

Thinking Ahead on Cooperation in International Trade (TACIT)



Getting America back in the game: A multilateral perspective

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Motivation



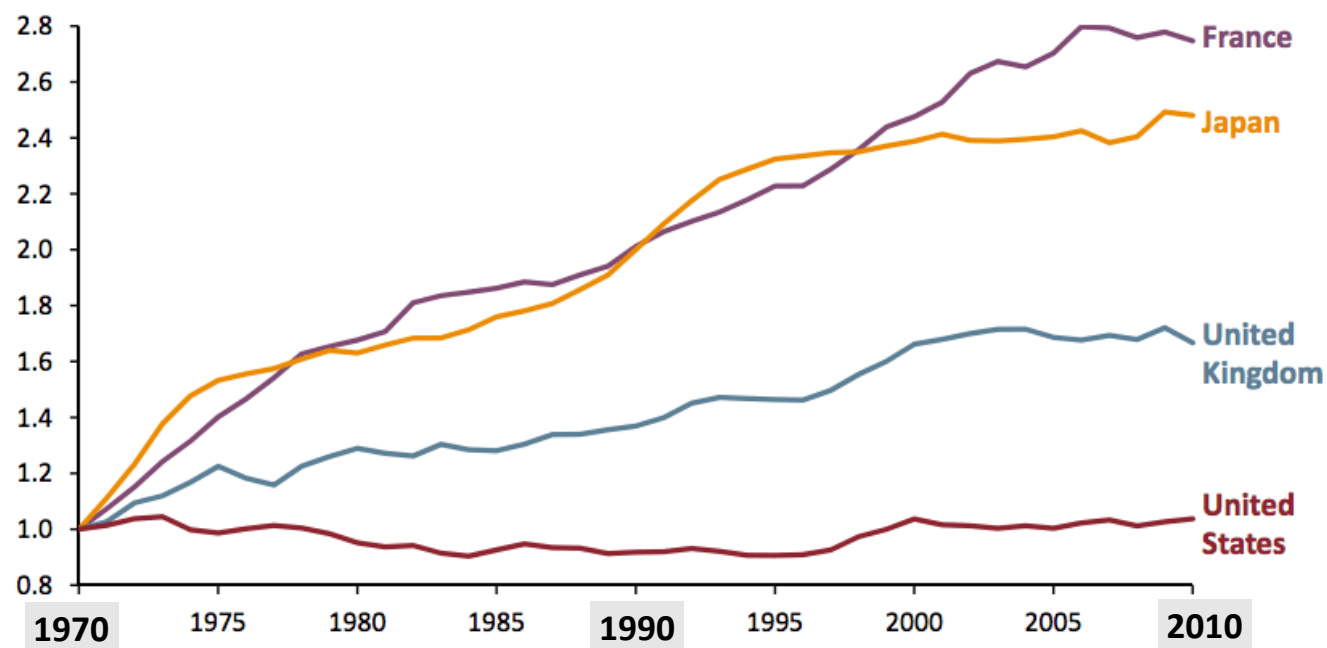
- Open, rules-based multilateral trade system was wonderful
- Now it is broken; Trump broke it
- Fixing it means getting the US “back in the game”
- Biden’s election opens a window of opportunity, but it is fragile & complex
- Aside: We need restoration of multilateral trust and cooperation on trade for 2 era-defining reasons in 2021:
 - Fight the pandemic
 - Fight the recession

Biden's constraints are deep and real

- Decades of globalisation were great for the US as a whole, but created winners and losers
- Lack of systemic domestic policy to help the losers adjust created deep resentment in US working class voters
 - Automation & globalisation at fault, but trade is easier to blame than robots
- Trump's incessant attacks on multilateralism, trade & foreigners created a new rallying point for US trade politics that is bipartisan and deeply held
- Important to understand how real this reality really is.

Middle class discontent – especially in UK and US

Exhibit 1: U.S. Income Growth Relative to Others
Real Median Hourly Wage Index, 1970 = 1



As of 12/31/10

Source: OECD National Accounts, Bureau of Labor Statistics, INSEE, GMO

Biden reluctance on trade

- *“there’s no going back to business as usual on trade. We need new rules, and a new process that has the voices of all stakeholders at the table – including leaders representing labor and the environment.”*

President-Elect Biden, July 2020

- Fix the US domestic problems first, then trade
- Can the world wait?
 - Obama postponed dealing with trade issue for 4 years
- No! The world faces two era-defining challenges in 2021:
 - Fighting the global pandemic
 - Fighting the global recession

