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Reimagining the US-China Relationship: Alternatives to Neoliberal US Trade Policy

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EXECUTIVE SUMMARY

The U.S. – China trade war is the most significant economic conflict in recent memory. The outcome will determine the trajectory of American leadership and its role in the rest of the 21st century, as well as the consequences for the global economy. Under the Trump Administration, the trade war was characterized by tariffs on Chinese imports (and retaliation by Beijing). Within the current set of neoliberal trade policies across the Trump and Biden administrations, a common overarching issue emerges: the lack of worker protections due to an overwhelming corporate power system.

First, the Trump Administration's trade policies hurt American workers, especially the tariffs that hit farmers the hardest. The use of tariffs aimed to decouple China's economy from the United States. However, many American jobs are dependent on exports to China. The economic interdependence is reality and must be taken seriously. Second, competition with China does not mean the United States must adopt a Cold War, zero-sum strategic framework that aims to exclude China from the global and U.S. markets. Rather than seeking to disentangle these ties, both China and the United States must listen to the needs of Southeast Asian member states and the greater global market. Pursuing economic leadership in the Indo-Pacific region shall advance U.S. influence since many countries seek economic engagement with both the U.S. and China. Third, the Biden Administration's trade policy falls short of the needed workers' rights reforms to reimagine trade policy and the relationship with China. Trade policy must champion systemic reforms that center labor rights. The United States cannot repeatedly make unilateral actions such as export controls and trade tariffs that ultimately backfire, causing a reduction in U.S. security.

Trade Reforms:

- **Establish mutual degrees of national security independence** by duplicating supply chains in key technology and manufacturing sectors.
- **Invest in the Global South.** Listen to Association of Southeast Asian Nations (ASEAN) member states for potential U.S. opportunities for economic leadership and cooperation.
- **Overhaul the trade policy-making process that is controlled by corporate lobbyists that hold too much decision-making leverage.** A new trade policy must expand the power of workers and other public interests' stakeholders on decisions and oversight.

- **Refresh standards for screening foreign investments to create a higher standard of security contribution threshold.** Build upon the current screening process focused on national security issues to ensure foreign investors contribute genuine commitments to providing better paying jobs and benefits for workers.
- **Eliminate trade and investment rules that prevent policy makers from controlling footloose capital**. Governments are limited in their ability to prevent crises and economic impact of recent years.
- **Terminate the investor-state dispute settlement system (ISDS).** The ISDS system enables private foreign corporations and investors to sue governments over public interest laws and regulations. It also encourages offshoring of U.S. jobs by restricting the ability of foreign governments to improve labor and environmental regulations.

Tax Reforms:

- **Impose penalties for multinational corporations that dodge taxes**. The U.S. government should coordinate with global allies to establish a universal rule that allows countries to raise revenue needed for financial recovery and ends "race to the bottom" practices.
- **Rebalance tax policy to invest in education and healthcare.** It is essential to raise workers' material conditions with better access to education and healthcare to improve. A better educated and healthy workforce will lead to improvement of labor output.

Labor Reforms:

- **Renegotiate trade rules to include stronger workers' rights.** Most trade rules were negotiated by pro-corporate negotiators who prioritized capital's interests over workers' interests.
- **Reform enforcement mechanisms to hold corporations accountable for violating labor standards in countries the United States trades with.** Currently, U.S. trade agreements delegate the responsibility of protecting labor rights to governments; however it is usually private firms committing violations.
- **Reward low-income countries** after they improve their own labor standards.

Introduction

The United States must adopt a more progressive foreign policy toward China. The Trump Administration's approach to trade with China was consequential for American workers. Unwanted aggression and obtuse rhetoric jeopardized American economic security across domestic and global markets. The economic fallout of former President Donald Trump's trade war with China is an abject policy failure that was propelled by outdated Cold War rhetoric. Trade tensions inadvertently threaten U.S. national security interests by promoting military preeminence above all alternatives for competition. Trump's trade war served corporate interests, while abandoning American workers. Through these aims, the Trump tariffs on China were part of a larger zero-sum strategy that uses China as the punching bag for major economic problems caused by corporate offshoring of American jobs. While the Biden Administration trade policy changed to a degree, there is significant continuity due to the lack of comprehensive labor protections needed to ensure security.

