized enterprises with a regulatory regime geared towards the theft of American intellectual property. As a result, the system does not work.

Take first the American concerns over China's industrial policy. The WTO's rulebook has a chapter curbing state subsidies. But it has gaps, in part because when it was written American and European negotiators were nervous of subjecting their own subsidy regimes to scrutiny and did not expect China to generate the resources to hand out vast sums of cash. Now, given China's size and systemic importance, those holes look too big.

Next is the accusation that China defies the spirit, if not the letter, of the rules of the WTO. In many industries, China's government required that foreign firms investing in its market did so in joint ventures with local companies. The Americans complain that too often their firms had to hand over technology as a condition of access to the Chinese market, and then watched helplessly as partners ran off with their ideas.

Mr. Lighthizer's concerns over the appellate body and China could be dealt with by negotiation, either to revisit past decisions or to fill gaps in the WTO's rules. But getting China to the negotiating table has proved hard. When it joined the WTO its accession protocol was unusually strict. It reckoned that it had already paid enough into the system, and was not about to negotiate new definitions of public bodies that could tie its hands further.

Then there is the broader problem of getting anything new agreed on multilaterally. That requires the unanimous approval of all 164 members. For years, WTO negotiations have stalled over a disagreement between richer countries, which think everyone should share a common rulebook, and those who see carve-outs for poorer countries as necessary to protect their farmers and foster development. Members like India and South Africa have been happy to hold any deal hostage to their agenda.

An earlier American solution to this gridlock was to pursue ambitious regional trade deals. In Asia the Obama administration agreed the Trans-Pacific Partnership (TPP), to link America to 11 economies of the Pacific Rim, including Japan and Singapore. It included tougher rules on state-owned enterprises. Meanwhile, it was also negotiating the Transatlantic Trade and Investment Partnership with the EU. Combining them could have created a free-trade area large enough to tempt the Chinese to the negotiating table, as well as a regulatory regime with enough weight to pull against the Chinese one.

After Mr. Trump swiftly jettisoned that approach, Mr. Lighthizer is spearheading a quicker, dirtier one. Dusting off an old piece of trade law, he has used Section 301 of the Trade Act of 1974 to accuse the Chinese of causing harm to America's economy. Some supposed misdemeanors fall within the WTO's rules, and so the USTR has launched an official WTO dispute. Others, which Mr. Lighthizer claims relate to gaps in the rulebook, are the justification for punitive American tariffs.

This looks like a worrying bout of unilateralism, reminiscent of the 1980s, when Section 301 was used by the Reagan administration to threaten Japan with tariffs unless it curbed its exports to America. The resulting tangle of restrictions made free traders squirm, but advocates argued that aggression served a higher purpose. It rallied the rest of the world around stronger trade-enforcement rules, which led to the creation of the WTO's system of dispute settlement. This time Mr. Lighthizer seems to be trying to weaken that system.

Further worry stems from the fact that it is unclear how the trade conflict with the Chinese will end, but easy to see how it might escalate. Mr. Lighthizer's department has launched five formal disputes at the WTO in response to retaliatory duties against America's levies on steel and aluminum. In response to China's ones, the plan is for more American tariffs.

### **Lighthizer at the end of the tunnel?**

Yet, amid the conflict there is still hope of salvaging a peace. As the trade cannons blast, efforts are being made to restore order. The chances of success rest on the fact that Mr. Lighthizer's concerns about China are shared by others, and in particular by the EU and Japan.

The EU sees an opportunity to act as a bridge between China and America to negotiate new rules. It thereby hopes to address its own concerns over China's rise, while tempting America back into the multilateral system. The EU may disagree with Mr. Trump's approach to China, but it recognizes that it could harness America's aggression as a way to get China to agree to new constraints. The plan is to make China's choice clear, between an unstable trading system and one with new rules that meet the others' concerns.

The first hint of co-operation came last December, when Mr. Lighthizer added his name, along with those of his counterparts from Japan and the EU, to a brief statement voicing shared concerns over "unfair competitive conditions caused by large market-distorting subsidies and state-owned enterprises". China, though unnamed, was clearly the target. Since then, officials from all three places have been discussing what new WTO rules might look like. And on July 16th the EU launched a working group with the Chinese to discuss reform of the multilateral system. The trilateral talks between America, the EU and Japan are meant as an incubator for rules that could be taken to China; those between the EU and China are designed to be a sounding-board for those ideas and to prepare the ground for a proper negotiation.

