

# Trade Policy Landscape

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**U.S. Apple Outlook Conference 2021**  
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# Trade Policy Under President Biden

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***Where Do We Stand Six Months In & What is on the Horizon?***

**Six Month Report Card – Future Indications?**

**Biden Trade Policy Shift – Trade on the backburner?**

## **Inherited Trump Trade Policy**

- Section 232 and 301 Tariffs
- Prospects for Trade Promotion Authority renewal
- Trade Policy in Asia
- UK and Kenya FTA
- WTO Reform

# 2016 Presidential Campaign & Trade

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## *Candidate Trump --*

### **North American Free Trade Agreement (NAFTA)**

"NAFTA is the worst trade deal maybe ever signed anywhere, but certainly ever signed in this country." (2016 Presidential debate)

### **World Trade Organization (WTO)**

"Then we're going to renegotiate or we're going to pull out." "These trade deals are a disaster... The World Trade Organization is a disaster."

### **Trans-Pacific Partnership (TPP)**

"The Trans-Pacific Partnership is another disaster...just a continuing rape of our country."

# Trade Policy Under President Biden

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## *From Candidate to new President--*

### **To Shift or not to shift?**

- Unilateral vs. multi-lateral approach
- Phased or mini-trade deals
- Tariff threats using novel Executive powers (section 232, IEPA, global safeguards) vs. comprehensive trade pacts.
- Existing tariffs from prior Administration.

### **Early signs – Biden Trade Policy**

- Domestic policy priorities – overcoming COVID, economic recovery (“Build, Back, Better”)
- No new trade agreements
- Pause on pending trade agreements – U.K. and Kenya
- Integrate trade policy and foreign policy (e.g. China – human rights, forced labor, tariffs)

# Trade Policy Under President Biden

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## ***New Trade Policy Agenda –***

**“Trade policy agenda...component of the fight against COVID-19, the economic recovery, and the Build Back Better agenda.”** *(President’s Trade Policy Agenda Report, March 2021)*

## ***Reset on U.S. Trade Policy***

### **Multilateral approach**

- Coalition building with allies
- Utilize international forums (WTO, G-20, G-7, OECD)
- Plays to Biden’s foreign policy experience

### **Enforcement**

- Examine and enforce existing trade agreements
- Focus on USMCA – labor and environment provisions

### **Environment/Sustainability**

- Trade a tool to address climate crisis, sustainability, resilient energy supply chains
- Environmentally-friendly trade agreements

### **Worker-focused**

- Close the gap in who benefits from trade More inclusive process,
- Bring workers in early on trade discussions
- Katherine Tai – Trade Policy speech at AFL-CIO; 1st USTR

# USMCA



December 17<sup>th</sup> – House Approves USMCA (385-41) in last vote of 2019

- Jan. 16, 2020 – Senate passes USMCA (89-10)

**U.S.-MEXICO-CANADA TRADE AGREEMENT**

**ON PASSAGE**

**H R 5430**

	<b>YEA</b>	<b>NAY</b>	<b>PRES</b>	<b>NV</b>
<b>DEMOCRATIC</b>	193	38		2
<b>REPUBLICAN</b>	192	2		3
<b>INDEPENDENT</b>		1		
<b>TOTALS</b>	<b>385</b>	<b>41</b>		<b>5</b>

