U.S. Engagement in the Indo-Pacific: Don’t Trade Away Trade

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Contents

Introduction 1

Economic Integration and Its Discontents 4

The Risks of Biden’s Approach to Trade in Asia 7

Achieving an Authentic Middle Way 11

About the Authors 15

Carnegie Endowment for International Peace 17
Introduction

International trade has been a pillar of U.S. foreign and domestic policy for most of the post–World War II era. Policymakers from both major parties have treated strong international economic relationships built on expanding international trade as central to advancing economic growth at home and achieving American goals on international development and security abroad. Secretary of the Treasury Janet Yellen captured the old consensus position well in an April 2023 speech explaining that “our economic power is amplified because we don’t stand alone. America values our close friends and partners in every region of the world, including the Indo-Pacific. In the 21st century, no country in isolation can create a strong and sustainable economy for its people.” Her words echoed those of one of her predecessors, Henry Paulson, who remarked sixteen years earlier on the benefits of open economic exchange that “countries that weren’t afraid of competition, that opened themselves up to trade, competition and trade, investment and finance, benefited, [whereas] the rest of the world, others were left behind. And opening . . . up to this competition leads to innovation, it leads to better jobs, more jobs, it leads to a higher standard of living.”

But in a very different April 2023 speech, U.S. President Joe Biden’s national security adviser, Jake Sullivan, laid out the administration’s case against globalization as it had been pursued in the past and argued for a new economic approach. While acknowledging that international economic cooperation “lifted hundreds of millions of people out of poverty” and “sustained thrilling technological revolutions,” he also argued that it all came at a price. To wit: “A shifting global economy left many working Americans and their communities behind.” The inexorable push for scrapping trade barriers had other costs, too, he continued—among them, the hollowing out of America’s industrial base, inequality that has threatened U.S. democracy, increasing environmental consequences, and geopolitical risks created by dependence on rivals such as China.
According to Sullivan, the Biden administration was forging a new path: not one that entirely rejected trade liberalization, but also not one that embraced traditional free trade agreements or tariff reductions as the main destination. He framed the approach as a middle ground, focused on advancing economic cooperation by pursuing nontrade priorities such as supply chain resilience, secure digital infrastructure, sustainable clean energy transition, and job creation. Sullivan described a new economic model that would be worker-centric, combining industrial policy to support high priority sectors with efforts to harmonize labor and environmental standards and integrate supply chains with close allies and partners—but without offering new market access.

Admittedly, Biden has achieved a measure of success in working toward this vision. Domestically, there were important wins included in the Bipartisan Infrastructure Investment and Jobs Act, the CHIPS and Science Act, and the Inflation Reduction Act. Appropriated funding is being doled out to boost semiconductor production and spark investment in other cutting-edge technologies. Money in these bills will also support infrastructure development that creates manufacturing jobs and helps to rebuild parts of the industrial base, including those that support national defense.

On the other hand, success abroad has been more limited, even if not absent. The Biden administration has improved coordination with European allies in areas such as green technologies and artificial intelligence, supply chain integration, and critical minerals, for example. In Asia, Biden’s team has advanced the Indo-Pacific Economic Framework (IPEF) with thirteen other participants and reached agreements on issues such as supply chains, clean energy and infrastructure, and tax and anti-corruption efforts.

But there is a larger story. Whatever the intention of these narrow efforts, Biden’s economic approach has resulted in a doubling down on the harder turn away from relatively free trade that began under former president Donald Trump’s administration—a set of outcomes different from what Sullivan’s speech appeared to imply. The promised middle ground has remained elusive. Although Biden’s team has not officially “sworn off” market liberalization, expanded market access appears to have been almost completely shelved as a foreign policy tool—even when it would have significant benefits or could serve as an incentive to push progress toward key security and geopolitical objectives.

Nowhere has this been clearer or more consequential than in Asia—home to many of the fastest-growing economies in the world. Though the administration has signed trade “mini-deals” based on executive orders with Japan and Vietnam in limited sectors and encouraged continued U.S. leadership in private investment, it has relied on the IPEF as the main vector of U.S. economic policy in the region. The IPEF has explicitly excluded market access from negotiations across all four pillars, a decision that has limited its scope and durability. For example, without trade as an incentive, IPEF members have been hesitant to commit to costly reforms related to issues like climate change or worker protection, resulting in a set of agreements that are mostly aspirational and without credible enforcement mechanisms. The
evolution of the IPEF’s trade pillar is also telling. Not only did the trade pillar’s draft framework agreement exclude tariff reductions but the United States pulled out of negotiations on this agreement in November 2023, leaving the pillar stalled indefinitely.

