

## What's Been Happening

### 1 — Lack of Clarity on U.S. Trade Policy Towards China — 1

#### [In One Sentence]

- U.S. Trade Representative (USTR) Katherine Tai said on October 4 that she hopes to re-engage with Beijing on Phase One commitments and unaddressed U.S. concerns.
- USTR is also planning to restart the Section 301 tariff exclusion process.
- Ambassador Tai held a virtual meeting with China's Vice Premier Liu He on October 8 to discuss the U.S.-China trade relationship.

#### [Mark the Essentials]

- When asked whether decoupling with China is a priority, Ambassador Tai instead emphasized “re-coupling,” with the U.S. reframing the terms of re-engagement and occupying a stronger position within the supply chain.
- The ‘structure’ and format of the Phase One agreement, set by the previous administration, is “where we have to start” the conversation with China, according to Ambassador Tai. What the next steps are and how the format of engagement evolves going forward, will depend on how the conversation proceeds with China.
- Despite planning to relaunch the exclusion process, Ambassador Tai noted that Section 301 is a “very important” trade enforcement tool and that “all available tools” will be looked at in addressing U.S. trade and investment concerns.

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

- Ambassador Tai's keenly awaited policy speech was something of a letdown, given her abstract vision of U.S. trade policy towards China and her lack of concrete details on numerous pressing issues. While it is fine for her to hold China's feet to the fire on its Phase One market purchase commitments, questions abound regarding not only the carry-over of these commitments into 2022 and 2023 but also the administration's stance on initiating negotiations towards a Phase Two agreement on the difficult ‘structural’ issues — state-owned enterprises, industrial subsidies, etc. — that divide Washington and Beijing. USTR Tai's lack of a liberalizing vision, contrasted with her intensity on (trade) enforcement, was worrying as well. That said, the tone of Ambassador Tai's remarks on engaging China was constructive in comparison with her predecessor's tone. Whether this change of tone (but lack of ambition or detail) will help or hamper the advancement of U.S.-China trade and economic discussions remains to be seen. The outlook for robust outcomes from these discussions does not look bright, however, at this admittedly early stage.

### [Expanded Reading]

- [U.S.-China Trade Talks Take First Steps in Re-Engagement](#), *Wall Street Journal*, October 8 [Paywall]
- [Readout of Ambassador Tai's Virtual Meeting With Vice Premier Of China Liu He](#), Office of the United States Representative, October 8
- [U.S. Trade Chief to Engage With China on Trump-Deal Shortfalls](#), *Bloomberg*, October 4 [Paywall]
- [A Conversation with Ambassador Katherine Tai, U.S. Trade Representative](#), Transcript, Center for Strategic & International Studies, October 4

## 2 — A First Step towards Multilateral Cooperation: What's Next? — 2

### [In One Sentence]

- The first Trade and Technology Council (TTC) meeting led to useful outcomes and restored a sense of common purpose in trans-Atlantic relations, U.S. and EU officials noted.
- U.S. officials shone the spotlight on the role of “non-market economies” and the use of technologies to “suppress dissent” at OECD meetings.
- The U.S. must “fully engage” with its Indo-Pacific partners, Amb. Katherine Tai noted in response to a question about the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) agreement.

### [Mark the Essentials]

- Export controls is an area where the U.S. and EU plan to move quickly and reach substantive outcomes, European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis noted after the conclusion of the Trade and Technology Council (TTC) meeting in Pittsburgh.
- At the OECD-led meetings in Paris, Ambassador Tai called out the “global distortive practices” of “non-market economies” and mentioned China explicitly in this regard, while Secretary of State Blinken observed that emerging technologies should be used to “advance human freedom” rather than “suppress dissent, further entrench inequities, or target minority communities.”
- When asked about the U.S.’ reengagement with CPTPP, Ambassador Tai refrained from committing to joining the pact, claiming instead that the U.S. should address “realities and challenges” that came to light following the conclusion of the TPP negotiations.

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

- The Trade and Technology Council (TTC) meeting marks a solid step forward as the United States works to strengthen and reinvigorate cooperation with its European allies and partners, which the White House considers an important component of the United States’ competition with China. The TTC meeting also provided an important platform to address semiconductor-related issues; both the chip shortage that has caused widespread short-term disruptions as well as the potential for developing longer-term fabrication reshoring. On the other hand, the differences between the two sides on digital policy issues were glossed over for the time being. The Biden administration’s lack of equivalent clarity on trade and investment engagement with its Indo-Pacific partners has left many in the region underwhelmed. Its evasive attitude on engaging with the CPTPP in particular has called into question its economic strategy and commitment to the region.

### [Expanded Reading]

- [Readout of Ambassador Katherine Tai's Participation in the OECD Ministerial Meeting](#), Office of the United States Trade Representative, October 6

- [Secretary Antony J. Blinken at OECD Opening and Keynote Address](#), U.S. Department of State, October 5
- [US, EU agree to further trade and technology talks](#), *AP News*, September 29
- [FACT SHEET: U.S.-EU Establish Common Principles to Update the Rules for the 21st Century Economy at Inaugural Trade and Technology Council Meeting](#), White House, September 29

### 3 — The Solar Panel Row — 3

#### [In One Sentence]

- An anonymous industry group asked the Commerce Department to investigate select Southeast Asian companies that are allegedly helping Chinese solar products circumvent U.S. tariffs.
- In response, nearly 200 U.S. solar companies urged Commerce against imposing solar tariffs on the Southeast Asian companies.
- The Commerce Department has delayed its decision and asked for more information on the matter.
- China criticized a WTO panel decision that upheld U.S. tariffs on Chinese solar products.