**U.S. HOUSE**

**TIME REMAINING 0:00**

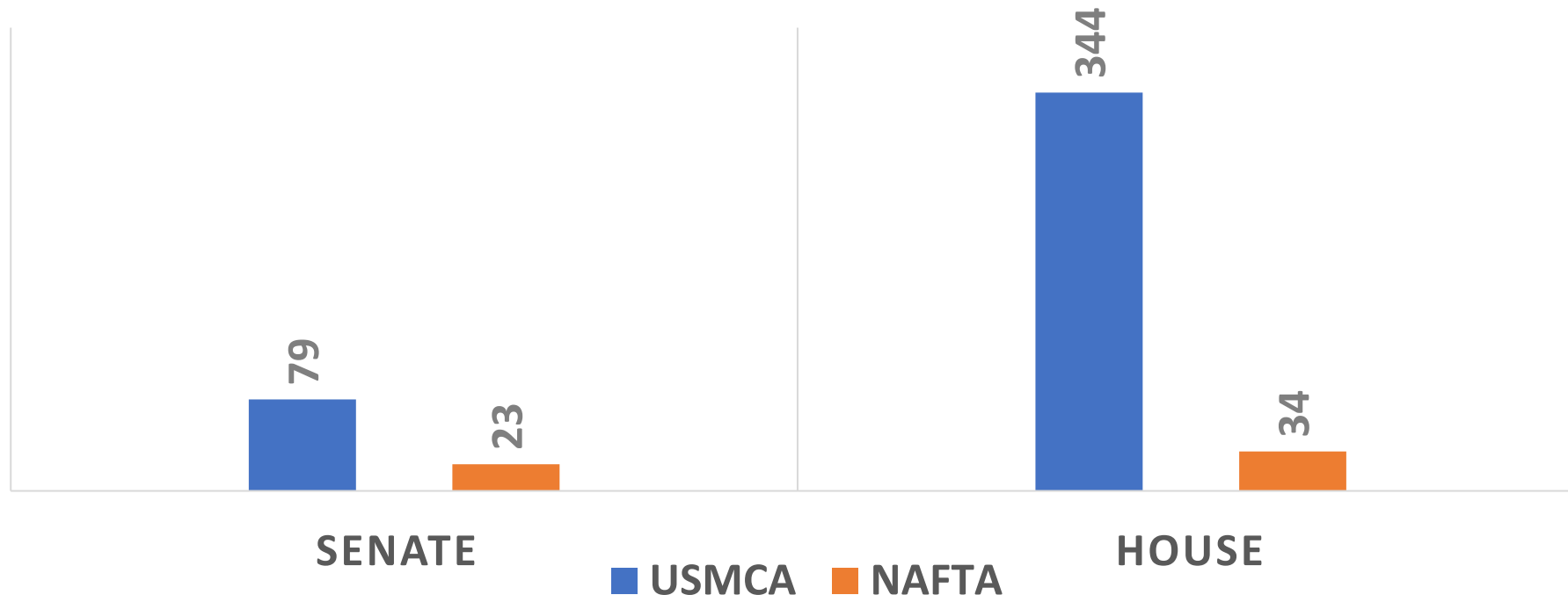
**C-SPAN**

**LIVE**

# USMCA

- Historic margin –first trade agreement supported by labor in 20 years
- House USMCA margin 344 votes vs only 34 votes for NAFTA
- Senate USMCA margin 79 vs 23 for NAFTA

VOTE MARGIN: USMCA VS. NAFTA



# USMCA



*USMCA – Implemented July 1, 2020*

## Enforcement Actions by new administration

- **Two labor disputes on Mexican auto plants**
- **Filed under new USMCA “rapid-response” mechanism**
  - **Tridonex auto plant – USTR accepted AFL-CIO request**
  - **GM plant – USTR initiated - hot-line tip on worker violation**
  - **Mexico agrees to resolve disputes, avoid further US actions**
    - Tridonex - Mexico agrees to provide severance and six months of backpay to at least 154 dismissed workers
    - GM – Mexico Labor Ministry and ILO oversee new collective bargaining agreement vote
- **USTR initiates first USMCA dispute - Canadian Dairy TRQs**



# USMCA

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## USMCA 1-year anniversary – multiple tensions

- **Mexico's lack of biotech approvals**
  - No biotech approvals since 2018
- **Mexico Decree – banning glyphosate & GM corn by 2024**
  - GM corn - Vaguely worded implementation; breadth of impact uncertain
  - Pres. Lopez Obrador intent on domestic self-sufficiency for corn
- **Regulatory restrictions on organic imports**
- **Long-standing potato import restrictions**
  - Mexican Supreme court ruling allowed U.S. imports; no government implementation yet

# Section 232 and Section 301 Tariffs

## ***Biden inherited Trump-era tariff weapons--***

- Section 301 tariffs imposed for China's IP theft (2018)
  - Tariffs cover nearly \$370 billion imported goods from China
  - China imposed retaliatory tariffs, targeting agriculture – apples 55% tariff
- Steel and Aluminum import tariffs (section 232)
  - EU, China and other trade partners levied retaliatory tariffs

## ***Tariff Impacts***

- Tariff increases -75,000 jobs vs. 1,000 new steel industry jobs (*A Federal Reserve Board of Governors*).
- Steel tariffs costs U.S. consumers and businesses \$900,000 for every saved/new job by tariffs (*Peterson Institute of International Economics*)
- China tariff war cost the U.S. economy nearly 300,000 jobs and about .7% of real gross domestic product (GDP), or about \$150 billion in GDP in 2019 (*Moody Analytics*)