Washington’s reliance on the IPEF as its main economic lever in Asia has magnified other risks as well, including lost opportunities to consolidate geopolitical influence and strengthen relationships with allies and partners. Though the United States remains a major economic force in the region, private investment and executive trade agreements cannot replace a more expansive approach to trade in Asia when it comes to integrating the United States more deeply into the region’s multilateral economic networks.

Without a more robust trade agenda, Washington misses out on economic opportunities. For example, the United States has limited leverage to shape the rules for economic exchange in Asia while they are being rewritten to incorporate new global realities like the economic power of India, Japan, and South Korea, the spread of fast-evolving technologies and digital trade, and the pressures of climate change and global migration. Even U.S. security goals in Asia are compromised by American policymakers’ decision to eschew trade policy as a foreign policy tool. U.S. allies and partners, who are heavily dependent on trade with China and lacking many economic alternatives, are limited in how closely they can align with Washington in the security domain for fear of economic retaliation from Beijing.

A different approach to trade in Asia—and globally—can exist in the space between past policies and those of the present, one that would truly represent a middle way between the current approach and the so-called Washington Consensus of old. Such a strategy would amount to a more reflective version of global integration that attends carefully to domestic realities alongside interests abroad while retaining trade as a key foreign policy tool that links the economic and security domains.

The new approach would allow for some heterodoxy in economic policy across regions and sectors and would aim to revitalize the Biden administration’s current industrial policy with a series of trade innovations, such as mini-lateral and sectoral trade agreements with key partners, efforts to integrate key Asian allies more deeply into existing multilateral agreements, or modifications to attach some limited market access to the IPEF. Each expansion of market access would be narrow and tied to clearly defined criteria, but together these moves would be enough to reestablish trade as a foreign policy lever in a crucial region. These trade innovations would not replace government protection for strategic industries, and a substantial and immediate increase in federal spending on government training and assistance for dislocated workers would still be required.

With this type of approach, the United States could better communicate its economic and geopolitical commitment to the region, diversify its economic role in Asia, and position itself to compete more effectively with China, even as it protects key U.S. industries. The United States would still need to manage some risks, of course, including finding the balance.
between engagement and competition with China, relative and absolute economic gains, and national prosperity and security. Even with these challenges, the pursuit of this true middle ground should be a top priority in Washington.

Economic Integration and Its Discontents

In the early twenty-first century, questions for U.S. policymakers about how best to approach the intertwined issues of cross-border trade, migration, flows of information, and political ties in Asia occur alongside a broader backlash against “globalization.” At a time of major geopolitical upheaval and technological change, policymakers and the public are vigorously debating the merits of domestic policies suitable for an interconnected world. They are exploring new trade and migration rules, reviving strategies for national industrial and technological development, and reflecting on the lessons of globalization for international law and institutions substantially influenced by the United States. Discussions of “reshoring” supply chains and U.S.-China economic “decoupling” or “de-risking” are just a few examples of rising concerns in Washington about cross-border ties.

Despite occasional protestations from policymakers about the need for balance, the debate thus far has been mostly concentrated on the extremes: globalization that pushes for ever more economic cooperation or industrial policy that focuses inward to protect domestic jobs. Often lost in this debate, however, is that both of these approaches have substantial benefits and significant costs. This is true both globally and narrowly in Asia.

The U.S. commitment to comprehensive free trade has always been qualified. Even the World Trade Organization (WTO) embodies a contingent—not absolute—form of free trade. In this conditional form, globalization has had clear advantages for the United States. Most significantly, it has been responsible for tremendous domestic economic growth. The U.S. per capita GDP (in constant 2010 dollars) was about $19,000 in 1960 and $61,000 in 2021 (four times the global average per capita GDP, considerably higher than any other country with a large population)—a feat that would not have been possible without trade and international economic cooperation. Trade with Asia specifically has and continues to provide the United States with significant economic gains. As of 2019, for instance, exports to Association of Southeast Asian Nations (ASEAN) member states alone accounted for over 500,000 jobs in the United States.

