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Biden Following Trump's Lead Dims The Outlook For U.S. Trade

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In 2021, Joe Biden disappointed Americans who expected him to reverse Donald Trump's protectionist trade policies. Will 2022 bring better policies? To find out, I asked three leading trade experts.

"I expect a modest—very modest—liberalization of the steel and aluminum tariffs, via managed trade [TRQ or tariff-rate quota] agreements with other U.S. allies like Japan," said Scott Lincicome, a senior fellow in economic studies at the Cato Institute. "These will probably look a lot like the U.S.-E.U. (European Union) deal, meaning some tariff liberalization for a select amount of imports but below historical levels and nothing anywhere close to free trade. I expect all of the China tariffs to remain, and it's a coin flip as to whether Biden will extend the solar safeguard tariffs in early 2022. If I had to wager on the latter, I'd put my money on an extension. Other than that, I expect more of Biden's protectionist 2021 on things like Buy America, the Jones Act and other trade-related industrial policy (e.g., in the Build Back Better bill)."

What about U.S. policy changes toward multilateral agreements? "I don't 'expect' it but wouldn't be shocked to see the Biden administration re-engage on CPTPP [Comprehensive and Progressive Agreement for Trans-Pacific Partnership] after the November mid-terms," said Lincicome. "Otherwise, maybe a little something at the WTO [World Trade Organization] but nothing groundbreaking."

Other trade experts are only somewhat more optimistic. Adam S. Posen, president of the Peterson Institute for International Economics, does not expect the Biden administration to take many steps to remove protectionist trade policies. "They may substitute a more reasonable or useful set of targets for China trade than the so-called 'Phase One' agreement," he said. "They may find other places to substitute quotas for tariffs as they did on steel and aluminum with the European Union. All that says they want managed trade, and will not rollback protection, even if they slightly improve its form."

On the international front, Posen sees some possibilities for liberalization. "There are a few places where I think the Biden administration may encourage trade liberalization indirectly by pursuing other policies," he said. "The implementation of the international corporate minimum tax should remove some major distortions to trade and some legitimate claims of injustice. Positive steps on decarbonization would remove a justification for future trade barriers."

“National security goals may push the Biden administration to encourage expansion of CPTPP (excepting China) and of E.U. relations East and South. The economy running hot with rising interest rates will diminish incentives for aggressive currency manipulation by others against the dollar. This might also lay the groundwork for a future U.S. administration to face less hostility to trade liberalization.”

“It would be a pleasant surprise if the Biden administration began to remove protectionist policies instituted during the Trump administration,” said Bryan Riley, director of the National Taxpayers Union’s Free Trade Initiative. “Last year, President Biden maintained the Trump administration’s ineffective tariffs on imports from China, modified instead of eliminating restrictions on steel and aluminum imported from allies, and watched from the sidelines as other countries lined up to join the Trans-Pacific Partnership. That’s a slow start, to say the least.”

Riley does not expect major movement on trade from the Biden administration in 2022. “The Biden administration is likely to keep trade policy on the back burner. If inflation fears mount, perhaps that will lead to some modest liberalization, but I wouldn’t bet on it. Congress may take action on the Generalized System of Preferences, which lowers tariffs on some imports from low-income countries, and the Miscellaneous Tariff Bill, which cuts tariffs on some imports used by U.S. manufacturers,” he said. “But it may also approve new subsidies for favored industries and embrace a government-led industrial policy.”

Riley thinks there is a chance that if Republicans take control of Congress “perhaps legislators will push back against Biden’s tariffs in a way they were unwilling to do during the Trump administration.” Still, looking ahead, the future of free trade in the Republican party remains uncertain. “The big question is whether the next Republican presidential candidate will be President Trump or someone similar, or someone who better understands the importance of trade for America’s future,” said Riley.

As 2022 began, the U.S. government remained mostly absent from important international trade developments. “China joins U.S. allies including Japan and Australia in a new Asia-Pacific trade agreement that launches Saturday—with the U.S. watching from the sidelines,” reported the *Wall Street Journal*, “The new Regional Comprehensive Economic Partnership, or RCEP, will eventually eliminate more than 90% of tariffs on commerce among its 15 member countries, in what economists say will be a boon to trade in the region.”

To most trade experts, it appears that while other countries are busy playing chess, U.S. leaders are playing checkers—and may even respond to world events by placing more tariffs on chess sets.