A joint statement on May 31st outlined the scope of the trilateral talks. First on the agenda is the dull but important topic of notifications. Tariffs are obvious to observers, subsidies less so. To counter that problem, WTO members are supposed to notify others about support they hand out. But without penalties for failing to do so, many do not. The three are designing a way to strengthen the incentives to comply.

Second, the trio are trying to overturn the appellate judges' definition of "public bodies", by broadening it to make it easier to deem a state-owned enterprise to be an arm of the Chinese government. And third, the three are discussing new rules that would not only strengthen members' defenses against Chinese subsidies but also limit them at the source.

Meanwhile, the EU has drawn up plans to tweak the appellate body's rules in a way that it hopes will satisfy America. Poor judicial decisions are in the eye of the beholder, so no procedural change could solve that. But the EU's proposal answers a number of complaints, including clarifications to the way outgoing judges' cases are handled after their term ends.

Perhaps a grand bargain is in the works. Comfortingly, there is mounting evidence that Mr. Lighthizer is not out to torpedo the WTO. This year his department has filed seven new official WTO disputes, engaged actively in discussions over new rules on e-commerce, and on July 16th even called for an end to the WTO's impasse on agriculture negotiations, suggesting that the talks should focus on market access.

Even so, the chances of success are slim. Some American concerns are difficult to deal with under the WTO's legalistic processes. These work best when Chinese laws can be compared with official

commitments. But with technology transfer, for example, America claims that unwritten rules force firms to hand over their technology as a condition of doing business. That makes it hard to write watertight regulations and to test them in the WTO's court, particularly if the firms involved are too scared to speak for fear of losing access to the Chinese market.

Even if America, the EU and Japan do manage to draw up what they see as a perfect set of new rules, China may not play along. It wants a stable trading system and will pay attention to a coordinated bombardment from its biggest markets, but it will not sign up if it thinks it will be made poorer in the long run. The Americans would like to draw up new rules without the Chinese at the table, then ram them down their throats. That would be unacceptable to the Chinese.

The next challenge will be obtaining wider agreement to a deal concocted by only four members. To poorer countries, the idea that America can be rewarded for throwing a tantrum by winning a reform of the system will be deeply distasteful. They believe that richer countries have already tipped the rules in their favor. That is why the joint statement in May included hints about bypassing the WTO's crippling requirement for consensus, instead opting for getting a "critical mass" of countries to agree.

### **Brink it on**

Another risk to the plan is Mr. Trump himself. Mr. Lighthizer may be a brilliant strategist, capitalizing on his boss's willingness to blow up the system in order to force the change that he wants. But he could easily fall out of favor. The plan relies on Mr. Trump playing along and stepping back from the brink at the right time. He could go too early, bought off by an offer from China's president, Xi Jinping, to buy more American goods without bringing any reform to the system. Or he could hang on too long, turning the confrontation with China into one only about power and face, and not one about trade and rules.

Seen from one angle, the Americans are making a last-ditch effort to reshape the system they founded to serve their own interests. Unless they do it now, they reckon, China will become too powerful to contain. Perhaps that moment has already passed. In the 1980s, when the Reagan administration acted against Japanese trade practices, Japan's GDP was around 40% of America's. But this year, according to the IMF, China's GDP will be 69% of America's, rising to 88% over the next five years.

The Chinese may call America's bluff, hoping that when Mr. Trump goes in two or six years' time, the next president will be less keen to tax his citizens by raising the cost of imports. If so, expect tariffs to continue. And for the multilateral rules-based system to become still more toothless.

## **4. "How to Rescue the WTO"**

Lead Editorial, The Economist, July 19, 2018

<https://www.economist.com/leaders/2018/07/19/how-to-rescue-the-wto>

The American-led trade order is in danger. But it may yet be saved

THE headquarters of the World Trade Organisation (WTO), on the banks of Lake Geneva, once belonged to the League of Nations. That ill-fated body was crippled by American isolationism. The building's occupant today is also at the mercy of decisions taken in Washington.

President Donald Trump has circumvented the WTO to impose tariffs on steel and aluminum imports, including those from America's allies. Complaining of unfair treatment, the administration is blocking

nominations to seats on the WTO's appellate body, which could leave it unable to hear cases after 2019. Most ominously, America is embroiled in a trade war with China. Both sides have imposed tariffs on goods worth tens of billions of dollars and are threatening worse.

