

President Biden's elusive trade policy

31 October 2021

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President Biden's trade policy recalls Samuel Beckett's play *Waiting for Godot*. This is exactly what Biden wants the business community, foreign partners and the Congress to do: wait until two massive domestic 'infrastructure' spending bills — the term's use should be understood loosely — make their way into law.



Biden wants no distraction to obstruct the extremely close and highly contested congressional votes on the two bills, which together portend new outlays of at least US\$3 trillion over 10 years. The progressive wing of the Democratic party, led by Congresswoman Alexandria Ocasio-Cortez, is ready to defeat any presidential pursuit of conventional trade policy, namely lowering barriers to promote two-way trade. According to the far-left, trade liberalisation enriches corporations and impoverishes workers. It delivers no net benefit to Americans.

Progressives argue that trade policy should restrict commerce to promote labour rights abroad and gender and ethnic equality in countries that discriminate. It should uplift marginalised communities, deliver climate and environmental goals, and above all raise living standards for US workers. Biden can't possibly agree with this bloated agenda, but he doesn't want to risk progressive opposition to his core spending bills.

Observers might conclude that, come early 2022 when the spending bills have either passed or failed, Biden might spend his time on trade policy. But by that time, mid-term election prospects will dominate White House thinking. Past experience and current polls heavily favour the Republican Party to capture the House of Representatives in November 2022, and possibly the Senate (where party alignment is now tied). But Biden is far from resigned to his statistical fate. Trade policy will thus become a pawn to the fortunes of the next election.

Today's Republican Party — unlike the party of previous post-war Republican presidents — has embraced Trump's love of tariffs and fear of China. Trump's top trade lieutenant, former ambassador Robert Lighthizer, just restated both themes with gusto in *The Economist*. Thus, any initiative that opens US

markets will be blasted in the November election as a sign that Biden is selling out America. This is a debate he wants to avoid.

Balanced against these negative forces is one positive consideration: the foreign policy dimension of a more engaging US trade policy. This is where Trade Ambassador Katherine Tai enters the drama. She is a master of rhetoric who soothes foreign ears while not alarming progressive Democrats or protectionist Republicans. Three-quarters of Tai's actions are Lighthizer's policies with softer edges and a smiling face. Trump's 'national security' tariffs on steel and aluminium are still in place, but they have just been converted to a tariff-rate quota for EU exports — with much the same impact on elevated US prices but paying off European steel producers with the quota rent.

The fact that the American Iron and Steel Institute and the United Steel Workers both applauded the deal tells all you need to know: it's still managed trade. Likewise, the Boeing–Airbus dispute was temporarily resolved by taking retaliatory tariffs off the table and asking the aircraft giants to reach a standstill agreement.

Trump's 25 per cent tariffs on imports from China persist with the narrowest opening for exclusions to rescue distressed US firms that depend on Chinese intermediate goods. Perhaps the most significant change from Lighthizer's playbook was Ambassador Tai's upbeat speech, on 13 October in Geneva, concluding with this declaration: 'we all recognise the importance of the WTO, and we all want it to succeed'. During his tenure, Lighthizer never visited the WTO.

At the same time, Ambassador Tai does not recognise that reducing US barriers to trade actually benefits the US economy, especially when coupled with lower barriers abroad. Almost every speech Tai delivers on trade is laced with the phrase 'worker centric', which in practice means a sympathetic ear to anti-dumping duty, countervailing duty, and safeguard 'trade remedies', plus no lowering of barriers on steel imports without assent from the United Steel Workers, and no reform of the Jones Act, which ensures sky-high coastal shipping costs.

Tai has even expressed scepticism over the Indo-Pacific digital agreement proposed by Australia, fearing it would help the tech giants. Instead, her emphasis is on labour practices abroad, exemplified by her support of fast-tracking cases involving Mexican union elections, her insistence on provisions against forced labour in the struggling fishery subsidies agreement and new restrictions on imports from [Xinjiang](#).

Tai's engagement in WTO negotiations will be limited to subjects that provoke no domestic opposition, for example a Joint Statement Initiative on E-commerce that, for other reasons, is dead in the water. Meanwhile, Tai has linked the revival of the WTO's dispute settlement system to meaningful negotiations, a chicken-and-egg formula given US reluctance to make trade-liberalising concessions.

Will the scenery change after US mid-term elections in November 2022? The brightest prospect might be a US application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). But if Democrats lose the House of Representatives, there is little chance that Republicans will renew the Trade Promotion Authority (TPA).

Without TPA, congressional procedures would kill a CPTPP bid. [China's application to join CPTPP](#) creates strong geopolitical reasons for US membership, but perhaps not enough to overcome congressional resistance. Quite likely, US membership will remain a project in waiting for the president elected in 2024 — even if Biden follows the pattern set by Obama and opens negotiations after the mid-term elections.

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