

America is telling a very different story about trade.

A paradigm shift is under way — the details are still catching up with the narrative

Paradigm shifts happen slowly, and then all at once.

This was the case during the last economic shift, in the Reagan-Thatcher era. Ronald Reagan wasn't elected US president until 1980, but many of the speeches he gave during his 1976 Republican primary run set the stage for a **new post-Keynesian era**. In this, he argued, the power of private enterprise and animal spirits would be unleashed. So it is with the Biden administration now.

One can identify several markers of their heralding of a new age — from Joe Biden's address to Congress announcing the end of trickle-down economics, through to National Security Council director Jake Sullivan's April speech on building back better abroad, to last week's talk by US trade representative Katherine Tai in Washington, during which she declared that she wanted to "put the US back in USTR".

All of this represents a sea change in America's political economy. If the White House has its way, this will be driven much more by domestic economic concerns in the future, particularly those of workers.

Like the Reagan revolution, this shift will take years to play out (details are a work in progress). But in terms of trade policy ambitions, there are three conclusions to draw from the Tai speech.

And both America's allies and its adversaries should pay close attention to them. First, while Tai had some strong words about **Chinese economic coercion**, this wasn't an "America First" speech, but **rather a tirade against concentrated power of all kinds**. She spoke about "chokepoints" that needed to be addressed and broken, regardless of whether they were the result of Chinese mercantilism (in the case of rare earth minerals), Russian aggression (food crops and fertiliser) or multinational corporate power in areas such as digital trade. That should be welcome news for Europeans, who have fretted that their efforts to take on, say, the big US tech companies would trigger a defence of Silicon Valley from the Biden administration.

"In the past, when we tried to regulate Google, we got blasted by the White House," said Renaud Lassus, formerly minister counsellor for economic affairs at the French embassy in the US and now executive director of the Jacques Delors Institute, whom I interviewed at the event. "That's no longer the case," he added. The blast from the White House may yet occur, of course. There are some in national security circles and at the US Department of Commerce

who seem to believe that Big Tech should actually get bigger if it is to compete with the Chinese surveillance state, particularly Beijing's efforts in artificial intelligence.

At a recent AI conference in Washington, Senator Mark Warner, chair of the Senate intelligence committee, wondered aloud whether "it would be in the national security interest of our country to [merge] Open AI, Microsoft, Anthropic, Google, maybe throw in Amazon." He noted that the US didn't have "three Manhattan Projects, we had one".

Tai made it clear she didn't agree. Indeed, **she bemoaned the growth of concentrated power over the past 20 years**, driven in part by a trading system that "placed a traditional priority on promoting the interests of the 'bigs'". To counter this, she said she was spending more time on the ground, not abroad, but in the US, "speaking to small businesses and entrepreneurs" to assess their particular trading needs.

This is takeaway number two: **the Biden administration believes trade policy has to work for middle America to work at all**. That means moving away from traditional free trade agreements which, as Tai put it, "reinforce existing supply chains that are fragile and make us vulnerable. This does not make sense at a moment in history when we are trying to diversify and make them more resilient." It also means pushing for **more worker protections** along the lines of provisions in the United States-Mexico-Canada Agreement, which allow for penalties to be imposed on companies that don't honour collective bargaining agreements.

That's a tough sell in some parts of the global south, where labour standards tend to be lax. US critics of the negotiations over the Indo-Pacific Economic Framework for Prosperity, for example, worry they may lock America into new digital trade deals with countries that jail or even kill people who try to organise service workers. The quid pro quo for coming along with higher standards is to offer developing countries a share in the more secure supply chains that the Biden administration wants to develop in strategic areas such as rare earths, semiconductors, pharma and clean energy. Tai put a provocative gloss on this new approach, saying that "we are turning the colonial mindset on its head" — by partnering with emerging markets to put a floor, rather than a ceiling, on labour and environmental standards. "The key is to offer economies a spot in vertical integration so that developing countries are not perpetually trapped in an exploitative cycle," she said. Of course, the devil will be in the detail, and Tai's speech was short on those. Still, paradigm shifts begin with narrative shifts.

And the USTR's intervention was the latest proof that the story being told around free trade in America is changing profoundly, even if the effects will take years to be fully felt.