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International Trade and Finance: Overview and Issues for the 118th Congress

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The congressional role in U.S. trade policy includes setting priorities for trade negotiations, requiring notification from or consultation with the executive branch on select issues, enacting laws authorizing trade policy programs and measures, granting appropriations, and conducting oversight of trade-related programs and agencies. Article I, Section 8 of the U.S. Constitution grants Congress the authority to collect taxes and regulate international commerce. Congress has delegated some of these powers to the executive branch, such as the authority to set tariffs, negotiate and enforce trade agreements, and regulate trade for foreign policy and national security purposes. As a result, Congress has often worked closely with the executive branch to develop and implement U.S. policy on international trade and finance.

The 118th Congress may legislate and conduct oversight on a wide-ranging set of trade policy issues that includes national security concerns and new executive-led trade initiatives. National security and economic challenges may include issues posed by China's state-led economy, export and investment controls, sanctions on Russia, and privacy concerns related to cross-border data flows. New bilateral or regional trade initiatives launched under the Biden Administration cover select trade and economic issues such as supply chains, clean energy, and anticorruption but exclude commitments to reduce or eliminate tariffs. Congress may have a role in shaping new trade initiatives such as the Indo-Pacific Economic Framework for Prosperity (IPEF) and the U.S.-Taiwan Initiative on 21st Century Trade, and determining the extent of the congressional role in the negotiation and implementation of agreements that do not make commitments to change the U.S. tariff schedule. The 118th Congress may also continue to examine issues related to labor (e.g., enforcement of labor commitments under trade agreements and forced labor) and advanced technology issues (e.g., semiconductors). These issues may be the subject of further debate and legislative action. Congress may also consider emerging issues related to reorganizing supply chains and countering growing Chinese influence in the digital space, through hearings and other forms of oversight, and by working with the executive branch to set priorities in trade discussions.

This report provides a brief overview of select topics that were the subject of discussion in the 117th Congress and that may come before the 118th Congress. It also includes a compilation of CRS In Focus briefs that provide concise background information on select topics in international trade and finance.

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Introduction

Article 1, Section 8 of the U.S. Constitution grants Congress the authority to collect taxes and regulate international commerce. Since the Reciprocal Trade Agreements Act of 1934, Congress has delegated some of these powers to the executive branch, which has the constitutional authority to conduct foreign relations and negotiate treaties. For example, Congress has authorized the executive branch to set tariffs, make and enforce certain trade agreements, and regulate trade for foreign policy and national security purposes. Congress has often worked closely with the executive branch to manage U.S. policy on international trade and finance by setting priorities, requiring notification from or consultation with the executive branch on select issues, enacting laws authorizing trade policy programs and measures, granting appropriations, and conducting oversight of trade-related programs and agencies.

Members of the 118th Congress may have an opportunity to help shape the Biden Administration's trade policy agenda and define congressional priorities related to trade through legislation, appropriations, hearings and other forms of oversight. The Administration has articulated a wide-ranging set of priorities in international trade. Of particular focus for the Administration have been the competitive and economic challenges posed by the People's Republic of China (PRC or China), economic sanctions against the Russian Federation (Russia), and prospective new trade initiatives such as the Indo-Pacific Economic Framework for Prosperity (IPEF), the Americas Partnership for Economic Prosperity (APEP), and the U.S.-Taiwan Initiative on 21st-Century Trade. The Administration also has focused on enhancing cooperation with other countries, such as potential discussions in APEP on reorganizing supply chains to include more countries in the Western Hemisphere, and renewed cooperation with the European Union (EU) in the U.S.-EU Trade and Technology Council (TTC) on issues related to emerging technologies. Additionally, the Administration's "worker-centered" trade policy suggests that enforcement of worker rights provisions and the impact of trade policies on U.S. workers may continue to be a focus. Emerging issues related to the privacy of cross-border data flows, export and investment controls of advanced technologies, the use of green technologies, and supply chain resiliency may grow in importance in U.S. trade policy.

