

Decisive Ballots:

Exploring the Impact of the Upcoming US Elections on Trade Policy

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(Chip Somodevilla/EPA - Anadolu Agency)

The countdown to the US elections has begun. Soon the world will witness the unveiling of the 47th President of the United States. The election's outcome is set to have far-reaching effects, particularly in shaping the trajectory of US and, by extension, global trade policies. This policy outlook will delineate the future course of US trade engagements based on who emerges victorious in the electoral arena.

Introduction

The countdown to the US elections has begun, with candidates from both the Republican and Democratic parties vying for their nominations and the ultimate prize: the presidency. As the race heats up, a showdown between Trump and Biden is emerging as a strong possibility. Within the coming year, the world will witness the unveiling of the 47th President of the United States. The election's outcome is set to have far-reaching effects, particularly in shaping the trajectory of US and, by extension, global trade policies. This policy outlook will delineate the future course of US trade engagements based on who emerges victorious in the electoral arena.

1. Trump and Biden's Past Trade Policies

The election of Trump in 2016 marked a turning point in US trade policy. Over eighty years, the policy shifted [towards freer trade](#) and increased multilateral cooperation. However, during his presidency, Donald Trump, turning the tide, pursued a more assertive trade policy characterised by protectionism. His trade policy had two main purposes: preserving US industries and workers, as articulated in the [Executive Order on Buy American and Hire American](#) and reducing trade deficit, as noted in the [Executive Order Regarding the Omnibus Report on Significant Trade Deficits](#). Signalling such a policy, from the offset, Trump [stated](#), "We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs. Protection will lead to great prosperity and strength".

Biden's trade approach did not present a major departure from Trump's. However, his policies were a more collaborative, environmentally conscious, and diplomatic version of Trump's. In fact, from the beginning, Biden has emphasised rebuilding alliances and multilateral cooperation, distinguishing himself from Trump by expressing

a [commitment to reengage](#) with international institutions. Biden's [2021 Trade Agenda](#) accordingly prioritised "repairing partnerships and alliances", reforming the World Trade Organization (WTO), and addressing the "challenges facing the global trading system". However, the Biden administration has not taken as bold steps as initially signalled and has maintained a milder version of Trump's trade policies in many areas.

