

What's Been Happening

1 — More Positives than Negatives at Inaugural U.S.-EU Trade and Tech Council Meet — 1**[In One Sentence]**

- Top-level U.S. and EU officials participated in the first Trade and Technology Council (TTC) meeting this Wednesday.
- While some U.S. officials said the council could serve as a way to counter Beijing, EU officials played down the “confrontational” nature of the platform vis-a-vis China.
- EU officials have also toned down expectations for the council’s outcomes.

[Mark the Essentials]

- On September 29th, the Biden administration and senior officials of the European Commission held a largely-successful inaugural meeting of their Trade and Tech Council (TTC), capped off with a lengthy joint statement [For key takeaways from the Joint Statement, see the Special Section below].
- Going into the meeting, David Ringrose, deputy director general at the European Commission’s Directorate-General for Communications Networks, Content and Technology had observed that the EU did not want the U.S.-EU dialogue on China to degenerate into an “anti-China exercise”, nor would the EU give the U.S. a “privileged channel” into its legislative processes through the TTC.
- In the meantime, the European Union, like the U.S., is considering an initiative to onshore semiconductor manufacturing to Europe.

[Keeping an Eye on...]

- The Trade and Technology Council (TTC) marks a solid step forward by the U.S. in reaching out to its allies and partners to address challenges and chart rules concerning trade, technology and cross-border data flows. While addressing the current chips shortage is the most urgent matter on the table, TTC’s work is to be simultaneously focused on the longer-term goal of “rebalancing” (i.e. reshoring) global semiconductor manufacturing capabilities back to the U.S. and the EU. Efforts to reshore could trigger a government subsidies race, so these policies need to be coordinated closely. The two sides also arrived at a range of outcomes on export controls, investment screening and trade policy challenges. That being said, the two parties continue to hold different views on the topic of digital regulation as well as on China, which will have implications as to how they proceed while addressing their industrial policy challenges.

[Expanded Reading]

- [U.S.-EU tech trade summit clouded by French reservations](#), *Reuters*, September 28
- [U.S., EU to discuss global trade and tech cooperation as they seek to counter China](#), *CNBC*, September 27
- [EU Confirms Inaugural Trade-Tech Summit With U.S. to Go Ahead](#), *Bloomberg*, September 23
- [CSD meeting on the EU-US Trade and Technology Council](#), *European Commission*, European Commission, September 15

2 — A Race for CPTPP? — 2

[In One Sentence]

- China has officially applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement.
- In response, lawmakers again urged the Biden administration to re-engage Asia Pacific allies on trade.
- The White House suggested that the U.S. would be open to renegotiating its entry into CPTPP at a later point of time but noted that trade is only one of “a range of ways” to forge partnerships in the Indo-Pacific.

[Mark the Essentials]

- Following consultations with CPTPP members in recent months, Beijing has officially filed its application to join the trans-pacific trade pact with New Zealand, which is the depositary for CPTPP.
- Tom Carper and John Cornyn, leading members of the Senate Finance Trade Subcommittee, called China’s move to join CPTPP “troubling” and urged the Biden administration to “get our seat back at the table to re-engage our Asia Pacific allies in trade.”
- White House Press Secretary Jen Psaki noted that while the U.S. would stay abreast of developments, it would leave it to members of CPTPP to determine whether or not China should join.

[Keeping an Eye on...]

- There is a growing anxiety in Washington, D.C. that the Biden administration is unable to formulate a clear Asia-Pacific trade as well as China trade and tariff strategy. This anxiety is in keeping with the view that the Biden administration is consumed with domestic economic matters and has put new trade deals on the back burner. While USTR is examining its level of interest in a new digital trade deal with America’s allies and partners in Asia-Pacific, there is no indication as yet that the administration wishes to seriously re-engage with the process of rejoining CPTPP. Even China’s CPTPP application has not shifted the needle in this regard. That said, via a provision introduced in the USMCA agreement with Canada and Mexico, Washington will have the means to influence Ottawa’s and Mexico City’s stances as they engage their CPTPP partners, and Beijing, in the course of examining China’s formal CPTPP application.

[Expanded Reading]

- [Carper, Cornyn React to China’s Initial Move to Join Pacific Trade Pact](#), U.S. Senator for Delaware Tom Carper Press Release, September 20
- [China’s bid to join Pacific Rim trade pact heaps pressure on US to step up regional economic strategy](#), *South China Morning Post*, September 18
- [China applies to join Pacific trade pact to boost economic clout](#), *Reuters*, September 17
- [Press Briefing by Press Secretary Jen Psaki, September 16, 2021](#), White House, September 16

3 — Biden's Emerging Export Control Agenda — 3

[In One Sentence]

- Alan Estevez, who has been tapped to lead the Commerce Department's Bureau of Industry and Security (BIS), pledged to withhold core and sensitive technologies from China's reach during his nomination hearing.
- Echoing earlier claims by BIS officials, Estevez defended multilateral export controls as the most effective approach.
- Bureau of Industry and Security officials have made it clear that they will not be issuing a definitive list of emerging technologies subject to export controls.
- Key U.S. departments are divided over whether to place Honor, Huawei's former smartphone company, on the Entity List.
- The Commerce Department launched a formal investigation into imports of neodymium-iron-boron permanent magnets over "national security" concerns.

