



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **Biden and Trade Security**

by Iris Liu  
May 2021

# CONFERENCE REPORT

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**Gary Hufbauer** – Non-resident Senior fellow, Peterson Institute of International Economics

**Jeff Schott** – Senior fellow, Peterson Institute of International Economics

**QUESTION:** *How do you assess the first 100 days and what stands out to you in particular?*

*Jeff Schott*

- There is a sharp division between the Republicans and the Democrats, but they have mutual interests in trade policies, requiring a joint platform to progress on trade policies.
- The U.S. is likely to try to rebuild a relationship with its Allies.
- The U.S. Trade Representative Katherine Tai's primary task is to support the Biden administration in rebuilding the U.S. economy and integrating trade and climate into overall US economic policies; trade negotiations will be the second-order priority.

*Gary Hufbauer*

- Biden's good relationship with Congress might lead to an increase of the president's power over trade progress; Biden will be able to enlist congressional support in the future.
- Consumers and corporations are second-class citizens for trade policies; instead, labour is the first-class citizen. Trade policy is not worker policy.

**QUESTION:** *What about Celeste Darke, Director for 'Made in America'? How will that office operate? Should Canada be worried about 'Buy American'? Is there a way around it?*

*Gary Hufbauer*

- The current "Buy American" rhetoric is mercantilism, which is not likely to benefit trade worldwide.

*Jeff Schott*

- The policy guides will tighten the rules for granting exceptions, especially the law on procurement.
- There are two problems with the 'Buy American' focus: a) Adding this requirement to federal procurement will slow down the funding contract progress between federal and provincial, which delays the investment and the infrastructure plan; b) It sets a bad



example for other countries. ‘Buy American’ would not help with the U.S.’ request to access markets in other countries and call a stop to unfair competitions.

**QUESTION:** *Eventually – sooner than later, many hope – we will reopen the borders with Canada. Is this an opportunity to reimagine how we clear people, goods, services and data?*

*Gary Hufbauer*

- Canada and the U.S. could cooperate on implementing a vaccine passport or other documents for travellers.
- More progress could be made on the pre-clearance of shipments to reduce the delay at the borders. We need to get the technologies to smaller firms who have not as much shipment across the border.
- Lifting small value shipments from Canada and Mexico, which have no customs duties, will help electronic commerce relations.

*Jeff Schott*

- Services are part of the relationship in the context of reopening the borders that have often been underestimated.
- Vaccine passports need to be done on a federal level because states have widely different rules. This idea will affect tourism and cruise ship businesses.

**QUESTION:** *You recently wrote a paper on the new NAFTA looking at challenges and opportunities. You argue that we need to focus on cooperation on energy, including renewables and carbon emission standards. You say we should also focus on infrastructure collaboration and expand NAD Bank programs and increase its capital. Will this jibe with the Biden ‘Build Back Better’ programs?*

*Jeff Schott*

- With the USMCA in place, it allows countries to continue without the political obstacles that burden the implementation of NAFTA.
- When the US is pushing in funds for the infrastructure plan, the systems could be designed to take advantage of the integrated production process of North America, which makes sense in the energy, auto sector, and other areas.



- There will be a focus on renewables to increase the availability of energy resources, but the policy has to be incremental. The energy area and the existing business infrastructure will allow both the U.S. and Canada to integrate the economy further.

*Gary Hufbauer*

- There was a lack of environmental concerns in previous policies under the Trump administration; however, now there is hope for the U.S., Canada, and Mexico to discuss how countries could move forward with the plan.
- Regarding electricity, oil, gasoline and natural gas, Mexico's nationalist approach to oil is concerning. There is plenty of room to move forward with energy cooperations within North America.
- The shutdown of pipelines between the U.S. and Canada will not contribute to the carbon emission problem; instead, it contributes to cross-border friction.

**QUESTION:** *Canada has taken the lead, working with like-minded nations, in trying to find solutions to the U.S.'s unhappiness about dispute settlement at the WTO. The Trump administration effectively froze WTO dispute settlement with its refusal to appoint new judges. Where do you think the Biden administration will be in the WTO?*

*Jeff Schott*

- The Biden administration will be more constructive than the Trump administration; however, there is still no nominee for the U.S. ambassador to the WTO.
- A key area that requires immediate results is vaccine nationalism, for example, helping developing countries with the pandemic.
- White House has issues types of intellectual property waiver for vaccines, which shows the commitment of the U.S. to move forward to revive the dispute settlement in the WTO.

*Gary Hufbauer*

- Three elements that may resolve the U.S.'s unhappiness: a) The appellant body will not fill the gap; the parties need to agree. b) The appellant body needs to respect the deadline for issuing opinions. c) The appellant body needs to limit the length of their writing on issues.
- Intellectual Property waivers on vaccines is not as important as having skilled professionals for developing countries. The U.S. and other developed countries should produce and provide the vaccines to the world at no cost.



**QUESTION:** *Where is the U.S. going with China on trade policies?*

*Jeff Schott*

- Biden's approach is pragmatic and nuanced; there are many areas that the US that needs to cooperate with China. For example, climate change, pandemic, nuclear proliferation in North Korea and Iran.
- The U.S. has to find a way to balance the issues mentioned above while resisting human rights and democracy bottom lines.
- Biden needs to reconsider rejoining CPTPP as issues between China and the U.S. continue to be bound.

*Gary Hufbauer*

- The issue of Taiwan is central regarding the U.S.-China relationship. If Xi decides to relax with Taiwan, Xinjiang, and Hong Kong, cooperation between the two countries will grow, including trade and technology flows.

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## ► About the Author

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***Iris Liu** is a co-op student at the Canadian Global Affairs Institute. She is currently pursuing a Master of Arts degree at the University of Ottawa in Public and International Affairs. Previously, she graduated from Carleton University with a Bachelor of Arts degree in Law in 2020. Iris had the experience of working as a legal assistant in both a private firm and The Landlord and Tenant Board Tribunal during her undergraduate years. Her research interests are international trade and Canada-China relations.*

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