

# GLOBAL MARKETS FORUM

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## Q&A-Trade to be part of Biden's negotiation policy with China, but not driving force; Fundamental differences continue: Wendy Cutler, Ex-USTR negotiator



Fundamental differences between the U.S. and China will be difficult to resolve, and though trade will be a part of President Joe Biden's overall policy, it won't be the driving force of the relationship as it was under former President Donald Trump, **Wendy Cutler, American diplomat and former assistant U.S. trade representative in the Office of the USTR**, told the Reuters Global Markets Forum on Wednesday, February 2.

The Biden administration would be pressured to engage in the Asia-Pacific region by pacts such as the Regional Cooperation Economic Partnership (RCEP) and Comprehensive Agreement on Investment (CAI) with Europe, said Cutler, who is vice president at the Asia Society Policy Institute.

But she went on to say that taking the U.S. back into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which had excluded China, was not the only way to build ties in the Asia-Pacific region.

Following are edited excerpts from the conversation:

**Q: How do you see the dynamics of global trade changing with the RCEP and Belt and Road Initiative (BRI) in Asia, and all the bilateral agreements that have come into effect post-Trump's presidency?**

A: The United States is on the outside looking in on these agreements and initiatives. Other countries are learning how to get along without the United States. But I'm hoping this will change with the Biden administration, which is already engaging in the region.

**Q: Does the signing of these trade agreements such as the RCEP, the CAI with Europe, etc. put more pressure on the Biden administration to join the CPTPP? If so, what in the existing agreement would President Biden want to renegotiate?**

A: I believe it puts pressure on the Biden Administration not to wait and to demonstrate that it's committed to engagement in the region. CPTPP is not the only way to do so.

If the United States were to consider returning to the CPTPP, it would undoubtedly seek updates and revisions to the agreement, including those that are more responsive to the concerns of U.S. workers. I believe that narrower, sectoral deals provide an important option for returning to the region. They are relatively easier and quicker to do and could help rebuild trust and momentum while delivering results.

**Q: So, continue with the focus of more 'Make in America'?**

A: The United States is not alone in having to show its citizens that it is promoting and responding to their concerns and priorities. Promoting Buy America policies can work provided they don't violate our international obligations.

**Q: Which countries would be on the U.S.' list to make these agreements with first?**

A: The United States will seek to work with like-minded countries in the region to advance its economic agenda. Depending on the issue, different coalitions of like-minded countries can be formed.

**Q: Trade relations under the Trump administration took a sharp turn with some deals scrapped. How long do you think the Biden admin will take to return to these and/or explore newer ones?**

A: Trade will not be front and center of the U.S. foreign policy as it was during the Trump Administration. President Biden has made it clear that he will focus on COVID-19 and economic recovery before entering into new trade agreements.

**Q: What is the path ahead for the Biden administration to end protectionism and tariffs, and get back on the path to global economic integration?**

A: The rest of the world will need to be patient as the new administration reviews what it has inherited from the Trump Administration, sets its own policy goals, and gets its Cabinet and Subcabinet confirmed by Congress. Expectations for quick action should be kept in check as this happens.

**Q: Do you see trade tensions between the U.S. and China to begin abating from here? If so, would that at all impact the moves that have already happened in terms of supply chain shifts and even the RCEP deal?**

A: I am hopeful that trade tensions won't escalate, but there are fundamental differences on a host of issues between the United States and China that will be difficult to resolve. Trade will be a part of the Biden administration's overall policy. It won't be the driving force of the relationship as it was in many respects under Trump.

**Q: Do you see China backing down on the serious concerns over unfair trade practices and intellectual property theft? And what could sweeten the deal from the U.S. side?**

A: If the United States is successful in enlisting support from other like-minded countries who share our concerns about China's unfair trade practices, I believe that China will find it difficult to ignore calls for reform and opening.

**Q: What are your views on the RCEP? There seem to be differing views (China, etc. feel it's a game-changer; India doesn't).**

A: We need to take RCEP seriously. The text itself is far below the CPTPP standard and contains long transition periods and many exceptions. However, RCEP establishes wide rules of origin that will facilitate trade among the 15 RCEP countries and over time will impact supply chains. Also, it establishes a structure for engagement among RCEP countries where emerging issues can be addressed.

**Q: Which countries do you see deriving the most benefit from shifting supply chains? What are the dominant factors for shifting supply chains within the RCEP bloc beyond the obvious cost-competitiveness and fallout of the U.S.-China trade tensions?**

A: ASEAN countries stand to gain the most from RCEP with respect to supply chain movement, particularly those that are now taking unilateral steps to cut red tape, build infrastructure, and create a more hospitable business climate. Vietnam in particular is gaining FDI as companies look to diversify and establish resilient supply chains. Other countries, including India and Indonesia are also taking steps to attract FDI.

**Q: Do you see the U.S. as a big player where foreign investments into infrastructure development is concerned due to the shifting supply chains, may be to secure a chunk of the pie?**

A: As a result of the trade war and COVID-19 revealing supply chain vulnerabilities, U.S. companies are looking to diversify supply chains. They are not alone. Other companies around the world are doing the same. For example, Samsung is pulling investments from China while it expands in Vietnam.

The U.S., in coordination with other countries in the region, will contribute to infrastructure investments in the region, not at the scale of China, but will provide quality investment opportunities, based on the rule of law, which are transparent and sustainable and financed in a manner that won't lead to a debt trap.

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