# Section 232 and Section 301 Tariffs

## *Status of Tariffs – Biden's stance*



- Biden reviewing overall China policy (human rights, cyber security, trade, etc.)
  - USTR Katherine Tai – Biden Administration “top-down review” of China policy
  - “The president is always going to use every tool in his toolbox, including tariffs, to fight against unfair trade practices that hurt American workers, businesses and farmers.” No timeline for completing China policy review. (*Jen Psaki, White House Press Secretary 8/7/21*)
- Mixed signals
  - USTR Katherine Tai - Tariffs on China negotiating leverage, necessary to address other trade issues (state-owned enterprises) not covered in Phase One agreement.
  - Treasury Secretary Janet Yellen China tariffs, acknowledging tariffs “hurt American consumers” while not addressing structural issues in China’s economy.
- USTR reviewing existing tariffs under Section 232 and Section 301
  - Section 232 Steel Aluminum tariffs “are working” (Commerce Secretary Raimondo)
  - U.S. and EU seeking steel and aluminum tariff solution by Nov. 1 or Dec. 2021

# Section 232 and Section 301 Tariffs

## ***Prospects for Tariff Removal***

### China Section 301 Tariffs - Indefinitely in place



- Foreign policy tool
- extended top-down China review, no timeline for completion,
- Leverage with China; bring China to negotiating table
- Calls for tariff removal by industry and some lawmakers ineffective

### Section 232 Steel & Aluminum Tariffs – Diverging outcome



- Uncertain timeline of USTR's reviewing existing Section 232 tariffs
- Steel Aluminum tariffs "are working" (*Commerce Secretary Raimondo*)
- Addressing global steel overcapacity major obstacle
- U.S. and EU seeking steel and aluminum tariff solution by Nov. 1 or Dec. 2021
- Template for UK talks on steel tariffs
- US-EU join to tackle China's overcapacity and import deluge

# Trade Promotion Authority (TPA)

## *TPA Key to Trade Agreement passage in Congress-*

TPA essential tool to expedite Free Trade Agreements (FTA) consideration in Congress; no amendments, strict vote timelines in House and Senate

- Expired July 1, 2021; signed in 2015, extended in 2018
- Prospects prior to next year's mid-term election unclear; no signs of action soon

## *Factors –*

- TPA renewal not urgent for Biden Administration
  - Biden Administration focused on “domestic renewal” in order to ensure U.S. competitiveness (*Sec. of State Anthony Blinken*)
- USTR Katherine Tai noncommittal at Congressional hearings
  - Rep. Kevin Brady pressed USTR Tai to commit to TPA renewal in 2021 with a “wink”, Tai responded, “Let’s do the work. Let’s do the thinking.”
- Divided Congress (slim majority), not priority for House Dems, Trump’s proclivity for mini-deals or phased deals skirting Congress frustrated several Congressional leaders. No pending FTA for Congressional consideration

## *Implications –*

- UK, Kenya, and other trade agreements could languish in Congress after signing
- TPA critical to passage of USMCA, last legislative vote in the House in 2019
- Lack of TPA sends signal to other countries, any signed agreement may take years for Congressional ratification.

# U.S. Trade Policy in Asia Pacific

## *Asia Trade – China's growing Influence*

- Transpacific Partnership (TPP)
  - Started under Bush II and continued under Obama
  - U.S. sought to develop regional FTA (11 countries) to counter China's economic rise in the region
  - U.S. withdrew from TPP, Trump's 1<sup>st</sup> week in office, campaign promise
  - 11 Countries completed the pact; now called CPTPP (Comprehensive Progressive Transpacific Partnership)

### ***Status & Implications-***

- China quietly negotiating w/counterparts on joining CPTPP; aims to deepen trade linkages and economic influence in the region
- UK requested to join CPTPP
- Some lawmakers urging Biden to reconsider U.S. joining CPTPP
- Complex politically and practical challenges to re-enter