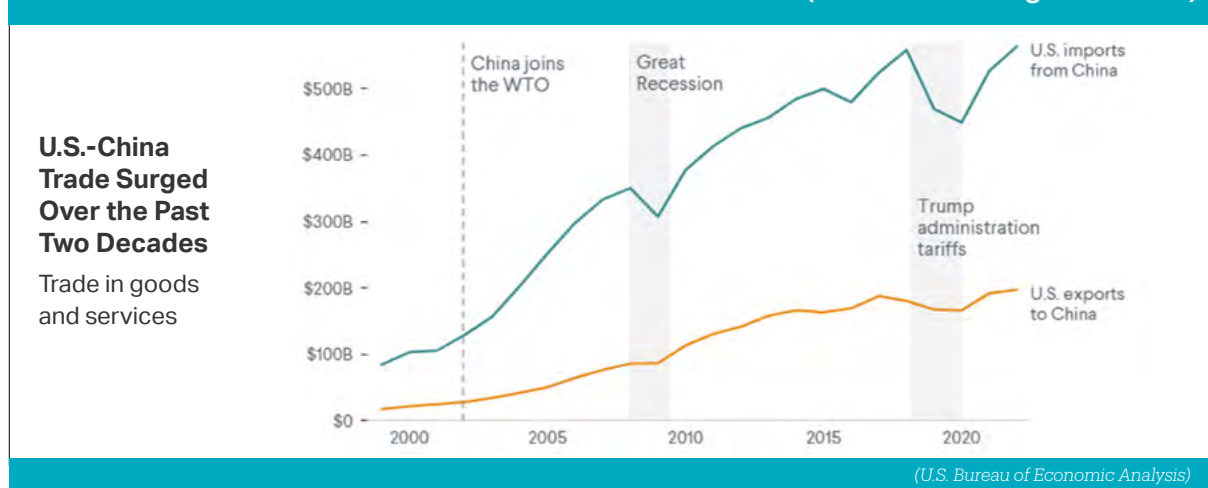
2. The Prospects of US Trade Policy

Over the past decade, US trade policy has been influenced by three concepts: nationalism, protectionism, and security. Regardless of the election outcome, these concepts will continue to play a significant role. However, the election results will determine how such concepts impact US trade policy. The main areas of US trade policy that these concepts will shape are trade relations with China and allies, tariffs, industrial policy, export controls, multilateral trading system and WTO, trade initiatives and free trade agreements, and environment, labour, and human rights concerns.

2.1. Trade Relations with China

Trade between China and the US has been on an upward trend, especially since China's accession to the WTO (Table 1). By then, however, the drawbacks of trading with China were becoming more evident. Therefore, both Biden and Trump adopted the strategy of addressing the challenges posed by China, mainly through tariffs and industrial policy. The US [reasoning](#) for such confrontation is China's state-led development, dual-use of technologies, forced technology transfer, currency manipulation and extensive subsidisation coupled with manufacturing job losses in the US and national security concerns. Regardless of the election outcome, China is expected to remain a major trade adversary for the US. However, the extent and nature of this rivalry will depend on the election's winner.

Table 1: The US-China Trade Over the Past Two Decades (Council of Foreign Relations)





(Mehmet Emin Mengüarslan - Anadolu Agency)

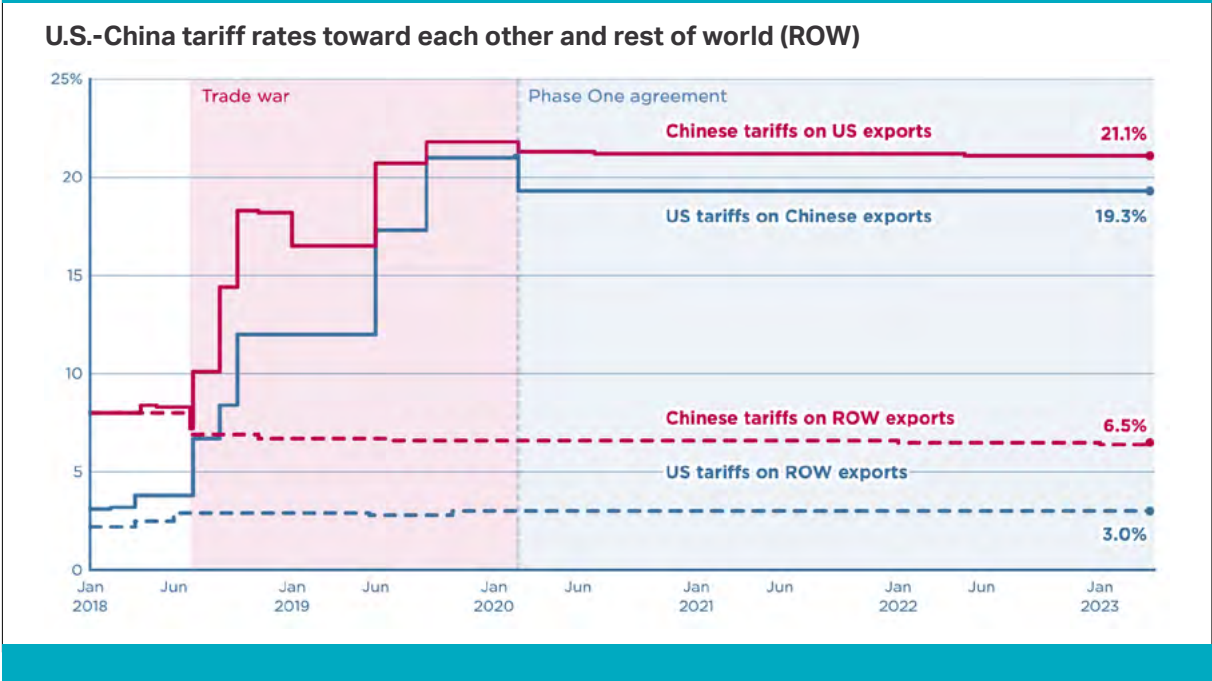
2.1.1. Trump’s Policy Started Strong but Became Mild

