



Rebuilding the Global Economy

A series outlining policy priorities and solutions

MEMORANDUM ON

REINVIGORATING US PARTICIPATION IN BILATERAL, REGIONAL, PLURILATERAL, AND GLOBAL ALLIANCES

To: The Under Secretary of State for Economic Growth, Energy, and the Environment
From: Marcus Noland
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Background: The position of Under Secretary of State for Economic Growth, Energy, and the Environment has existed in some form since 1946. Historically, the Under Secretary has been a voice for an open international economic system, articulating the foreign policy implications of international economic policy in the interagency process, often sharing the lead on specific policy initiatives or negotiations with other cabinet departments in areas of specific functional expertise. Recent examples of the payoffs to Americans from a cooperative approach to international economic policy include coordinated action through the Group of Twenty (G20) to recover from the global financial crisis and the expansion of the Information Technology Agreement, which eliminated tariffs on \$1.3 trillion in annual global exports of information and communication technology products to the benefit of American firms and consumers, achieved during the Obama-Biden administration.

Starting in January 2021, your highest policy priority will be to reinvigorate US participation in bilateral, regional, plurilateral, and global alliances to address critical economic issues.

KEY PRIORITIES

PRIORITY 1: Fighting the COVID-19 Pandemic

The most immediate challenge facing the world economy is the global COVID-19 pandemic. The global nature of the pandemic necessitates a multifaceted international solution: No one will be truly safe until everyone is safe.

Hopes have been buoyed in recent weeks by announcements of effective vaccines. But the world faces an emerging “vaccine famine.” In famines, people do not die because there is not enough food to go around in a physical sense; they die because they are too poor to purchase adequate supplies. Vaccine nationalism, in which a limited number of producer countries impose export bans or purchase huge stocks for their citizens, will leave vast swaths of the world’s population exposed to the virus.

The world needs a transparent, enforceable international agreement to produce and distribute vaccines in an equitable and rational way. Such a goal is most likely to be achieved by the US government working through existing international organizations such as the World Health Organization (WHO). The COVAX partnership, the World Trade

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Organization, and international development banks such as the World Bank will also have roles to play.

Start by annulling the Trump administration's notification to withdraw from the WHO. Recent surveys by Pew Research, the Chicago Council on Foreign Relations, and the Eurasia Group document that a majority of Americans support the WHO and international cooperation to end the pandemic. Such cooperation is not only the right strategy, it is a politically popular one as well.

PRIORITY 2: Cooperating on Climate Change

Much of the Climate 21 Project agenda involves domestic reforms outside the direct purview of the State Department. But global warming can be solved—and the US and other economies' domestic commitments sustained—only through cooperative interstate action. President-elect Joseph Biden has promised to get the United States back into the Paris Agreement under the United Nations Framework Convention on Climate Change, but more work remains to be done.

While the Paris Agreement may well be inadequate, the UN process is the only credible venue, and the existing accord should be regarded as a stepping-stone and not a final outcome. US withdrawal from the Paris Agreement while other governments such as China and Japan committed to carbon neutrality has terribly damaged the US image abroad, disincentivized reforms domestically, and set back any global reduction in greenhouse emissions.

Your key responsibility will be to manage diplomatically the inevitable imposition of border taxes, as countries try to maintain a level playing field for domestic and foreign producers facing different carbon taxes or abatement schemes in different jurisdictions. The good news is that the polls show a clear majority of the US public supports US participation in the Paris Agreement. The Biden administration will need to sustain and build that popular goodwill if the Senate remains in more climate change-skeptical Republican hands, and other countries respond to our slower approach to decarbonization.

PRIORITY 3: Joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The United States abandoned the Trans-Pacific Partnership negotiations in 2017. The other 11 Asia-Pacific countries moved on without the United States, forming the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). More recently, 15 Asian countries—including China—joined together to form the Regional Comprehensive Economic Partnership (RCEP). Refusal to engage with the most dynamic part of the world economy has left the United States isolated. Together with the Office of the United States Trade Representative (USTR), you need to explore US accession to CPTPP.

Ironically, when the United States withdrew from the TPP negotiations, the remaining participants dropped some of the provisions that Democrats in Congress had found most problematic, including lengthy periods for pharmaceutical patents and investor-state dispute settlement terms, which some regarded as tilting excessively toward producer or investor interests. The final CPTPP agreement is more akin to the USMCA, which passed the US Congress with bipartisan support and should be more palatable to Democratic members of Congress today.

While it will not be politically easy for a Biden administration to embrace CPTPP, the United States needs to join to ensure that it takes the lead in setting the future rules of commerce in this critical region, which may well eventually be extended to the global level. Remaining outside CPTPP creates an opening for China to play that role instead of the United States.

Such concerns are underscored by the recent conclusion of the RCEP agreement covering nearly one-third of the world's economy. China's centrality in that agreement means that trade and supply chains are likely to increasingly be diverted away from the United States.

PRIORITY 4: Revitalizing the US-China Dialogue

The US-China relationship is the most important bilateral relationship in the world. Since the Clinton administration, every US administration has had a regular, ongoing high-level dialogue with China on economic issues. The Trump administration's "phase one" bilateral trade pact with China was misguided, targeting the bilateral trade balance. Those targets are not being met, and achieving those targets through managed trade will mean strengthening the role of the state and the Chinese Communist Party in the economy—not what the United States wants to see. The United States has real economic challenges with China, including subsidies and intellectual property rights protection, but the Trump approach does not address them. Moreover, the focus on managed trade diverts attention from other issues, including cybersecurity, North Korea, and climate change, where China-US cooperation should be possible (and is desirable). You should lead your administration's effort to take corrective action and revitalize a high-level dialogue.

PRIORITY 5: Combating Corruption

Traditionally the United States has led the world in anticorruption and transparency actions, pioneering the Foreign Corrupt Practices Act (FCPA), which bars bribery by US firms. Extending that work at the global level not only is good for economic efficiency but also levels the playing field for US firms competing abroad.

In 2017, the United States withdrew from the [Extractive Industries Transparency Initiative \(EITI\)](#), an international effort to reduce corruption and bring improved governance to extractive industries such as oil and mining, where problems in developing countries have been endemic. These difficulties are not just an economic concern but, by encouraging instability in these natural resource producers, represent a national security challenge as well. You should work with your counterpart at the Department of the Interior to get the United States back into the EITI.

Similarly, you should work with your counterpart at the Department of Justice to communicate to foreign counterparts that the United States stands fully behind the FCPA and similar international anticorruption efforts through the Organization for Economic Cooperation and Development.

PRIORITY 6: Preserving the Good Friday Agreement to Maintain Trade Ties with the United Kingdom

Lastly, the United Kingdom will want to have a close economic relationship with the United States post-Brexit. Communicate to your British counterpart that a Brexit outcome that damages the Good Friday Agreement will not form an appropriate foundation for such a close relationship. Yes, the [President-elect and the Speaker of the House](#) have been quite

clear on the principle, but it is important that this be restated at the senior working level. You can consider offering to assist the United Kingdom in applying for membership in CPTPP or even USMCA as a means to incentivize the preservation of the Good Friday Agreement and make a positive move for economic relations with key allies without pushing for direct trade initiatives unlikely to be supported early in the administration.