US Trade And Domestic Economic Policy Should Align

By Jeff Weiss and Livia Lam (February 1, 2021)

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The U.S. is at a crossroads. The multidimensional economic fallout from the COVID-19 pandemic, combined with our failure to address the challenges of preparing our citizens for the future of work, tackling climate change and remedying racial inequality in our society, threatens to greatly diminish U.S. competitiveness on the world stage.

A new approach to U.S. trade policy offers an opportunity to help get us on the right path.

There is a long-standing incoherence between U.S. trade policy and domestic economic policy. While trade agreements may open markets and create economic efficiencies, they have also exacerbated societal inequality and created incentives for American companies to invest and grow outside of the U.S. This has often hurt our workers — and disproportionately workers of color — and their communities.[1]

The current U.S. trade policy playbook is heavily focused on using more traditional tools, such as tariffs, trade remedies and dispute settlement to counter the unfair practices of other nations and level the playing field. This is a fundamentally defensive strategy, focused on what is happening outside our borders.

While vigorous enforcement of our trade laws is indeed a critical component of U.S. trade policy, it is insufficient in and of itself to address the deeper structural issues that negatively impact U.S. competitiveness, which exacerbates wage stagnation and economic inequality.

In recent remarks at the Center for American Progress, Katherine Tai, U.S. trade representative nominee, challenged the trade policy community to rethink convention in a more progressive way to address such issues.

In particular, she suggested that a more proactive strategy be implemented, noting that "[t]he offense has got to be about what we are going to do to make ourselves and our workers and our industries and our allies faster, nimbler; able to jump higher and able to compete stronger."[2]

Building and utilizing a more comprehensive playbook of trade policy tools can achieve economic gains that benefit not just U.S. companies, but are shared broadly and sustainably with the middle class and the communities in which they live. This should be a guiding metric of a new progressive U.S. trade policy.

In short, the U.S. must play both a strong offense and defense. Alongside more traditional trade tools, a progressive trade policy must also include:

Human Capital Investment

Enable a workforce infrastructure that is responsive and adaptive to future economic uncertainties by bringing together business, labor and civil society to deploy human capital investments that provide job quality and portable benefits to support workers for a lifetime of career success.[3]

Infrastructure Investment

Develop a 21st century physical and digital infrastructure that incentivizes companies to locate their operations in the U.S., enables the swift movement of cargo to and through our ports utilizing the latest advances in logistics and technology, and ensures digital equity among our citizens.

Supply Chain Competitiveness

Embrace supply chain resiliency in key sectors. The areas referenced in the Biden supply chain plan[4] — medical supplies and equipment, energy and grid resilience technologies, semiconductors, key electronics and related technologies, telecommunications infrastructure, and key raw materials — are a good place to start.

Climate Change

Include standard provisions in the environment chapter of U.S. trade agreements — as well as throughout the rest of our trade agreement template — that advance climate policy, consistent with the Paris Agreement.

This includes provisions to work bilaterally and multilaterally on collaborative approaches to reduce carbon leakage with the goal of achieving net-zero greenhouse gas emissions by 2050, and position U.S. companies to be competitive across sectors, as well as leaders in the green economy.

U.S. Advanced Industries and Manufacturing

Create and maintain innovation ecosystems that enhance the U.S. economy as a preferred manufacturing hub and export platform, prioritizing small and medium-sized enterprises. We can do this by putting in place policies that create incentives for companies, educational institutions, and entrepreneurs to develop and commercialize new innovations in sectors with high-growth potential.

Regional Workforce and Local Communities

Redesign trade adjustment assistance to preposition vulnerable workers and communities to compete successfully with increased imports that may result from specific agreements or other trade trends, or move into other products or sectors with higher growth and higher wage potential.

Making reforms in these areas also puts the U.S. in a stronger position to compete more successfully with large trading partners like China that are investing heavily in their own industries to give themselves a competitive edge.

To realize this vision requires two sets of policy changes.

First, this approach would need to be reflected in the next Trade Promotion Authority bill.

Second, provisions that incorporate this approach must be included in future trade agreements to trigger the necessary domestic legal changes and funding to ensure that such policies are effectively implemented, and tailored to the challenges and opportunities of specific agreements.

For example, the implementing bill for a new trade agreement could include funding for specific infrastructure projects that would facilitate U.S. exports to our new trade agreement partner, and improve the competitiveness and resiliency of cross-border supply chains.

President Joe Biden inherits a very difficult set of challenges, but with strong vision and leadership, those challenges can be overcome. An approach that contains both offensive and defensive elements, involves close collaboration with trusted trading partners and is consistent with global trade rules will enable us to fully realize a new paradigm for progressive trade policy that genuinely improves the lives of all of our citizens.

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[1] U.S. House of Representatives, 2021. Something Must Change: Inequities in U.S. Policy and Society. Ways and Means Committee Democrats. https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/WMD%20Health%20and%20Economic%20Equity%20Vision_REPORT.pdf.

[2] Center for American Progress, 2020. Progressive Visions for Trade. Remarks by Kathrine Tai. https://www.americanprogress.org/events/2020/07/30/488355/progressive-visions-trade/.

[3] Center for American Progress, 2021. Good Jobs for All: How Federal Laws Can Create Pathways From Education and Training to Good Jobs. Laura Jimenez, Livia Lam. https://www.americanprogress.org/issues/economy/reports/2021/01/12/494446/good-jobs-federal-laws-can-create-pathways-education-training-good-jobs/.

[4] Joe Biden for President: Official Campaign Website. 2021.The Biden Plan to Rebuild U.S. Supply Chains and Ensure the U.S. Does Not Face Future Shortages of Critical Equipment | Joe Biden for President: Official Campaign Website. https://joebiden.com/supplychains/.