Trump’s term was marked by a confrontational approach towards China, notably evident in initiating a [trade war](#) against China in 2018 and the imposition of tariffs on a significant portion of Chinese imports (Table 2). Trump’s rationale for these actions stemmed from a desire to address perceived injustices such as [aggressive and distorting](#) Chinese industrial policy, unfair trade practices, intellectual property theft, and trade imbalances. Then came [Phase One Deal](#) as part of the efforts to solve trade tensions with China. The US committed to reducing tariffs in return for China’s commitment not to manipulate currency, increase purchases of US products, and address issues around foreign intellectual property and technology transfer. However, the deal [fell short](#) of expectations.

2.1.2. Biden’s Policy: Small Yard High Fences

While taking a more diplomatic approach, the Biden administration maintained Trump’s policies and even took a step further by imposing an unprecedented number of export controls. In articulating the administration’s stance, Biden has emphasised a reluctance “to contain China” or decouple from China. Similarly, Secretary of State Blinken highlighted that China remains a leading US trading partner and a key destination for US business investment. Despite this cooperative tone, it is crucial to note that the US view towards China is not uncritical. In his State of the Union address in 2023, Biden stated his commitment to “work with China where it can advance American interests and benefit the world” while remaining resolute in protecting national security when necessary.

Table 2: US-China Trade War Tariffs (Peterson Institute for International Economics)



That's why, on the one hand, the administration issued a joint statement with China to tackle climate change. On the other hand, to counterbalance China's growing economic and political influence and safeguard national security, it has resorted to industrial policies targeting the most critical industries, such as the semiconductor industry.

2.1.3. Future President and Future Trade Relations with China

Analysing the historical trade policies of the presidential candidates allows for predictions about their future trade stances toward China. It is anticipated that, regardless of which candidate is elected, a strategy of confrontation with China will persist, albeit with notable divergences in approach.

The first difference is that Trump will likely target a broader range of goods and services in trade with China, whereas Biden will probably take a more targeted approach. Second, Trump will pursue a less diplomatic approach, while Biden will probably keep a diplomatic articulation of trade policies emphasising ongoing collaboration. Third, while tariffs are arguably Trump's favourite tool to compete with China in his second term, Biden's favourite will most likely be export controls. Fourth, while addressing issues around trade with China, Trump may take a more unilateral approach, disregarding the support and approval of allies, whereas Biden may act with the understanding that the support and approval of allies is important. Finally, Biden may be more vocal about China's weak labour and environmental standards and take steps to address them.

On a final note, the trajectory of US-China trade relations will be shaped not only by the president-elect's policies but also by broader geopolitical and strategic considerations alongside China's actions. The world has already been made aware of China-centric supply chain vulnerabilities due to China's lockdown measures during the Covid-19 containment efforts, leading to a global shift towards more cautious trade practices.

Additionally, the US is not the only country confronting China. The European Union has also adjusted its approach towards China, underscoring risk reduction and leading global efforts to explore alternative trade routes. Finally, despite some relaxation of restrictions, the inherently restrictive nature of the Chinese market, marked by import barriers and price controls, suggests that trade with China will continue to encounter persistent challenges. Given the dynamics at play, it appears that despite any desire on the part of the US to reduce barriers with China, the foreseeable future of global trade suggests that barriers with China will inevitably increase, and it may not be rational or even possible for the US to reduce these barriers.