I. Trump's Tariffs Backfired

A. Trade War: Tariffs

The U.S. – China trade war began in 2018 when the Trump Administration put tariffs on Chinese imports.[1] These tariffs followed the tariffs on solar panels, of which China is the world's leading manufacturer.[2] China retaliated with tariffs on American goods, leading to a multi-year escalation. Concurrently, Trump imposed sanctions on Chinese companies, choking off Chinese travel by blocking student visas to the United States.[3] The trade war is part of the Trump maximum tariffs strategy that putting pressure on China would make China submit and cooperate with U.S. concerns and demands. Trump implemented several policies targeting the reduction of the U.S.-China trade deficit via the imposition of tariffs on Chinese imports and negotiation of a new trade deal with China that would tackle the issues of intellectual property theft, unfair trade practices, and forced transfers of technology, as well as currency manipulation.[4]

Figure 1: US Tariffs on China (2018-2019)

U.S. Import Restriction	**Stage 1**—25% import tariff on 818 U.S. tariff lines (approx. $34 billion). Proposed increase to 30% (currently suspended). **Stage 2**—25% import tariff on 279 U.S. tariff lines (approx. $16 billion). Proposed increase to 30% (currently suspended). **Stage 3**—25% import tariff on 5,733 U.S. tariff lines* (approx. $200 billion). Proposed increase to 30% (currently suspended). **Stage 4**—15% import tariff on 3771 U.S. tariff lines* (approx. $300 billion); 4A covers 3229 tariff lines and 4B covers 542 tariff lines. (*) A limited number of stage 3 tariff lines were adjusted to align with changes to the HTSUS in September 2018. Stage 3 and 4 tariff lists also include a small number of partial tariff lines.
Countries Affected	China.
Current Status	**Stage 1**—Effective July 6, 2018 (25%); **Stage 2**—Effective August 23, 2018 (25%); **Stage 3**—Effective September 24, 2018 (10%), increased May 10, 2019 (25%), or June 15, 2019 on products exported from China before May 10 (25%); **Stage 4**—Effective September 1, 2019 (15%, stage 4A) and proposed effective December 15, 2019 (15%, stage 4B). (Retaliation also in effect, see CRS Insight IN10971, *Escalating U.S. Tariffs: Affected Trade.*)

Source: Congressional Research Service (Williams, Brock R., and Keigh E. Hammond. Escalating U.S. tariffs: Timeline, January 29, 2020. https://sgp.fas.org/crs/row/IN10943.pdf.)

According to the Congressional Research Service, the tariffs began in July of 2018 and continued through 4 separate stages into September and December of 2019.[5] Stages one through three included 25% tariffs on imports on China, while stage four included a 15% tariff on imports.[6] It is important to understand that if the Trump Administration used an alternative strategy to maximum tariffs, then American workers may not have suffered as much.

The Trump Administration wanted to correct a bilateral trade imbalance and took a punitive approach with China, using tariffs as a tool. By 2019, tariffs increased from 10% to 25% on $370 billion of imports from China.[7] However, while these tariffs were aggressive, they negatively impacted the American working class. Before the trade war, 24 states lost 1,000 jobs due to Chinese exports, but in 2019 after the tariffs had a chance to impact the economy, the U.S. lost 245,000 jobs.[8] The job losses were in the sectors of textiles, motor vehicles, electronics, clothing, chemicals, consumer goods, and pharmaceuticals. In 2019, 1.2 million American jobs were supported by exports to China.[9] Essentially, the interdependence of the two strongest economies in the world are interlinked and it is wrong to attempt a decoupling of economies as the consequences are felt globally, therefore destabilizing the world economy at the particular expense of the working class.