The WTO was supposed to contain trade disputes and prevent retaliatory pile-ups. Today it appears to be a horrified bystander as the system it oversees crumbles. Free-traders are right to be deeply worried, but not yet right to despair. For the outlines of a plan to save the system are discernible.

### **It's the end of the WTO as we know it**

That might seem fanciful, given Mr. Trump's belligerence, but for two things. The first is that the president is not the only person forging American trade policy. The European Union and Japan have been talking to Robert Lighthizer, his low-profile chief trade negotiator, about WTO reform. Mr. Trump's tirades make headlines, but Mr. Lighthizer wants to remake the WTO, not abandon it entirely. He could use the president's threats as leverage to make deals. Think of it as a good cop/bad cop routine, albeit one in which the bad cop has only a faint grasp that he has been allotted the role.

The second thing to understand is that the focus of much of America's ire, China, arouses deep suspicion elsewhere, too (see [Briefing](#)). Since joining the WTO in 2001, China has not turned towards markets, as the West expected. Instead, it has distorted trade on a scale that is far bigger than the dumping and other causes of disputes between market economies that the WTO was designed to handle.

The EU and Japan share America's desire to constrain Chinese mercantilism. China's state-owned firms and its vast and opaque subsidies have distorted markets and caused gluts in supply for commodities such as steel. Foreign firms operating in China struggle against heavy-handed regulation, and are required to hand over their intellectual property as a condition of market access.

But holding China to account is hard with the existing rule book. The reforms being talked about by the EU, Japan and America could plug many of the gaps. They would set out how to judge the scale of government distortions to the market, make it easier to gather information on wrongdoing and set the boundaries for proportionate retaliation. They would also define what exactly counts as an arm of the government, and broaden the scope of banned subsidies. And they would lower the burden of proof for complainants, which, given the opacity of the Chinese system, is too high.

Even the sunniest optimist will be able to identify the obstacles to this plan. Most obviously, why would China ever accept a reform that jeopardises its state-run economic model? Put plainly, because America could wreak havoc otherwise. It is in China's interests to preserve the global trading order because, if China is isolated, the Communist Party cannot achieve the prosperity that cements its legitimacy. The benefits to China of its WTO membership have come not from lower tariffs in America—they were already low—but from the certainty of stable trading relationships. Its "Made in China 2025" plan to boost vital industries sounds threatening, but if China were obliged to produce everything at home, its time frame would be delayed by decades. Sure enough, China and the EU agreed on July 16th to co-operate on WTO reform (see [article](#)).

Reaching a global agreement that covered every one of the WTO's 164 members would also be extremely difficult. The last big round of global trade talks stalled over demands by developing economies such as India for more leeway to protect farmers. New negotiations may be held hostage to these old disputes. Luckily, negotiators can skip around them if necessary, by securing a "plurilateral" agreement between a group of big economies. The WTO would still enforce the terms, though they would not apply to its other members.

Last comes the greatest block to a grand bargain, Mr. Trump himself. The president is a fierce critic of the WTO and a believer that bilateral deals suit American interests better. This week he called the EU a “foe” on trade. If he thinks Mr. Lighthizer is manipulating him, he will strike back.

### **And I feel slightly more upbeat than you might expect**

A better idea than the Trump administration’s wrecking strategy would have been to unite most of the world around a set of rules in America’s interest, forming blocs so large that China would have had to choose between compliance and isolation. That was the idea behind both the Trans-Pacific Partnership (TPP), a pact from which Mr. Trump withdrew within days of taking office, and also a stalled trade deal with Europe.

Wrecking strategies do not always fail, however. Sometimes they pay off handsomely. A WTO fit to handle complaints about unfair competition would be a gift to the world. The genius of the rules-based system is that it has torn down barriers by persuading producers that the prize of access to foreign markets is worth the accompanying global competition. When that competition is deemed lawless, political support for free trade withers. A world in which China is pursued by its critics through the WTO, and faces proportionate retaliation when necessary, is far preferable to one in which a tit-for-tat trade war can escalate without limit.

Mr. Trump is hard to predict. He may yet abandon the WTO. If he does, other powers will probably go on building links and writing rules—witness the trade deal that the EU and Japan signed this week. But if Mr. Lighthizer is able to present Mr. Trump with an agreement that the president likes, the world trading system may yet be saved. It might even be improved.

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