



## Institute for International Trade

# UNITED STATES TRADE POLICY UNDER A BIDEN PRESIDENCY: CHALLENGES AND OPPORTUNITIES

### Executive Summary

The Trump administration has called into question the value of trade agreements, including of the World Trade Organization (WTO), abused the concept of national security to justify openly trade protectionist actions, invoked “trade wars” as legitimate policy tools to advance national objectives, and moved in the direction of managed trade. Would a Biden presidency bring a decisive change in direction on US trade policy?

Biden’s identification with the legacy of the Barack Obama presidency is encouraging, notably its strong support for open trade and respect for international norms, and he promises a return to a US that is a more constructive international participant. But when it comes to Biden’s specific policy platforms the signs are less certain.

There is no comprehensive trade policy platform. Nonetheless, one important indicator of the direction of a Biden presidency’s trade policy is his plan to rebuild US supply chains for critical goods. While the plan lacks a clearly explained justification, its formulation appears to rest on the same abuse of the national security concept used by Trump. Indeed, the Biden plan takes forward Trump trade advisor and China hawk Peter Navarro’s February 2020 call to use COVID-19 as the spur to re shore US supply chains.<sup>1</sup>

This policy brief uses Biden’s plan to rebuild US supply chains as a window into the mindsets shaping the Biden campaign, and the Democratic Party, framing of issues relevant to US trade policy in the lead up to the Presidential election. It is these mindsets which are likely to be most important in determining the shape of trade policy under a Biden presidency.

The brief identifies three key problems with the mindset revealed by Biden’s supply chain plan:

1. It fails to address the role of governments in providing public goods, and the importance of international cooperation in addressing common interests like responding to a global pandemic, and instead focuses on a domestically-reoriented market economy as the solution.
2. It continues the Trump administration’s abuse of the concept of national security to justify trade protectionist actions, and in a worrying feature would make working with “allies” – a term that appears to be used in the sense of strategic alliances – a key feature of a Biden administration’s engagement on trade.
3. It is framed around the myth that has been central to Trump’s trade policy: that the US, and particularly US manufacturing jobs, have been undermined by trade agreements and by other countries.

Finally, the policy brief considers how other governments, and international public opinion, should respond to a Biden presidency on these key problems in the Democrats’ approach to trade policy.

### Introduction

Trade policy has not figured prominently in the 2020 presidential race. If Biden is elected President, he will come into office without a clear trade policy platform, and all indications are that trade policy would not be an early priority for him. There is a danger that Biden’s trade policy could be heavily shaped by the legacy of the Trump presidency rather than bringing a considered policy shift.

<sup>1</sup> J Politi, “US trade adviser seeks to replace Chinese drug supplies”, Financial Times (FT) 13 February 2020; Navarro at a 2 April 2020 Press Briefing: “if there’s any vindication of the President’s ‘Buy American, secure borders, and a strong manufacturing base’ philosophy, strategy, and belief, it is this crisis.”



But a Biden presidency also creates opportunities for the international community. Biden has advanced a clear criticism of Trump’s trade policy, that Trump “has launched ill-advised trade wars, against the United States’ friends and foes alike that are hurting the American middle class.”<sup>2</sup> The Democrats may lack a coherent alternative path on trade but they may be open to engage with others in the search for such a path.

### The Biden Plan to Rebuild US Supply Chains

While the initial priority of Biden’s *Supply Chain Plan* would be to combat the COVID-19 pandemic, the Plan is much broader in scope and would involve “fundamental reforms” to shift production of a range of critical products “back to U.S. soil, creating new jobs and protecting U.S. supply chains against national security threats”.<sup>3</sup>

The range of products involved could be wide-ranging.