Trump claimed trading with China hurt more than it helped the U.S. economy. However, this is misleading because the claim misidentifies the sources of U.S. trade imbalances. Bilateral tariffs on Chinese goods do nothing to change the income distortion in China that stimulated a huge surplus, which lead to China exporting its deficient level of domestic demands, nor do tariffs address the mechanisms that send these demand deficiencies to American shores.[10] American deficits with China and the rest of the world were higher in 2020 than they had been in a decade.[11] Accounting for COVID-19 pandemic-related spending, the U.S. account deficits were much higher during Trump's presidency than they were under former president Barack Obama.[12] It is clear that not only did these trade policies backfire on American workers, they threatened the economic interdependence that sustained U.S.-China détente.

The U.S. – China Trade Deficit: Is it Inherently Bad?

The Trump Administration asserted that the United States must take an aggressive stance to reduce the American trade deficit, characterizing it as a national security threat. Trade deficits occur when a country imports more goods and services than the value of its exports.[13] Some economists state that trade deficits are not inherently bad, since a trade deficit may show a strong domestic economy and lead to stronger economic growth.[14] For example, if country "G" has a strong economy and its citizens retain a lot of disposable income, then citizens of country "G" may choose to consume more imported goods, leading to a trade deficit.

On the contrary, other economists claim that trade deficits are detrimental to a country's economy. These economists state that a large deficit can lead to a loss of jobs in certain industries and could make it difficult for companies operating domestically to compete with foreign rivals. In the nineteenth century, the U.S. suffered from capital scarcity and foreign capital inflows grew U.S. investment. Today, however, the United States is capital-saturated, and excess foreign capital inflows and the deficits they trigger reduce savings without boosting investment.[15] The takeaway here is that trade deficits can be either positive or negative for for growth and unemployment, with a key variable being the existing macroeconomic conditions. Given this, Trump's rhetoric on trade deficits with China oversimplified the dynamics at play.

A Deeper Look: The Trump Trade War

Trump's trade approach was heavily centered on promoting the perceived interests of American corporations. During his presidency, Trump demanded that China purchase $162 billion worth of American agricultural exports such as soybeans, grains, meats, and energy products like crude oil and natural gas.[16] Former National Security Advisor John Bolton claimed that Trump explicitly asked Chinese President Xi Jinping to increase soybean and wheat purchases to help him win critical rural support for his reelection bid.[17] However, enforcing China's compliance with the aggressive trade demands proved to be challenging. When President Trump launched the tariffs against China, China easily found alternative suppliers for soybeans in Brazil as U.S. exporters worried about a permanent loss of market share.[18] In manufacturing sectors, positive effects from import tariffs were offset by larger negative effects from the retaliatory tariffs and rising cost of inputs.

Additionally, despite Trump's aggressive rhetoric on China, foreign direct investment (FDI) by U.S. corporations into China continued at high levels throughout his presidency.[19] In 2019, U.S. firms invested $14.13 billion in China, which was more than when Trump was elected in 2016.[20] Tesla and General Motors were among the entities driving U.S. FDI by constructing new auto plants.[21]

Trump's highest tariffs against China were in effect by 2019, but the trade deficit was larger than it was in 2016.[22] In fact, a larger trade deficit existed in each of the three full years of Trump's presidency than when he took office, and they even rivaled the George W. Bush Administration's trade deficits.[23] While the trade deficit is an imperfect measure of overall trade performance, the long-term pattern reflects the offshoring of manufacturing jobs over the last 40 years.[24]

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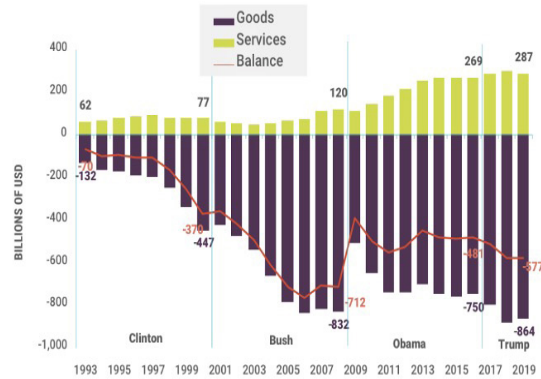

Source: U.S. Census Bureau

Trump's trade approach used tariffs only as a bargaining tool to negotiate for the interests of U.S. finance, multinationals, and favored corporate sectors as U.S. jobs and workers bore the burden of the tariff standoffs without any gains from them.[25] Why is it that U.S. corporations were able to continue their foreign investment, while the working class were hindered by tariffs on China? While foreign investment is good for the economy and creates jobs, there seemed to be a two-tiered system that favored corporate interests at the expense of workers.

