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Why Is the US Ambivalent About Trade Engagement in the Indo-Pacific?

Changing sentiments at home mean the United States is now more enthusiastic about enforcing trade rules than facilitating trade.

By Hanh Nguyen

U.S. engagement in the Indo-Pacific has been roundly criticized for promoting "guns but no butter," and particularly for lacking of a comprehensive economic strategy. This is a perfectly justified criticism given China's efforts to expand its economic clout in the region, which regional states welcome despite their misgivings about China's military might. While the United States is missing in action on the economic front, China continues to consolidate its status as the region's most important trade partner and investor. It is a member of the Regional Comprehensive Economic Partnership (RCEP) and recently applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Aware of the United States' lackluster record on the economic front, the Biden administration recently announced the Indo-Pacific Economic Framework (IPEF), an innovative trade framework that focuses on providing a rules-based trade regime, resilient supply chains, digital connectivity, and sustainable growth. But criticism emerged again that the framework might not be sufficient to turn the tide in Washington's favor.

That said, debates about IPEF often ignore an important shift in U.S. trade policy in the last decade: The United States is now more enthusiastic about enforcing trade rules rather than facilitating trade.

A Shift From Trade Promotion to Trade Rules Enforcement

In the 1990s and 2000s, both the Clinton and Bush administrations were enthusiastic about trade promotion, casting trade agreements as beneficial for the U.S. economy, workers, and businesses. Under the Clinton administration, the United States granted China permanent normal trade relations (previously called "most favored nation" status), accelerating its accession to the World Trade Organization (WTO). In his remarks at the Johns Hopkins University, President Bill Clinton praised the decision through the lens of benefits for U.S. exports and businesses: "Economically, this agreement is the equivalent of a one-way street. It requires China to open its markets – with a fifth of the world's population, potentially the biggest markets in the world – to both our products and services in unprecedented new ways." Clinton also secured legislative approval for the North America Free Trade Agreement (NAFTA), launched negotiations for the Free Trade Area of the Americas, and expanded trade preferences for Africa and the Caribbean.

President George W. Bush also enthusiastically pursued trade deals to open new markets for U.S. exports. Under his leadership, the number of countries partnering with the United States on FTAs increased from three to 16. The U.S. also officially entered negotiations on the Trans-Pacific Partnership (TPP) at the end of Bush's second term.

However, subsequent U.S. administrations have moderated their enthusiasm for free trade and shifted their focus from signing new trade deals to enforcing existing agreements. The

Obama administration considered building a capable trade enforcement system the main goal to ensure benefits for U.S. workers, farmers, and businesses under existing trade and investment agreements and to prevent U.S. jobs from being threatened by unfair trade practices. Consequently, the United States pressed cases on perceived unfair trade practices by China and other countries at the WTO, and pursued diplomatic engagement to uphold provisions on labor rights, environmental protection, and protection of intellectual property rights in trade deals.

Nevertheless, it was President Barack Obama who fought the U.S. Congress for TPP's fast track authority, which gave him the power to accelerate negotiations on the landmark agreement. He also warned the U.S. public about the consequences of not ratifying TPP, which would allow China to write trade rules in the Asia-Pacific at the expense of the U.S. economy, workers, and business owners.

President Donald Trump adopted a more aggressive approach to enforcing trade rules. After railing against trade deals as unfair and exploitative during his election campaign, Trump made good on his promises by withdrawing the United States from the TPP on his first day in office. While Trump and his advisers do not totally reject the benefits of international trade, they emphasized that trade should be "freer and fairer to Americans" and linked ensuring fairer trade with protecting national interests.

The Trump administration continued many Obama-era policies to enforce trade rules, including measures against unfair trade practices, protection of intellectual property, and the enforcement of labor provisions in trade deals. Yet they also did not shy away from more controversial approaches, picking quarrels with not only China but also U.S. allies and partners over trade disputes. In some cases, the Trump administration sought to renegotiate existing trade deals, like the United States-Canada-Mexico Agreement (or NAFTA 2.0) and the United States-Korea Free Trade Agreement.

