

Trade Policy Priorities for the Biden Administration

Keith Maskus
Austin-area Rotary
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National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.



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Almost post-mortem on Trump policy

- **A brief review of major Trump Administration trade actions:**

- Pulled out of Trans-Pacific Partnership on Jan 21, 2017.
- Imposed steel and aluminum tariffs against nearly all suppliers in 2018.
- Renegotiated NAFTA into USMCA.
- Continued US refusal to permit appointment of judges to the appellate body of the World Trade Organization (WTO).
- US-China trade war.


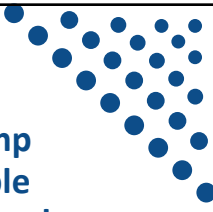
- **Some of this was aimed at real problems but the outcomes have been poor overall:**

- Sacrificed economic leadership in the Asia-Pacific region.
- Raised concerns about US reliability among allies.
- The "Phase One Agreement" with China achieved little on the underlying structural issues and resulted in "managed trade".
- The WTO continues its slide toward irrelevance.




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“Building back better”

- This review indicates that the Trump trade policy generated little tangible benefit but considerable architectural damage in the global trading system.
- Biden’s challenge is then to begin the task of rebuilding a forward-looking, cooperative, and resilient system.
- Following are four (of potentially many) priority areas to work on.
- All these issues are complex, so this is just an overview.




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1. Very short-term: lead global collaboration on distribution of Covid vaccines

- An efficient rollout of domestic distribution systems will be a challenge but consider the international dimensions.
- If each country is left to compete for limited supplies the pricing and distribution could be chaotic.
- How can the US (and others) assist in the complex logistics?
- Should vaccine companies be permitted to assert patent exclusions in developing countries?
- There should be at least G-20 level negotiations on this issue underway now.



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2. Medium term: reestablishing relationships with allies and addressing the “China problem”

- Begin to unwind the remaining steel tariffs (and others) against Europe, Japan, South Korea, and other allies.
- Reaffirm that using the national security loophole for protectionist purposes will be scaled back.
- Coordinate with EU, Japan, and other major countries regarding how to induce China to start reforming its industrial and technology-transfer policies. Incorporating multilateral enforcement commitments would be considerably more effective.
- Reengage in the Asia-Pacific region by joining a new TPP to offset China’s growing influence.

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3. Long term: rebuild the effectiveness of the WTO

- What are the basic problems?
- **1. A requirement for consensus decision making has ended the ability to get multilateral trade agreements on critical issues on the digital economy, data privacy, industrial subsidies, environment and trade, labor rights and trade, financial regulation, and other key questions.**
 - Solution: permit negotiations on open “plurilateral” agreements among like-minded countries.
 - Begin serious, fact-based negotiations on key structural issues, such as methods to reduce use of industrial subsidies.
 - Upgrade WTO rules to meet trade-policy needs for fighting climate change.
- **2. The dispute-resolution system is not functioning.**
 - Why the US (and EU) distrust the system and stopped appointing appellate body judges.
 - Solution: reformulate the many legal gray areas in WTO rules in order to limit the discretion of judges to make law through decisions.

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4. Short and long term: prepare American workers for continuing technological change and globalization

- The greatest failing of many US administrations and Congresses.
- A great paradox: US public opinion is more enthusiastic about the benefits of trade than ever before, but lower-skilled and rural workers continue to be hurt.
- The Trump Administration's approach: higher trade barriers to protect US manufacturing. But this has been costly and ineffective.
- A better (but much harder) approach: deal with the structural problems.
 - Build a stronger social safety net.
 - Make insurance and pension benefits more portable.
 - Offer mobility assistance and retraining benefits.
 - Invest in new educational delivery models and lifelong learning.
 - Support regional development grants.
 - Reinvest in public capital (infrastructure and knowledge).



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Is any of this feasible?

- All these priorities raise deep challenges that will require sustained thinking, effort, and negotiations.
- There may be roadblocks to some of it (e.g., TPP, WTO reforms) on both sides of the aisle.
- But packaging this approach with rebuilding American productive capacity may pave the way for progress.
- Thank you for listening.



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Thank you!

Any Questions?

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Keith Maskus

Keith.Maskus@Colorado.Edu

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