

## Joe Biden's China trade policy lacks ambition US retreat from shaping global system could hand Beijing a victory

THE EDITORIAL BOARD



After a seven-month review, the Biden administration has unveiled its trade strategy with China. There was little to show for the months of work; the approach is, in essence, a **continuation of the stance of Donald Trump**. This may be a reflection of US political realities. But it is a blow to US allies that would like to see Washington once again take a lead role in championing trade and investment deals. Instead, they are witnessing what appears to be a bipartisan urge to walk away. **Over time, this threatens to hand a strategic victory to Beijing.**

In her first detailed comments on China trade since taking office in March, US trade representative Katherine Tai said Washington would start new talks. But it intended largely to press Beijing on commitments it made in the “phase 1” trade deal agreed in January 2020, after the Trump administration had imposed tariffs on an initial \$370bn of Chinese imports.

Beijing promised to boost purchases of US goods and services by \$200bn throughout 2020 and 2021. Washington's Peterson Institute for International Economics estimates China is on track to purchase only a little more than 60 per cent of what it promised.

Tai does seem to want to address China's subsidies and use of state-owned companies. But the White House has signalled little intention of starting talks on a “phase 2” deal. This would move on from a preoccupation with goods such as soybeans and steel to key questions such as intellectual property, data flows and regulatory issues. Officials say they do not believe Beijing is prepared to engage seriously. But that means the **only real change for now is the**

reopening of a procedure to allow US companies, which have complained about paying tariffs on essential Chinese parts, to apply for exclusion from tariffs.

All this is not politically surprising. Scrapping the deal and lifting tariffs on China was scarcely credible as Democrats fret about the possibility of losing control of both the House and the Senate in next year's midterm elections. A reluctance to take trade measures that could be portrayed as hurting American workers is understandable. But the White House could at least have tried to reorientate the agenda of talks rather than settling for inertia.

US officials say they intend to work more closely with allies, and have taken steps to reset trade relations with Brussels. The US and the EU agreed in June to end their 17-year dispute over aircraft subsidies, lifting the threat of billions of dollars in punitive tariffs. They also launched a Trade and Technology Council in Pittsburgh last week to co-ordinate approaches on key global issues, but this is at an early stage.

Many allies, though, see the US as marginalizing itself from any desire to shape the global trading system. This is happening just as China last month applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which evolved out of the TPP from which Trump withdrew the US in 2017 and is now one of the world's largest trade pacts.

Beijing's application may be vetoed initially by one of CPTPP's existing members. US partners in Asia are keen for America to join — pointing out that without an economic dimension alongside the defense and security efforts, Biden's Indo-Pacific strategy is a two-legged stool. But the longer the US stands aside from the group, the more its members may conclude it is in their best interests to have Beijing inside the tent: for most of them China is a dominant trading partner. For a White House determined to counter China's growing influence, that would be a sizeable geopolitical setback.