



Building Blocks for More Resilient Trade Policy

The pandemic exposed structural flaws in the global trading system, including supply chain concentration that left our people short of life-saving goods such as masks and personal protective equipment. In making production and sourcing decisions, it became clear that the private sector had not adequately factored in concentration risk – or geopolitical risk. Concentrating production in geopolitically fraught regions creates not only the risk of shortages during crises, but gives geopolitical rivals the leverage to engage in economic coercion.

The version of globalization that has prevailed for the past three decades has been laissez-faire in orientation, tracking the broader shift in economic governance toward trusting markets to make optimal sourcing decisions. This approach empowered corporate actors to, for example, put downward pressure on wages, as jurisdictions competed for investment based on providing the lowest possible cost structure. That bred race-to-the-bottom globalization -- and that is the version of globalization that is experiencing backlash around the world.

In the past 8 years, the United States has reevaluated that neo-laissez-faire approach. In terms of economic governance both at home and abroad, recognizing that decades of market-knows-best policies have aggravated inequality, President Biden has championed “middle out economics.” Rather than trusting growth on its own to provide trickle-down benefits to the middle and working classes, the Biden-Harris Administration has adopted policies designed to more directly benefit the middle and working classes. Thus, the three pillars of the President’s economic agenda have been: (1) investing in America; (2) empowering workers; and (3) promoting competition.

Trade policy must align with, not undermine, domestic economic policy. In line with this principle, at USTR we have sought to craft the building blocks of trade that will bring about a more resilient and equitable version of globalization.

To advance this agenda, and drawing on the work of the last four years, we have developed model texts. These texts can be used to spur further discussion about how to advance the goals of resilient and equitable globalization and can also form the basis for negotiations with like-minded partners and allies. They can be models for standalone agreements or chapters of a broader agreement, and the subjects can also be considered for inclusion in any pending bilateral, plurilateral, and multilateral negotiations. These model texts include:

- **Competition Policy:** For decades in the 20th century, on a bipartisan basis, the United States actively enforced its competition laws, and the enforcement of those laws is associated, along with other policies, with a decline in inequality after the Gilded Age. The advent of trickle-down economics brought with it a lax attitude to antimonopoly enforcement and a return to tolerance for concentration. In addition to concentration at home, the pandemic exposed the extent to which concentration exists in our supply chains, too. That lax attitude toward competition made its way into the competition chapter of U.S. trade agreements, which not only failed to include provisions designed to promote competition itself, but principally reflected the priorities of corporations subject to competition enforcement. A return to fair competition is essential to restoring resilience and promoting an inclusive economy. Consistent with the renewed bipartisan focus on

antimonopoly policy, the model competition text aligns with the approach of fair competition within our borders, and across them.

- **Inclusive Economy and Trade:** The United States is seeking to build its economy from the middle out and the bottom up – and so are many of our trading partners, who share the goal of unleashing the potential of all our people. The U.S. approach is informed by both quantitative and qualitative research and analysis. For example, according to a study requested by Ambassador Tai and published by the independent U.S. International Trade Commission, those left behind by U.S. trade policy include non-college educated workers, as well as communities of color. Indeed, the consequences of race-to-the-bottom globalization have been felt not just by American workers, but by workers around the world. The model economic inclusion text was developed through a process of robust public engagement and seeks to advance responsible business conduct while establishing processes and structures for women, youth, persons with disabilities, diaspora communities, Indigenous Peoples and local communities, rural and remote communities, and traditionally underserved and overburdened communities to access opportunity.
- **Non-Market Policies and Practices (NMPPs):** The pandemic exposed the extreme nature of our supply chain dependency on the People’s Republic of China (PRC). The PRC’s supply chain dominance is in part due in significant part to non-market policies and practices that are fundamentally anticompetitive in nature. Government intervention on behalf of Chinese companies is designed to facilitate global dominance across a range of sectors, including steel, aluminum, solar, and electric vehicles. Market-oriented economies, and in particular market-oriented democracies, must work together to tackle these NMPPs as part of a broader effort to promote more resilient supply chains, reduce dependencies on geopolitical rivals, and mitigate the risks of economic coercion. The model text articulates shared values of market-oriented economies and provides tools, including through cooperative measures, to tackle NMPPs.
- **Standards, Technical Regulations, and Conformity Assessment:** When the GATT (and then the WTO) first tackled standards, the goal was to promote reliance on international standards, to facilitate a level playing field for all competitors. However, over time, the PRC has begun to engage with standard-setting bodies as a way to advantage its own competitors, and thus leverage gains made through NMPPs. In light of this environment, which is fundamentally different from that in which the GATT and the WTO first devised rules in this area, it is important for market-oriented economies, and in particular market-oriented democracies, to ensure that they retain the sovereign ability to set standards as appropriate, rather than being exposed to trade arbitration for deviating from international standards that undermine fair competition. As with many issues brought to the fore by the PRC, these concerns are widely shared, both across the political spectrum in the United States, and amongst partners and allies abroad. This model text draws on previous standards-related texts but reinforces the flexibility to regulate in the sovereign, public interest.
- **Public Enterprises and Designated Monopolies:** Both non-market and market-oriented economies have state-owned enterprises (SOEs). SOEs are not per se problematic. However, fair competition requires such enterprises to act in accordance with commercial considerations and not treating them more favorably than other enterprises. This model text draws on previous SOE texts but expands the scope to address the evolving challenges with states seeking commercial

advantages. Indeed, the very title reflects that change – the question is not one of state ownership per se, but of state control more broadly.

The previous version of globalization took decades to build. When circumstances demonstrate that a particular approach has run its course, economic policymakers must respond. We owe it to our people to build a version of globalization that reflects lessons learned and fosters a trading system that is more resilient, more prosperous, and more just.