

## **The Shape of Things to Come: Trade and Foreign Policy in the Biden Administration**

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The upcoming Biden administration will face major challenges in unraveling the damage done by Donald Trump with respect to US foreign policy. This was one of the policy areas most significantly disrupted during the Trump years. Trump withdrew from trade initiatives (e.g., the Trans-Pacific Partnership) and international agreements (e.g., the Paris Climate Agreement and the Iran nuclear deal), criticized traditional alliances (e.g., NATO) and multilateral institutions (e.g., WHO, WTO), while hollowing out the U.S. diplomatic corps. There is hope that President Biden will be able to address these issues, restoring the credibility and leadership of the USA among world democracies.

The initial appointments of the new government (e.g., the choice of Antony Blinken as Secretary of State) give credence to the idea that a more conventional approach to U.S. foreign policy will prevail in the next four years. Some have characterized Biden's agenda as Obama 2.0 in view of the characters involved and previous statements of the president-elect.<sup>2</sup>

The reality, however, is that some of the disruptions that occurred over the last four years will have long-term implications. The credibility of the USA as a trusted partner immediately comes to mind. Moreover, the ability of the new administration in implementing major new initiatives will depend to a certain extent on the results of the run-off elections for the Senate in Georgia in January 2021, which will determine the balance of power in the Congress.

It is true that Joe Biden may use his Executive Powers to address some issues independently of the Congress. In this context, the return to the Paris Climate Agreement is a likely action in the very beginning of the new administration. On the other hand, rejoining the Iran nuclear deal may be a more difficult proposition in view of the killings of Maj. Gen. Qassim Suleimani (in January) and of Mohsen Fakhrizadeh (the leading Iranian nuclear scientist) in November. These actions

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<sup>2</sup> See, for example, Joseph R. Biden, Jr., 2020, "Why America Must Lead Again: Rescuing U.S. Foreign Policy After Trump," Foreign Affairs (March/April).

have made the diplomatic route much more difficult and strengthened the hand of hard-liners in Iran.

In the area of international trade, one should not expect major changes in the short run as the initial focus of attention will likely be the control of the Covid-19 pandemic and its economic externalities. In order to pursue any major new trade agreement, the Biden administration will first have to secure, in the Congress, the renewal of the Trade Promotion Authority, which expires on July 1, 2021. Future trade agreements are likely to be heavily influenced by the framework of the USMCA (the revised NAFTA driven by Trump's priorities), maintaining a managed trade bias (reflecting restrictive rules of origin) and with additional emphasis on labor and environmental standards.

There are, however, a few areas where changes may come faster. The use of Section 232, based on arguments of national security, to introduce protectionist measures (as the tariffs and quotas imposed on imports of steel and aluminum) may be gradually abandoned. Such development would be most welcome by US allies, including Brazil. Another area likely to change involves the obstructionist attitudes of the US vis-à-vis the WTO, in particular, the refusal to approve new judges to the Appellate Body of the institution and the veto to the consensus candidate (Ngozi Okonjo-Iweala) to become the next Director General of the WTO.

US-China relations, however, will remain contentious. One should expect renewed pressure on human-rights issues (e.g., the treatment of the Muslim Uighur minority in Xinjiang and the implications of the new security law in Hong Kong). On trade, the Biden administration will continue to press for the implementation of the Phase 1 of the bilateral agreement signed in January 2020 and is unlikely to remove the tariffs imposed on Chinese products. The focus of the commercial conflict (Cold War 2.0), however, is likely to shift to the issue of technological competition, building on the efforts of the Trump administration in the context of the Clean Network initiative, and aiming particularly on the creation of barriers to the use of Huawei's 5G equipment.

New approaches, by the US, on foreign and trade policies will bring both opportunities and challenges for Brazil. A less protectionist trade policy combined with more support for multilateral solutions will be positive developments.

Discussions on the ethanol tariff-rate quota adopted by Brazil, as well as the tightening of the steel quota adopted by the Trump administration in August, will be major topics in the near term. Cold War 2.0 with China, in turn, will require the careful exercise by Brazil of diplomatic neutrality. This will become evident next year when investments in 5G networks are expected to be implemented. There is also potential for conflict if Brazil does not adopt a more proactive policy with respect to illegal deforestation in the Amazon region.

The expectation that the Protocol on Trade Rules and Transparency, announced in October 2020, would launch the basis for concrete negotiations on a free-trade agreement is now an even more distant “dream,” given the ideological differences between the Bolsonaro government and the future Biden administration. In the end, however, bilateral relations will continue to be driven mainly by pragmatic considerations, given the relative importance of trade and investment links between Brazil and the United States.