2.2. Trade Relations with Allies

Relations with allies have always played an important role in the US trade policy. President Trump adopted a more dis-

tant and tumultuous approach to trade with allies, marked by an "America First" policy grounded on unilateral action. One example is the [strained relationship](#) between Trump and the EU, characterised by trade tensions. Not excluding the EU from applying Section 232 tariffs on steel and aluminium imports was a clear example of such tensions. This approach has affected not only transatlantic relations but also those on the same continent. Canada and Mexico have rather had a tumultuous relationship with the US. At the start of his term, Trump referred to NAFTA, to which Canada and Mexico were also parties, as "[the worst trade deal ever made](#)", pointing to Mexico's role in losing US manufacturing jobs. However, recognising the significance of trade with neighbouring countries, Trump preferred renegotiating NAFTA instead of withdrawing from the agreement. Consequently, during Trump's tenure, USMCA emerged as the NAFTA 2.0.

The Biden administration has pledged to pursue a collaborative discourse with the EU, focusing on mutual economic and strategic goals to rejuvenate ties that had become taut in preceding years. The 2021 EU-US [Summit](#) was convened to bolster «trade, investment, and technological collaboration,» establishing the EU-US Trade and Technology Council as a dedicated forum for partnership. In 2022, the administration [lifted](#) the contentious Section 2023 tariffs on steel and aluminium imports from the EU, transitioning to a more congenial tariff-rate quota system. This spirit of cooperation underpinned trade strategies with other allies, notably enhancing the US relationship with Canada. While the 'America First' policy underwent a rebranding into 'Buy America,' lingering contentions, including those about US tariffs on solar products and softwood lumber, remained unresolved. By 2023, there was a consensus on fortifying bilateral relations in various domains, notably in the synchronisation of supply chains.

The necessity of maintaining alliances constrains both Biden and Trump. Thus, trade relations with partners like Mexico and Canada will persist irrespective of the election's outcome. A second Trump presidency could herald a period marked by trade tensions, whereas a Biden win may foster a climate of enhanced dialogue and deeper collaboration, particularly with the EU. Ultimately, the victor must acknowledge the indispensability of trade allies, especially amid the perils of dependency on China and the growing emphasis on friend-shoring and diversifying supply chains. Consequently, even Trump would need to moderate his trade stance to maintain the goodwill of allied nations.

2.3. Multilateral Trading System and the WTO

The multilateral trading system is transforming, with bilateralism increasingly replacing multilateralism. The United States is at the forefront of this evolution. Although the Biden administration has expressed a willingness to participate in multilateral efforts to address global trade issues,

the persistent impasse surrounding the Appellate Body crisis within the WTO poses a formidable challenge. This predicament can be traced back to the Obama Administration, which was [dissatisfied](#) with the WTO and chose not to reappoint Appellate Body members. This sentiment has continued into the current Biden administration. As a result, WTO panel decisions are becoming void without a solid outcome. Despite early indications of a cooperative stance, the Biden administration is yet to take substantial steps to remedy the WTO's dysfunctionality.

Scepticism about the World Trade Organization's (WTO) ability to adequately [address](#) China's alleged unfair trade practices, coupled with unmet [expectations](#) from WTO membership, underpins the absence of substantial progress in reinforcing the organisation's efficacy. The US has sidestepped the WTO, with Trump favouring tariffs and Biden employing export controls to check China's trade conduct. Furthermore, US [grievances](#) regarding the WTO's appellate overreach, seen as excessive legal interpretation rather than dispute resolution, means reform of the Appellate Body is low on the policy agendas of either candidate. This stance will assumably continue presenting obstacles for the multilateral trading system as the US seeks to redefine its influence over the future of global trade, potentially diminishing the WTO's standing as a platform to resolve collective trade issues.

2.4. Industrial Policy and Subsidies

Industrial policy is back in the US to address issues around China. The US economic policy started to shift from the free market to state planning. Trump, rejecting traditional Republican free-market orthodoxy, intensified industrial policy by focusing on crucial goods such as steel, aluminium, and automobiles. The aim was to protect the US working class, revitalise US manufacturing, and address the trade deficit. The Trump administration took several steps to achieve its goals, including establishing the Office of Trade and Manufacturing Policy, signing the [National Quantum Initiative Act](#) into law, and offering subsidies through the Export-Import Bank for critical industries. Moreover, as part of its industrial policy, the administration [repelled](#) many regulations that discouraged oil and gas extraction.

