



# ICAS TRADE N TECH DISPATCH

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## What's Been Happening

### 1 — Calls for a Clear Trade Agenda with China Grows — 1

#### [In One Sentence]

- The White House still declines to offer a timeline for the administration's completion of the ongoing U.S. trade policy review of China.
- More business groups have joined the effort to urge the Biden administration to release a comprehensive China strategy regarding trade and tariffs.
- Calls for a comprehensive and active trade policy regarding China have also been growing louder on Capitol Hill.

#### [Mark the Essentials]

- The National Association of Manufacturers (NAM) wrote a letter to top officials of the Biden administration, including Secretary of State Antony Blinken and USTR Katherine Tai, urging the administration to release a “comprehensive China strategy.”
- This letter by NAM called for the administration's China trade strategy to include enforcement of the ‘Phase One’ commitments, efforts to engage with Beijing over various trade-related frictions, and a restart of the product-exclusion process for goods hit by Section 301 tariffs.
- Lawmakers, including Sen. Chuck Grassley, have criticized the Biden administration's lack of a trade agenda, especially with regard to China.

#### [Keeping an Eye on...]

- Although engagement with China is gradually being restored, albeit with a number of ups and downs, the Biden administration has done very little thus far to set the tone on the U.S.-China trade policy front. The charitable reason for this tardiness is that the Biden team wants to get its China trade policy right, especially in the context of its comprehensive review of China trade policy that is being conducted—the first in almost fifteen years. The team is also seized of China investment and industrial policy matters. The less charitable reason for this delay is that the Biden team lacks the political courage to take the hard decisions to rescind the politically salient but economically destructive tariffs—in part, due to the Biden team's own soft protectionist leanings on the matter as well as its linkages with interest groups that benefit from these tariffs. And so, in aiming to thread the needle, the Biden administration is biding its time in order to get its political strategy right, including sorting through the tariff-related demands that will be presented to Beijing. Regardless, the public demand for a clearer trade agenda with China has significantly grown over the past few

months as global trade has begun to slowly recover from the pandemic. And without an agenda to manage bilateral trade relations between the world's two largest economies, rising anxiety—from both business groups and lawmakers—coupled with inconsistencies among its various trade policies will breed an even bigger headache for the administration if left unaddressed.

### [Expanded Reading]

- [NAM Asks Administration to Complete China Strategy Quickly, Restore Section 301 Exclusions](#), *International Trade Today*, September 2 [Paywall]
- [Businesses Push Biden to Develop China Trade Policy](#), *New York Times*, September 1 [Paywall]
- [Press Briefing by Press Secretary Jen Psaki](#), White House, September 1
- [Grassley Concerned About Biden's Lack of Trade Agenda](#), *Brownfield Ag News*, August 27

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## 2 — Old Tariffs Exiting, (Possible) New Tariffs Entering — 2

### [In One Sentence]

- The U.S. government has agreed to refund some liquidated duties if the Section 301 tariffs on Chinese goods are struck down in court.
- The Coalition of American Metal Manufacturers and Users urged President Biden to remove the Section 232 tariffs that have been imposed on steel imports.
- White House officials are considering a Section 301 investigation into Beijing's use of industrial subsidies; a process that might or might not lead to new tariffs.

### [Mark the Essentials]

- The U.S. government has adjusted its previous position on Section 301 tariffs, agreeing to refund some liquidated duties if it loses its case at the Court of International Trade (CIT), but still defers to the court over the necessity of a repository.
- The metal manufacturers argued that the tariffs on steel imports are hurting America's economy since it causes the steel-using manufacturers—who will play an important role if the infrastructure bill is passed—to pay considerably more than their Chinese and other overseas counterparts.
- The administration is in discussions about launching an investigation into Chinese industrial subsidies under Section 301 of U.S. trade law while simultaneously looking to team up with its global allies and partners to rally support within the WTO to tackle this issue.

### [Keeping an Eye on...]

- The use of tariffs was a convenient—but blunt—tool of recourse to beat China with during the Trump years. Although the Section 301 tariffs were found to be illegal by a WTO panel earlier this year and the Section 232 tariffs, too, will invite a similar ruling in due course, the larger shortcoming of these tariffs was their deleterious economic effect on manufacturers in both the U.S. and China (although Vietnamese and Taiwanese manufacturers might beg to differ). Acknowledging the escalating cost of throwing sand into the wheels of U.S.-China trade ties, the Biden administration appears increasingly keen to find workarounds so that the harmful domestic economic effects of the tariffs can be softened, while the tariffs - and perhaps even a new set of Section 301 tariffs - are simultaneously leveraged to elicit improvements in Chinese economic practices and behavior. Whether this deft piece of jugglery can be carried out remains to be seen. But judging

from the economic effects of the existing Section 301 tariffs, common sense would dictate against a new round of tariff impositions.

