

Democratic critics look for Biden to break with Wall Street wing on trade

By David J. Lynch

When former vice president Joe Biden left government in 2017, most Chinese goods entered the country tariff-free, the U.S. had just negotiated a landmark treaty with 11 Pacific Rim nations, and corporate America largely called the shots on the Democratic Party's trade policies.

After more than three years of President Trump's "America First" administration, that world is long gone.

The average U.S. tariff on Chinese products is at its highest level in at least 40 years. The U.S. has abandoned the Obama administration's signature pact, the Trans-Pacific Partnership. And organized labor has [muscled its way into greater prominence](#) in shaping trade bargains.

Navigating this landscape represents a challenge for Biden, who backed a 1994 trade deal with Mexico and subsequent legislation allowing China into the global trading system, both of which Trump and the Democratic left have long assailed. The president already is taking shots at his likely Democratic rival, accusing him in a television ad released this month of destroying millions of manufacturing jobs with "dangerous and foolish" trade deals.

It's easy to see how Biden, who promises to court U.S. allies and to emphasize climate change, would differ from Trump. But the Democratic candidate has sketched an approach to trade that also would depart from the corporation-friendly orthodoxy of the Clinton and Obama years.

He told the United Steelworkers union he would insist on "strong rules of origin" in any new trade deal, which would require more manufacturing in the U.S. while complicating corporate planning. He vowed to crack down on provisions of the tax code that encourage outsourcing, especially in the pharmaceutical industry. And he ruled out the establishment of special tribunals for corporations to dispute actions by U.S. trading partners, which critics have called a private justice system.

Biden also says he will not complete any new trade deals before first making "major investments" in education, infrastructure and manufacturing. And he proposes spending \$400 billion on a "Buy America" initiative designed to boost domestic production and build greater resilience into critical supply chains.

If pursued in office, the new stance could mark a turn after more than a quarter-century of pro-business tilt for the Democratic Party, some analysts said.

“I think we’re in a new world in trade policy,” said Beth Baltzan, a former trade lawyer on the House Ways and Means Committee’s Democratic staff. “People understand that a somewhat blind faith in free trade is producing undesirable results.”

Biden releases U.S.-centered economic plan, challenging Trump’s ‘America First’ agenda

The dangers of an increasingly authoritarian China coupled with the [coronavirus](#) pandemic’s disruptive effects is prompting a rethinking even among die-hard globalization supporters. The results can be seen in Biden’s recent call for “fundamental reforms that shift production of a range of critical products back to U.S. soil” — a statement that Peter Navarro, the administration’s most fervent proponent of economic nationalism, could endorse.

Supporters of protectionism say Biden could reorient the party’s trade stance away from its reflexive tilt toward corporate priorities. Though harshly critical of Trump’s approach to China, the likely Democratic candidate has promised no quick rollback of the tariffs on Chinese products that U.S. corporations have panned.

“There’s been an evolution among national Democrats on trade policy, and the centerline is not where it used to be,” said Scott Paul, head of the Alliance for American Manufacturing, a union-industry group.

To be sure, corporations are attempting to have influence over a potential Biden administration. Securities and investment firms alone have contributed more than \$36 million to his campaign and outside groups supporting his candidacy, according to Open Secrets, a nonpartisan group. And many business leaders take solace from the fact that even if the former vice president can’t revive the pro-globalization consensus, he will not continue Trump’s capricious trade-policy-by-tweet.

“They realize things probably won’t go back to the old world,” said Rufus Yerxa, president of the National Foreign Trade Council, an industry group. “But it will be a lot more stable than the present world.”

Still, as the Washington adage goes, personnel is policy. And many of Biden’s key advisers are veterans of previous Democratic administrations that reduced trade barriers, promising that any jobs lost to low-wage countries would be more than offset by gains from additional exports.

While Biden has pledged to name representatives from unions and environmental groups to trade enforcement positions, those who hope he will break decisively with his Democratic predecessors are not yet declaring victory.