Below is a brief overview of select issues that were the subject of discussion and debate in the 117th Congress, and that may come before the 118th Congress:

- **Congress and Free Trade Agreements.** Free trade agreements (FTAs) that reduce barriers to trade (e.g., tariffs) between members have historically been a core component of U.S. trade policy, and Congress has played a key role in authorizing and implementing certain agreements. A central component of the cooperation between Congress and the executive branch in this area is Trade Promotion Authority (TPA). Under TPA, Congress has established objectives for the executive branch to pursue in trade negotiations, requirements for notification from and consultation with the executive branch on select issues, and expedited procedures for Congress to consider implementing legislation for trade agreements that advance those objectives and requirements. Congress passed the most recent TPA in 2015 (P.L. 114-26); the authorization expired in July 2021. The Biden Administration has not announced any plans to seek a renewal of TPA and instead has launched trade initiatives (e.g., IPEF) that focus on targeted issues, do not involve commitments that require changes to the tariff schedule or U.S. law, and therefore may not require congressional action. A major issue for the 118th Congress may be determining the extent of the congressional role in the negotiation and implementation of limited-scope trade initiatives.

- **U.S.-China Economic Relations.** The U.S.-China trade and economic relationship is complex and wide-ranging. China is an important global market for the United States, but China's state-driven economic policies result in significant trade barriers and a lack of reciprocity in key areas for U.S. firms. Issues such as reducing U.S. dependency on supply chains involving China prompted legislation in the 117th Congress (e.g., P.L. 117-167, commonly referred to as the CHIPS and Science Act). Core systemic issues, such as the role of the state in China's corporate activity and China's practices related to industrial and technology policies and human rights, may continue to motivate Members to pursue legislation or oversight activities related to China in the 118th Congress. Export controls, U.S. firms' investments or activities in China, investment in U.S. lands by China, and privacy and security risks to U.S. users from Chinese-owned smartphone applications (e.g., TikTok) are also issues of ongoing congressional focus.
- **Economic Sanctions on Russia.** In response to Russia's ongoing war against Ukraine, a broad, multilateral coalition of U.S. allies and partners imposed unprecedented and wide-ranging sanctions on Russia that target Russia's financial and energy sectors, Russia's access to western technology, and the overseas wealth and economic activities of Russia's elite. The sanctions have imposed costs on Russia and disrupted global energy markets. The Biden Administration implemented most sanctions through executive orders. The 118th Congress may consider whether to codify sanctions, the effectiveness and intent of sanctions, the role for new sanctions, the impact of sanctions on the U.S. economy, and other issues related to multilateral cooperation on sanctions.
- **Worker Rights.** Worker rights are a prominent issue in U.S. trade policy. The Biden Administration has pursued a "worker-centered" trade policy and interest in trade-related issues regarding forced labor, labor standards, and enforcement of labor provisions increased in the 117th Congress. In particular, the 117th Congress passed, and the President signed, legislation to prohibit goods produced or manufactured with forced labor in China's Xinjiang Uygur Autonomous Region. Some Members of Congress also took positions on the negotiation and implementation of more enforceable worker rights provisions and a labor-specific dispute settlement mechanism in the U.S.-Mexico-Canada Agreement (USMCA), which went into effect in 2020. The 118th Congress may consider issues related to the implementation and effectiveness of labor provisions in U.S. trade agreements, especially with regard to worker rights; the operation of the USMCA mechanism and ability of Mexico to implement its labor reforms; and whether and how to strengthen U.S. and global labor standards, such as in ongoing U.S. trade initiatives and in multilateral institutions.
- **Digital Trade, Data Policy, and Technology.** Trade policy issues related to technology and industrial policy, digital trade, data flows and data privacy, the role of digital platforms, and cybersecurity, among others, are likely to remain active in the 118th Congress. In assessing U.S. trade policy approaches to digital trade, Congress may examine issues related to protecting personal data of U.S. citizens, including whether comprehensive federal data privacy legislation is necessary and, if so, what the objectives would be with respect to treatment of cross-border flows of sensitive data on U.S. citizens. For example, Congress may assess how best to balance prohibitions on data localization requirements that ensure uninterrupted cross-border data flows with protections to address privacy

and national security concerns. Congress may also consider setting negotiating priorities on digital trade for ongoing trade discussions (e.g., IPEF). Priorities may include setting best practices for new technologies, the role of U.S.-EU cooperation on trade and technology issues, including continued discussions over electric vehicle tax credits in the United States, and countering China's growing influence in the digital space. Export controls and regulation on inbound and outbound investment in advanced technology sectors also are likely to receive continued attention in the 118th Congress.