Impact on American Farmers

The confrontational strategy adopted by the Trump Administration directly hurt working-class Americans the hardest. As stated above, the U.S. – China trade war resulted in the loss of 245,000 American jobs.[26] Second, according to the National Bureau of Economic Research, the Trump tariffs on Chinese imports are linked to higher prices for American consumers.[27]

During the trade war, small farms were especially hard hit. American farms defaulted on their loans and China began to decouple from the United States by looking for new markets.[28] Among the new markets, Brazil was the next best thing. China's entrance into the Brazilian market demonstrates the perils of starting a trade war with the second-largest economy in the world. China is one of the most important economies globally and has recently expanded its relationships with countries a part of the Global

South, whereas the U.S. has not. At the same time, driving China away from American markets via tariffs only worsened American farmers' livelihoods. Farming communities across the United States were harmed and continue to struggle as community banks, makers of farm equipment, and non-agricultural businesses that rely on the farming industry are seeing less flow of capital to their home communities.[29]

The Trump Administration spent $11.53 billion in 2017 and $32 billion in 2020 on trade bailouts, more than the Department of Agriculture's $24 billion budget.[30] While bailouts for working Americans may be acceptable on principle, these bailouts impact the farmers' fiscal health because the subsidies are taken into account when making up-front investments in seed, feed and farm machinery.[31] To add fuel to the fire, farmers have seen their net income plummet by half since 2013 and are expected to hold an estimated $427 billion in debt in 2019, the most since the 1980s.[32] The default rate for farm loans held by banks hit the highest level in seven years in the first three months of 2019.[33] Consequently, Washington's strategic competition in action with aggressive rhetoric and policies were ultimately a failure. The Trump Administration's China strategy backfired, causing billions in profit loss and preventable government spending.

More Trump Tariffs?

Trump's trade policy may not be over yet. If Trump secures the GOP nomination and wins the 2024 presidential election, then the policy will likely return. According to Trump's campaign website, he doubles down on imposing tariffs on China. In a video, the former president expresses anti-globalist rhetoric aiming to "completely eliminate dependence on China."[34] Trump's rhetoric is a hybrid of ultra-nationalist sentiment against China with protectionist trade policy. Trump calls for the end of all trade deals that risk U.S. national security, specifically by eliminating Chinese imports.[35] Trump justifies more tariffs by claiming that Beijing targeted American farmers during his term.

It is important, however, to note that rural America is not a monolith. Trump's 2024 campaign platform is already receiving mixed reviews by conservative voices. Many rural Republicans were quick to voice their concerns and refute Trump's call for a new set of tariffs on Chinese goods.[36] The already struggling farmers will be plunged further into financial crises with a new set of tariffs.[37] A repeat of the Trump Administration's trade and economic policies toward China will not produce a different outcome. It is unrealistic to thrive in the global market in a globalized world economy without trading with the second-most consequential country.

II: Avoiding Another Cold War – with China

The Trump Administration's rhetoric on the U.S. - China relationship did not help American workers, whose standing had already declined due to decades of neoliberal economic and trade policy. U.S. policies that favored foreign investment and offshoring by U.S. firms coincided with China's entrance in the global economy in the 1990s.[38] When U.S. corporations searched for cheap labor, they found it in China due to the country's large labor force.[39] Jobs shifted to locations with the lowest labor costs and for remaining jobs, bargaining power over wages shifted to employers who could threaten to offshore jobs.[40] This resulted in unemployment and wage stagnation for large sections of the U.S. working class.[41]

