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Opinion **US trade**

US trade policy needs a radical redesign

Chinese strategy makes it unrealistic to return to the 'one world, two systems' vision of the 1990s

RANA FOROZHAR



If you doubt that we've left the era of laissez-faire free trade, read a white paper put out late last year by the Chinese government. The title, China's Export Controls, isn't scintillating. But the conclusions are, at least to those who care about trade. "The world is undergoing profound changes of a scale unseen in a century, with an increase in destabilizing factors and uncertainties," reads one passage. "The status and role of fair, reasonable and non-discriminatory export control measures is growing in importance as an effective means to address international and regional security risks and challenges and safeguard world peace and development."

On the one hand, this tells us nothing we didn't already know from the last several years of US-China trade battles, particularly around high growth technologies. But the Chinese argument deserves close attention, because very often when US politicians, regulators and policymakers make the same point, they are shot down as protectionist, nationalistic or worse.

This is true even within the US administration itself, where there seem to be two opposing camps. The first, Team Status Quo, is heavy on state department and commerce types. They want to believe that we can somehow travel back to the 1990s, a time of willful blindness about a “one world, two systems” model in which China and liberal democracies would cooperate to their mutual benefit despite maintaining fundamentally different political and economic systems. The second, Team New Rules, includes Katherine Tai, the US trade representative, as well as other administration officials interested in labour, climate and long-term security issues. They have a more realistic approach, grasping that even if the US wanted to go back to a neoliberal trade approach that prioritized market access for big companies over better wages, the ability to make crucial products or the protection of the planet,

China is going in another direction. Beijing's so-called dual circulation plan is a decisive step away from World Trade Organization rules and multilateral agreements orchestrated by technocrats from the US and Europe. It prioritizes self-reliance, indigenous innovation and the use of all strategic resources to shape a world where the US no longer calls most of the shots. That means settling more trade deals in renminbi, the better to reduce the financial leverage that the dollar gives the US. It also involves weaponizing supply chains — various legislative loopholes in the US still allow states and companies to source supplies such as personal protective equipment from China. This is the state of play.

The only question is how the US should respond.

Team Status Quo should give up on the rather arrogant idea that the US can return to the Clinton era, or that the electorate wants to. And the US should craft a trade policy fit for today. The starting point should be goals. Rather than simply cutting new trade deals with no concrete understanding of how they connect to today's geopolitical reality, the US should ask itself, “what kind of economy do we want to build?”. Once the overriding goals are in place, the administration can articulate coherent policies and craft strategic trade deals. This is exactly what China does. In fact it goes further, incorporating trade as one part of a much larger economic vision that is measured in decades, not quarters — or in the case of America's previous president, tweets. That kind of top-down planning is complicated, risky and inappropriate for the US. But more strategic thinking for a new world is not.

“Trade is a tool,” says Lori Wallach, a trade lawyer who directs the *Rethink Trade programme at the American Economic Liberties Project*, a think-tank focused on breaking concentrations of economic power. “This administration has articulated goals like creating good jobs for workers with and without college degrees and strengthening economic resilience,” she adds, “and our trade policy and deals must deliver not damage that.” One

timely example is the fight over the House Competes Act and the Senate Innovation and Competition Act. Both bills support more domestic chip production and rebuilding of critical supply chains. But the House bill has a deeper analysis of and approach to goods and capital offshoring, better environmental protections and stronger trade adjustment assistance. **This is crucial for Democrats to avoid the mistakes of the Clinton era, when they pushed unfettered trade without adequate support for those who lost jobs,** some of whom went on to support Donald Trump. For the Democrats, this was the most politically devastating policy choice of the past two decades. I could go on. There are numerous inconsistencies between White House goals and initiatives such as Buy America, which actually means Buy America plus 60 other countries with widely varied economies and political systems, or how we are thinking about pan-Asian trade and security. **The point is that the US doesn't have a new, unifying theory for trade policy in our post-neoliberal era. It needs one, now.**