Biden's Foreign and Climate Policy are very different



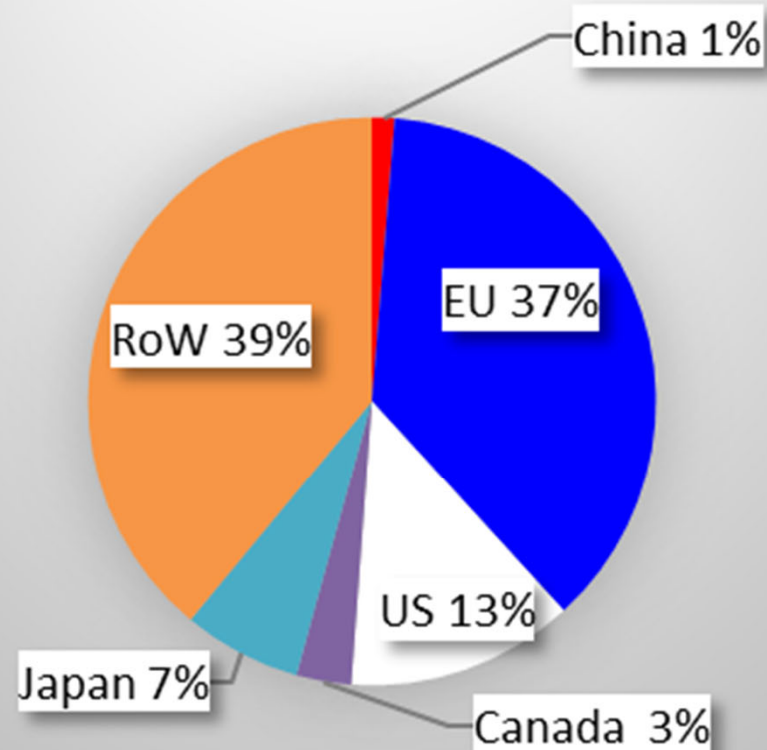
- Key Biden goal is to “restoring American leadership abroad”
 - Foreign policy based on American values
 - Climate policy based on science
 - Biden plan includes a *“blueprint to repair the damage wrought by President Trump and chart a fundamentally different course for American foreign policy for the world as we find it today—and as we anticipate it will be tomorrow.”*
- This is the window of opportunity
 - Biden must address trade issues to achieve foreign policy and climate goals
- Two points:
 - He must remove Trump damage on trade (to restore trust)
 - He'll find it convenient to use trade as part of deals/compromises/packages with like minded nations

A plan

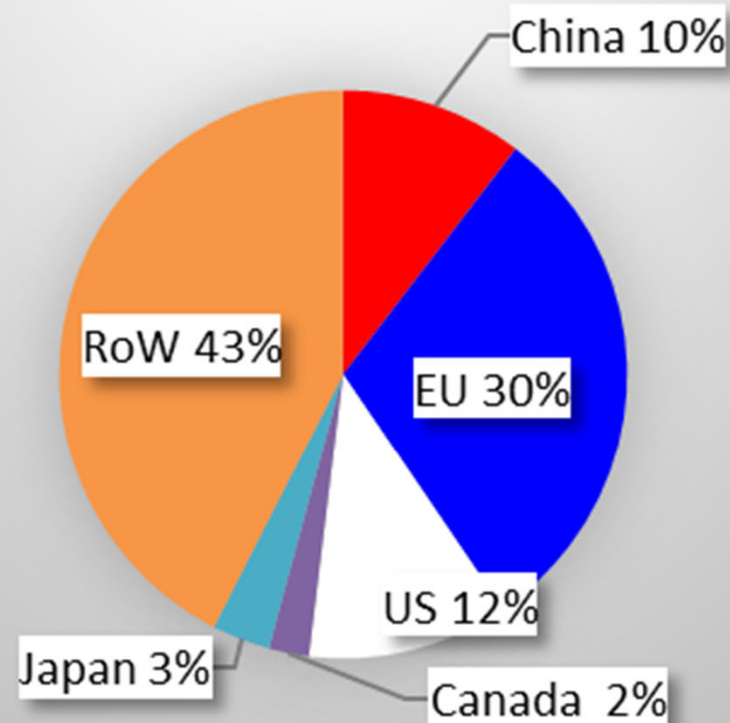
- Two elements
 - Work together
 - Design mutually-advantageous ‘trade tracks’ that fit into Biden foreign policy and climate goals while simultaneously restoring multilateral economic cooperation
- Work together
 - Group needs to be small, representative, homogeneous enough to agree rapidly
 - Fully transparent with the rest of the world
 - Operate in an informal, institutional-less setting
- Biden recognises the need to work together

Geo-economic shifts

1992: Clinton



2019: Biden



Day-One trade track

- Re-join Paris Agreement
- Re-join the WHO
- Call for a NATO summit
- Remove US block on the new WTO Director-General (Ngozi Okonjo-Iweala)

100-Day trade tracks

- **Repairing alliances** (including Nat'l Security tariffs, threats, low-quality trade deals)
- **Leading the global fight against the pandemic** (truce agreement at WTO on trade in medical products, etc)
- **Leading on climate** (finish fish and EGA, etc)
- **Leading the fight against global recession** (G20 commitment to no protectionism, boost certainty by starting deliberation on WTO reform and addressing the China 'interface problem')

Like-minded nations should change mindset

- Bilateral approaches to the US less likely to work
- Working together with the US to craft 'trade tracks' that are
 - Mutually advantageous
 - Restore international economic cooperation (and trust)
 - Help tackle the global pandemic and global recession
- Maybe Japan can take the lead???

Not anti-China



- Trump created an atmosphere of hostility, distrust, and acrimony
- This toxic atmosphere that stands in the way of adapting economic cooperation among all nations to the economic and political realities of the 21st century
 - China is part of that reality
 - Think back to US-Japan in 1980s & early 1990s
- Getting the US back in the multilateral game is the 1st step – and a critical one – to creating a superstructure that supports and strengthens a fair, rules-based trading system that provides good jobs, rising living standards, and prosperity for all nations
 - Finds a solution to “interface problem” between different economic systems and an open, rules-based trading system

Thank you for listening

END