

U.S. Trade Policy under the New Biden Administration



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Through the U.S. presidential election on November 3rd in 2020, Joseph Biden has been elected as the 46th President of the United States. About 160 million U.S. voters utilized their votes to evaluate the performance of the Trump administration from 2017 to 2020. Ultimately, their choice for the next host of the White House was Biden. Thus, President-elect Biden should present his blueprint for the future of the U.S., as well as the world, in response to Americans' choices.

Before the COVID-19 pandemic was prevailing in the U.S., many people had expected that Trump could easily start his second term in the White House. This was because the U.S. economy was in good shape in the sense that the unemployment rate (3.5%) was at a historic low for the last five decades. The broad spread of COVID-19 starting from the first quarter of 2020, however, brought about a huge number of layoffs in the U.S. labor market. The unemployment rate in April skyrocketed to 14.7%, the highest in U.S. history since 1948. Accordingly, the disposable income of U.S. workers significantly decreased, so that year-on-year growth rates in private consumption expenditure plummeted by more than 19% in April.

From now on, Biden will make changes in policies implemented under the Trump administration. Among other things, we need to focus on international trade policy under the new Biden administration. Biden's trade policy will affect our trade relationship with the U.S. as well as other countries' strategies for the U.S. standpoint. First and foremost, the Biden administration will basically support free trade as he advocated it as Vice President of the Obama administration. For example, he put much effort into reaching an agreement for the TPP during the second term of Obama's presidency. As a result, a mega agreement of free trade in the Asia-Pacific region was signed by 12 countries in 2016, although the Trump administration withdrew from the agreement in 2017.

When it comes to specific issues, however, the Biden administration will take different actions. First, let's think about China. Biden will maintain strong protectionist measures towards China because he also thinks the country has not only committed many unfair actions in international trade but also deprived U.S. firms of crucial intellectual properties. While the Trump administration imposed high tariffs on diverse imports from China based on the U.S. Section 301 of the Trade Act of 1974, Biden will put much pressure on China by utilizing a strong relationship with U.S. allies such as the EU and Japan. Moreover, it will also be possible for the Biden administration to rejoin the CPTPP to prevent China from strengthening its influence to the Asia-Pacific region through the RCEP and the Belt-and-Road Initiative. The Biden administration, however, will not return to the CPTPP in the short-run. This is because he has announced that he will focus on national issues such as economic rebuilding against COVID-19 instead of making new trade agreements. In addition, the Biden administration will require current members of the CPTPP to strengthen labor and environment standards in the case that the U.S. seriously considers rejoining the CPTPP.

Secondly, the Biden administration will try to tackle many issues related to the WTO. Since he recognizes the importance and effectiveness of rule-based systems in dealing with trade issues, he will rely on the WTO as a multilateral trade institution to resolve U.S. trade conflicts with other countries. This approach is significantly different from under the Trump administration, which persistently cast doubt on the role of the WTO in addressing trade disputes between the U.S. and other nations, as well as unfair trade actions by China. Moreover, the Biden administration will play a leading role in revolutionizing the WTO system as he has pointed out its failure to deal with critical issues in the recent international trade environment, such as illegal subsidies to state-owned firms, promoting innovation, and digital trade, etc. To this end, Biden will cooperate with the EU and Japan, which have worked toward structural revolution of the WTO even under the Trump administration. Furthermore, the Biden administration is

likely to lead other members of the WTO instead of the EU in order to reestablish the U.S. as the global leader.

Next, the Biden administration will construct supply chains which the U.S. will be able to control. Biden has pointed out the risk of U.S. dependence on Global Value Chains in some industries of critical supplies after observing severe lack of critical medical supplies such as masks and ventilators in many hospitals during the COVID-19 pandemic in April. Moreover, he has emphasized the importance of ensuring U.S. supply capability in major industries associated with national security like energies, semiconductor, and telecommunication infrastructure. One of Biden's presidential campaign slogans, "Buy American" or "Made in America by All of America's Workers," precisely shows the perspective of the Biden administration in regard to protectionism. Furthermore, Biden's strategy of U.S.-centered supply chains will be aimed at keeping the U.S. in a superior position compared to China in a hegemonic competition of technologies. This will act as a critical barrier to the future implementation of China's plan of "Made in China 2025".

The new Biden administration will implement trade policy in line with protectionism, albeit in a different way from under the Trump administration, even though Biden prefers the perspective of free trade. When it comes to China, public opinion in the U.S. towards China has deteriorated because many people in the U.S. believe COVID-19 originated from China. Moreover, the Democratic Party as well as Biden think China has demonstrated unfair behavior in trade, such as the government's subsidies to state-owned firms and cyber theft of critical intellectual properties of U.S. tech firms. The U.S.' antagonistic viewpoint towards China will lead the Biden administration to take strong measures against this big country in Asia. However, Biden is not likely to utilize Trump's approach of imposing high tariffs on Chinese imports based on U.S. trade acts, as he believes the approach has harmed many U.S. manufacturers, farms, and consumers in the form of retaliatory tariffs by China. Rather, the Biden administration will use a strategy of applying pressure on China together with its strong allies.

Some people say it is difficult to predict what kind of trade policy will be implemented under the new Biden administration in that Biden's presidential election pledges include trade policies to promote both free trade and protectionism. I think, however, it is pretty obvious that Biden will rely heavily on protectionist approaches. This is because the U.S. cannot avoid the current global trend of protectionism, and because U.S. global leadership in international trade against China will not be compatible with free trade. Accordingly, the Biden administration will strengthen cooperation with U.S. allies through multilateral systems such as the WTO. Then,

the administration will require those allies to join a group of countries that consider China as a threat to a fair international trade system based on its unfair trade actions.

Biden may require Korea to choose between U.S. and China as a critical ally of the U.S. Given our higher level of dependence on exports to China than U.S., against more reliance on the U.S. than China with respect to national security, it will be difficult for Korea to commit to any one side in terms of its interests. Thus, we need to examine the details which the Biden administration will require its allies to discuss. For instance, Biden wants to construct stable supply chains in which U.S. will play a crucial role. In this regard, Korea can provide the U.S. government with ways of direct participation or cooperation in industries such as automobiles, semiconductors, and secondary batteries, in which it is competitive on the global stage. [KIEP](#)