

Trade



15

The top trade policy priority of Congress should be undoing the Trump and Biden administrations' failed protectionist policies. Congress can start by taking back tariff-making powers from an executive branch that has abused those powers.

Although neither party is enthusiastic about liberalizing trade, it would counter some of the price increases from post-pandemic monetary inflation on housing, autos, food, clothing, and other essential goods. Freer trade would also make America's supply networks more resilient during crises, and would advance US foreign policy interests against Russia and China. To further American peace and prosperity, Congress should:

- Support tariff relief and reclaim its tariff-making authority from an executive branch that has abused it;
- Rebuild or replace the World Trade Organization (WTO) and its rules-based trade dispute resolution system; and
- Work with the president to pursue free trade agreements with allies that focus solely on trade.

Tariff relief: Trump doubled US tariffs during his first term. Trump's tariffs are still costing American families more than \$1,200 per year. Joe Biden mostly kept those tariffs in place and added new import taxes on solar panels, lumber, and medical supplies. Tariffs have made cars, housing, food, clothing, and electronics less affordable and have snarled supply networks.

Those costs came without benefits. Four rounds of back-and-forth escalating tariffs with China yielded not a single substantive reform from Beijing. The stress that trade wars put on supply networks hampered pandemic response efforts.

American manufacturing output reached an all-time high in 2018, right when Trump started to raise tariffs. Output went down in 2019 due to those tariffs, as well as to retaliatory tariffs reducing exports. The 2020 pandemic put a further damper on manufacturing, which has since revived, but has yet to regain its pre-tariff 2018 peak.

Congress should repeal those tariffs. Unfortunately, repeal is not enough. Under current law the president could simply re-enact those tariffs. Congress must treat the root problem by reclaiming the tariff-making authority it delegated to the president in earlier legislation. That institution-level reform is the only way to prevent future unilateral presidential tariff-making.

Congress should repeal Section 232 of the Trade Expansion Act of 1962, which President Trump used to enact steel and aluminum tariffs—against allies—on dubious national security grounds. The Biden administration extended most of those tariffs on similar grounds. Congress should also repeal Sections 201 and 301 of the Trade Act of 1974, which Trump and Biden used to enact tariffs against China, Europe, and many countries.

Congress should also repeal other tariff-making provisions that have not yet been used by today's protectionists, but could be by the current or future administrations. These include Section 338 of the Tariff Act of 1930, better known as the Smoot-Hawley Tariff Act; Section 122 of the Trade Act of 1974, which allows the president to enact a 15 percent universal tariff for 150 days; and the International Economic Emergency Powers Act (IEEPA), which grants broad powers to the president if they declare an emergency, which has already happened at least 69 times. If Congress is unwilling to repeal IEEPA, it should at least amend it to specifically exclude tariff-making powers.

Revive or replace WTO: It is in America's interest to have a rules-based international trading system. The World Trade Organization's dispute resolution system provided a way for the US to get other countries to reform their unfair trading practices. It did so with an 85 percent win rate.

Starting under the Obama administration, the US refused to appoint new judges to this system. Trump and Biden continued this policy. The system no longer functions due to the lack of judges.

At this point, the WTO may be mortally wounded. If revival attempts fail, a successor organization, limited to liberal democracies, and with no special rules for developing countries, would create a sustainable way for countries to peacefully settle disputes and continue to slowly but surely reduce trade barriers, as the General Agreement on Tariffs and Trade (GATT) and the WTO did from World War II's aftermath until recently.

Free trade agreements: Free trade agreements have stalled under the last two administrations. Trump withdrew the US from the Trans-Pacific Partnership (TPP), which provides an economic and diplomatic counterweight to China. TPP continues on, with a dozen member countries and no American input, as the Comprehensive and Progressive Trans-Pacific Partnership (CP-TPP).

Trump replaced the North American Free Trade Agreement (NAFTA) with the United States-Mexico-Canada Agreement (USMCA), which notably has neither “free” nor “trade” in its name. USMCA left most of NAFTA in place, but added labor and environmental regulations to North American trade, as well as rules-of-origin requirements that make cars more expensive.

Rather than rejoin TPP, the Biden administration proposed the Indo-Pacific Economic Framework (IPEF), which as of this writing contains no trade provisions at all. The Biden administration also declined to begin negotiations on expected trade agreements with the UK, EU, and other important partners.

After four rounds of back-and-forth tariff increases with China, the Trump administration attempted a Phase One agreement with China that went nowhere.

The Biden administration also refused to begin expected negotiations on trade agreements with the United Kingdom, European Union, and other allies. Besides offering economic benefits, these agreements could strengthen US alliances against Russia, China, and other threats.

One reason for the Biden administration’s reluctance is the negotiations are lengthy, complex, and contentious, while the stakes are relatively low. The main problem is that trade agreements now typically consist mostly of trade-unrelated provisions such as labor and environmental policies. Trade agreements should instead stick to trade. Separate issues should have separate negotiations. This would simplify trade agreements and speed up their passage.

It might be easier to start this policy overhaul with a smaller agreement with a trusted ally, such as Switzerland or another similarly-sized country. Besides tariffs, the key concept in a simplified agreement would mutual recognition. This is the idea that if one country’s regulatory system approves a product, then the other partner countries also approve it automatically.

Mutual recognition could benefit consumers, producers, and regulators in countless industries, such as pharmaceuticals, manufacturing equipment, home appliances, and more.

The executive branch is uninterested in reform, which means it is up to Congress to get trade policy back on track. Congress can help by renewing trade promotion authority (TPA), also called fast track authority. This gives the president more leeway in negotiations while retaining Congress’ final say. Fast-track lapsed in 2021, and can be renewed at any time.

Experts: Ryan Young, Iain Murray, Kent Lassman

For further reading:

Kent Lassman, “The Case for Free Trade,” in *Mandate for Leadership: The Conservative Promise*, (Washington: Heritage Foundation, 2023), Chapter 26, pp. 796-823, https://static.project2025.org/2025_MandateForLeadership_CHAPTER-26.pdf#page=32.

Ryan Young and Kent Lassman, “Toward a US-Swiss Trade Agreement: The right deal could jump-start a stalled process,” Competitive Enterprise Institute, February 2024, <https://cei.org/studies/toward-a-us-swiss-trade-agreement/>.

Iain Murray and Ryan Young, “Traders of the Lost Ark: Rediscovering a Moral and Economic Case for Free Trade,” *Profiles in Capitalism* No. 4, Competitive Enterprise Institute, August 2018, <https://cei.org/studies/traders-of-the-lost-ark/>.