

New Asia-Pacific Economic Pact Exposes Rift Among Democrats Over Trade Policy

Some lawmakers express frustration over Biden administration agenda that shies away from free-trade agreements

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WASHINGTON—Some Democratic senators criticized the Biden administration’s stance on an emerging Asia-Pacific economic agreement as lacking measures to help U.S. exporters, exposing a widening rift among Democrats over the country’s trade policy.

Speaking at a Senate Finance Committee meeting Thursday to discuss President Biden’s annual trade policy agenda, several senators, including some Democrats, expressed concerns about the lack of market opening measures such as tariff reduction in the new economic framework the administration is preparing to launch this spring with friendly Asia-Pacific countries.

Administration officials led by U.S. Trade Representative Katherine Tai have touted a “worker-centric” trade policy that aims to elevate workers and manufacturing at home, while shying away from pursuing traditional trade agreements. Ms. Tai said last week that free-trade agreements are a “very 20th century tool” and that more innovative policies are needed to respond swiftly to the economic challenges posed by nonmarket economies including China.

That approach has frustrated some Democrats.

“The biggest economic opportunity for the United States is to sell things outside of the United States. That means you have to have market access,” said Sen. Maria Cantwell (D., Wash.). “We have a president who has a great global presence. He should be advocating a global economic opportunity for the United States.”

The U.S. wants to counter China’s influence around the world by providing everything from infrastructure to vaccines and green energy. WSJ’s Stu Woo explains how the plan, dubbed Build Back Better World, aims to compete with China’s Belt and Road Initiative. Photo composite: Daniel Orton

Sen. Bob Menendez (D., N.J.) described the new Asia-Pacific framework as “not sufficiently ambitious” without the tangible benefits that would derive from market access negotiations. “It’s a lot of flowery language but I’m trying to see whether this does anything to open

markets for our farmers and ranchers in areas of the world where America just flat needs to be a presence.”

The Indo-Pacific Economic Framework, or IPEF, is the administration’s main vehicle to deepen economic relations with Asia-Pacific countries. It replaces the Trans-Pacific Partnership agreement, a comprehensive trade agreement the U.S. helped to design as a counterweight to China but abandoned in 2017 amid bipartisan concerns that it could lead to loss of American jobs.

The USTR said in its annual policy agenda that the new framework will address issues including labor standards, digital trade, supply chain resilience, and the environment. Unlike a traditional free-trade agreement, the new pact won’t include market access negotiations such as lowering tariffs to promote trade between members.

Commerce Secretary Gina Raimondo told reporters Wednesday that the new framework will be launched later this spring with a “robust group of initial countries” without naming them. “It’s a region from which we have been absent in recent years. It’s time for us to step up affirmatively,” she said.

Responding to Democratic and Republican senators’ criticism that the administration hasn’t focused on opening overseas market for U.S. exporters, Ms. Tai said its efforts to unwind trade tensions with the European Union created during the Trump administration have led to the withdrawal of retaliatory tariffs imposed on some \$20 billion worth of U.S. products, improving market access for U.S. manufacturers and farmers.

Ms. Tai said free trade agreements remain a tool for the U.S. but that new approaches are needed. “Our approach is guided by the principle that we need to be able to trade in a way where we bring along our stakeholders instead of pitting them against each other,” she said, referring to effects of trade agreements on U.S. industries and workers.

“You may think this is a 20th century tool. It looks like the rest of the world thinks this is a 21st century tool,” Pat Toomey (R., Pa.) told Ms. Tai, noting that China and the EU are actively seeking new trade agreements around the world. “What this means is...they’re getting more market share that we’re going to miss out on.”

Some progressive Democrats expressed their support for the administration’s focus on workers and environmental protection, and pressed Ms. Tai to ensure those issues are addressed in the new Asia-Pacific framework.

“Lobbyists for the giant corporations are celebrating the IPEF as the second coming of the Trans-Pacific Partnership,” said Sen. Elizabeth Warren (D., Mass.), adding that TPP would have offshored more American jobs to countries with lower labor standards and wages. “Let me be clear. The IPEF cannot be TPP 2.0.”