Biden maintained a focus on industrial policy but with a greener stance. The policy was broad, with objectives ranging from bolstering US jobs and investment to targeting China and protecting the environment. The industrial policy is committed to fostering domestic industries, aligning with broader economic competitiveness, innovation, and sustainability goals. Policies have increased their focus on protecting the environment while investing in critical sectors. For example, the [Chips and Science Act](#) al-



U.S. President Joe Biden speaks during the anniversary of the Inflation Reduction Act (IRA) event at the White House in Washington D.C., United States on August 16, 2023. (Celal Güneş - Anadolu Agency)

located 52 billion dollars to the semiconductor industry, whereas the [Inflation Reduction Act](#) is [expected](#) to provide 1.2 trillion dollars by 2032 while [incentivising](#) clean-energy projects in the US.

Both presidential candidates are expected to maintain their focus on industrial policy, especially in the tech industry. This is not only to garner support from pivotal swing states with a substantial blue-collar workforce but also to continue the ongoing competition with China and its state-led economic growth. This aligns with the prevailing global currents wherein industrial policy emerges as a trend. In the event of a potential Trump re-election, industrial policy may shift away from its environmentally conscious stance. Conversely, a Biden re-election could result in a greener policy.

However, this discourse may change if such policies exacerbate protectionism and bring manufacturing to a standstill due to a lack of manpower with the right experience and training. For instance, according to Deloitte, industrial policies [will](#) lead to a shortage of 90,000 jobs in the US semiconductor industry over the next several years. While such a risk does not appear imminent for the next presidential term, the risk may lead both presidential candidates to tailor their policies in consideration of such.

2.5. Tariffs

President Trump has relied more on tariffs than the WTO to address perceived trade imbalances, protect domestic industries, and have leverage in trade negotiations, most notably in the US-China trade dispute. Section 232 tariffs on steel and aluminium imports aimed to protect national security interests, while tariffs on Chinese goods were part of a broader strategy to address concerns about intellectual property theft and unfair trade practices. Trump's approach was characterised by a willingness to use tariffs to achieve strategic economic objectives, even though this raised concerns about potential negative impacts on global trade.

Missing an opportunity to repudiate his predecessor's tariff policy, the Biden administration kept most of the Trump-era tariffs in place. While reaching a partial deal with the European Union to remove Trump-era tariffs on some EU goods, the current president has [kept](#) almost all of Trump's tariffs, including those on approximately \$350 billion worth of Chinese imports. Keeping Trump-era tariffs in place reflects the Biden administration's view of tariffs as ["a significant piece of leverage"](#). This is a sign that tariffs will not disappear from the US trade policy any time soon. However, a second Trump term could see a more dramatic tariff policy than a Biden term. Trump has already signalled this by vowing to [impose](#) a "universal baseline tariff" of 10% on all imports, a policy plan that the current administration already [criticised](#).

2.6. Export Controls

During the Trump administration, export controls played a pivotal role in shaping US trade policies, with a pronounced focus on national security and safeguarding critical technologies. Restrictions were tightened, particularly in response to perceived threats from China, leading to increased scrutiny on the export of technologies vital to national security. The Trump administration [especially targeted](#) Huawei and its affiliated companies, ensuring that critical components [do not reach](#) those companies. President Biden's early approach to export controls has demonstrated continuity with some of the policies initiated by the Trump administration, extending such policies' outreach. While doing so, Biden's administration engaged with European and Asian allies, increasing the effectiveness of export controls. For instance, ASML, a Dutch company, [halted](#) its high-tech chip-making exports to China following a US request.

