

President Biden Must Restore American Trade Leadership

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In January, President Joe Biden will inherit a trade policy that has left the U.S. role as a leader of the world trading system in grave doubt. After World War II, the United States helped construct a carefully balanced trading system with modest liberalization and a limited but important role for international agreements and institutions. But Trump and his trade team have undermined this system in the service of an ideology consisting of high tariffs, unilateralism, and hostility towards the rule of law. Now it will be up to the Biden administration to put the system back together and restore U.S. leadership on international trade. Here are three suggestions for how it might do so.

First, the Biden administration must get the World Trade Organization working again. Of critical importance is making sure the rules are enforceable. The Trump administration has broken the WTO's dispute system by refusing to agree to the appointment of appeals court judges, which has made it impossible for governments to resolve their many disputes over trade issues. The Biden administration should immediately reengage with other governments in order to get the dispute process back on track. A compromise that could reform the process and unblock the appointments should be a priority.

In addition, many countries are guilty of holding up WTO negotiations by demanding concessions from others without a willingness to give anything themselves. A Biden administration should try to move these negotiations forward. There are opportunities to liberalize trade in services such as medicine and education (which have quickly moved online during the pandemic); to craft rules on digital trade; to restrict subsidies that lead to overfishing; and to lower tariffs on specific products, such as those related to personal protective equipment and other medical goods. But everyone must be willing to give something for this to work. Given the United States' strong competitive advantage in several of the aforementioned sectors, a Biden administration should volunteer concessions in certain areas and thus lead the way on liberalization.

Second, an important step in restoring the WTO would be to call a truce with the European Union. At times, it seemed like the Trump administration was angrier with the EU than it was with China. There are plenty of differences between Americans and Europeans on trade, including on agricultural trade barriers, aircraft subsidies, and regulations and taxes on tech companies. But these differences are dwarfed by the opportunities to work together.

With a Democratic administration in place, an obvious area for U.S.-EU cooperation is on environmental issues. Some elements of the Green New Deal seem quite protectionist, however, and if Democrats want to fight climate change in a coordinated effort with other countries, they

are perhaps better off looking to lower prices through an agreement to reduce tariffs on clean energy products.

There are also some quick and easy wins the Biden administration should take that will make Americans better off and improve relations with Europe. They can remove the Section 232 "national security" tariffs on steel and aluminum and make clear that no such tariffs will be imposed on auto imports. And, as suggested above, they can work in good faith to restore the appellate court for WTO disputes, which the Europeans strongly support. Confrontational and counterproductive actions by the Trump administration in these areas soured trade relations and prevented cooperation.

One area where cooperation is also needed surrounds dealing with China's trade practices. The Trump administration has touted its Phase 1 trade deal with China. However, this deal was a unilateral attempt to use American economic power to force China to change its behavior and has proved mostly useless. It has purchase commitments that no one expected China to meet, and China did not, in fact, meet; and it does not have a credible enforcement mechanism. There are, however, some useful provisions in the deal — for example, on forced technology transfer — and these could be carried over to a joint effort by the United States, Europe and others to push China to sign on to these commitments as part of a multilateral agreement at the WTO.

An internationalist approach to dealing with Chinese trade practices is sure to work better than what the Trump administration has done. Indeed, it was China's accession to the WTO that brought its tariffs down from astronomical levels (by one measure, an average of 40.6% in 1992) to the much lower ones we see today (3.4% to 7.6% in 2018, depending on how you measure it, according to the World Bank).

After almost four years of economic nationalism as the driver of U.S. trade policy, and the WTO and international trade agreements subject to frequent demagoguery by President Trump, it's time to move on. A Biden administration should look to restore a more reasonable balance in U.S. trade policy. The reality is that trade agreements have always been fairly limited in what they can do to constrain protectionism.

There are plenty of exemptions that allow the use of tariffs, against both "fair" and "unfair" trade. The Trump administration wanted no constraints at all, however, which led to an explosion of trade wars that hurt both American businesses and consumers. The Biden administration should reverse course and take a pragmatic approach that repairs relations with allies and relies on a rules-based system to limit trade tensions and open markets around the world.

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