“ The Plan lists the following as areas where the US needs more resilient domestic supply chains: energy and grid resilience technologies, semiconductors, key electronics and related technologies, telecommunications infrastructure, and key raw materials. ”

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The Plan states that the goal is not “pure self-sufficiency, but broad-based resilience”. The Plan clearly focuses on maximizing US production of critical goods but does recognize that achieving resilience should also involve other strategies.<sup>4</sup>

There are three key elements to the Plan’s implementation:

- a. Use the Defense Production Act (DPA) which grants the President broad authority to mobilize the domestic industrial base toward emergency preparedness.
- b. Use federal purchasing power to bolster domestic manufacturing capacity for designated critical products.
- c. Build long-term supply chain resilience for pharmaceuticals through a range of tools.

Use of Federal procurement to preference US made goods would be a key part of both the Supply Chain Plan and a more comprehensive manufacturing plan, the *Made in All of America Plan*.<sup>5</sup>

Significantly, the Plans are silent on respecting the international commitments on applying non discriminatory treatment in Federal purchases that the US has accepted in the World Trade Organization’s (WTO) Agreement on Government Procurement (GPA) or in the free trade agreements (FTAs) it has negotiated with a wide range of countries. The Plans could potentially be implemented in a manner consistent with these agreements, as there are limits on the purchases subject to commitments (e.g. government entities covered, minimum monetary thresholds for purchases covered, exceptions allowing departures from commitments in certain circumstances). But the apparent scale of re-shoring envisaged by the Biden Plan would very likely find these international obligations too constraining. This would appear to be recognized by the plan providing for the US to work with its allies to “update” the trade rules in this area (presumably a reference to both the GPA and FTAs).

<sup>2</sup> Biden, J 2020 “Why America Must Lead Again: Rescuing U.S. Foreign Policy After Trump,” *Foreign Affairs* March/April, p.64.

<sup>3</sup> *The Biden Plan to rebuild U.S. supply chains and ensure the U.S. does not face future shortages of critical equipment*, 7 July 2020.

<sup>4</sup> Including: increased federal stockpiles; requiring companies manufacturing, distributing and using designated critical goods to identify potential supply chain vulnerabilities and develop plans for addressing them; and promoting surge manufacturing capacity in the U.S. for key critical products.

<sup>5</sup> *The Biden Plan to ensure the future is ‘made in all of America’ by all of America’s workers*, 7 July 2020.

## First Problem: The Plan Fails to Address National and Global Public Goods

“The first of the three key problems with the Supply Chain Plan is that it fails to address the most important problem exposed by poor responses to the COVID-19 pandemic: inadequate political priority and resources devoted to global and national public goods, and a loss of a sense of collective endeavor and the common interest.”

The supply of critical medical goods, and a COVID-19 vaccine, are national and global public goods. Ensuring that their supply and distribution is equitably organized, with priority distribution given to areas of most need, is in everyone’s interest. If left to the market then everyone would lose – as supply and distribution would be determined by ability to pay rather than need, and the global pandemic would rage longer and be harder to control.<sup>6</sup>

The market may have a valuable role in supporting governments in the supply of critical goods, but it is governments that need to take the lead – as public goods require the sort of collective coordination provided by governments at the national level and through international cooperation.

While provision of public goods requires government leadership, non-government actors may also have an important role both in the initiation and deepening of public goods provision. At the international level global public goods require international coordination, such as through treaties, international organizations, and other forms of inter-governmental cooperation, but again non-government actors can be important participants.

It is significant that while the initial justification for Biden’s *Supply Chain Plan* is a global public health crisis it is silent on working with either international organizations or countries other than “allies” in addressing COVID-19 or future crises (whether of a health or other nature) which might disrupt supply of critical goods. It is hard to see the Plan as having anything to do with public health and it is noticeable that the Plan has not been integrated into a holistic platform to either address COVID-19 or prepare for future pandemics.

