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# country report

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## What's next for the United States?

### Part 3: Trade Policy

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How is the Biden administration changing the direction of the U.S.? The KAS Office USA takes a first look, in a series of five country reports. This report deals with U.S. trade policy. President Biden and his key trade players have emphasized that trade policy will be a central pillar promoting his “Build Back Better” plan. He wants a “worker-centered trade policy.”

The new President has made it clear that before addressing any new trade agenda his number one priority will be to control the virus by getting his \$1.9 trillion relief package passed through U.S. Congress. He stands behind the campaign plan to “Build Back Better” providing needed economic relief to help get families and business to the other side of the crisis while building an economy that is more resilient, more fair and more inclusive. Regarding trade policy, he argues that “economic security is national security. Our trade policy has to start at home” (Biden, 2020).

### Key Policy Goals

To get a clearer understanding of the direction the Biden-Harris administration wants to take in regards to international trade and U.S. competitiveness, one needs to draw from the Biden-Harris Campaign website. Here “Joe’s Vision” is displayed in a series of policy papers with detailed roadmaps with a broad scope of domestic and international issues, ranging from ‘Climate & Energy’, ‘Domestic Policy’, ‘Foreign Policy’, ‘Older’ and ‘Younger Americans’, to ‘Jobs & Economy’. Among the 43 plans that fall under ‘Jobs & Economy,’ several highlight the direction that the new Biden administration will take on trade. The economic plan titled “The Biden plan to ensure the future is ‘made in all of America by all of America’s workers” will guide the U.S. government in pursuing international trade goals and committing to international trade obligations. “Joe’s Vision” is that “trade must be to build the American middle class, create jobs, raise wages, and strengthen communities.”

Specifics regarding what lies ahead can be found in the often-cited plan, “Build Back Better: Joe Biden’s jobs and economic recovery plan for working families” and from statements by the Biden-Harris economic and trade team. The Biden-Harris administration details their framework for international trade and U.S. economic competitiveness in the following areas:

- Implement a **worker-centered trade policy**, where “Americans also benefit from having good jobs, with good wages;”
- Build a “modern infrastructure and an equitable, clean energy future” to promote **American competitiveness**;
- Negotiate **labor and environmental prescriptions** new trade deals (USMCA serves as a model);
- Pursue **enforcement measures** “when parties falter and stray from old and new commitments;”

- Counter “stiffening competition from a growing and ambitious **China**, whose economy is directed by central planners who are not subject to the pressures of political pluralism, democratic elections, or popular opinion;”
- Seek **multilateral cooperation** among allies in a strategy he calls “techno democracies.” He contends that America and its democratic allies must confront Chinese state capitalism and abusive economic practices through collaboration among democracies regarding technology, standards and innovation;
- Believes in **free and “fair” trade** by ensuring that the rules of the international economy are not rigged against the United States.



“OUR TRADE POLICY HAS TO START AT HOME, BY STRENGTHENING OUR GREATEST ASSET—OUR MIDDLE CLASS...”

Joe Biden, March 2020

## First Steps and Announcement

On his fifth day in office, President Biden signed an executive order (EO) strengthening **Buy American requirements** for federal government purchases of goods and services. The EO directs the Federal Acquisition Regulatory Council to consider within 180 days proposing amendments to Buy American rules, including controversial issues of increasing domestic content and tightening the waiver program. A White House press release said this EO will “close loopholes” in the existing law “that allow companies to offshore production and jobs while still qualifying for domestic preferences.” At the same time, Biden said, the U.S. is “committed to working with our trading partners to modernize international trade rules, including those relating to government procurement, to make sure we can all use our taxpayer dollars to spur investment that promotes growth and resilient supply chains.” Biden campaigned for President on bolstering U.S. manufacturing through tightening the federal procurement process.

In one of his first trade actions on February 1, President Joe Biden reinstated **Section 232 on aluminum tariffs** of 10 % on imports from the United Arab Emirates. President Donald Trump had removed the punitive tariffs in his final hours in office, which were to go into effect February 3. In 2018 the Trump administration had imposed 25% tariffs on imported steel and 10% on imported aluminum from most countries by invoking Section 232 of the Trade Act of 1962, which allows tariff protection on the grounds of U.S. national security and to maintain healthy domestic production. This swift reversal by Biden to keep Section 232 in place, confirms that the Biden administration will take no immediate unilateral actions to reverse Trump’s controversial tariff policy.