#### [Mark the Essentials]

- According to the anonymous industry group that submitted the petition, companies in Vietnam, Malaysia and Thailand are shipping components from China and applying “minor processing” to circumvent tariffs targeting Chinese solar cells and modules.
- The industry group petitioned the Commerce Department to impose anti-circumvention tariffs equivalent to that imposed on Chinese companies on these offending Southeast Asian companies.
- U.S. solar companies in response told Commerce that imposing such tariffs “would devastate the industry and each of our companies.”
- Separately, China has appealed the WTO panel report on the U.S.’ solar safeguard measures, leaving the case dumped in the pending casefile of the currently nonfunctioning WTO Appellate Body.

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

- Solar panels and solar cells have been at the forefront of U.S.-China technology competition as well as trade frictions over the past decade. They are also the textbook case of an industry that has pitted domestic upstream and downstream companies against each other, given the contrasting effects of Chinese — and Asian — supply on upstream producers and downstream users. With a sizable chunk of U.S. buildout of solar capacity dependent on inexpensive Asian supply, the Biden administration has its work cut-out on balancing the interests of its domestic producers and simultaneously achieving its ambitious renewable energy goals. The upstream producers’ claims of being undercut by Asian — and specifically Chinese — producers due to excess capacity in China is not a meritless one, though. A WTO dispute settlement panel sustained a Trump administration safeguard tariff that had been imposed in this regard against a Chinese legal challenge.

#### [Expanded Reading]

- [U.S. trade officials delay decision on new solar tariffs](#), *Reuters*, September 29 [Paywall]
- [China calls WTO ruling 'dangerous' in solar cell row with U.S.](#), *Reuters*, September 27 [Paywall]
- [WTO Panel Rejects China’s Solar Safeguard Challenge](#), Office of the United States Trade Representative, September 2



### [In One Sentence]

- In a newly introduced bill, lawmakers proposed expanding CFIUS' review of foreign investment to cover agricultural supply chains and R&D.
- Senators reintroduced a bill that requires congressional approval for Section 232 tariffs based on national security concerns.
- Republican lawmakers criticized Amb. Katherine Tai and the Biden administration for failing to present a concrete trade policy toward China.

### [Mark the Essentials]

- Democratic lawmakers have also urged Amb. Tai to closely work with allies and hold Beijing accountable for its trade distorting practices as well as on its Phase One commitments.
- Also with an eye on China, legislators are seeking to shield the U.S. agricultural sector by subjecting foreign investment transactions with “bad actors” to expanded federal scrutiny via the CFIUS process.
- The Trump administration's abuse of the national security argument to advance economic welfare objectives has spurred Congress to reassert its trade policy prerogative with regard to the Sections 232 investigation process.

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

- Lawmakers continue to be agitated on trade issues that have a China linkage, especially given the Biden administration's less-than-forthright stance on these issues. However, opinions in Congress on trade policy issues concerning China are not necessarily aligned. Some lawmakers who have an economically nationalist bent of mind seek to take advantage of supply chain resilience-related vulnerabilities and conflate food security with national security concerns, and thereby elbow out Chinese investors. Other lawmakers who have a more economically internationalist bent of mind would rather ensure that a future economically nationalist U.S. president is not allowed to abuse Congress' delegated trade authority to conflate national security with economic security objectives. A widening chasm separates these two groups in Congress, which is up-to-a-point making bipartisan consensus on elements of trade policy towards China harder to achieve.

### [Expanded Reading]

- [Bill Would Add Ag Secretary to CFIUS](#), *International Trade Today*, October 13 [Paywall]
- [Tuberville Introduces Bill to Combat Foreign Influence in U.S. Agriculture Industry](#), U.S. Senator for Alabama Coach Tommy Tuberville Press Release, October 5
- [Toomey, Warner Reintroduce Legislation to Restore Authority Over “National Security” Tariffs](#), U.S. Senator for Pennsylvania Pat Toomey Press Release, October 5
- [Tweet](#), Senator Chuck Grassley, October 5
- [Kildee Urges Biden Administration to Take Trade Enforcement Action Against China](#), Congressman Dan Kildee Press Release, October 4
- [Chairman Neal welcomes Biden administration's approach to the U.S.-China trade relationship](#), Ways & Means Committee Chairman Richard Neal Press Release, October 4

- [Blumenauer Applauds Biden Administration's China Trade Strategy Following Critical Speech by U.S. Trade Representative Tai](#), U.S. Congressman Earl Blumenauer Press Release, October 4
- [Brady: To Confront China, Biden Admin Should Pursue China Phase Two, New Trade Agreements, and Work with Congress](#), Ways and Means Republicans Press Release, October 4