[Mark the Essentials]

- Alan Estevez and Thea Kendler, the latter who is nominated to lead BIS' export administration arm, were grilled extensively on the issue of China-related export controls during their confirmation hearing before the Senate Banking, Housing and Urban Affairs Committee.
- Estevez also used the hearing to assure the committee that the administration would resort to a Section 232 investigation only for the "strictest" national security concerns.
- The investigation into imports of neodymium-iron-boron permanent magnets over "national security" concerns is to be conducted under Section 232 of the Trade Expansion Act of 1962 - the first such Section 232 investigation launched by the Biden administration
- Officials at the Pentagon and Energy Department supported placing smartphone maker Honor, which was sold by Huawei, on the Entity List while the Commerce Department and State Department opposed the action.

[Keeping an Eye on...]

- Export controls work best when they have multilateral buy-in; not when they are unilateral and imposed without consultation. This is an important lesson learnt by the Biden administration from the failings of its predecessor. Another important lesson learnt is that the designation of export-controlled items must be determined with extreme care. Technology controls imposed bluntly have the potential to backfire, leading to the 'designing out' of domestic technologies and products. The Honor case as well as the new and narrowly-targeted Section 232 'national security' investigation are important indicators of the Biden administration's more nuanced approach, so far, on this issue.

[Expanded Reading]

- [Joe Biden's nominee for key China export post expects Huawei to remain blacklisted](#), *South China Morning Post*, September 22
- [U.S. Commerce Nominees Vow to Keep Key Tech Out of China's Hands](#), *Bloomberg*, September 21
- [Nomination Hearing](#), United States Senate Committee on Banking, Housing & Urban Affairs, September 21
- [Key security agencies split over whether to blacklist former Huawei smartphone unit](#), *Washington Post*, September 19
- [US penalties for technology sales to China have soared this year, Commerce Department official says](#), *South China Morning Post*, September 9



--- Key Takeaways from the Inaugural TTC Joint Statement ---

On September 29th, the U.S.-EU Trade and Technology Council (TTC) held its inaugural ministerial-level meeting in Pittsburgh. The meeting charted the course forward on the work programs for the working groups under the TTC, and defined further near-term goals. The Joint Statement issued after the meeting also addressed **five substantive areas** of cooperation. These are:

Cooperation on Export Controls of Dual Use Items. The two sides agreed to:

- Consult each other on legislative and regulatory developments, compliance and enforcement approaches.
- Exchange information on risks related to export/transfer of sensitive technologies
- Develop convergent control approaches for the control of trade in sensitive dual-use technologies.
- Build capacity to assist third countries in implementing international export control mechanisms.
- Work in close partnership with industry and civil society.

Investment Screening cooperation. The two sides agreed to:

- Meet periodically to exchange best practices on effective investment screening.
- Discuss tools addressing risks related to specific sensitive technologies.
- Promote shared principles, such as non-discrimination between foreign investors and transparency of rules.
- Explore ways of intensifying engagement with stakeholders and other partners.

Secure Semiconductor Supply Chains. The two sides agreed to:

- Explore ways to help rebalance the global semiconductor supply chains (including respective security of supply and respective capacity to design and produce semiconductors).
- Work jointly so that any investment made on US and EU territories is done in full respect of their respective security of supply.
- Enhance cooperation to advance transparency and communication in the semiconductor supply chain.
- Collaborate in analyzing the roots of current semiconductor shortages.

Technology Standards Cooperation. The two sides agreed to:

- Develop approaches for coordination and cooperation in critical and emerging technology standards, including Artificial Intelligence (AI).
- Support for the development of technical standards in line with core values.
- Foster participation in standards organizations for civil society organizations, start-ups, small and medium sized enterprises in emerging technologies.

Global Trade Challenges. The two sides agreed to:

- Share information on third country non-market distortive practices that impact EU and US workers and businesses and explore how to mitigate these impacts.

- Exchange information on both sides' domestic measures taken against distortive practices, and coordinate the future development of these measures.
- Cooperate in order to avoid new unnecessary barriers to trade in emerging technologies, while ensuring that legitimate regulatory objectives are achieved.
- Share information on measures related to the respect for fundamental labor rights and the prevention of forced and child labor, and cooperate to promote this work in international organizations.
- Consult on the inclusion of trade-related climate and environment issues under the working group on global trade challenges.