Offshoring of jobs to countries with low wages (like China or Mexico) in the 1990s through the 2000s contributed to the American job and wage losses, but political elites have weaponized these real grievances with decisions made by American and multinational corporations to support confrontational policies toward China rather than asking whether U.S. policy has negatively impacted workers.[42] On the economic policy side, the United States pursued a nearly opposite economic policy than China during the 1980's, cutting back on government investment in infrastructure, research and innovation, deregulating financial markets, and allowing financial firms to maximize profits anywhere without consideration for domestic jobs and incomes. As a result, this weakened labor protections, leading to wage stagnation in the United States[43]

While some U.S. firms profited, the broader U.S. economy and working class were harmed, and fixating on China ignores the fact that it was U.S. and multinational corporations that broke the post-war social contract with American workers.[44]

Before China joined the World Trade Organization (WTO), U.S. corporations invested in China. China used this opportunity to connect its country with the foreign investors and producers to access China's vast market and labor force as leverage to develop its own productive capacity. This helped Beijing catch up with global technological competition, which created jobs for the Chinese population and significantly reduced extreme poverty.[45] China adopted wage policies to raise citizens' living standards and expanded its domestic consumption demand with sixty percent of Chinese workers classified as middle class by 2015.[46] Therefore, domestic consumption was the largest source of GDP growth in China for the past several years.[47] Raising wages for workers serves as a reminder that trade does not have to be a zero-sum game, contrary to Trump's rhetoric and approach. Workers in one country do not have to lose for other workers in a different country to win.[48] Furthermore, it is important to be mindful of the limits of date from China given its own restrictions on labor rights.

Zero-Sum Mentality: Tariffs in Previous Administrations

In 2008, U.S. – China trade relations were escalating due to the economic crisis, translating to a more competitive atmosphere. During the crisis, deflationary overcapacity contributed to American economic stagnation, though currents in American society placed the blame on China. But deflationary overcapacity from the global economy meant that the United States was not producing enough consumer demand to absorb the level of production ongoing in the economy. There were billions of people willing to consume the products of the global economy, but low wages, not Chinese policies, inhibited their capacity to do so.[49]

In 2009, President Barack Obama slapped 35% tariffs on Chinese tires after American companies alleged that China was flooding the U.S. market with tires at low prices, making it tough for those U.S. companies to compete.[50] The tires tariff fizzled out and then finally ended in 2012.[51] According to a study by the Peterson Institute for International Economics, tariffs cost Americans in other ways, as Americans paid more for tires and some Chinese-made tires cost as much as 26% more, with an average of $39 per tire from about $31.[52] The U.S. tire makers, which faced less competition from China, also raised prices on American made tires by 3.2%.[53] Higher prices from the tire tariff cost Americans an extra $1.1 billion.[54]

China retaliated with penalties on U.S. shipments of chicken parts, which cost American producers $1 billion in sales.[55] The tariffs didn't bring back tire-making jobs in the United States to previous levels, but it did help stem the job losses. In 2008, there were about 60,000 American workers making tires, while in 2017 there were only 55,000.[56] Using tariffs against the second-largest economy in the world is unlikely to produce a zero-sum benefit when the opposing country can also impose tariffs. China's export-led growth strategy was significantly modified to accelerate its industrial policy amid a lack of growth in the Global North. Rich countries like the United States continue to feel anxiety about growth in their own country and China continues to feel anxiety about the growth of debt in its economy.[57]

Trump Era

In addition to the tariffs, President Trump signed a trade deal with Beijing to force China to purchase $50 billion in U.S. farm goods.[58] The trade agreement instructed China to purchase an extra $200 billion of American made products by 2021.[59] In 2022, the deadline passed, and China bought none of the additional $200 billion of exports that it promised in the agreement. Even though China increased its purchases of U.S. agricultural products, overall China had not even returned to buying the number of items it bought before the trade war.[60] Additionally, the Chinese tariffs discouraged Beijing's private sector from buying American goods and services amid a concurrent Chinese economic downturn and slowing U.S. exports.[61]

China did not hold up its end of the bargain, citing rhetoric from the United States reminiscent of a Cold War-era zero-sum mindset. These growing trade and political tensions between the United States and China fueled an increase in nationalist sentiment in both countries, and risk further military tensions that will be destructive to the global economy. In recent years, this has translated into the manipulation of genuine economic grievances by U.S. politicians into an anti-China narrative that promotes racist and xenophobic views, while failing to solve the economic woes.[62]

Essentially, the tariffs imposed by Trump did not change China's behavior, but rather made it that much more difficult to rebuild the U.S. – China relationship.

