



Insight

The Biden Administration's “Worker Centric” Trade Policy

TOM LEE | APRIL 11, 2022

Executive Summary

- Since taking office, President Biden has touted what he calls a “worker centric” approach to trade policy.
- S. Trade Representative Katherine Tai recently testified before Congress on the policy’s key planks, including the realignment of the U.S.-China relationship, engagement with key trading partners and multilateral institutions, and the promotion of confidence in trade through greater rules enforcement.
- The testimony raised as many questions as it answered, notably what role traditional market-opening trade agreements will have and what, exactly, the administration will do to compete with China.
- In the meantime, the Biden Administration has continued much of former President Trump’s costly and ineffective protectionist trade agenda, while China is increasing its global economic influence via the Regional Comprehensive Economic Partnership, the largest trade agreement in history, at the expense of the United States.

Introduction

Since entering office, President Biden has indicated his desire to pursue a “worker centric” trade policy that is dramatically different from the Trump Administration’s protectionist trade agenda. In recent congressional [testimony](#) on the administration’s trade agenda for 2022, United States Trade Representative (USTR) Katherine Tai laid out the principles of the administration’s approach. Yet Tai’s testimony raised as many questions as it answered, among them: What is the role of traditional market-opening trade agreements in the Biden Administration’s trade strategy and what exactly will the administration do to compete with China? What was clear, however, was the administration’s continuation of the Trump Administration’s costly protectionist trade policies—as well as its intent to pursue federal industrial policy, despite its criticism of China for doing the same.

The Administration’s “Worker Centric” Trade Policy

In recent congressional testimony on President Biden’s trade agenda for 2022, Ambassador Tai laid out the major components of the administration’s approach.

These include:

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

Although the agenda outlines these goals, it provides few specific details on how the administration will achieve them. Ambassador Tai did say in her recent testimony that “our strategy must expand beyond only pressing China for change and include vigorously defending our values and economic interests from the negative impacts of the PRC’s unfair economic policies and practices.”^[1] She also stated that “to ensure that our industries remain competitive, we must develop new domestic tools targeted at defending our economic interests, and make strategic investments in our economy.”^[2] Yet she provided no details on what, exactly, those new domestic tools would look like.

Tai also touted the Biden Administration’s support for industrial policy, such as that found in the [Creating Helpful Incentives to Produce Semiconductors for America Act](#), which would provide for a \$52 billion subsidy to incentivize companies to produce semiconductors in the United States. Such industrial policy is likely an [inefficient and unnecessary](#) use of federal tax dollars. This legislation would also contradict previous Biden Administration messaging, which has frequently criticized China for engaging in unfair trade practices via its own industrial policy.^[3] Indeed, China’s unfair trade practices also violate many World Trade Organization rules.^[4]

Continuing Trump’s Protectionist Trade Policies

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. President Trump’s tariffs and overall protectionist policy were largely unpopular and ineffective, however. They made only a small number of U.S. industries more competitive, while increasing costs for most U.S. industries and consumers and damaging relations between the United States and its strategic allies.

Prior research has found the tariffs have had a negative impact on economic output and growth.^{[5], [6]} The trade deficit in 2021 is also larger than ever before, meaning the tariffs did little to lower the United States’ “reliance” on imports. Since entering office, the Biden Administration has kept most of Trump’s tariffs on China in place. President Biden has also espoused measures with “[Buy American](#)” provisions, a [new trade strike force](#) to impose new trade enforcement mechanisms such as tariffs, and a 100-day supply chain review presumably to increase domestic manufacturing.^[7] In practice, the Biden administration is as protectionist as the Trump Administration.

What Is the Role of Trade Agreements?

One of the best ways for the United States to outcompete China is by pursuing meaningful economic cooperation with strategic allies in the Asia-Pacific region. This means leveraging current trade agreements and pursuing new ones. Trade agreements provide net economic benefits by allowing the participants to maximize

their comparative advantages. For the United States, this benefit would accrue primarily in the high-skill services and tech industries. Trade agreements also provide a platform to consolidate and integrate trade practices. Together these factors allow large economies like that of the United States to shape regional trade in their favor and pursue their strategic interests. Through trade agreements, the United States can work with its strategic allies to set the terms of economic cooperation in the Pacific. The Biden Administration's trade agenda provides little to no detail on the role of trade agreements, however.

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.[8] Yet before the agreement could be finalized, in 2017 the Trump Administration withdrew; thus, the United States will not realize any of the economic benefits it would have gained from increased trade cooperation with the Asia-Pacific region.

The other countries that were slated to sign TPP instead pressed on with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the [Regional Comprehensive Economic Partnership \(RCEP\) trade agreement](#). China is an original member of RCEP and recently applied to join CPTPP. These agreements show that countries can still reap economic benefits by entering free trade agreements with China and without the United States. The Biden Administration does not have plans to join either partnership. Trade agreements such as the CPTPP and RCEP will only increase China's global economic influence by allowing it to shape regional trade in its favor. The United States is on the outside looking in.

The Administration's Indo-Pacific Strategy

In February 2022, the Biden Administration released its long-awaited [Indo-Pacific Strategy](#), a document outlining the Biden Administration's broad goals in the region and the countries with whom it would like to share those goals.

Among those goals, the administration has indicated a desire to "drive new resources to the Indo-Pacific" and, more specifically, to "open new embassies and consulates." The plan also calls for the creation of "a new partnership that will promote and facilitate high-standards trade, govern the digital economy, improve supply-chain resiliency and security, catalyze investment in transparent, high-standards infrastructure, and build digital connectivity." While that may seem encouraging, it is not clear what this new partnership would actually do to achieve these goals.

The Indo-Pacific Strategy is merely aspirational. It does not establish additional economic cooperation. It does not eliminate barriers to trade, increase members' access to each other's markets, or allow the United States to leverage its comparative advantages. And with the absence of real economic benefits, the United States will not be able to shape regional trade in its favor and pursue its strategic interests as it would with a robust, established trade agreement. While the United States broadcasts its aspirations with the Indo-Pacific Strategy, China enjoys the benefits of real trade deals such as RCEP and soon, CPTPP.

Conclusion

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, while waiting on Congress to engage in industrial policy. In the meantime, China is actively signing on to real trade deals such as the RCEP, and soon the CPTPP, reaping the economic and strategic benefits, and usurping the United States' role as the de facto economic leader in the Asia-Pacific region.

[1] <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/march/ustr-releases-2022-presidents-trade-policy-agenda-and-2021-annual-report>

[2] Ibid

[3] <https://www.wsj.com/livecoverage/biden-speech-tax-antipoverty-plan-congress/card/Z0ZunBXKSZd5yk4wtith>

[4] <https://www.cato.org/policy-analysis/disciplining-chinas-trade-practices-wto-how-wto-complaints-can-help-make-china-more#>

[5] <https://taxfoundation.org/tariffs-trump-trade-war/>

[6] <https://www.nber.org/papers/w26610>

[7] <https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>

[8] Where real income is the collective income of citizens in a country, adjusted for inflation.