Members of CPTPP

Comprehensive and Progressive Agreement for Trans-Pacific Partnership members

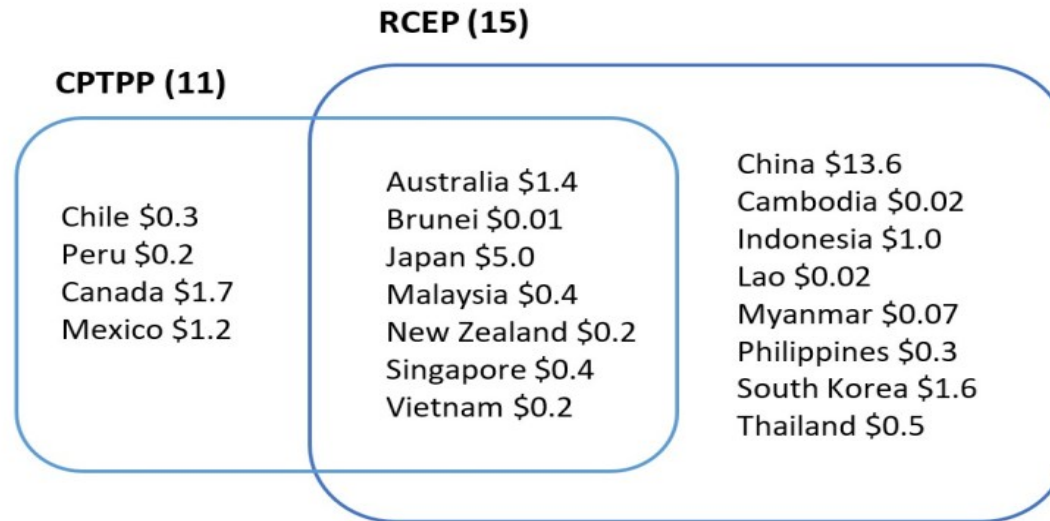


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# U.S. Trade Policy in Asia Pacific

## *Asia Trade – China's growing Influence*

- Regional Comprehensive Economic Partnership (RCEP)
  - Largest trade deal- 15 countries, 30% of global population, \$26.1 Trillion GDP
  - Focus on tariffs/market access; not comprehensive FTA (no labor provision)



## *Implications-*

- China the largest trade partner, increasing economic influence and trade dependence in Asia.

# Trade Relations in Europe: EU



## *EU – Thawing of transatlantic tensions*

- **Section 232 steel & aluminum tariffs**
  - EU expressed goal of Nov. 1<sup>st</sup> agreement with US
  - U.S. seeks agreement w/EU, build coalition to address China
- **WTO Civil Aircraft Subsidies Disputes**
  - Decades-long dispute over Airbus and Boeing subsidies
  - U.S. and EU levied reciprocal tariffs – allowable under WTO
  - Agreement to suspend tariffs for 5 yrs. – space to negotiation permanent solution. Temporary relief for several U.S. agriculture sectors
- **Other trade challenges**
  - EU Digital services tax, Farm-to-Fork analysis, barriers to biotech & innovative ag processes

## *Implications*

- US –EU finding some common trade interests; counter-acting China's non-market trade practices
- De-escalating prior tariff war
- Farm-to-Fork policy major concern for U.S. agriculture



# Trade Relations in Europe: UK



## ***UK – Paused FTA negotiations***

- U.S. – UK conducted five rounds prior to Biden transition
- Negotiations paused - USTR reviewing progress on UK trade talks
- Progress on agriculture provisions unclear - “still quite a road to go there.”  
(*USTR Katherine Tai*)
- No indication when Biden Administration will - restart negotiations; UK poised and eager to engage

## ***Implications***

- Extended pause on FTA talks, consistent with Biden focus on “build, back, better” agenda
- Biden administration likely to imprint its agenda – worker-centric, climate change, inclusive framework
- U.K. aggressively pursuing trade deals with Australia, New Zealand, Japan and recently Canada and Mexico, UK requested to join the CPTPP

# China

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## ***U.S. – China Phase One Agreement***

- Agreement covers IP protections, currency, financial services
- Agreement calls for \$200 billion in Chinese purchases of U.S. agriculture (\$40-50 billion), energy, and industrial good over two years
- Agreement contains over 50 agriculture-related commitments, including biotech reform
- Not covered – Section 301 and retaliatory tariffs, State-owned enterprises (SOEs), illegal subsidies, other complex issue