Though domestic economic growth has been the primary driver of Washington’s long-running support for free trade, the United States has also profited in other ways from its perch atop a cooperative international economic order. Adam Posen, president of the Peterson Institute for International Economics, argues that “as creator and enforcer of international economic rules,” the United States gained “maximum economic traction while minimizing the need for direct conflict” and “could even occasionally flout the rules, or tweak them in
its favor.” International economic integration also allowed for specialization, faster innovation, higher returns on capital investments, economies of scale, and other efficiencies that benefited the American economy and U.S. workers.

The United States has also accrued international influence through economic cooperation. Much U.S. soft power, globally and in Asia, depends on the fact that billions around the world consume the ideas and technologies produced in major metro areas around the United States—metro areas that have evolved into the key pillars of U.S. global leadership in science and medicine, media and culture, education, civic life, and digital technology. Often, they encompass diasporas from South Asia, East Asia, and elsewhere, and depend on constant influxes of new visitors and residents—including students and workers from other states and countries—who bring new ideas and investment. International economic cooperation contributes to this mobility of capital, people, and ideas.

Globalization as it was pursued and implemented over the past several decades, however, has also had costs—some real and some imagined or overstated. Most importantly, the benefits from global trade are rarely evenly distributed and contributed to a sharp drop in U.S. manufacturing jobs over several decades as corporations shifted production to countries with cheaper labor. One National Bureau of Economic Research (NBER) estimate, for instance, finds that between 1980 and 2017—a peak period in globalization—the United States lost 7.5 million manufacturing jobs, with trade being one of several drivers. Not only did this loss of manufacturing erode the U.S. industrial base, it also disproportionately affected workers with only a high school diploma. Many were left dislocated when government-promoted retraining and assistance programs were underfunded and insufficient.

These economic costs may have had political ramifications as well. Some analyses suggest that Trump’s 2016 victory was made possible by voters on the losing end of the inexorable press for trade liberalization, who had voted for former president Barack Obama in 2012 but were won over by Trump’s promise to bring back U.S. manufacturing jobs by reducing trade with China and pulling the United States out of the ambitious Trans-Pacific Partnership (TPP)—which he ultimately did.

That said, questions persist about just how much trade liberalization alone contributed to what Sullivan called the “hollowing out” of U.S. manufacturing or to Trump’s 2016 victory. A 2021 analysis by the Center for Strategic and International Studies, for instance, shows that increasing worker productivity, not trade, accounts for the greatest share of the decline in U.S. manufacturing jobs. This is supported by research from the Ohio State University that found trade was only responsible for a third of manufacturing job losses in that state. Of this total lost to trade, only a relatively smaller percentage can be linked directly to trade with China specifically—estimates of this percentage vary but most fall between 10 and 25 percent. Moreover, there is evidence that negative effects of the “China shock” occurred largely before 2010 and did not persist afterward, suggesting that fear of continued manufacturing job losses to China and elsewhere may be misplaced.
The argument that economic costs from trade drove the societal implications many observers ascribe to cross-border commerce also lacks clear support. Even if trade effects are understood to play some role in rising political tensions within the United States, a close examination of voting trends from the 2016 election recognize cultural factors—rather than purely economic hardship—to be the key factors behind changes in partisan politics.

The economic and political costs of globalization may be somewhat more measured than expected, but unchecked economic integration can raise material national security questions. Many in Congress and the executive agencies caution that too much trade creates dependencies that would turn into vulnerabilities in a conflict. These fears are especially acute, and at least partially justified, when it comes to trade in Asia and with China specifically, given the critical imports that this trade includes, the rising risk of conflict in the region, and what many view as unfair trade practices employed by Beijing. The United States remains heavily dependent on China for some critical minerals, for example, including those necessary for advanced military systems. China’s military-civilian fusion also creates the potential for U.S. exports to China to end up supporting the development of its People’s Liberation Army. And China has shown a willingness to use economic retaliation as a tool of coercion and to manipulate its currency and markets in ways that disadvantage U.S. firms.

These challenges are all reasons that the United States may need to manage trade with China carefully, including restricting certain types of exports and protecting some domestic industries. They are not, however, a reason to entirely give up further trade integration with the rest of Asia or elsewhere. In fact, geopolitical competition makes the development of a strong trade agenda globally, and in Asia especially, more important for the United States, not less. This is true for two reasons.