“The decisions,” said Paul, “are made once you’re in office.”

The struggle for influence between labor and capital has significant political ramifications. In 2016, Trump barnstormed the industrial Midwest, arguing that the 1994 North American Free Trade Agreement and the decision to allow China to join the global trading system in 2001 had eliminated millions of American jobs. That position helped him capture Pennsylvania, Michigan and Wisconsin on his way to the presidency.

Trump also did better at the polls with union members than any Republican since Ronald Reagan, cutting in half the Democrat's 2012 margin among labor households. In office, the president has followed through on his campaign promises by raising tariffs on goods from China as well as on steel and aluminum.

Biden has said he will "review" those levies on industrial metals and will use other tariffs "to win, not just to fake toughness," according to his answers to a United Steelworkers candidate questionnaire.

Both parties supported the integration of low-wage developing countries into the global economy for decades before Trump took office. In the 1990s, President Bill Clinton drew the Democratic Party closer to Wall Street and corporate America in a bid to shed an anti-business image that previously hurt the party.

Labor unions have generally opposed trade deals like NAFTA, fearing they opened the door to the exodus of good-paying factory jobs. NAFTA's labor provisions were tucked into a side letter rather than the treaty itself and did little to prevent that erosion, according to union critics.

Some advocates of a trade policy that would place greater emphasis on labor and environmental concerns are not yet convinced that a Biden administration would mark a genuine break with the party's recent history.

"Our members, they're cautious on Biden. They look back on his record with TPP, in particular," said one veteran union official, who asked not to be identified to preserve relationships with the Biden campaign. "These things are very fresh in the minds of people."

But during the George W. Bush administration, Biden voted against smaller trade deals with Chile, Singapore, Peru and several Central American nations. And some of the veteran Democratic operatives in Biden's camp have rethought the party's conventional wisdom.

Jake Sullivan, who served as Biden's national security adviser, has called for "a different course" on trade, explicitly challenging Obama's TPP and the conventional wisdom that more trade is always better for the U.S. economy.

"Foreign policy experts must dispense with the notion that what's good for U.S.-based multinational corporations is necessarily good for the United States," wrote Sullivan, and co-author Jennifer Harris, who worked on economic issues for then-secretary of state Hillary Clinton, in a February article in Foreign Policy.

The Biden campaign did not respond to a request for comment.

Some of the criticisms from the Democrats' left wing echo those of the Trump administration. Robert E. Lighthizer, the president's chief trade negotiator, has criticized the TPP for provisions that would have allowed China to establish factories in participating countries and export from there to the U.S. on a duty-free basis. And Trump has employed tariffs freely as a weapon to compel foreign nations to purchase additional American goods.

"He gets credit for being willing to go where other people weren't willing to go," said Baltzan, a fellow with Open Markets. "But we need to remember these arguments started with Democrats."

Biden has said he will renegotiate the 2016 TPP, which was intended to be a counterweight to Chinese influence in Asia. The original agreement included the investor-state dispute settlement (ISDS) system that the former vice president now rejects. Lighthizer, and some Democrats, have criticized the arrangement as an inducement for corporations to ship jobs to low-wage countries, even if their legal system is unreliable.

The ISDS panels have long been a standard feature of trade agreements, but the system was largely eliminated in the new U.S.-Mexico-Canada agreement. Only a handful of industries, including energy and telecommunications, retained the ability to pursue claims against the Mexican government before an independent arbitrator rather than in the domestic courts.

Some labor officials say the NAFTA replacement that Lighthizer negotiated should be a model for Biden to follow. The new U.S.-Mexico-Canada agreement contains rules of origin designed to steer more manufacturing to high-wage American plants. And it allows U.S. officials to block at the border goods that originate in Mexican factories that violate the deal's labor provisions.

"The people surrounding Biden have learned a lot post-TPP," said Cathy Feingold, director of the AFL-CIO's international department. "There's a recognition that trade policy was tilted too much in favor of corporations."