**Clean energy and climate change** abatement efforts are a central component of the new administration’s trade agenda. “Joe’s Vision” details and calls for a global ban on fossil-fuel subsidies, place tariffs on imports that produce a lot of carbon, and pursue trade deals that include commitments to reduce emissions. In the Western Hemisphere, the President wants to achieve “a more integrated energy grid from Mexico through Central America and Colombia supplied by increasingly clean energy.” Biden’s plan to reduce the U.S. global

carbon footprint is to ensure that the U.S. does not “finance dirty energy” through the Export-Import Bank and the new U.S. International Development Finance Corporation (formerly OPIC).

On February 2, the United States gave its formal backing to Dr. Ngozi Okonjo-Iweala to lead the **World Trade Organization**. The USTR press release states, “The Biden-Harris administration is pleased to express its strong support for her candidacy.” Biden-Harris reversed the Trump administration opposition. Ngozi Okonjo-Iweala is the former Nigerian Finance Minister and Managing Director of the World Bank. She served until recently as the chair of the Board at GAVI – Global Alliance for Vaccines and Immunization. Okonjo-Iweala graduated magna cum laude from Harvard University and earned a Ph.D. in Regional Economics from the Massachusetts Institute of Technology (MIT). Confirmed on the 15<sup>th</sup> of February, she will now be the first African to lead the WTO. The USTR press release goes on to emphasize that the United States looks forward “to achieve necessary substance and procedural reform of the WTO.” In a recent interview, she declared that “the WTO needs extensive and serious reform.”

## Organizational Changes and Important Players

The U.S. Constitution gives the U.S. Congress primacy over trade policy, specifically the power over tariffs and to regulate foreign commerce (Article 1, §8 of the U.S. Constitution). The two most influential Committees on trade are the Senate Finance Committee and the House Ways and Means Committee. The significant role of the Congressional Advisors on Trade Policy and Negotiations, established under the Trade Act of 1974, is often overlooked. This advisory group consists of bipartisan representation of members in both chambers. They function to provide advice on the development of trade policy and its priorities and conduct regular, internal deliberation with the executive branch, mostly with USTR.

Because of their new majority in the senate, all the chairmen of the trade related committees are now Democrats. The current **Senate Finance Chairman Ron Wyden** (Oregon) and the Ranking Republican Member, **Sen. Mike Crapo** (Idaho) are key players. The Senate Finance Subcommittee on Trade is chaired by **Senator Bob Casey** (Pennsylvania) and Ranking Republican **John Cornyn** from Texas. On the House side, the House Ways and Means Committee is chaired by **Richard E. Neal** from Massachusetts and Republican Ranking Member **Kevin Brady** from New York. The Subcommittee on Trade is chaired by **Earl Blumenauer** (Oregon) and **Vernon G. Buchanan** (Rep-Florida).

The Congressional Trade Promotion Authority (TPA) to authorize the President to negotiate trade agreements expires on July 1, 2021. Republicans and Democrats in the evenly split Senate will have substantial leverage to influence Biden’s future trade negotiation agenda. The TPA has the power of delegating congressional power to the executive branch to negotiate international agreements while setting guidelines and negotiating objectives. The power and influence of the two critical committees, House Ways and Means and the Senate Finance Committee, should not be underestimated.

New Presidents are expected to fill roughly 4,000 politically appointed, senior positions in the executive branch and independent agencies, such as cabinet secretaries, undersecretaries, assistant secretaries and other senior executives. More than 1,250 of these senior positions require Senate confirmation. There has been a late start to

nominations and confirmations primarily due to the impeachment hearings and the debates on passing the Covid-19 relief package.

## White House

At the White House the National Economic Council (NEC) advises the President on U.S. and global economic policy. President Biden appointed **Brian Deese** as the Director of NEC, who has a staff of policy experts across many fields (e.g., infrastructure, manufacturing, R&D, healthcare, financial regulations, housing, fiscal policy as well as international trade and investment). Other appointments are pending. Deese brings his in-depth experience from his time as senior advisor to President Obama where he helped design the 2009 auto industry bailout, the 2015 bipartisan budget act and the Paris climate accord. He was chosen, according to White House chief of staff Ron Klain, "to make the wheels of government deliver the view he [Biden] has."

