The Daily Dish

The Biden Trade Strategy

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From the outset, the Biden Administration has described itself as following a worker centric trade policy, and from the outset, Eakinomics has been unable to figure out exactly what that means. Especially in the aftermath of the Russian invasion of Ukraine and the reliance on economic sanctions as a policy response, there is a heightened interest in our economic relationships with allies and trading partners. Recent congressional testimony by U.S. Trade Representative (USTR) Katherine Tai on President Biden's trade agenda for 2022 seemed like a good opportunity to sort it all out.

Tom Lee has a more detailed review. But the short version is that Tai laid out the major components of the administration's approach:

1. Advancing a worker centric trade policy;
2. Realigning the U.S.-China trade relationship;
3. Engaging with key trading partners and multilateral institutions;
4. Promoting confidence in trade policy through enforcement; and
5. Promoting equitable, inclusive, and durable trade policy and expanding stakeholder engagement.

The first bullet is simultaneously self-explanatory and an empty word salad. Bullet 4 is a real consideration, but hardly new and revolutionary. Bullet 5 is standard progressive boilerplate. The real action is in bullets 2 and 3.

Regarding China, Lee notes that "The Biden Administration's trade policy so far has kept in place the majority of tariffs that were originally imposed by former President Trump. As part of his protectionist trade agenda, President Trump imposed tariffs on nearly $350 billion worth of imports coming from strategic rivals and allies of the United States. The primary goal of these tariffs was to raise the competitiveness of U.S. manufacturing and industry by

restricting imports, namely those from China."

Ambassador Tai is on record as saying that the China tariffs, indeed the entire deal with China, are a failure. The notion that the United States will entirely decouple from China and substitute domestic production is naïve and empirically unrealistic. But there is apparently no alternative vision for the role of trade in the future relationship with China.

But perhaps the most shocking element of the testimony was the absence of any plan for negotiating trade agreements, typically the meat and potatoes of a USTR agenda. Does a worker centric trade policy mean no new trade agreements? How does it serve the interest of America's workers to give up the opportunity to sell their products around the globe and for higher real wages in the United States?

New trade agreements could have strategic value, as well. Per Lee: "The United States originally led the negotiations for the Trans-Pacific Partnership (TPP) trade agreement, which included strategic Asian allies including Japan, Malaysia, Singapore, and Vietnam, as well as Australia. TPP would have been the largest trade agreement ever, covering 40 percent of the world's economy. The agreement was projected to increase U.S. real income by $131 billion per year starting in 2030." But now there appears to be no follow-on strategy for new trade agreements in the United States, while China continues to join regional trade alliances such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) trade agreement.

As Lee sums it up: "As of now, the Biden Administration's 'worker centric' trade agenda raises more questions than it answers. Most notably: What precisely is the role of trade agreements and how exactly will the administration compete with China? The concrete actions the administration has taken to date in practice mean continuing the Trump Administration's costly and ineffective protectionist trade agenda…. China is actively signing on to real trade deals…and usurping the United States' role as the de facto economic leader in the Asia-Pacific region."