First, by turning away from market access as a foreign policy tool in Asia, Washington cedes much of the trade domain to Beijing, leaving its partners with fewer economic alternative and undermining U.S. influence in Asia. Second, some additional trade integration with countries across Asia (and outside of it) could help the United States build a more diversified and resilient supply chain and trade network itself, reducing its dependence on China in key sectors. Achieving this outcome would require intentional choices about how and where to increase trade access, but it cannot be achieved when trade liberalization is not an option. Biden’s economic strategy in Asia, and the IPEF in its current form especially, is not up to the job, either at the institutional level or its basic orientation to the role of trade in U.S. foreign policy.
The Risks of Biden’s Approach to Trade in Asia

The Biden administration’s reluctance to use market access as a foreign policy tool has global ripple effects but the risks are biggest in Asia, both because of the region’s high and growing economic importance across sectors and because it is home to the most important U.S. strategic and economic competitor: China. As a result, when thinking about the future of U.S. trade policy, it makes sense to start in the Indo-Pacific.

The administration’s economic strategy in the region has included a few key pieces: “mini-deals” signed at the executive level to increase bilateral trade in specific sectors with close allies and partners; initiatives to advance regional supply chain cooperation, especially in the defense sector and for technologies like semiconductors; economic incentives to spur private business investment in the region; export controls and industrial policy to protect domestic industry and national security; and, at the center, the IPEF, which is intended to unite these different initiatives.

As conceived by the Biden administration, the IPEF was loosely intended to offset the U.S. decision not to join the TPP and its successor organization, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The IPEF focuses on reducing nontariff barriers to trade, especially harmonizing standards. The IPEF’s largest successes thus far have been in establishing an agreement to support supply chain integration and resilience among the thirteen other participating members and acceptance of a set of standards to advance climate goals and fight corruption.

However, the IPEF’s first set of agreements leave much to be desired. For the most part, they include only nonbinding commitments and high-level ambitions, rather than clear and actionable targets for cooperation. The IPEF’s pillars also remain weakly institutionalized, making it unclear how standards will be monitored or enforced. At this point, it remains uncertain whether the three agreements signed thus far—in the climate, tax and anti-corruption, and supply chain pillars—will advance U.S. economic integration in the region. Moreover, the trade pillar lacks a path forward after the United States pulled out of negotiations, much to the dismay of other participants. The IPEF has also failed to win the confidence of constituents across Asia. A 2024 survey of Southeast Asian states found that respondents appear to be growing more skeptical and critical of the IPEF over time, resent the high cost of achieving U.S.-promoted standards with few benefits in return, and identify China as the economic leader in the region while questioning U.S. staying power and commitment.
Beyond these institutional shortcomings, the IPEF-led approach to trade in Asia and the failure to find a real middle way in the trade domain come with three types of risk, each with potential economic and geopolitical costs. Notably, even if more pronounced in Asia, these challenges are not entirely unique to the region and exist elsewhere as well.

First, by remaining outside of all of Asia’s major trade agreements, the United States is likely to face losses in terms of GDP and domestic economic growth. In this case, much (but not all) of the U.S. economic loss is likely to translate into gains for China. As the United States has moved away from free trade, China has leaned into it. With its involvement in the ASEAN+3, ASEAN+6, bilateral trade agreements, and now the new Regional Comprehensive Economic Partnership (RCEP), China’s trade with Southeast Asia has quadrupled since 2009 (compared to a smaller but still sizeable tripling of its global trade). A study by the United Nations Conference on Trade and Development found further that the RCEP arrangement would reduce U.S. exports to Asia by over $5 billion due to trade diverting away from the United States and toward RCEP partners where tariffs are lower.

Membership in the CPTPP would have placed the United States on more equal footing and offered benefits that far exceed any RCEP-induced losses. By choosing not to join this organization, the United States misses out on billions in economic gains. A 2018 Peterson Institute report found that joining the CPTPP would have resulted in net $131 billion added to U.S. GDP by 2030, while the decision to pull out will result in a $2 billion loss. By expanding market access to Asian partners—at least in some sectors and to some partners—the United States could lay claim to some portion of this windfall. The narrow bilateral executive agreements signed under Biden move in the right direction but are too limited to offset the deficit created by the weakness of other aspects of Biden’s trade and economic strategy.