Instead of addressing the public goods issue, the *Supply Chain Plan* implicitly puts the focus on the market economy to solve problems: the COVID-19 crisis is used as a justification to reduce US dependence on the world economy, and global supply chains, to strengthen the US market economy. By contrast, Biden’s statements more directly aimed at COVID-19 do focus on the role of government as provider of public goods.<sup>7</sup>

“The Supply Chain Plan also ignores the fact that trade distortions may be an important factor in reducing access to critical supplies and that trade liberalizing measures could enhance access – a message that would conflict with its trade protectionist mindset.”<sup>8</sup>

## Global Supply Chains, Global Public Goods and COVID-19

Problems experienced in the supply and distribution of some essential medical goods in the initial stages of the COVID-19 pandemic primarily resulted from a lack of governmental action to adequately prepare for, and respond to, the risk of global pandemics. Export bans or restrictions by some countries that initially disrupted supply chains reflect a weakness in international coordination rather than a weakness in global supply chains as such.<sup>9</sup>

The *Supply Chain Plan* ignores the fact that the US is already a major producer of medical goods, and a key provider of many of these goods to the rest of the world. It is the second largest exporter of medical goods after Germany, with a 12 percent share of medical exports in 2019 compared to Germany’s 14 percent share. China was the seventh largest exporter with a five percent share.<sup>10</sup> Medical goods production has not disappeared from the US, and therefore does not need to be “rebuilt”. The story is one of global interdependence with the US a central producer and exporter of a range of medical goods, and major importer of other goods.

However, certain countries may account for a large share of production and exports of individual categories of medical goods – including China’s position in personal protective equipment.<sup>11</sup> It may also be the case that COVID-19 has revealed some problems with the existing pattern and structure of global supply chains. But the disruptions “demonstrate the dangers of highly concentrated, just-in-time supply chains – not international ones.”<sup>12</sup> Lean management practices – viewing inventories and warehouses as costs to be minimized – are not essential to international production sharing, which is the key global element in modern supply chains. There would appear to be no reason why global supply chains cannot be combined with other business models which give more weight to considerations such as resilience.<sup>13</sup>

Similarly, the geographical production concentration of certain goods categories is not intrinsic to the existence of global supply chains. There are legitimate reasons why promoting greater diversification of critical goods supply sources should be a part of a global public goods strategy to improve preparedness for pandemics. It is important to note that concentration of supply can also happen at the national level, so re-shoring production does not by itself make supply of critical goods secure.

<sup>6</sup> A point also demonstrated by US domestic experience with COVID-19: W Wan, “America is running short on masks, gowns and gloves. Again.” *Washington Post* 9 July 2020. On the distortion in access to personal protective equipment by relying on ability to pay during COVID-19: Brown, C P 2020. “China should export more medical gear to battle COVID-19”, *PIIE Trade and Investment Policy Watch*, Peterson Institute for International Economics, Washington, 5 May. If access was left to the market to determine, then the rich might be able to ensure access to critical materials but they would still be vulnerable to the pandemic if it lasted longer and would also be exposed to the continued economic effects as well as the limitations on travel and other measures to contain the disease.

<sup>7</sup> *The Biden Plan to Coordinate Critical Materials for all 50 States and U.S. Territories*, 3 April 2020, which calls for the appointment of a Supply Commander to take command of the national supply chain for essential equipment, medications, and protective gear.

<sup>8</sup> The Plan contains no recognition of the following sentiment: “One reason for...[the shortages in supply] is Trump’s misguided trade war with China, which led to tariffs on essential medical supply and reduced their availability in the United States.” 13 March 2020 *Statement from Vice-President Joe Biden on Immediate Actions the Trump Administration Must Take to Address the Public Health Crisis*.

<sup>9</sup> A good discussion of the public goods approach to preparing for pandemics is in Goldin, I & Mariathan, M 2014. *The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do About It*, Princeton University Press, Princeton and Oxford, chapter six (“Pandemics and Health Risks”).

<sup>10</sup> WTO Secretariat 2020. “Trade in Medical Goods in the Context of Tackling COVID-19,” 3 April, Table 3.