Looking ahead, the US export control policy is likely to intensify. While national security imperatives may continue to guide certain policies, the next Trump administration may tighten restrictions and rely more heavily on export controls and tariffs as tools of economic diplomacy. The next Biden administration will use export controls with a greater inclination towards convincing allies to join the US front. Balancing the need to protect critical technologies such as semiconductors and technology, the US is expected to approach export controls in a way consistent with an evolving global landscape, where security and interconnectedness are paramount considerations.

2.7. Trade Initiatives and Free Trade Agreements

Trump's stance towards the multilateral trading system is clear: America First. As a result, unilateral actions prevail. During his campaign, one of his key promises was to [re-negotiate and/or withdraw](#) the US from numerous international multilateral trade agreements. His early [withdrawal from the Trans-Pacific Partnership \(TPP\)](#) was a defining moment in this approach. Moreover, Trump's trade policy has been characterised by a willingness to challenge established norms by invoking national security in favour of what he perceives to be more advantageous for the United States. Accordingly, Trump committed his trade policy to reshaping trade deals and maximising American interests. The renegotiation of NAFTA, initiating a trade war against China, and subsequently recalibrating relations through implementing a limited "Phase 1" agreement with China represented such outcomes.

Biden took a more cooperative and multilateral approach, seeking to rebuild alliances. Even so, the Biden administration [decided](#) this "is not the time for traditional free trade agreements". This indicates the Biden administration's break with the classical understanding of free trade agree-



(XINHUA - Anadolu Agency)

ments. The major trade deals negotiated during Biden's term in the Asia-Pacific region [do not include](#) market access, traditionally seen as the linchpin of trade agreements. One of the few plurilateral efforts of the Biden administration, the [Indo-Pacific Economic Framework Prosperity \(IPEF\)](#), was announced in 2022 and includes thirteen parties besides the US. However, it is not a traditional trade agreement as it does not grant market access.

The trade policies of the next US president will likely be shaped by their approach to international cooperation and with a departure from traditional free trade agreements. In the case of a second term for President Biden, the administration may focus on engaging in negotiations within the context of multilateral trade frameworks, indicating a preference for cooperative approaches involving multiple nations. On the other hand, if President Trump is re-elected, the trajectory could take a more dramatic turn. A Trump re-election could signal a move away from free trade agreements altogether in favour of a strategy centred on tariffs and industrial policy.

2.8. Environment, Labour, and Human Rights Concerns

The election outcome will significantly impact the extent to which the United States integrates ethical and environmental considerations into its trade policy in the coming years. If Trump is re-elected, he may maintain a more narrowly focused approach to economic considerations and may place less emphasis on incorporating strong climate and human rights criteria into trade negotiations. After all, his first term was [marked](#) by a loosening of environmental regulations and policies to strengthen the US economy.

On the other hand, if Biden wins, there is an expectation of greater integration of environmental and human rights concerns into trade policy. Biden has claimed to take "historic steps" to [advance workers' rights](#) globally, and the Inflation Reduction Act of 2022 will make "historic investments" in climate action. His industrial policy emphasises investment in key sectors such as clean energy and technology, aiming to strengthen American competitiveness while aligning with broader sustainability and innovation goals. In addition, Biden has signalled a commitment to addressing climate change and human rights issues, which could lead to trade frameworks that include provisions on sustainable practices and labour standards.

Conclusion

As the United States stands at the crossroads of its economic and trade policies, the outcome of the upcoming presidential election will undeniably chart the course for the nation's global engagement. A Biden victory promises a departure from the unilateral and confrontational approach of the past, emphasising collaboration, multilateralism, and a renewed commitment to addressing global challenges. This could reshape trade dynamics, emphasising climate considerations, human rights, and diplomatic alliances. Conversely, a Trump re-election may sustain a more transactional and protectionist stance, focusing on bilateral negotiations and safeguarding domestic industries. The divergent paths laid out by these potential outcomes extend to trade relations with allies, the multilateral trading system, and industrial policies. The election, therefore, emerges as a pivotal moment, determining not only the direction of US trade policy but also its broader role in shaping a rapidly evolving global economic landscape.