



Biden treads carefully around Trump's combative trade policy

By PAUL WISEMAN

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In his first weeks in office, President Joe Biden has wasted no time in dumping a batch of major Trump administration policies. He rejoined the Paris climate agreement. He ended a ban on travelers from mostly Muslim countries. He canceled the Keystone XL oil pipeline. He reversed a ban on transgender people serving in the military. And so on.

Biden and his team are tiptoeing, though, around one of Donald Trump's most divisive signature legacies: His go-it-alone moves to start a trade war with China and bludgeon some of America's closest allies with a gale of tariffs on their steel, aluminum and other goods. In upending seven decades of presidential support for free trade, Trump vowed to shrink the U.S. trade deficit and restore millions of lost American factory jobs.

In the end, by most accounts, the Trump tariffs achieved very little — and managed to antagonize some of America's closest trading partners.

Yet for now, the Biden administration seems intent on approaching trade with caution and deliberation. Most striking, perhaps, is what Biden hasn't done: He hasn't called off Trump's trade war with China. He hasn't promised to scale back or cancel his tariffs on imported metals or end an impasse that's left the World Trade Organization unable to function as arbiter in global trade disputes.

Instead, the administration's policymakers are focusing on other, unrelated priorities — distributing COVID-19 vaccines as fast as possible and providing much more aid to a pandemic-pounded economy that has yet to regain nearly 10 million lost jobs since February.

“He is going to take his time,” said Mary Lovely, a Syracuse University economist who is a senior fellow at the Peterson Institute for International Economics. “Biden has said repeatedly that he needs America to be stronger before he takes on a lot of these trade issues.”

One factor may be that reversing all of Trump's policies could heighten risks for a Democrat who is close to unions unhappy with America's pre-Trump free-trade consensus. Politically, Biden depends on support in Midwestern manufacturing towns and cities. These areas have suffered from low-priced imports from China, Mexico and elsewhere.

“There is competition for the swing state voters who are in favor of (trade) protection,” said Daniel Ikenson, director of trade policy studies at the libertarian Cato Institute.

Democrats are still stung by Trump's surprise victory in 2016 and some of the trade-related factors behind it. Trump abandoned the modern Republican Party's support for free trade agreements favored by America corporations that have deep connections overseas. Instead, Trump cast himself as a populist defender of long-suffering manufacturing workers — an “America first” champion who would eradicate unfair trade practices and restore American factory jobs.

For Democrats, Trump's 2016 victory, due in no small part to blue collar voters, provided “a harsh lesson about the perils of a trade policy that's not thinking about working people but (about benefiting) finance and agribusiness,” said Lori Wallach, director of Public Citizen's Global Trade Watch.

Mindful of that lesson, Biden's team, led by a president who seldom tires of affirming his lifelong ties to working class America, has promised a trade policy that will create or protect U.S. jobs.

“We will use trade, in coordination with both international and domestic economic tools, to create a more inclusive prosperity for America and Americans,” Katherine Tai, Biden's choice to be U.S. trade representative, said in a speech last month to the National Foreign Trade Council.

Biden's vision, she said, “is to implement a worker-centered trade policy.”

The new president has promised at least one significant change from Trump's America-above-all trade stance: Biden wants to patch up relations with key U.S. allies, such as the European Union and Canada, which were bewildered and infuriated by Trump's mercurial and belligerent rhetoric and actions.

Eventually, anyway.

“The mantra has been: No sudden moves” on trade — and focus on instead on fighting the pandemic and delivering more economic relief, said William Reinsch, a former U.S. trade official now at the Center for Strategic and International Studies.

Consider Trump's tariffs on foreign steel and aluminum, which he imposed in 2018. Reducing or dropping those taxes would seem like an easy way to heal wounds.

America's allies were especially angered by Trump's dubious justification for the sanctions: Dusting off a little-used tool of trade policy — Section 232 of the Trade Expansion Act of 1962 — he declared their aluminum and steel to constitute a threat to U.S. national security. That was a stinging insult to close allies like Canada that have fought alongside the United States in conflicts from World War I to Afghanistan.

Yet the Biden administration has shown little inclination to move quickly on the issue. At her confirmation hearing, the incoming commerce secretary, Gina Raimondo, dodged a question about the metals tariffs. She told Sen. Roy Blunt, R-Mo., only that she would consider his point that Missouri manufacturers have been hurt by the tariffs and would “take their needs into account.”

Exerting political pressure from the other side, a coalition of steel companies and workers want to preserve the tariffs. They sent Biden a letter last month arguing that they need urgent help in an economy weakened by COVID.

“Imposing tariffs is always easier than lifting them,” said Wendy Cutler, a former U.S. trade negotiator who is now vice president at the Asia Society Policy Institute.

Biden even chose last week to reinstate aluminum tariffs on the United Arab Emirates that Trump had lifted as he left office. Trump, apparently rewarding the UAE for its move to recognize Israel diplomatically, had replaced the tariffs with quotas on aluminum from the UAE.

“Imports from the UAE,” the White House declared in a statement, “may still displace domestic production and thereby threaten to impair our national security.”

If the administration eventually decides to reduce or end the metals tariffs, it could offset the impact by enacting a public works program that requires lots of steel and aluminum. Or it could tout the benefits of a Buy American push that Biden has announced whose goal is to channel more federal dollars to support American industries.

Then again, far from abandoning the contentious national security tariffs, the administration might just consider using them itself — but in a different way: To fight climate change.

In August, Peter Harrell, the incoming international economics adviser on Biden’s National Security Council, argued that if Congress doesn’t act on the issue, the president could use Section 232 to impose tariffs on products and countries that pollute the air or to block investments in projects that foul the environment.

Trump’s use of the tariffs “has created a clear opening for a future Democratic president to impose wide-ranging tariffs and sanctions to combat climate change,” Harrell wrote in the journal *Foreign Policy*.

The Biden team will also have to decide whether to rethink Trump’s confrontational approach toward the WTO, the Geneva-based organization that sets and enforces global trade rules. By blocking replacements to the WTO’s top court, the Appellate Body, Trump rendered it powerless to resolve disputes.

Biden may use the issue as leverage to persuade the WTO to enact changes that the U.S. has been demanding for years. These include making it easier for Washington to bring cases against other countries for unfairly subsidizing their companies or for dumping products in export markets at artificially low prices.

“You can get something the U.S. has long sought: Reforms,” Lovely said.

Likewise, Biden’s team is likely in no hurry to lift the tariffs that Trump imposed on \$360 billion worth of Chinese imports in a dispute over widespread belief that Beijing uses predatory tactics, including cybertheft, in its drive to overtake the United States’ technological dominance. U.S. policymakers across the political spectrum are frustrated by what they see as China’s illicit trade practices, repression of the Uighur minority, crackdown on dissent in Hong Kong and aggressive territorial claims in the South China Sea. The Biden administration is unlikely to ease off.

Nathan Sheets, who served as Treasury undersecretary for international affairs in the Obama administration and is now chief economist at PGIM Fixed Income, said he thinks that before Biden’s trade team agrees to reduce or cancel Trump’s tariffs, it will likely demand sweeping changes in Chinese policy — changes that might take years, if they happen at all.

“It’s not like (the tariffs are) a near-term bargaining chip: ‘You give us x, and we’ll give you y,’” Sheets said. “They want to keep the heat on China.”