None of these observations imply that the United States should mirror China’s approach to trade in Asia or elsewhere. After all, the two countries face quite different dynamics when it comes to international trade’s inherent trade-offs. China sees in free trade agreements a way to gain access to new export markets and a solution to its large trade surpluses. The United States, in contrast, often finds itself as what economist and Carnegie Scholar Michael Pettis calls the “absorber of last resort” for its own trade partners, hence its reluctance to sign on to large multilateral trade deals. It is for this reason that a return to the more aggressive embrace of free trade seen in previous decades is not the right approach for the United States today. The Biden administration’s current strategy may go too far in the other direction, however, where a more balanced approach might capture some economic gains while still protecting relevant domestic interests.

Second, Washington’s position outside Asia’s major economic organizations undermines its efforts to increase and consolidate influence with regional allies and partners. At one level, the mechanism for this loss of influence is straightforward. Limits on market access that slow the diffusion of U.S. goods and raise prices on U.S. technology and other products limit U.S. soft power gains and constrain its geopolitical leverage at the same time.
These missed opportunities to garner greater geopolitical sway with regional allies also arise at a deeper level. For countries across Asia, the unwillingness of the United States to join the CPTPP or to offer meaningful expansion of market access through bilateral agreements signals a lack of serious commitment to the region. Many of these states are already skeptical of the durability of the U.S. focus on Asia, seeing it as a distracted and unreliable partner. The constraints the United States has placed on the IPEF only exacerbate this perception and lead many countries in the region to look elsewhere for economic opportunities. For instance, because its framework agreements are signed at the executive level only, the IPEF lacks the longevity that would promote long-term U.S. investment. The U.S. decision to withdraw from the trade pillar negotiations did further damage to regional perceptions of U.S. credibility.

What’s more, for countries in the region, the more limited U.S. integration into the region’s trade networks and economic groupings is not just an economic concern (though many have chafed under the new U.S. protectionism and unilateralism). Because it leaves them more beholden to an increasingly aggressive Beijing, less U.S. trade engagement in Asia becomes an important security challenge as well—a manifestation of the often-cited link between economic well-being and national security. Countries in Asia seek to diversify their economic partnerships to reduce their dependence on China and would readily welcome more involvement from the United States to increase their resilience and economic options. Under Biden, however, even those who are members of the IPEF have been left disappointed as the United States has refused to extend any sort of market access. Countries across Asia have been left with little choice but to remain dependent on China as its primary trade partner.

These economic pressures can have real security consequences. Countries like Indonesia and Malaysia, for example, tread carefully in territorial disputes with China for fear of upsetting their trade relationships. Even countries for whom the threat from China appears more existential, such as Japan and Vietnam, are pragmatic in their dealings with Beijing to preserve economic ties. Recognizing the liability this economic dependence creates, even allies and partners that support U.S. efforts in Asia’s security domain in principle may be forced to stay on the sidelines of a U.S.-China conflict to protect their economic well-being. This could have serious implications for U.S. efforts to rally a coalition to contain Chinese aggression.

Finally, by forgoing a more robust approach to trade in the region, the United States gives up an opportunity to participate in the writing and updating of Asia’s rules on economic exchange to include things like labor and digital trade standards or climate mitigation. These issues have an outsized effect on the Indo-Pacific region, and sensible responses to all are affected by trade integration and related questions about cross-border flows of investment, technology, and people. For example, years after an American objection to WTO Appellate Body appointments threw a wrench in the gears of the global trade organization, the WTO dispute resolution process remains paralyzed. In the face of this obstacle, other WTO members have developed work-arounds. The EU and key Pacific countries and emerging powers have strung together one interim alternative that Japan just joined, and Europe is pursuing a broader trade settlement with Asian countries extending to subsidies and related issues. By
standing aside, American policymakers forfeit their influence over the resulting mechanisms and reinforce the message that the United States is not the one driving Asia’s economic or diplomatic future.

Asia’s climate crisis offers another illustrative example. Its average temperature is rising at about three times the global rate, exacerbated by rapid industrialization. Elevated sea levels threaten coastal areas, putting pressure on farmland and major cities. The mining of critical minerals found in abundance in parts of Southeast Asia—in high demand by the United States and countries around the world—is of particular concern because the processes used to extract these minerals can severely damage surrounding ecosystems. While the increasing trade volumes that result from trade liberalization are not the sole or even the most prominent driver of climate disruption, the increase in economic activity and manufacturing that accompany rising trade do absorb more natural resources and contribute to air and water pollution, making an already bad situation worse. Collective solutions will be needed to balance economic demand and these environmental challenges, but the United States can only shape resulting outcomes if it is a participant in the region’s trade and economic networks.