## ***Status***

- Phase One Agreement enters into force Feb. 14, 2020; beginning of global pandemic
- China implements majority of agriculture provisions, biotech reform pending
- Year-one (2020) China's falls short of purchase commitments; agriculture (82%) fares better than manufacturing (57%), and energy (37%)
- Overall, 59% of purchase target of U.S. goods in Phase One Agreement

# China



## U.S. – China Phase One Agreement

- Year-One (2020) purchases 58% of commitment

a. US exports and China's imports of all covered goods in 2020, billions USD



Source: Petersen Institute for International Economics

# China



## U.S. – China Phase One Agreement

- Year 1 China's U.S. Agriculture Purchases \$30.7 billion or 19% below purchase commitment
- Strong grains purchases; hog sector recovering from African Swine Fever (ASF)

### CHINA PHASE 1 TRACKER

U.S. Agricultural Exports to China Since Jan '20, Phase 1 Products, Million Dollars

**\$31.1 Billion**

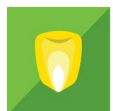
Total Exports to China  
Jan 20 Through Jan 21



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# China



## U.S. – China Phase One Agreement

- Year 2 - China's U.S. Agriculture Purchases 13% lag – closing the gap

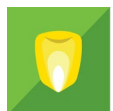
### U.S.-China Phase 1 Tracker for Agriculture Products

U.S. Exports to China, and Pace Needed to Meet Phase 1 Commitment in Year 2, Billion Dollars



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# China



## ***U.S. – China Phase One Agreement***

- **What's Next – unanswered long-term impact?**
  - Extension of agreement by U.S.? Would China agree or turn to other agriculture exporters (Brazil, Australia, etc.)?
  - No extension, China's U.S. agriculture purchases fall sharply absent commitment?
  - China's agriculture imports 2020-2021 “purchase of convenience” – rebuilding swine industry rather than compliance to agreement?
  - Phase One Agreement “managed trade”, long-term U.S. not developing sustainable agriculture relationship in Chinese market

# World Trade Organization Reform

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## ***Prior Administration WTO approach***

- Trump administration aggressive critic of WTO, threatened withdrawal;
  - Withheld funding, critic of appellate body/blocking judges, critical of special treatment for emerging economies (Brazil, China, South Korea, etc.)
  - Issued 180-page treatise on WTO flaws; offered no solutions or blueprint for reform

## ***Biden Administration – WTO Important Multilateral Approach***

- Biden administration cautiously engaging in WTO reform;
- U.S. participating in WTO draft texts for 12th Ministerial (MC12) in December
- Biden nominated long-time USTR trade official to WTO post in Geneva

## ***Implications***









- New WTO leadership – Ngozi Okonjo-Iweala (Nigeria);
  - First female, and African Leader
- Significant challenges to align trade interests of 160+ members
- 12<sup>th</sup> Ministerial outcomes key to reform progress
- U.S. Agriculture beneficiary of rules-based trading system
- U.S. agriculture prevailed in majority of disputes, including recent China cases

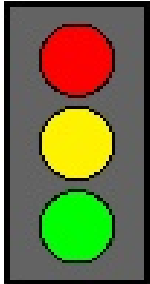




# Biden Trade Policy Scorecard

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Trade Issue	Status
Section 301 Tariffs	
Steel & Aluminum Tariffs (section232)	 EU  China
China Phase One Agreement	
New Trade Agreements	
UK FTA	
EU Relations – Aircraft Tariffs	
TPA	





# Summary

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## **Reset on traditional Trade Policy Agenda**

- Multilateral engagement, coalition building with allies, spur negotiated solutions
- Worker-focused, inclusive approach
- Enforcement, Enforcement, Enforcement

## **Trade Agreements**

- UK and Kenya trade talks on hold
- New Free Trade Agreements (FTA) paused indefinitely (CPTPP)
  - USMCA last comprehensive FTA?
  - Trade Promotion Authority renewal dormant; repair relationship w/Congress first
- USTR may focus on Trade & Investment Framework (TIFA) Agreements, precursor to FTA
- China, UK, other competitors securing FTAs while U.S. FTA approach paused

## **Inherited Tariffs**

- Measured unwinding Trump tariff war
- Resolving aircraft dispute tariffs with EU and UK
- Resolving steel & aluminum tariffs with EU in 2021, UK to follow
- China section 301 tariffs remain – intertwined in cross-cutting foreign policy issues, tariffs negotiating leverage

# Questions

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