

Three Trade Policy Priorities for Washington in 2021

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KEY TAKEAWAYS

Keeping international trade and investment flows free will facilitate and accelerate the recovery of the U.S. economy.

Current structural challenges with trade promotion authority (TPA) and threats to the WTO's effectiveness—such as China's abuse of the system—comprise trade freedom.

Washington should evaluate the effectiveness of TPA, reform the WTO, and expand America's strategic trade network with its global partners.

The latest annual overview of global trade by the World Trade Organization (WTO) shows that countries around the world have introduced “the lowest number of regular trade-related measures since 2012.”¹ It is notable that of the 335 measures recorded since the outbreak of the COVID-19 pandemic, 58 percent were of a trade-facilitating nature while 42 percent were trade restrictive.²

Washington should remain committed to advancing trade freedom at home and abroad while also facilitating discussions on the benefits and costs of global trade. Katherine Tai, the new Administration's nominee for U.S. Trade Representative has stated that trade policy “has got to be about what we are going to do to make ourselves and our workers and our industries and our allies faster, nimbler, be able to jump higher, be able to compete stronger, and ultimately be able to defend this open democratic way of life that we have.”³

This paper, in its entirety, can be found at <http://report.heritage.org/ib6050>

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Indeed, more than ever, keeping international trade and investment flows open has become a critical task in facilitating and accelerating the rebound of the U.S. economy. Fostering a robust economic recovery will require determined and sustained trade leadership, and Washington should be more proactive, particularly in dealing with the following three key trade policy areas for 2021: (1) evaluating the effectiveness of Trade Promotion Authority (TPA) and considering its renewal, (2) reforming the WTO, and (3) expanding America's strategic trade network with its partners around the world.

1. Advancing Trade Freedom: Key Objective of Trade Promotion Authority

TPA has been a helpful tool for advancing free trade and spreading its benefits to a greater number of Americans. Commonly known as “fast track” authority, TPA is the legislative power that Congress grants to the President for negotiating reciprocal trade agreements. Provided the President observes certain statutory obligations under TPA, Congress agrees to consider implementing those trade pacts without amending them. Current TPA, which was renewed in 2019, expires on July 1, 2021.⁴

Without TPA, the Biden Administration would struggle to get new trade agreements approved by Congress. Given the urgency of revitalizing the U.S. economy and advancing open markets to secure greater benefits of two-way trade for the U.S., advancing a mechanism to expedite the approval of new trade agreements could be of great benefit in 2021. The quest for renewing TPA should be guided by principles that enhance trade freedom, a vital component of America's economic freedom.

The current TPA's expiration also provides a unique opportunity for Congress to re-evaluate and refine the process. Specifically, Congress should consider reining in the negotiating objectives on labor and the environment, making the mock mark-up of TPA a required step in the process, and eliminating loopholes that allow the executive to set tariff rates without congressional approval. More broadly, Congress should have a chance to evaluate the effectiveness of TPA and determine if this fast-track authority is the best way to advance free trade.⁵

2. Making Greater Use of the World Trade Organization by Encouraging Reform

Last year marked the 25th anniversary of the establishment of WTO. The WTO is not a global governing body that directs flows of goods and services

around the world. Its actual role is far more limited—as a forum of negotiation and a venue for the resolution of disputes between its members. It has no independent power to enforce its decisions. Nonetheless, the global trade forum has contributed to the strength and stability of the global economy, helping to boost trade growth, resolve numerous trade disputes, and support the integration of more countries into the trading system.

The WTO has proven to be a useful tool for the United States and other countries in promoting fair and mutually beneficial trade among its members. U.S. businesses and consumers have benefitted measurably from voluntary participation in its negotiations and mediation exercises.

In encouraging a better and more effective function of the WTO, Washington should consider ways to take greater advantage of its WTO agreement. In areas where the U.S. feels that the WTO is lacking, for example, when China games the system, Washington should work with free trade allies, such as South Korea and the United Kingdom, to reform the institution and address China's abuses of the system.⁶ The U.S. should work more strategically and practically to reform the institution it helped to create 25 years ago.

3. Expanding America's Pragmatic Network of Free Trade Agreements

The Heritage Foundation's *Index of Economic Freedom* has demonstrated for more than 25 years that economic openness yields better results for individuals around the world.⁷ The same is true for countries that reduce barriers to trade and allow individuals to exchange freely with the world.

America's engagement with the world through trade and investment has been the framework upon which its prosperity rests, and an engine of growth for the world as a whole. Open trade and investment policies have created economic dynamism that engenders continual innovation and leads to better products, new markets, and greater investment. America and all countries stand to gain from expanding markets and greater trade.⁸

Going forward, policymakers in Washington should work to eliminate barriers to trade multilaterally, regionally, or bilaterally, particularly given the urgency of ensuring America's swift and smooth economic recovery from the pandemic. To that end, Washington should take a practical look at the countries that have indicated a willingness to forge closer trade partnerships with the United States.

Currently, the United States has 14 preferential trade agreements with 20 countries.⁹ Expanding the web of trade pacts in place, Washington must encourage freer flow of goods, services, and ideas around the globe.

Implementing such forward-looking policies would generate and reinforce the economic dynamism and innovation that will lead to an expanded network of free markets and greater economic ties to like-minded and willing partners. In what must be a long-term, strategic effort, America needs to marshal its resources and continue its committed engagement to meet the protectionist challenges confronting the global trade framework.

Time to Amplify and Elevate Certainty on Trade Freedom

The best way to respond to an economic slowdown is by removing disincentives that stand in the way of economic activity, through ensuring policy predictability and pursuing an environment that does not discourage working, saving, investing, and trading. There are a number of ways that policymakers can achieve such an environment, especially by pursuing a proactive trade policy agenda.

Washington should build upon the broad momentum of recent decades to increase economic freedom and dynamic growth around the world, not disrupt it with renewed protectionist trade policy triggered by the current pandemic. If there ever was a time to adhere closely to the principles of economic freedom, this is it. Any notion that America can deal with the ongoing pandemic and make the much-needed economic rebound without delving into trade is ill-guided and wishful thinking.

The main threat to U.S. prosperity in recent years has come not from trade itself, but from a gradual decline in the freedom to trade. The freedom to trade must be guarded and enhanced, and that should be the core of America's trade policy agenda for 2021.

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Endnotes

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