

# The Washington Post

## Can the United States be the global rule-maker again?

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November 27, 2019

The hard-working staff here at Spoiler Alerts has been engaged in periodic skirmishes with progressive trade policy folks about the wisdom of Elizabeth Warren's trade vision. To recap: in July I argued that, "Warren's trade policy would actually be more protectionist in its effects than Trump's, something that I did not think was possible." This led to some pushback, which caused me to double-check Warren's trade proposals as well as the critical feedback and conclude a month later that nope, what Warren is proposing is still pretty bad and that, "on trade, Warren remains Trump with a human face."

Finally, in September I suggested a way to suss out whether Warren was serious about trade promotion or just using it as a smokescreen for good old-fashioned protection: "If Warren is serious about trade and regulation, she should announce that her first two trade moves would be to lift most of Trump's tariffs and to seriously negotiate a transatlantic trade and investment partnership."

Georgetown professors Abraham Newman and Daniel Nexon have fleshed out these ideas further. Last week in Foreign Policy they argued that the United States needs to be more adept at using its market power to advance progressive policy ends, such as regulations and standards that benefit workers and the environment. In essence, they want the federal government to do for labor standards, environmental protections and tax evasion what it did for intellectual property rights in the 1990s — make the U.S. standard the global standard. They conclude, "For progressives, in particular, reinvigorating U.S. market power holds the promise of transforming foreign economic policy."

How, exactly, is this different from President Trump's brand of blinkered protectionism? Newman and Nexon are glad you asked:

[Trump's] focus on tariffs and trade agreements obscures a key promise of progressive foreign economic policy. Progressives can, and are already starting to, offer a larger strategy for securing key goals — one that turns globalization itself into a source of strength. As Warren argued in July, the United States enjoys "enormous leverage because America is the world's most attractive market." By conditioning access to that market, Washington can influence not only international negotiations over standards and the terms of trade but also the decisions made by firms themselves. Rather than employ such regulatory standards as forms of stealth protectionism — ones that allow corporations to extract rents from American consumers — progressives can use them to help craft a more just and sustainable global economy.

You should read their entire essay to get a full appreciation for what they think market power can do. The bullet-points version:

- Task the Office of Foreign Assets Control to facilitate "green sanctions";

- Exploit U.S. market power to curb global tax evasion by corporations;
- Pressure firms rather than jurisdictions to ensure compliance with U.S. standard-setting, because they are more vulnerable to economic pressure.
- Use the harmonization of regulatory standards because that requires less buy-in from Congress.

Free-trade advocates have expressed some reservations. The Cato Institute's Simon Lester blogged, "I would have thought progressives believed in cooperation with other countries and were skeptical of using economic power to boss other countries around. But these progressives seem to want to do exactly that. It's sort of like progressive imperialism." He acknowledges, however, that this is not completely in his wheelhouse and asked me to take a look.

Having taken a look, I credit Newman and Nexon for developing the logic of progressive market power with more sophistication than I have seen previously. The emphasis on corporate tax evasion seems like one of those initiatives that should unite neoliberals (who want a level playing field) and economic populists (who want corporations to stop using the threat of exit to browbeat governments into not taxing or regulating them).

Some of what is suggested, however, gives me pause. The most obvious, most realpolitik point is that current U.S. market power is not what it was when Washington was expanding intellectual property rights. When this push started in the mid-1980s, U.S. gross domestic product was more than a third of global output. Now it is closer to a fifth. We are no longer in the bipolar world of "All Politics Is Global." For any standard-setting to work, the United States will need to ensure that the European Union and other countries in the Organization for Economic Cooperation and Development are on board. In a post-Trump world, that is not impossible but will take a little bit of doing.

I am also wary of the claim that in contrast to Trump, the progressive use of market power will be less protectionist and less corrupt. For one thing, there are ways in which standard-setting can be a form of optimal obfuscation that "allows politicians to protect their markets while maintaining a veneer of liberalization." It is not clear to me why a newfound enthusiasm for rigorous standard-setting would not be a playground for stealth protectionism.

Furthermore, despite Newman and Nexon's claim that this is more about standard-setting than tariffs, that is not how their fellow travelers phrase it. In June, Jennifer Harris and Todd Tucker argued in Politico that, "in 2019, if the United States wants to fix some of the big policy arguments it has with its trading partners, it has left little leverage besides the blunt tool of tariffs." It is worth reminding everyone at this point that Trump's attempts at economic statecraft have by and large failed. Even if one acknowledges that a competent administration could do better, Trump's failures matter. Targets are not necessarily going to care if the blunt tool of tariffs is applied for different purposes; they will simply notice that they keep getting targeted. A change in the expectations of future conflict is likely to reduce the odds of any concessions being made.

Finally, Newman and Nexon are correct to note that using standard-setting is easier because a strategy of harmonizing standards is a much lighter lift than "cumbersome international trade agreements." It can be done through executive action alone. This means, however, that the

sustainability of such actions will be unclear. What happens if Tom Cotton is elected president and reverses everything a president Warren has done? More disturbingly, what if foreign firms calculate that they can outlast any administration effort to set new standards?

Newman and Nexon are presenting a serious and intriguing way to use U.S. market power for progressive ends. It might work. But it might also work in ways that progressives do not anticipate.