III. Continuity and Change of Trump's Trade War in Biden's Trade Policy

Even though the Biden Administration changed the White House's tone somewhat on China, they have not entirely discarded Trump's trade war. While Trump championed the decoupling of the U.S. and Chinese economies, the Biden Administration, specifically Secretary of the Treasury, Janet Yellen said decoupling the United States from China's economy is not the Administration's end goal, since it would be disastrous for both countries as well as destabilizing the rest of the world.[63] President Biden took steps to de-escalate tensions with China to pursue a more cooperative approach, lifting some of the tariffs that were imposed on Chinese imports such as solar panels from Cambodia, Malaysia, Thailand, and Vietnam, which were halted due to allegations of being Chinese goods circumventing the Trump tariffs.[64] Cooperation with China on issues of mutual interest, such as trade, is the only realistic path for the future of U.S. – China relations.

Those who seek tougher stances on China note that the amount of trade between the nations boomed through the pandemic, feeding a record trade deficit between the countries. These hardliners state that the only way to ensure that American commerce does not assist Chinese military development is to push for less trade between the countries, especially in defense and tech sectors. While the Chinese Communist Party (CCP) certainty wields its power over the economy, the willingness of the Chinese private sector should not be automatically assumed, as they do not have a choice.

Importantly, the United States cannot repeatedly make unilateral actions such as export controls and trade tariffs that ultimately backfire. Lifting some of the tariffs that were imposed on Chinese imports is a step in the right direction.

Policy Recommendations: Reimagining Trade, Tax, and Investment

Trade Reforms

- **Adopt mutual degrees of national security independence by duplicating supply chains.**
    - Acknowledge that the United States cannot simply beat nor banish China in the global economy.
    - Export controls and tariffs will only continue harming American workers as China will simply expand into other sectors of the global market, therefore reducing American exports.
        - This shift away by China will inadvertently push other states closer to Beijing as economic ties deepen, especially in the Global South. Balance is key because it is unrealistic to cut the United States off from China and vice versa because there are potential gains in innovation by mutual and shared interests. Neither Chinese nor U.S. policies that block research and innovation create scientific breakthroughs.
        - Establishing a degree of mutual independence in technology and manufacturing industries for example, could be maintained to stabilize a baseline of core operations and capabilities of both the United States and China, therefore solidifying a degree of national security and economic security.[65] This may create more duplications of supply chains, but it is an alternative to protectionist trade policy.
    - This is a serious problem for the American economy. Policymakers must attempt to solve the inadequate demand in the global economy, or the world will suffer from overcapacity and an increasingly brutal contest between the United States and China, as well as other countries which may dominate the high-value sectors of

    - extracting intellectual property and technology monopolies.
    - At its core, the U.S. – China competition is about these advancements and can be addressed in an alternative way. Instead of crippling each other's technological advancements, which hurts scientific achievements and advancements in human progress, the United States can pivot and expand the market so all countries can thrive together.[66]

