THE HILL

Is Biden pursuing a 'third way' trade policy?

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American trade policy is at an inflection point. Those who champion a muscular, tariff-driven, “America First” variant of former President Trump’s trade policies will be deeply disappointed by the Biden administration’s posture. At the same time, advocates of the trade-liberalizing, free market orientation of the Clinton and Bush administrations will be disheartened, as well.

Might President Biden pursue a “third way” in trade relations with our partners?

Whatever the case, it is clear that trade will take a back seat to other, more pressing priorities for the Biden Administration in its policy agenda, such as the pandemic, the economy, judicial reform, race relations, and climate. Moreover, as President Biden asserted in an article last spring in *Foreign Affairs*: “As president I will not enter into any new trade agreements until we have invested in Americans and equipped them to succeed in the global economy.”

Just what are the most salient issues that will shape the Biden administration’s trade policies over the next 12 months, and where will things likely stand a year from now?

Recognizably, the trade agenda is a broad one. It includes the need to renew Trade Promotion Authority, advancing free trade agreements with the UK and Kenya, repairing trade relations with the EU, and rejoining the WTO but not necessarily the Trans-Pacific Partnership (now known as CPTTP). One can expect progress on each of these initiatives before the end of the calendar year. However, the most important and most challenging trade priorities of the Biden administration are: *China, labor and the environment, trade enforcemen*t and *Buy American*.

Regarding China, **e**xpect trade relations to remain icy or freeze over even more. The Biden administration is not eager to loosen Trump-era tariffs any time soon, nor is Xi Jinping with tariffs on his side. China remains our third largest goods trading partner (over $558 billion in two-way trade) with a huge U.S. merchandise trade deficit totaling $311 billion last year. While former President Trump chose tariffs over other means to reduce the deficit with China, his trade war cost the U.S. economy $316 billion and 300,000 jobs. As for China’s “Phase One” deal whereby it pledged to buy an additional $200 billion in agricultural products, that has not materialized. Nor will it.

Trade-related issues such as the forced transfer of technology from U.S. firms to Chinese companies and China’s theft of intellectual property (between $225 billion and $600 billion year) as well as non-trade related ones (China's repression of the Uighur Muslim minority in the Xinjiang region) will further exacerbate relations with China.

Tough talk on China by the administration and keeping tariffs in place may be all well and good, but one should not overlook that as of the end of November of last year, China owned over $1 trillion of the total outstanding US government debt issued by the US Department of the Treasury. That is a Damocles Sword hanging over the U.S.; for China's withdrawal of even a small portion of that amount to invest in other sovereign debt could slam the U.S. hard. Going forward we may witness a case of "brinkmanship".

As for labor and environment, in contrast with the Trump administration both will feature prominently in U.S. trade agreements in the future and in the implementation of existing ones. President Biden has specifically called for conditioning new trade agreements on partners' ability to meet climate targets under the Paris climate agreement, including a ban on fossil-fuel subsidies. Illustrative of the central role labor and environment will play in trade agreements is the U.S.-Mexico-Canada Agreement (USMCA) which went into effect July 1, 2020. The accord, an updated of NAFTA, consists of stronger labor provisions and a full chapter on environmental matters, strengthening environmental protection. On labor, the AFL-CIO and labor advocacy groups are petitioning in a labor complaint on Mexico's alleged violation of worker rights, specifically on organizing and bargaining. Going forward, be it American labor or foreign labor, the Biden administration will vigorously champion worker rights.

With respect to trade enforcement, since new free trade agreements will not move front and center to the Biden administration's policy agenda, the priority will be the enforcement of existing agreements. As with all agreements, implementation—the last stage--is where things often break down. The failure to effectively monitor and enforce trade agreements has always been the most problematic feature of free trade agreements especially. These include the chapters of agreements such as dispute settlement mechanisms, cross-border trade in services, intellectual property, and digital trade. Under the Biden administration, rather than unilateral action, the emphasis will be on negotiation, mediation and multilateral action.

Finally, harkening back to the 1933 "Buy American Act," signed by President Herbert Hoover on his last day in office, President Biden issued an executive order on January 25th "ensuring the future of America is made in America by all of America's workers." While the executive order pertains only to federal procurement, it nonetheless raises the cost to the U.S. government—meaning to taxpayers. According to the Peterson Institute, the annual taxpayer cost for each U.S. job "saved" by Made in America will exceed $250,000. Moreover, such a policy does not account for our trading partners such as the EU adopting the very same measures in retaliation. Nevertheless, rest assured that over the next year and beyond, this policy—considering the president's longstanding deep ties to organized labor—will be a pillar of the administration's economic policies.

Even at this early stage one can see that there are more than a few similarities between the Trump and Biden trade agendas. The biggest difference will be in style—the tenor and tone in trade relations—and the absence of asinine pronouncements such as "trade wars are good and easy to win". The Biden preference for multilateralism, heavy consideration of labor and environment in trade relations, and a refrain from wielding tariffs as an ax, bode well for U.S. trade relations over the next four years.

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