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International Trade and Finance: Overview and Key Issues for the 117th Congress

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Introduction

International trade and finance shape the everyday material life of people in the United States. How goods, services, and money crisscross the globe can determine the success of U.S. industry and agriculture, the financial security of U.S. households, the goods and services available to U.S. consumers, the strength of the U.S. dollar, and the health of the global environment. International trade and finance are also tools for securing U.S. foreign policy and national security interests. Since World War II, the United States has used trade policy to promote overall global economic growth and strengthen links to its allies, sanctions to isolate its adversaries, and participation in international institutions to establish an open rules-based global economy intended to encourage peaceful, stable, and expanding economic engagement in the world. Congress is in a unique position to set U.S. trade policy given its constitutional authority for legislating and overseeing international commerce.

The U.S. Constitution grants to Congress the authority “[t]o lay and collect Taxes, Duties, Imposts and Excises” and “[t]o regulate Commerce with foreign Nations.” Over the years, Congress has delegated some of that authority to the executive branch. For example, Congress has authorized the President to enforce trade agreements and address unfair trade practices. Congress has also empowered the executive branch to regulate trade for foreign policy and national security purposes. Because of such delegations, Congress often conducts oversight and engages with the administration to manage and influence U.S. international trade and finance policy. At the same time, the appropriate extent of this delegated authority remains an active area of congressional debate and subject to potential modification through legislative action.

The start of the 117th Congress coincides with the inauguration of a new president. Members of Congress have an opportunity to shape the new Administration’s trade policy and define congressional priorities through confirmation hearings, legislation, appropriations, and oversight. In some respects, the Trump Administration’s trade policy diverged from that of previous postwar administrations in that it questioned the benefits of U.S. participation and leadership in the rules-based global economic system, renegotiated free trade agreements, and invoked infrequently used U.S. trade laws in new ways to restrict imports of certain foreign goods.

As the 117th Congress engages with the Biden Administration to chart the next phase of U.S. trade policy, various adjustments are possible. While many analysts expect a change of tone in the new Administration’s trade policy, particularly with respect to close allies, few expect a total reversal, particularly with respect to U.S. policy toward the People’s Republic of China (PRC or China). Some Members have encouraged the Biden Administration to work closely with allies to address U.S. concerns related to China, reform and improve the functioning of the World Trade Organization (WTO), and address emerging issues that existing multilateral trade rules and disciplines may not cover or cover adequately (e.g., digital trade, state-owned enterprises [SOEs] and state-led subsidies, worker rights, the environment, and anti-corruption). At the same time, the incoming Administration’s priorities may focus initial attention on domestic economic policies, which could include addressing questions over U.S. industrial capacity and reliance on foreign suppliers in key sectors, particularly in light of the various supply challenges related to the Coronavirus Disease 2019 (COVID-19) pandemic.

Below is a brief overview of certain issues that were the subject of recent discussion and debate, and that may come before the 117th Congress:

- **Congress and Trade Agreements.** A central component of the cooperation between Congress and the executive branch is Trade Promotion Authority (TPA). Under TPA, Congress establishes trade negotiating objectives, notification and

consultation requirements, and expedited procedures to consider implementing legislation for trade agreements that advance those objectives and requirements. Congress passed the most recent TPA in 2015. This authorization expires on July 1, 2021. The Biden Administration may seek a renewal of TPA. Renewal could prompt a substantive trade policy debate over U.S. trade negotiating objectives, the extent of congressional oversight, and the scope and approach to potential new U.S. trade agreements (e.g., limited or phased vs. comprehensive agreements). Another issue for Congress may be whether the U.S.-Mexico-Canada Agreement (USMCA) serves as the new model for comprehensive free trade agreement (FTA) negotiations going forward or represents a distinct approach to address a specific trading relationship. The USMCA includes a number of revisions and new provisions compared to past U.S. trade agreements, including on digital trade barriers, investment, intellectual property rights (IPR), government procurement, labor enforcement mechanisms, rules of origin, and exchange rates. Environmental issues may also take on greater importance in future trade debates and negotiations. An area of ongoing interest is weighing the costs and benefits of U.S. trade agreements and their impact on U.S. jobs and the role of trade adjustment assistance (TAA) programs in protecting U.S. workers and firms.

- **Recent U.S. Trade Agreements, Current Negotiations, and Trade Relations with Other Major Trading Partners.** The status of trade negotiations initiated by the Trump Administration, including with the United Kingdom (UK) and Kenya, and the pending second stage talks with Japan and China remain uncertain. The evolution and resilience of the U.S.-European Union (EU) economic relationship, underpinned by large, complex trade and investment ties, is another area of great interest to many Members.

Issues for the 117th Congress include possible U.S.-EU resolution of specific trade disputes (e.g., Section 232 tariffs on steel and aluminum and the Boeing-Airbus subsidy dispute at the WTO), renewed momentum for broader U.S.-EU trade liberalization negotiations, and Brexit-related outcomes and implications for transatlantic trade and investment. The recent conclusion of the Association of Southeast Asian Nations (ASEAN)-led Regional Comprehensive Economic Partnership (RCEP), in which China was a member and leading proponent, may also influence congressional debate about existing and future U.S. trade agreements in the Asia-Pacific region. This may include examination of whether and how the United States might join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11), which may expand and become more economically significant through additional participation of the UK and possibly other Asian countries. The implementation of the USMCA may also be of interest, particularly its labor and motor vehicle provisions, and could serve as a platform to apply new provisions into other negotiations and agreements.