<sup>11</sup> Global Trade Alert 2020. *Tackling COVID-19 Together: The Trade Policy Dimension*, St. Gallen, 23 March, Table 1 (showing export concentration of COVID-19 products); Brown, C P 2020. “How the G20 can strengthen access to vital medical supplies in the fight against COVID-19”, *PIIE Trade and Investment Policy Watch*, Peterson Institute for International Economics, Washington, 15 April. Figure 1 (on imports of personal protective gear). China may account for 50 percent or more of exports for some categories of personal protective gear.

<sup>12</sup> R Armstrong, “Coronavirus is a global crisis, not a crisis of globalization,” FT 11 March 2020.

<sup>13</sup> McKinsey Global Institute 2020. *Risks, Resilience, and Rebalancing in Global Value Chains*, August, pp.73-84. McKinsey point out that “The toolbox [to increase resilience] is much bigger than the current debate would seem to indicate” (p.73).

## Public Goods and the Common Interest

Global public goods depend on governments accepting that there are certain issues of common interest and mutual benefit on which they need to find a way to work together, despite other differences or strategic conflicts they may have.

The *Supply Chain Plan* does not consider the fact that re-shoring supply chains into the US would do nothing to assist the rest of the world to be ready for and address future pandemics, and indeed could weaken that capability if it undermined existing supply chains and production capacity.<sup>14</sup> A pandemic like COVID-19 cannot be addressed through a single-minded focus on the US alone. If the pandemic continues unchecked elsewhere the US would remain at risk both on health grounds and owing to the economic effects of the continuing pandemic in other countries.

While serious weaknesses have been exposed by poor international coordination in the early stages of the pandemic, it would be wrong to conclude that marshalling the support needed to deliver global public goods has simply become too hard. Most of the initial export restrictions on critical goods have been lifted or eased and governments have worked together to liberalize trade and take other actions to keep supply chains open.<sup>15</sup> We are seeing unprecedented levels of scientific collaboration globally in the search for better treatments and a vaccine, taking advantage of the many benefits from the flow of ideas in our more integrated world.<sup>16</sup>

Furthermore, the pioneering COVID-19 Vaccines Global Access Facility (COVAX) includes innovative funding mechanisms aimed at supporting early access to a vaccine by all countries, and potentially marks a new level of international collaboration in the delivery of global public goods.<sup>17</sup> This initiative should be supported by strengthened coordination, and important proposals have been put forward on how to assist this through a COVID-19 vaccine trade and investment agreement that would build on and complement the WTO and international health arrangements.<sup>18</sup>

## Second Problem: The Intrusion of National Security into Other Common Interests

A second problem with the *Supply Chain Plan* is that it would continue the Trump administration's abuse of the concept of national security to justify trade protectionist actions. Furthermore, by introducing national security into trade policy, the Plan also distorts trade policy by imposing national security concepts like "allies". The result is a confusing mix of trade protectionism and the undermining of trade cooperation by seeing trade through the lens of strategic competition.

On one reading, national security would appear to be the Plan's overriding purpose. This would explain why the Plan envisages a role for "working closely with allies". The Plan's use of the term "allies", which appears to be used to refer to security alliances, only makes sense given its apparent national security focus. But it is not clear from the Plan whether there would be any role for the allies in helping the U.S. meet its need for critical products, such as through coordinating their supply chains. Instead, the focus is on ensuring that "no U.S. ally should be dependent on critical supplies from countries like China and Russia".

What is striking about the Plan is the lack of detail on the national security considerations supposedly justifying it, or its integration into a coherent national security policy. As with public health, it is hard to see the Plan as really having much to do with national security.