This compilation of CRS In Focus products provides a broad overview of select topics in international trade and finance, including the topics mentioned above and issues such as international institutions, government procurement, intellectual property rights, foreign direct investment, trade remedies, preference programs and relations with major trading partners. Each brief provides concise background information on select issues that may come before the 118th Congress. The products also may include references to more in-depth CRS reports on the issues.

Overview of U.S. Trade Policy

CRS In Focus IF10156, *U.S. Trade Policy: Background and Current Issues*, by Shayerah I. Akhtar, Cathleen D. Cimino-Isaacs, and Karen M. Sutter

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

CRS In Focus IF11030, *U.S. Tariff Policy: Overview*, by Christopher A. Casey

CRS In Focus IF10636, *Foreign Direct Investment: Background and Issues*, by Shayerah I. Akhtar, Cathleen D. Cimino-Isaacs, and Andres B. Schwarzenberg

CRS In Focus IF10002, *World Trade Organization*, by Cathleen D. Cimino-Isaacs

Congress and Trade

CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by Christopher A. Casey and Cathleen D. Cimino-Isaacs

CRS Infographic IG10001, *Trade Promotion Authority (TPA) and U.S. Trade Agreements Timeline*, by Christopher A. Casey and Cathleen D. Cimino-Isaacs

CRS In Focus IF11400, *Presidential Authority to Address Tariff Barriers in Trade Agreements*, by Christopher A. Casey and Brandon J. Murrill

Select Key Areas of Trade Policy

CRS In Focus IF12347, *Digital Trade and Data Policy: Select Key Issues*, by Danielle M. Trachtenberg

CRS In Focus IF10166, *Environmental Provisions in Free Trade Agreements (FTAs)*, by Richard K. Lattanzio and Christopher A. Casey

CRS In Focus IF10033, *Intellectual Property Rights (IPR) and International Trade*, by Shayerah I. Akhtar and Liana Wong

CRS In Focus IF11580, *U.S. Government Procurement and International Trade*, by Andres B. Schwarzenberg

CRS In Focus IF12119, *Industrial Policy and International Trade*, by Andres B. Schwarzenberg

CRS In Focus IF11035, *Managed Trade and Quantitative Restrictions: Issues for Congress*, by Andres B. Schwarzenberg

Trade Agreements and Relations with Select Key Trading Partners

CRS In Focus IF10997, *U.S.-Mexico-Canada (USMCA) Trade Agreement*, by M. Angeles Villarreal

CRS In Focus IF11175, *U.S.-Mexico Trade Relations*, by M. Angeles Villarreal

CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by M. Angeles Villarreal

CRS In Focus IF12373, *Indo-Pacific Economic Framework for Prosperity (IPEF)*, by Cathleen D. Cimino-Isaacs, Kyla H. Kitamura, and Mark E. Manyin

CRS In Focus IF10733, *U.S.-South Korea (KORUS) FTA and Bilateral Trade Relations*, by Liana Wong and Mark E. Manyin

CRS In Focus IF12078, *CPTPP: Overview and Issues for Congress*, by Cathleen D. Cimino-Isaacs

CRS In Focus IF11891, *Regional Comprehensive Economic Partnership (RCEP)*, coordinated by Cathleen D. Cimino-Isaacs

CRS In Focus IF11120, *U.S.-Japan Trade Agreement Negotiations*, by Cathleen D. Cimino-Isaacs

CRS In Focus IF10256, *U.S.-Taiwan Trade Relations*, by Karen M. Sutter

CRS In Focus IF10931, *U.S.-EU Trade and Economic Relations*, by Shayerah I. Akhtar

CRS In Focus IF11123, *U.S.-UK Trade Relations*, by Shayerah I. Akhtar

CRS In Focus IF10384, *U.S.-India Trade Relations*, by Shayerah I. Akhtar and K. Alan Kronstadt

CRS In Focus IF10447, *U.S.-Brazil Trade Relations*, by M. Angeles Villarreal and Andres B. Schwarzenberg