- **U.S.-China Economic Relations.** The U.S.-China trade and economic relationship is complex and wide-ranging. Members of Congress will likely continue to voice their views and concerns as the Biden Administration develops its policies toward China. In addition to specific trade practices, Congress will likely continue oversight of (1) the status of addressing U.S. government concerns identified under Section 301 that led to an initial U.S.-China Economic and Trade Agreement (“Phase One Agreement”) and next steps to address ongoing concerns with China’s trade and investment practices; (2) the economic implications of China’s industrial policies in a range of sectors including

technology, clean energy, advanced manufacturing, and pharmaceuticals, which could potentially challenge U.S. firms and disrupt global markets; and (3) the economic and geopolitical impact of China's "One Belt, One Road" Initiative (also known as "Belt and Road" Initiative), which finances and develops China's global supply chains through trade, investment, and infrastructure projects across a number of countries and regions. Another topic of growing congressional interest is whether the U.S. government might pursue a trade agreement with Taiwan.

- **The World Trade Organization (WTO), International Financial Institutions, and the Global Economic Order.** Another issue is the role of the United States in the multilateral, rules-based trading system underpinned by the WTO. Historically, U.S. leadership in the WTO and its predecessor the General Agreement on Tariffs and Trade (GATT) has enabled the United States to shape the rules governing international trade in ways that both advance and defend U.S. interests. The growing debate over the role and future direction of the WTO raises issues for consideration by Congress. These include: (1) electing a new leadership for the WTO Secretariat; (2) advancing reforms to the institution in an attempt to safeguard and improve its effectiveness; (3) updating WTO rules to reflect 21st century realities, such as advances in technology, new forms of trade barriers, and market-distorting government policies; and (4) resolving ongoing disputes and longstanding U.S. concerns over the functioning of the dispute settlement system's Appellate Body. Broader issues regarding the U.S. role in major international financial institutions, including the International Monetary Fund (IMF) and World Bank, to address evolving changes in the global economic order and the COVID-19 pandemic, may also come before Congress.
- **Tariff Actions.** President Trump's use of certain delegated trade authorities (e.g., under Section 232 of the Trade Expansion Act of 1962 and Sections 301 through 310 of the Trade Act of 1974) to impose increased tariffs on certain U.S. imports has been subject to congressional debate, including proposed legislation to reform these authorities. The Biden Administration will determine whether to maintain or modify current Section 232 tariffs on steel and aluminum imports from various countries and Section 301 tariffs on imports from China and the EU, as well as whether or not to continue additional pending investigations under these statutes, or support new investigations. Continued congressional debate may occur on the use of tariffs as a negotiating tool.
- **Technology, Foreign Investment, and Trade.** Trade policy issues related to technology and industrial policy, digital trade, data flows and data privacy, the role of digital platforms, digital currencies, and commercial cyber theft, among others, may remain active in the new Congress. In addition, the Committee on Foreign Investment in the United States (CFIUS) process likely will continue to be of interest to Members, particularly on issues related to the ongoing implementation and effectiveness of recent legislative reforms. Oversight over export control reform implementation is also likely to be of interest to Congress.
- **Coronavirus Disease (COVID-19) and the Global Economy.** The ongoing pandemic presents policy questions with which the 117th Congress may engage. In the first months of the pandemic, countries around the world placed export restrictions on certain finished goods and raw materials. These export restrictions led to shortages of key goods, including medical supplies, and travel restrictions impeded the smooth functioning of global value chains. While many of those

restrictions eased by the autumn of 2020, the shock of the initial shortages led to congressional interest in encouraging the relocation of essential services and supply chains to the United States or to certain allies and trading partners like Canada and Mexico.

Other issues of potential interest to the 117th Congress may include global supply chains; trade promotion and finance agencies; the role of imports in government procurement; potential economic crises in economies overseas; trade preference programs, including the recently expired Generalized System of Preferences; and possible renewal of the Miscellaneous Tariff Bill. Additionally, continued congressional interest is likely on economic sanctions, such as those against Turkey, Russia, North Korea, Iran, Cuba, and other countries.

A number of factors may affect the U.S. trade policy landscape for the 117th Congress including the impact of the COVID-19 pandemic and the U.S. government's response to it on the U.S. economy, exports, firms, workers, and supply chains, as well as on U.S. efforts to settle disputes and reduce trade tensions with major U.S. trading partners. How these issues further develop, combined with the evolving global economic landscape, raise potential legislative and policy questions for Congress.

This compilation of CRS In Focus briefs provides a broad overview of select topics in international trade and finance. It is not an exhaustive list of all issues, nor is it a detailed examination of any one issue. Rather, each brief provides concise background information of certain issues that have been the subject of recent discussion and debate, and that may come before the 117th Congress. They also include references to more in-depth CRS products on the issues.

Overview

CRS In Focus IF10156, *U.S. Trade Policy: Background and Current Issues*, by Shayerah I. Akhtar, Ian F. Fergusson, and Brock R. Williams

CRS In Focus IF11016, *U.S. Trade Policy Functions: Who Does What?*, by Shayerah I. Akhtar

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Recent U.S. Trade Agreements and Current Negotiations

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CRS In Focus IF11387, *USMCA: Motor Vehicle Provisions and Issues*, by M. Angeles Villarreal, Bill Canis, and Liana Wong

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World Trade Organization

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International Financial Institutions (IFIs)

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Digital Trade and Finance

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