In fact, the key assumptions that underpin the *Supply Chain Plan* would seem to be about economic policy and ensuring that the plan fits in very coherently with the main elements of Biden's economic policy platform—the *Made in All of America Plan* and the *Jobs and Economic Recovery Plan*.<sup>19</sup>

The *Jobs and Economic Recovery Plan* provides a straightforward justification for the *Supply Chain Plan*: "We've seen the importance of bringing home critical supply chains so that we aren't dependent on other countries in future crises". No compelling public health or national security explanation is provided for this objective, only an economic one, to re-shore manufacturing jobs in the US.

The Plan talks about working with "allies" but not about working with the rest of the world – whether countries the US might deem strategic competitors or those which refuse to join in alliances but seek a more neutral positioning. Bringing "alliances" into the conversation about common global interests like the world trade regime or the response to COVID-19 will not be conducive to the widespread cooperation needed across countries of very different complexions to advance these interests.

“ The US should seek to work with like-minded countries and join in coalitions to advance shared interests on trade policy, but it should not have allies in the trade field or in other areas of common interest. Alliances should be preserved for the genuine national security space. ”

As national security is generally viewed in existential terms there is a danger that it will be allowed to unnecessarily intrude into, and come to dominate, policy making on other interests. Vigilance is needed to ensure that the pursuit of national security recognizes that there are other common interests which also need to be advanced if our life together is to be meaningful and worthwhile. The dividing line between national security and other interests, like cooperation on an open trade and investment regime, may not always seem clear, and the line will change over time in response to developments such as new technologies. But the effort must be made to preserve such a line if national security and other interests are to co-exist to the benefit of the global and national communities.

There are many positive indications in Biden's statements and plans of his recognition of important common interests, including his commitment to marshalling international action to address climate change and his support for US involvement in the World Health Organization (WHO).<sup>20</sup> However, a major test for a Biden presidency would be whether he would bring back to the US a recognition and support for separating the pursuit of national security from other common interests. The confusion on this issue in many aspects of the Democrat platform is well reflected in the *Supply Chain Plan*.

<sup>14</sup> This is also ignored in *The Biden Plan to Combat Coronavirus (COVID-19) and Prepare for Future Global Health Threats* (12 March 2020) despite its call for the US to lead the global response to COVID-19.

<sup>15</sup> WTO Secretariat 2020. "How WTO Members Have Used Trade Measures to Expedite Access to COVID-19 Critical Medical Goods and Services", 18 September.

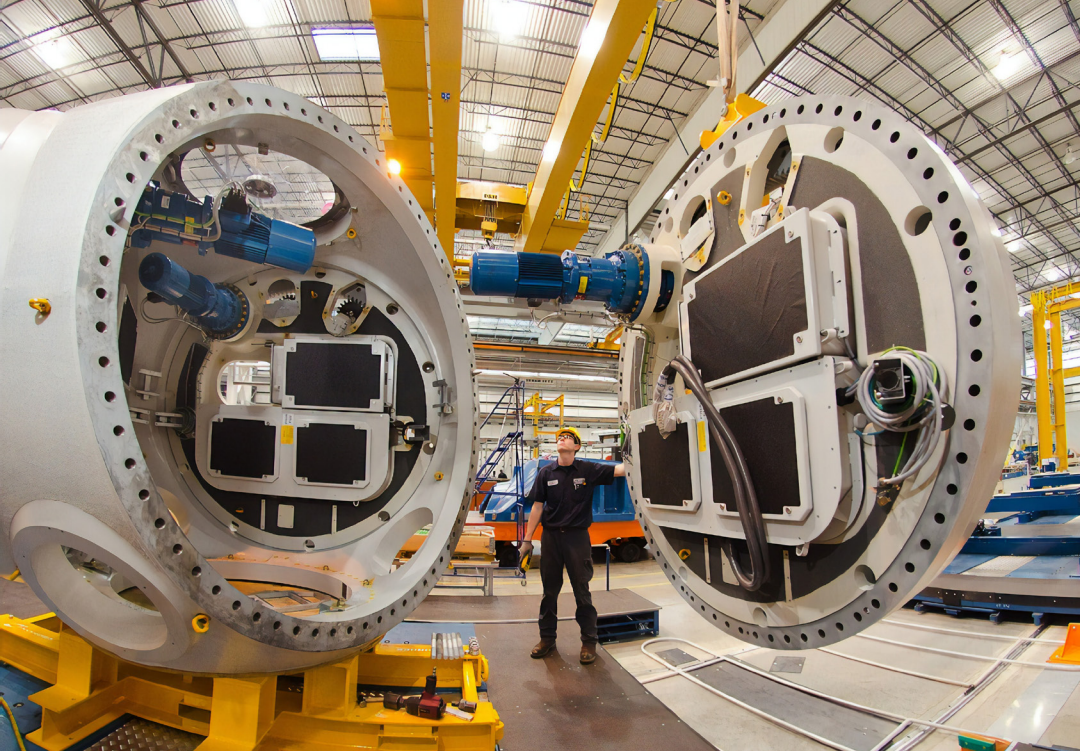
<sup>16</sup> I Goldin, "Covid-19 proves globalization is not dead," *FT* 26 August 2020.