- **Invest in the Global South**. The United States should deepen its economic cooperation with ASEAN.
    - The lack of capital flow to the Global South has only led to decades of abuse, deprivation, and suffering.
    - As of now, the American economic influence in Asia is increasingly wasted on the overreliance on a zero-sum toolkit, including military saber-rattling and rhetoric that is pressuring the U.S. – China relationship into a dangerous path. U.S. allies in the Indo-Pacific, specifically the ASEAN countries do not want this.[67]
    - Instead, utilize the ASEAN member states' relationships with both the United States and China as partners for regional economic integration. ASEAN countries have already become economically interdependent with China, while countries like Cambodia and Laos have moved deeper into the Chinese economic orbit.[68]
    - If the U.S. does not engage the Indo-Pacific in alternative ways outside of military preeminence, then it will entrench itself within a failure to compete effectively by excluding itself from trade.
    - Competing with China in the Global South could lead to a preservation of stability and the United States would have greater influence if we were seen as supporting these countries' visions for the future, instead of demanding they choose between superpowers.
- **Overhaul the trade policy-making process that has been controlled by corporate lobbyists who call the shots on trade policy.**[69] A new trade policy must expand the power of workers and other public interests' stakeholders over decisions and oversight.[70]
    - Congress has the ability and authority to change the current broad delegation of its trade powers to the executive branch[71]
    - The existing system of advisory committees in theory is supposed to bring a wide variety of choices and interests but it is dominated by private sector interests seeking dominant status over markets[72]
        - All but two of the nineteen sectoral advisory committees were made up of representatives of private firms and related business associations[73]
        - The system of advisory committees can be skew the benefits of trade for corporate actors[74]
    - Secrecy of negotiations is susceptible to corruption and corporate capture of negotiations for maximizing profits while causing public harm[75]
    - Ending fast-track trade negotiations and the delegation of trade negotiating to the Office of the United States Trade Representative (USTR) for single up-or-down votes on trade deals is not serving the public good, therefore Congress needs to be a check and balance on the executive branch, and the transparency of negotiations will put pressure on Congress to do so.[76]
    - U.S. policy must scrap the advisory committee system for a new advisory system that puts public representation, worker, and community interests at the center. Greater representation of participants from the working class and a smaller number of private firms will produce more balanced agreements[77]
- **Establish a new institution that screens foreign investments to ensure a higher**

standard of security contribution.[78] This builds upon the current screening process focused on national security issues to ensure foreign investors make concrete commitments to providing decent jobs and benefits for local workers and communities, particularly vulnerable groups.[79]
  - The U.S. government currently screens large foreign investments for narrowly defined national security concerns.
  - The Committee on Foreign Investment in the United States (CFIUS) focuses on issues related to foreign control of U.S. technologies and real estate.[80]
  - U.S. trade and investment screenings need to account for real economic security like jobs and benefits for local workers.[81]
- **Eliminate trade and investment rules that prevent policy makers from controlling footloose capital**.[82] Governments are limited in their ability to prevent crises and address the adverse economic events of recent years.[83]
  - Eliminate provisions in current trade and investment that encourage deregulation and forbid other governments to limit footloose capital. A new U.S. policy should require foreign investments in the U.S. to include responsible policies regarding jobs and wages.[84]
  - Limit the capacity of footloose capital to move Americans' savings across the globe at a moment's notice without sufficient regulation to protect those savings from speculative bubbles and financial crises.[85]
- **Terminate the investor-state dispute settlement (ISDS).** This system enables private foreign corporations and investors to sue governments over public interest laws and regulations. It also encourages offshoring of U.S. jobs by restricting the ability of foreign governments to improve labor and environmental regulations.[86]
  - Foreign investors can use ISDS to file claims for millions and even billions of dollars in compensation against a wide range of government actions that allegedly reduce the value of their investment.[87] According to the United Nations Commission on Trade and Development (UNCTAD), Boeing investors had filed more than 1,000 claims against governments around the world as of 2019.[88]
  - Being pro-worker does not mean being anti-foreign investment, but policymakers should put conditions on international investment and capital to ensure benefits flow to workers and their communities, not just corporate executives.[89]

Tax Reforms

- **Impose penalties for multinational corporations that dodge taxes**. The U.S. government should coordinate with global partners to establish a universal rule that stops the race to the bottom in corporate taxes and allow countries to raise revenue needed for recovery from the COVID-19 pandemic and to finance future society.[90]
  - When multinationals move jobs and production offshore, these firms take advantage of ways to avoid the tax system, taking jobs away from the United States while shifting more of the tax burden onto U.S. workers.[91] Revenue lost to the government takes away resources from the public sector and programs that can help workers and communities.[92]
  - The offshoring problem needs to go beyond taxing large corporations at higher rates, by terminating existing free trade deals with tax haven nations that are driving the race to the bottom in taxation rates. The United States should restrict access to its markets for corporations that avoid paying taxes. New trade negotiations should include obligations to constrain tax competition and provide effective distinctives.[93]
- **Rebalance tax policy to invest in education and healthcare.** It is essential to raise workers' material conditions. Corporations who benefit the most from trade with China may be taxed to invest in increasing the quality and access to social programs.[94]

