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Mobilizing for Techno-Economic War, Part 6: From Free Trade Agreements to Strategic Techno-Economic Agreements

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The era of free trade globalization is over. To replace it, the United States should lead a new class of binding deals with allies, with a dual objective of strengthening allied national economic power industries and weakening China's.

KEY TAKEAWAYS

- Absent serious policy change, the People's Republic of China will dominate most of the advanced industries that underpin national power in the 21st century, leaving the United States and its allies weaker and more vulnerable.
- It is time to recognize that the global vision for unfettered free trade with all or most nations on a most-favored-nation basis, as promising as it was, has failed. In fact, today's global trade regime constrains allied nations' responses to Chinese aggression.
- No country, including the United States, can counter Chinese national economic power aggression alone. Rather, Washington should lead a bloc of allies committed to coordinated action in trade, technology, investment, and economic security issues.
- It is thus time for Strategic Techno-Economic Agreements (STEAs). These should include the elimination of most trade barriers among partners, as well as measures to strengthen allies' national power industries and constrain those of the PRC.
- The United States should offer zero-for-zero tariffs to STEA partners, but only if they meet enforceable conditions on all the other aspects of these agreements.
- For the United States, leading this new regime would require changing its rhetoric with allies and abandoning the hubristic notion that America alone can deal with China—a rival unlike any other it has faced in its 250 years of constitutional democracy.

National Power Industry Series

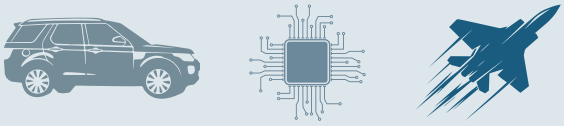
This report is part of a series on China's predatory industrial strategies, their impact on U.S. technological leadership, and how to avoid losing U.S. and allied capabilities in advanced industries that undergird national power. For more, see: itif.org/power-industries.

Pillars of a Strategic Techno-Economic Agreement (STEA)

PILLAR 1

Advancing Allies' National Economic Power Industry Development

- **Preferred Market Access:** Parties should agree to implement zero-for-zero tariffs if they comply with all the other components and provisions of an STEA.
- **Digital Economy:** An STEA should be the world's template for digital trade rules—with modern, binding provisions that enable digital market integration, foster a competitive environment, and improve the user experience.
- **National Power Industries:** Parties should seek preferential treatment for investments and production capabilities in national power industries.



Enabling industries | Dual-use industries | Defense industries

- **Defense Production:** Parties should commit to cooperate in dual-use and defense technology research and manufacturing.
- **High-Skilled Talent Movement:** Parties should commit to eliminate migration constraints for highly skilled professionals, particularly in STEM fields.
- **Joint Antitrust Interpretation:** Parties should agree to incorporate international competitiveness considerations within their antitrust frameworks.
- **Nonmarket Economies Clause:** No party should sign binding commitments with non-market economies, such as China, without prior agreement of the other parties.

PILLAR 2

Constraining the PRC's National Power Industry Development

- **Immediate Reciprocity:** Parties should have a reciprocal approach to addressing the extensive nontariff barriers and other technical barriers to trade that China has erected to impede U.S. (and allied) companies' ability to compete in China.
- **Fully Integrated Investment Screening:** Parties should implement shared mechanisms among parties themselves to prevent the inflow of Chinese investment connected to the People's Liberation Army or investments that make national power industries' supply chains vulnerable.
- **Full Export Control Alignment:** Parties should be fully aligned on banning the export of or restricting the use of certain critical technologies outside the economic bloc.
- **Joint Section 301-like Investigations:** Parties should jointly conduct investigations to identify and combat Chinese unfair foreign trade practices.
- **Joint Sovereign Fund to Reverse Chinese Technology Adoption:** Parties should seek to establish a joint sovereign fund to offset the switching costs of phasing out Chinese technologies.
- **Joint Import Bans:** Parties should take measures to avoid companies with a sustained record of IP infringements from entering their markets.
- **Limiting Chinese R&D Funding:** Parties should commit to establishing boundaries on Chinese research organizations' access to the local ecosystem and on companies' ability to gain market share, enabling them to reinvest in R&D.
- **Shared Commercial Counterintelligence:** Parties should make a commitment to help companies gain more complete information about the environment in which they operate with allies.