<sup>17</sup> Weintraub, R, Bitton A, & Rosenber, M L, "The Danger of Vaccine Nationalism," *Harvard Business Review*, 22 May 2020

<sup>18</sup> Bollyky, T J & Brown, C P, "The Tragedy of Vaccine Nationalism: Only Cooperation Can End the Pandemic," *Foreign Affairs* September/October 2020, pp.96-108; Evenett, S J & Winters, L A 2020. *Preparing for a Second Wave of COVID-19: A Trade Bargain to Secure Supplies of Medical Goods*, *Global Trade Alert*, St. Gallen, 26 April.

<sup>19</sup> *Build Back Better: Joe Biden's Jobs and Economic Recovery Plan for Working Families*, 7 July 2020.

<sup>20</sup> *The Power of America's Example: The Biden Plan for Leading the Democratic World to Meet the Challenges of the 21st Century*: "America will lead by example and rally the world to meet our common challenges..."



### Third Problem: The Myth about the Causes of the US Manufacturing Job Losses

A third problem with the Biden Plan is that it would continue the central Trump trade policy myth –that the US, and particularly US manufacturing, has been disadvantaged by trade agreements and by other countries. By “myth” I do not intend to imply anything about the factual basis of this narrative; rather to indicate its power as a foundational story in framing how the Democrats see trade policy.

This myth ignores the fact that the increased economic integration of the world in recent decades has not seen a diminution of the US’s position as the wealthiest country in the world, or its position as a manufacturing powerhouse. This increased integration has led to improved living standards for billions of people and a reduction in inequality between countries, but not at the expense of the US economy or its wealth and income.

Many factors are probably responsible for the loss of manufacturing jobs in the US, and greater US trade exposure, especially due to the China shock from the early 2000s, would seem to be a part of the story.<sup>21</sup> But to say that trade has been a factor does not mean that trade agreements and other countries have taken unfair advantage of the US. The trade story is a more complex one which needs to recognize the key role of reform in China and increasingly other developing countries which have reduced their own restrictive practices and improved their governance to become more attractive destinations for investment. This has supported extensive changes in the nature and location of production that have created new opportunities in poorer countries.<sup>22</sup>

While global supply chains may have contributed to many manufacturing jobs disappearing in the US, they have also brought increased wealth and income, and jobs, to the US through the

key role of US companies in the provision of intellectual property and innovation, the services that are central to the organization of globalized production and the supply chain networks, and the supply of many high-value components and software produced in the US.<sup>23</sup> Measured in nominal GDP, the US “share of global economic power has essentially held steady for four decades”, while the shares of the EU and Japan have fallen in the same period.<sup>24</sup>