Most of the staff for international economic and trade affairs at the NEC, including the deputy director, have not yet been nominated. **Peter E. Harrell**, as of now, is the highest ranking appointee who holds the position as Special Assistant to the President and Senior Director for International Economics and Competitiveness. He worked in the Obama administration with a focus on U.S. economic statecraft, including sanctions, export controls, and trade policy. In an article in *Foreign Policy* (August 2020), Harrell argues that as part of the Biden-Harris climate change policy tool box, the president could use Section 232 to impose tariffs on products and on countries that pollute the air. In addition, the President could block investments in the United States where projects might harm the environment.

## Department of Treasury

**Dr. Janet Yellen** is the first woman to head Treasury. She comes with a vast portfolio of experience. Under President Clinton she headed the Council of Economic Advisers and was also the first woman to chair the Federal Reserve Board. Her first challenge will be to help the U.S. out of the economic crisis caused by the coronavirus pandemic. Long term, she will oversee and facilitate Biden's economic plan to modernize American infrastructure, build a clean economy and revisit the tax code. She will also face a deficit that has tripled to a record \$3.1 trillion in 2020.

## Department of Commerce

The current Rhode Island governor, **Gina Raimondo's** confirmation as U.S. commerce secretary has advanced to Senate but has not yet been confirmed. In the Committee hearing she faced opposition from three Republican Senators, Ted Cruz (Texas), Marsha Blackburn (Tennessee), and Rick Scott (Florida). Among the criticism raised was her reluctance to commit to keeping Huawei on the export "entity list." She was challenged on how she intends to pay for her economic recovery plan by building a new "green/blue economy", which would address climate change.

Biden has yet to name the head of **Bureau of Industry and Security (BIS)**, which is considered to be among the most important bureaus to address China's access to the U.S. market. BIS regulates exports deemed to have dual-use technologies that can be employed for commercial and military purposes. It was under the Trump administration when BIS put numerous Chinese companies, including Huawei, on its "entity list", which bars U.S. businesses from exporting to any country without a license.

## U.S. Trade Representative – USTR

Joe Biden calls his nominee for U.S. Trade Representative, **Katherine Tai**, a trusted trade expert, who has been the chief trade counsel on the House Ways and Means Committee since 2017. She is highly respected by both parties and was a key player in the negotiations between congressional Democrats and the Trump administration over workers' rights in the new trade agreement with Mexico and Canada (USMCA). Before that, she was at USTR in the China Trade Enforcement office where she was responsible for litigating disputes against China at the WTO. She is still waiting for confirmation by the U.S. Senate Finance Committee. She would be the second Asian American to hold a Cabinet-level position under Biden.

The Office of the U.S. Trade Representative has announced a number of senior staff appointments in the second week of February. Many senior USTR staff, who have been appointed, have Capitol Hill staff experience and have worked closely with Tai. These professional network relationships and legislative experience will facilitate the President's trade policy agenda and cooperation with the Congress.

Among new USTR political appointees are **Nora Todd**, Chief of Staff and **Greta Milligan Peisch** to serve as the General Counsel for USTR. These two and others of Tai's appointed staff had worked together previously on the Hill when crafting key changes, most prominently the changes to the Mexico's labor system, to the update of NAFTA. Peisch, e.g., was recruited out of the Senate Finance Committee where she had spent seven years as international trade counsel working directly for top Democrats on the Senate Finance Committee. Now the Chairman of the committee is Ron Wyden (Oregon), who describes Peisch as "a fierce advocate for American workers, and a tremendous choice for USTR general counsel."

One can conclude from early indications that President Biden isn't afraid of aggressive trade moves and that he will prioritize trade enforcement. In addition, he will promote actions intended as pro-worker, pro-manufacturing, pro-reshoring, and pro-environment, but he won't move quickly on new trade negotiations. He will link encouragement of competitiveness and industrial self-reliance to trade policy but will seek cooperation with allies, including the WTO. He will continue his predecessor's effort to contain China, but will pursue policies in cooperation with like-minded allies.

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