For policymakers in places like Singapore, Hanoi, Manila, and Jakarta, the long list of looming challenges—including but not limited to climate change—also serves as a reminder that all politics are primarily local and regional. The competition between the United States and China—however important to understand and manage—ought not eclipse the broader range of security and economic questions facing the region as a whole. Addressing these challenges will require some degree of international cooperation and a new set of rules of the road for regional economic exchange that take collective costs into account. Governing the remarkably fast-evolving technologies and the rapid growth of the digital economy will also prove to be part of that story.

To have a say in this process and a seat at this table, the United States must be more active in the region’s expansive web of trade networks. In 2022, these networks accounted for about 40 percent of global exports and imports and trillions of dollars in global commerce. The United States is a country of unique global power and sway. Its unusual history of outsized influence has left an indelible mark on the frameworks for global cooperation and integration, and it was the principal architect of the post–World War II economic order. As that order confronts the reality of forced adaptation, it is not a stretch to think that Washington can and should play a role as those frameworks are updated for the realities of Asia today and contemporary global economic and political challenges. Other countries in the region are not sitting idly by waiting for the United States to engage more seriously on these issues, however. China, South Korea, Japan, India, and others are already building their own rules and standards, sometimes together but often independently.
Even if the United States and China find reliable ways to cooperate on elements of that emerging order—on matters ranging from climate change to AI safety—the two countries have differing values and strategic priorities. The resulting geopolitical competition with China makes the development of a more robust U.S. trade agenda in Asia desirable despite the risks. New military partnerships, investments in allied capabilities, deployments of advanced technologies, and multilateral exercises are necessary but not sufficient for the United States to remain a counterweight able to balance Chinese power in the region. A change in the administration’s trade policy will be required as well. Countries in Asia would benefit from a more active U.S. trade presence but a shift in trade strategy would not be charity project—it would be directly aligned with U.S. interests and could inform efforts to make better use of trade as foreign policy tool in other regions as well.

Whatever course is chosen in Asia and elsewhere will need to balance domestic adjustments (across job types and economic sectors) with the gains from a greater degree of economic cooperation. Addressing these costs will require holistic strategies and more nuanced approaches that, for example, reflect distinctions in the educational opportunities suitable for people at different points in their life, reliably reduce a measure of economic risk, and open new employment and civic opportunities. Policymakers likely already understand these requirements but are also searching for ways to make some degree of trade liberalization more politically palatable and to ensure that promised educational and economic support does not fall through as it has in the past. By better understanding the long-simmering conflicts over global cooperation, policymakers and civil society can further develop the ideas, institutions, and coalitions necessary to create a stable foundation for a more sustainable form of global integration.

Nothing about this challenge means that U.S. policymakers should walk away from once again using market access as a tool to keep American interests relevant in one of the world’s most important regions. The task at hand is to create pathways for the exchange of information, ideas, and culture, while policymakers retain at least a limited set of tools to address imbalances that arise if considerable movements of goods and capital coexist with completely inflexible migration policies. Indeed, policymakers with influence over the international system should always bear in mind the costs of coercive limitations on the movement of ideas, goods, information, and people across borders, even if such constraints are also necessary for national-level experimentation and the functioning of countries as currently configured.
In that vein, the preservation of rules that enable international trade—even as policymakers tolerate somewhat more heterodox economic policies—would benefit the United States and its allies, resulting in trade rules of narrower application to countries’ domestic policies but reliably enforced and written with an eye toward more equitable global development. This would mean, in part, pursuing many pathways to expanded economic cooperation, including some reform of the WTO and the rules governing global, multilateral trade, alongside domestically focused initiatives to compensate and offer viable retraining opportunities to those that are displaced. To this end, U.S. leaders should focus on several promising levers as first steps.

First, policymakers should take a lesson from U.S. advances in Asia’s security domain and turn to mini-laterals—groups of three to five countries focused on a narrow set of issues with shared interests as a way to achieve the gains of cooperation with less risk. Without entirely casting aside the prospect for more ambitious deals, this approach would avoid making the perfect the enemy of the good. The intent would be to work with a limited group of partners in targeted sectors—building off the administration’s mini-deal approach, but with significantly wider participation, more heft, and the consistent message that the goal is to recapture momentum on market access rather than cast aside entirely the prospects for more comprehensive deals.