The question has to be asked whether the trade policy debate in the US has too often shifted the focus to external factors rather than thinking coherently about the domestic policies needed to manage economic change, as well as the interaction between such policies and international coordination with other countries.<sup>25</sup>

This does not mean that issues of “fairness” and the effect of other countries’ policies on the US do not have a place in the debate. But they need to be balanced with an understanding of how these international factors interact with policies in the US. The maldistribution of income and wealth in the US in recent decades, towards a small number of highly paid professionals and to capital-owners, would seem to be far more important in understanding stagnant real wages and living standards than any effect of trade agreements or increased economic integration by themselves. However, the latter interacted with and affected the internal currents at the heart of the US inequality story.

There are many elements in Biden’s platform that could start to seriously redress the problems in US domestic policies – including a focus on investment in education, restoring balance to the labour market through stronger worker rights, and investment in communities including through infrastructure. These policies provide a strong foundation for Biden’s statement that “trade policy has to start at home, by strengthening our greatest asset – our middle class...”<sup>26</sup>

<sup>21</sup> The role of trade is much disputed. The evidence suggests that while trade may have been a factor in declining US manufacturing employment in some sectors it is much less important as an explanatory factor than productivity growth and limited demand growth for goods as incomes grow. Lawrence, R Z & Lawrence E 2013. *US Employment Deindustrialization: Insights from History and the International Experience*. PIIE Policy Brief 13-27, Peterson Institute for International Economics, Washington. Lawrence, R Z 2017. *Recent US Manufacturing Employment: The Exception that Proves the Rule*. PIIE Working Paper 17-12, Peterson Institute for International Economics, Washington.

<sup>22</sup> Lindert, P H & Williamson, J G 2016. *Unequal Gains: American Growth and Inequality since 1700*, Princeton University Press, Princeton and Oxford, pp.236-38, 247-48.

<sup>23</sup> Gordon, R J 2017. *The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War*, Paperback edition with a new afterword, Princeton University Press, Princeton and Oxford, pp. 642-43.

<sup>24</sup> Sharma, R 2020. “The Comeback Nation: U.S. Economic Supremacy Has Repeatedly Proved Declinists Wrong”, *Foreign Affairs* May/June, p.72.

<sup>25</sup> Roach, S 2014. *Unbalanced: The Codependency of America and China*, Yale University Press, New Haven and London. A fascinating example of how difficult the Democrats find it to accept that it may be the US – rather than others – putting unfair provisions in trade agreements can be seen in the following quote from *Biden-Sanders Unity Task Force Recommendations* (Economy Unity Task Force), p.71: “...eliminate rules in our trade deals that increase the costs of medicines indicative to what other advanced economies pay...” It is US domestic policy and not trade deals which have determined US medicine costs, although the US has attempted to use trade agreements to get other countries to adopt medicine pricing policies closer to its system.

<sup>26</sup> Biden, “Why America Must Lead Again”, p. 68.

But the Biden platform has no coherent story about how these positive elements fit in with US engagement in the world economy. Instead all it seems to offer is the myth about the role of trade and trade agreements, which remains the key trade theme in the Democrat's platform: "the global trading system has failed to keep its promises to American workers."<sup>27</sup> In response the Democrats demand action aimed at the policies of other countries (e.g. on labour, human rights and environmental standards, currency manipulation, and protection of intellectual property rights).

A similar mindset can be seen in Biden's proposal to use the tax code to discourage American-owned companies from moving jobs overseas for sales back to the US (via an extra tax on profits) and to encourage jobs to be relocated to the US (via a tax credit).<sup>28</sup> Like the *Supply Chain Plan*, this proposal shows little understanding of the complexity of modern business models or supply chains. If these proposals were implemented and did impact business behaviour, it is very likely that they would reduce the competitiveness and efficiency of US industry while only having modest employment effects.<sup>29</sup> If other governments reciprocated with similar policies then the result will be diminished opportunities for all, and efforts at greater international cooperation on taxation hindered.