#### [Expanded Reading]

- [Biden Administration Takes Aim at China's Industrial Subsidies](#), *Wall Street Journal*, September 11 [Paywall]
- ['Not Possible' to Suspend Section 301 Liquidations en Masse, DOJ Says](#), *International Trade Law Daily*, September 1 [Paywall]
- [US metals end-users ask Biden to drop steel tariffs amid record prices](#), *S&P Global Platts*, September 1
- [USTR Seeking Comments on Continuing Section 301 Tariff Exclusions for Certain Medical Imports from China Necessary for COVID-19 Response](#), *SmarTrade*, August 27
- [Request for Comments on Certain Products Exclusions Related to COVID-19](#), Office of the United States Trade Representative, August 27

### 3 — Funding for Domestic S&T Industry on the Rise — 3

#### [In One Sentence]

- Commerce Deputy Secretary Don Graves said that he “expected” Congress to fund the CHIPS Act soon.
- The House has made a nonbinding commitment to conduct a vote on the Senate’s \$1 trillion infrastructure bill by September 27.
- American magnet manufacturers are backing up a proposed House bill that would subsidize rare earth magnet manufacturing in the U.S.

#### [Mark the Essentials]

- Deputy Secretary Graves said that Congress has heard “loud and clear” from not only the business community but also constituents about the urgency of getting legislation passed to address chip shortages.
- Magnet manufacturers argued that the U.S. remains vulnerable as China supplies 90% of the world’s needs and suggested that the U.S. should subsidize domestic production to counter China.
- Senator Joe Manchin has urged Congress to “hit the pause button” on passing the budget reconciliation package over its topline spending number and the ensuing debt concerns.

#### [Keeping an Eye on...]

- The major driver of the call for accelerated investment in the U.S. domestic S&T sector is the unfolding competition with China to capture, and consolidate, the commanding heights in the areas of advanced manufacturing and high-technologies. Re-onshoring is also viewed as a key means to endow resilience and integrity to critical supply chains. However, re-onshoring does not come cheap. Moreover, its industrial subsidies element is conjoined with more complex philosophical debates of the role and value of ‘industrial policy.’ Congress is currently sorting through these issues, including in light of the fiscal burden of providing such industrial support.

#### [Expanded Reading]

- [Sen. Joe Manchin says there's no way to pass \\$3.5 trillion budget bill by September 27](#), *CNBC*, September 12
- [Manchin tells Dems to 'hit the pause button' on \\$3.5T spending plan](#), *Fox Business*, September 2
- [House to Vote on Infrastructure Bill by September 27th](#), *For Construction Pros*, August 25

- [House Democrats clear path toward passing \\$3.5 trillion budget bill and infrastructure plan after breaking stalemate](#), *CNBC*, August 24
- [US rare earth magnet sector seeks support](#), *Metal Tech News*, September 1
- [U.S. House bill would give tax credit for rare earth magnets](#), *Reuters*, August 10 [Paywall]

## On the Hill



### [In One Sentence]

- The Chinese Ambassador said that anti-China bills “will hijack China-U.S. relations.”
- Lawmakers have asked the Biden administration to address non-tariff trade barriers that China allegedly imposes on agricultural biotechnology.

### [Mark the Essentials]

- Chinese Ambassador to the U.S. Qin Gang singled out USICA (U.S. Innovation and Competition Act) Act and the EAGLE (Ensuring American Global Leadership and Engagement) Act, criticizing these bills for damaging America’s own interest.
- During the same speech, Ambassador Qin also called for stronger U.S.-China ties, increased cooperation, and lowered overall tensions.
- A group of Democrats on the House Agriculture Committee criticized China for failing to meet its commitments on biotechnology regulations and called for the Biden administration to take action accordingly.

### [Keeping an Eye on...]

- Both USICA and the EAGLE Act have strong elements emphasizing competition with China, especially in the science and technology sector. While it is not clear whether the strong emphasis on competition with China is sufficient to push these bills across the finish line on a bipartisan basis, these elements will have significant implications for the development of U.S.-China relations. Lawmakers have also expanded their concerns from traditional S&T manufacturing to broader technology-linked standards setting as well as agricultural biotechnology-related regulations. The U.S.-China ‘Phase One’ agreement was replete with such agricultural biotechnology-related regulations, and USTR’s first order of business once it re-establishes a concerted dialogue with Beijing will be to enforce these biotech-related provisions.

### [Expanded Reading]

- [China's new ambassador to the U.S. goes full wolf in first major speech](#), *Politico*, September 1
- [Keynote Speech by Ambassador Qin Gang at the Welcome Event by the National Committee on US-China Relations Board of Directors](#), Embassy of the People’s Republic of China in the United States of America, August 31
- [Chairman David Scott and Democratic Committee Members Issue Letter Expressing Concern Regarding Biotech Trade Barriers](#), House Agriculture Committee, September 2