- Couple trade agreements with domestic economic policy towards investment in education, healthcare, and infrastructure by distributing gains from trade to boost the overall economy more fairly and increasing taxes on sectors that benefit the most from trade.[95]

Labor Reforms

- **Renegotiate trade rules to include stronger workers' rights.** Most trade rules were negotiated by pro-corporate negotiators who prioritized capital's interests over workers interests.[96]
    - Reform domestic labor laws, wage policy and social protection systems[97]
    - Include new clauses in trade agreements that require improvement of labor standards that create cross-border monitoring and enforcement capacity for workers' organizations in all countries that are party to the agreement[98]
    - U.S. trade deals in the past 30 years have lost legitimacy globally in unequal societies such as the United States. Within the United States, the main two camps are nationalists and globalists. Currently, both Trump's and Biden's strategies incorporate elements of nationalism. Globalization should be the alternate path but not as globalization is currently defined or has been defined over the past 30 years. U.S. national interests call for a new version of globalization that prioritizes workers' rights. Fundamental changes are required to solve the inequalities that free market globalization has created.[99]
    - This could be enacted via the trade enforcement apparatus because this system exists to protect capital alone, separated from labor. Once this system includes protections for labor, trade policy can be re-imagined. The trade enforcement apparatus was built with pre-existing protections for capital such as starting with capital interests having more power over labor, permitting systematic inequality between capital interests versus labor protections.[100]
- **Reward low-income countries after they improve labor standards.**
    - Once low-income countries demonstrate improvement in labor standards, rights and wages, then those countries will be able to access U.S. markets.[101] Higher working standards must be applied to all.
    - **Enforce labor organizations via government-to-government coordination and establish individual firm regulatory departments.**
    - Separate government-to-government and individual firms department for regulation and oversight.[102]
    - If the U.S. government joins a future trade agreement, it must work to raise labor standards both globally and at home. Currently, the United States has failed to ratify 6 of the 8 International Labor Organization (ILO) conventions and therefore, it must start with correcting its own actions and values to better workers.[103]
    - **Build strong new enforcement mechanisms to hold individual corporations accountable for violations of labor rights in trading partner countries.**[104] U.S. trade agreements put the responsibility for protecting rights on governments, but private firms are the ones usually committing violations and must be held accountable.[105]
    - Raise wages and social protections. Businesses would benefit long-term from global raises in workers' rights.[106]
    - In the past, Washington ignored warnings of the long-term consequences of offshoring. For example, Americans are upset that China dominates the control of rare earth minerals. The United States used to mine minerals then decided it was too costly to continue those operations in America amid environmental regulations. Instead of

raising labor conditions and adapting to environmental standards, decisions were made to offshore to China. Now, the United States does not have domestic rare earth mining and production.[107]

Conclusion

While the United States remains the world's leading economy and a powerful force in the global economy, it must not stumble into a new Cold War. Both China and the United States can offer the world so much more than saber-rattling. Trump's trade war with China was an abject policy failure that was propelled by outdated Cold War rhetoric that inadvertently threatens U.S. national security interests by promoting military preeminence above all else. The trade war serves corporate interests and abandons American workers.

Through these aims, the Trump tariffs on China was part of a larger zero-sum strategy that paints China as the punching bag for major economic problems caused by corporate offshoring of American jobs. While the Biden Administration's trade policy changed to a degree, it is more of a continuation due to the lack of comprehensive reforms for workers' rights, taxes, and trade and investment.

Healthy competition is a good thing for the United States, but not at the expense of the working class. At the end of the day the Obama, Trump, and Biden administrations retained a unilateralist, neoliberal, and nationalist framework. The key to an alternative to the past 40 years of neoliberal trade policy is to improve the material conditions of the working class. It is long overdue to rebalance power to the working class from capital interests.

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