### **Needed: A Mobilization of Other Governments and International Public Opinion**

“ One of the most important differences between the Trump presidency and the likely character of a Biden presidency is that Biden should be more open to being influenced by the views of other governments and international public opinion. ”

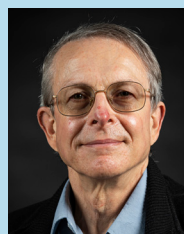
The issues cannot be left to governments alone. They must also be a focus of broader public debate, and the formation of public opinion, as they involve common interests and public goods, and the interaction between national and global interests.

The potential openness of a Biden-Harris administration to ideas from the international community will only be given effect if governments and international public opinion mobilize to engage the US on three key themes:

1. The importance of public goods and of advancing the common interest, at both the national and global levels. The US should be asked to rejoin efforts to rebuild a strong sense of the common interest in an open trading system, as well as of the role of governments and international agreements in providing the public goods that sustain open trade and investment. An initial focus for engaging the US should be how to best marshal the resources of an integrated world economy to support expedited production and distribution of treatments and vaccines to address COVID-19, and address other serious and immediate challenges such as the potential for food shortages in parts of the world owing to the economic impacts of the pandemic.

2. The need to keep alliances and national security out of the engagement on common interests in other areas like public health, climate change and an open trading system. It may be the case that we now live in "an era in which economics and grand strategy are inextricably entangled," given the importance of economic growth as a source of state power.<sup>30</sup> But lines need to be drawn. The US should be reminded that national security considerations cannot be allowed to intrude to such an extent on other areas of common interest as to undermine effective international engagement on them. This requires that the debate on where to draw these lines cannot be left to the national security community alone to determine; other communities, including the trade policy community, need to be actively engaged in the conversation. COVID-19 is a key starting point since the global pandemic is a common threat to us all and should not be hijacked by national security arguments.
3. The need for an economic policy vision that combines an open engagement towards the world with effective policies at the national level to manage economic change, reduce income and wealth inequality and ensure the community consuming power that will encourage productive investment and a strong labour market. The US needs to be drawn into a more direct international conversation on the domestic policies needed to support open trade and investment, and other governments need to bring to this conversation a readiness to examine their own domestic policies. Discussion of the common actions we need to take to restore growth in the current depressed economic environment must be informed by the need for such an economic policy vision.

### **ABOUT THE AUTHOR**



**Milton Church** left the Australian Department of Foreign Affairs and Trade in 2018 after working on trade policy since 1987. From 1987 to 2001 Milton worked on the Uruguay Round agriculture negotiations and Australia's chairing of the Cairns Group, followed by work on a range of World Trade Organization issues.

From 2002 he was involved in the negotiation of free trade agreements (FTAs), and led negotiations on services and investment on two of Australia's bilateral FTAs, as well as on goods-related issues in later bilateral FTAs. From 2012 Milton was Australia's Deputy Lead Negotiator for the Regional Comprehensive Economic Partnership (RCEP) negotiations.

<sup>27</sup> 2020 Democratic Party Platform, p.20 (Section on Building A Fair System of International Trade for Our Workers).

<sup>28</sup> *The Biden-Harris Plan to Fight for Workers by Delivering on Buy American and Make It in America*.

<sup>29</sup> Hufbauer, G C & Jung E 2020. "The high taxpayer cost of 'saving' US jobs through 'Made in America'". *PIIE Trade and Investment Policy Watch*, Peterson Institute for International Economics, Washington, 5 August; Hufbauer, G C & Jung E 2020. "Biden's business tax plan: More complexity, questionable effect". *PIIE Realtime Economic Issues Watch*, Peterson Institute for International Economics, Washington, 5 October.

<sup>30</sup> Adam Tooze 2020. "Whose century?", *London Review of Books* vol.42, no.15, 30 July, p.13.

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