U.S.-China Economic Relations

CRS In Focus IF11284, *U.S.-China Trade Relations*, by Karen M. Sutter

CRS In Focus IF12125, *U.S.-China Phase One Trade Deal*, by Karen M. Sutter

CRS In Focus IF11667, *China's Economy: Current Trends and Issues*, by Karen M. Sutter and Michael D. Sutherland

CRS In Focus IF10964, *"Made in China 2025" Industrial Policies: Issues for Congress*, by Karen M. Sutter

CRS In Focus IF11684, *China's 14th Five-Year Plan: A First Look*, by Karen M. Sutter and Michael D. Sutherland

CRS In Focus IF11735, *China's "One Belt, One Road" Initiative: Economic Issues*, by Karen M. Sutter, Andres B. Schwarzenberg, and Michael D. Sutherland

CRS In Focus IF11627, *U.S. Export Controls and China*, by Karen M. Sutter and Christopher A. Casey

CRS In Focus IF11803, *U.S. Capital Markets and China: Issues for Congress*, by Michael D. Sutherland and Karen M. Sutter

CRS In Focus IF12212, *U.S.-China Auditing Agreement and Issues for Congress*, by Karen M. Sutter, Michael D. Sutherland, and Raj Gnanarajah

U.S.-Russia Economic Relations

CRS In Focus IF12092, *The Economic Impact of Russia Sanctions*, by Rebecca M. Nelson

CRS In Focus IF12062, *Russia's War on Ukraine: Financial and Trade Sanctions*, coordinated by Rebecca M. Nelson

CRS In Focus IF12066, *Russia's Trade and Investment Role in the Global Economy*, by Andres B. Schwarzenberg

CRS In Focus IF12120, *China's Economic and Trade Ties with Russia*, by Karen M. Sutter and Michael D. Sutherland

Key Laws to Address Unfair Trade Practices and Other Concerns

CRS In Focus IF10018, *Trade Remedies: Antidumping and Countervailing Duties*, by Christopher A. Casey

CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Liana Wong

CRS In Focus IF11346, *Section 301 of the Trade Act of 1974*, by Andres B. Schwarzenberg

Trade and Labor Issues

CRS In Focus IF11360, *Section 307 and Imports Produced by Forced Labor*, by Christopher A. Casey and Cathleen D. Cimino-Isaacs

CRS In Focus IF10046, *Worker Rights Provisions in Free Trade Agreements (FTAs)*, by Cathleen D. Cimino-Isaacs and M. Angeles Villarreal

CRS In Focus IF10972, *Labor Enforcement Issues in U.S. FTAs*, by Cathleen D. Cimino-Isaacs

CRS In Focus IF10570, *Trade Adjustment Assistance for Workers (TAA)*, by Benjamin Collins

Trade and Currency Issues

CRS In Focus IF10049, *Exchange Rates and Currency Manipulation*, by Rebecca M. Nelson

CRS In Focus IF11707, *The U.S. Dollar as the World's Dominant Reserve Currency*, by Rebecca M. Nelson and Martin A. Weiss

CRS In Focus IF11885, *De-Dollarization Efforts in China and Russia*, by Rebecca M. Nelson and Karen M. Sutter

Trade and National Security Issues

CRS Infographic IG10012, *The International Emergency Economic Powers Act: Key Facts*, by Christopher A. Casey

CRS In Focus IF11154, *Export Controls: Key Challenges*, by Christopher A. Casey

CRS In Focus IF10177, *The Committee on Foreign Investment in the United States*, by Cathleen D. Cimino-Isaacs

Trade Financing Agencies and Preference Programs

CRS In Focus IF10017, *Export-Import Bank of the United States (Ex-Im Bank)*, by Shayerah I. Akhtar

CRS In Focus IF11436, *U.S. International Development Finance Corporation (DFC)*, by Shayerah I. Akhtar and Nick M. Brown

CRS In Focus IF11232, *Generalized System of Preferences (GSP)*, by Liana Wong

CRS In Focus IF10149, *African Growth and Opportunity Act (AGOA)*, by Liana Wong

International Financial Institutions

CRS In Focus IF10676, *The International Monetary Fund*, by Martin A. Weiss

CRS In Focus IF11361, *The World Bank*, by Rebecca M. Nelson

CRS In Focus IF12107, *Ukraine and International Financial Institutions*, by Martin A. Weiss

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