The focus of the Biden administration's trade agenda generally remains unchanged from the Trump administration, with the goal of protecting U.S. workers continuing to dominate. Biden believes trade policies should be based on supporting the American middle class, by investing in U.S. infrastructure and education, and vowed not to enter any new trade agreements in his term.

IPEF was also introduced in a careful manner in order not to raise opposition. The framework will be rolled out as an executive agreement rather than a traditional trade agreement, thus avoiding congressional approval. The language in the IPEF official fact sheet also focused on purported domestic benefits, such as lowering inflation and ensuring benefits for U.S. workers and small businesses. However, unlike the Trump administration's preoccupation with bilateral deals, Biden appreciates the need to form multilateral partnerships with allies and partners to update and enforce the rules governing global trade.

Domestic Roots of the Shift

This reserved attitude is perplexing in the background of general favorability toward trade within the U.S. public. Surveys conducted by the Pew Research Center, Gallup, and Chicago Council have consistently demonstrated that favorable views of foreign trade and globalization have increased significantly in the United States. One reason might be the lack of sustained support for international trade in the U.S., as this issue has never been a top concern for Americans. Except for the 2016 presidential election, when trade was a prominent campaign issue, topics like healthcare, the U.S. economy, jobs, and education were much more important to Americans. In a Pew Research Center survey from 2011 to 2019, the proportion of respondents who thought global trade should be a public policy priority fluctuated between 34 to 39 percent in the Pew Research Center survey from 2011 to 2019.

The backlash against trade and globalization still exists in the United States, but it tends to concentrate in areas where free trade and globalization have had adverse effects, particularly former industrial towns along the Rust Belt. Since the 1970s, the shift from heavy industries and manufacturing to a knowledge- and service-based economy in Western countries has transformed urban areas into centers of economic gravity at the expense of industrial towns. These towns, whose economic fortune relies on factories and the employment they generated for local residents, fell into decline after manufacturing companies moved to other locations with lower production costs. Adding in the lack of attention from the government, the erosion of essential public services, and the disappearance of opportunities for a better life, these towns are stuck in a state of permanent decline. Their residents are more likely to be hostile to free trade and globalization since they perceive these, whether rightly or wrongly, as the cause for the permanent downturn of their hometowns and their lack of social mobility.

This attitude had already emerged in the 1990s, as a significant number of Americans believed free trade took away jobs and held wages down. Consequently, they are more likely to vote for candidates and parties that espouse anti-globalization and anti-trade agenda. Since the U.S. electoral system grants rural voters disproportionate clout over those in urban areas, the former have become a critical constituency who can sway election results. Trump's election success in 2016 and the growing popularity of anti-trade lawmakers from both parties can be attributed to these voters, which forced the Biden administration to take a cautious approach to trade.

Opposition from anti-trade lawmakers, supported by disenchanted voters, poses a major problem in ratifying trade deals. The U.S. Constitution grants the president the power to negotiate treaties, including the authority to set tariffs and regulate foreign commerce. Even though this authority was gradually delegated to the executive branch through the 1934 Reciprocal Trade Agreement Act and the 1974 Trade Act, Congress still retains significant clout, as it is allowed to introduce legislation to implement trade agreements while the president expedites trade negotiations using Trade Promotion Authority (TPA).

The current balance of power in the Congress is too precarious for Biden to push through a major trade agreement. Even though the Democratic Party holds a majority in both chambers, it is very slim (220 vs. 212 in the House, 50 vs. 50 in the Senate, with Vice President Kamala Harris holding the tie-breaking vote). Biden will face opposition not only from the anti-trade wing of the Republican Party but also from the progressive wing of the Democratic Party, which blames trade deals for hurting U.S. workers.

These domestic constraints will not disappear soon, even if the U.S. undertakes a major investment to revitalize its forgotten areas through better infrastructure, education, and employment opportunities. This type of effort often takes years to show results, and Biden's attempt to do so, the Build Back Better Framework, is currently stalled in Congress due to lack of support. Consequently, the Biden administration and its successors will not be able to offer a comprehensive trade engagement with the region, thus constraining the United States' ability to compete with China.

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