Regional mechanisms like mini-laterals are far from perfect, but they offer a degree of interconnectedness that can enhance deliberation across borders and make policy responses more appropriately nuanced. Working with just a small group of like-minded partners, the United States would have greater leverage to set and enforce high labor, climate, and other standards. Picking and choosing sectors to focus on would allow the United States to avoid areas of political sensitivity and seize on opportunities to advance other strategic objectives.

Supply chain diplomacy, for instance, can indeed result in progress, as evident in the agreements the United States has recently signed on coproduction and technology with India, Australia, and Japan.

Expanding these areas of growing cooperation into the trade domain and adding new tailored agreements with countries across Southeast Asia should be high on the list of priorities for those guiding U.S. trade policy. Although there is some value in pursuing such deals, as Peter Harrell has argued in Foreign Affairs, “in sectors where interests clearly converge,” it will be important to remember that other countries get a vote, too. They will often prefer more comprehensive agreements that will require U.S. policymakers to take on a measure of responsibility for garnering political support and designing suitable mechanisms to mitigate the impact on affected communities.

Indeed, relying on a mini-lateral approach comes with risks. While reaching agreements with a smaller number of partners can be comparatively easier than achieving the consensus needed for a large multilateral agreement, transaction costs are still involved. Too many of these small, overlapping groups can create a crowded international economic architecture,
which can be costly and difficult to manage. Washington will therefore need to be judicious in selecting the partners and sectors where it invests in building new institutions for cooperative economic exchange. The tendency will be to lean toward partners like Japan and South Korea where higher levels of economic development may make agreements with high standards easier to reach. But this may have downsides, too, in that it will constrain pathways to economic integration across other parts of Asia—especially Southeast Asia, where much of the region’s growth potential is located. To guard against this, the United States should aim to diversify its partners and explicitly focus on building mini-lateral agreements with countries who are not already U.S. treaty allies.

The United States will also need to pursue trade reengagement through other channels to achieve the desired diversity in economic cooperation. One option might be to find ways to add some limited market access to a more institutionalized IPEF, tied to strict technology standards, for example, with clear mechanisms for enforcement and monitoring. Bringing close Asian partners like Japan into existing free trade agreements like the United States-Mexico-Canada Agreement (USMCA) if they are willing to adhere to its higher standards and requirements is another option. Ways to expand and leverage existing bilateral agreements, especially with nontraditional partners who are strategically important or show high potential for economic cooperation, should also be explored. The bottom line is that policymakers will need to be creative to find varied opportunities with the right balance of economic gains and domestic safeguards.

Alongside the pursuit of a modest and controlled market liberalization abroad, Washington must also carefully attend to associated domestic costs. It can do this in two ways. The first is to continue to rely on industrial policy to protect sectors of high strategic importance to the United States. As under the Biden administration thus far, this would likely include semiconductors, green technologies, and several others. That said, policymakers should develop far clearer metrics or criteria to determine which sectors require protection and subsidies to support U.S. interests. This list would likely be somewhat shorter than the set of industries that receive this type of support today. Second, policymakers will need to redouble their efforts to compensate and retrain workers who suffer due to trade’s distributional effects. This is an area where governments have fallen short in the past, and more robust commitment and better outcomes will be essential to the success of any reengagement with trade. Significant federal funding and coordination will be required and should be allocated. Moreover, programs would need to be aimed at more diverse audiences with more flexible types of assistance.

For U.S. policymakers, engaging with a more ambitious trade agenda can contribute to greater security and shared growth across Asia and in the United States. Policymakers can advance that agenda without ignoring the potential for trade-related economic displacement to affect communities in the United States—a challenge that persists even if many of our most dynamic regions grow stronger because of economic relationships with Asia. With the right carve-outs and attention to supply chain resilience as well as the situation of Asian trading partners, a more vigorous trade agenda can also fit with American national security
goals and reasonable domestic needs. Congress and the executive have multiple tools to meet the moment without neglecting the role of market access in strategy and standard-setting: from savvy use of existing bilateral trade relationships to new mini-lateral groups that can expand trade across sectors, market-oriented reforms to the IPEF, and efforts to piggyback off existing free trade agreements such as the USMCA. Greater attention to workers and communities adjusting to new economic realities is also likely a sensible response. So, too, is the targeted use of industrial policy alongside carefully calibrated efforts to reform multilateral trade rules to make international trade more compatible with domestic needs. Closing off any serious near-term prospect for greater access to the American market is not.
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