

What's Been Happening

1 — Biden Administration Pursuing Supply Chain Security — 1

[In One Sentence]

- Officials from the White House and the European Union call for harmonized collaboration between Washington and Brussels to address important supply chain challenges, especially in the area of semiconductors.
- Multiple U.S. agencies jointly updated the advisory for U.S. businesses with supply chains running through Xinjiang and added 14 more Chinese companies to Entity List in the Biden administration's latest efforts to crack down on alleged forced-labour utilization by Chinese and foreign businesses.
- The U.S. is advancing efforts to conduct its one-year reviews of supply chain vulnerabilities for the information and communication technology, defense, public health, energy, transportation, and agricultural commodities and food product sectors so as to build resilience amidst growing technology competition with China.

[Mark the Essentials]

- Despite disagreements over a variety of issues, officials from the U.S. and EU believe that there is shared understanding across the Atlantic that both sides should work together to address supply chain vulnerabilities and tackle these issues through a mixed approach of working with allies and building dedicated domestic and regional industrial capacity.
- The United States added an additional 14 Chinese companies to the Entity List for alleged human-rights violations, which came two weeks after the administration blocked the import of polysilicon-based products over forced labor concerns.
- A Department of Commerce official claims that the one-year supply chain review on the information and communications technology sector will reach out for stakeholders input "fairly soon."

[Keeping an Eye on...]

- The Biden administration is taking supply chain security seriously. Although the administration is still at an initial stage of reviewing and reassessing U.S. supply chain resilience and evaluating a wide variety of perceived threats, a multidimensional approach has steadily been taking shape. Echoing the "Build Back Better" campaign slogan, the Biden administration seeks to strengthen the U.S. supply chain on the domestic front to withstand and outcompete China. On the international front, the administration seeks to expand and rally U.S. allies to jointly build a more resilient and interdependent supply chain while addressing shared

concerns coherently. The administration carefully chose the alleged violation of human rights and forced labour issue as a unifying starting point with allies and partners that share similar values. It is worth tracking the interaction between the U.S. and its allies and partners when they start to unpack and tackle more controversial issues, such as issues that involve digital sovereignty, investment and export ties with China, etc. which could expose more disagreement than agreements amongst themselves.

[Expanded Reading]

- [Trade Subcommittee Hearing on the Global Challenge of Forced Labor in Supply Chains: Strengthening Enforcement and Protecting Workers](#), U.S. House Ways & Means Committee, July 21
- [U.S. ramps up warnings of business risks in China's Xinjiang region](#), *Reuters*, July 13 [Paywall]
- [U.S. warns businesses connected to China's Xinjiang region run 'high risk' of violating law](#), *CNBC*, July 13
- [US warns companies on Xinjiang business, urges exit](#), *Al Jazeera*, July 14
- [U.S., UK trade chiefs meet, agree to strengthen bilateral ties](#), *Reuters*, July 13 [Paywall]
- [U.K. Trade Secretary downplays outlook for U.S. trade deal soon](#), *Bloomberg*, July 13 [Paywall]
- [Readout of Ambassador Katherine Tai's Meeting with United Kingdom Secretary of State for International Trade Elizabeth Truss](#), Office of the United States Trade Representative, July 13
- [EXCLUSIVE U.S. set to add more Chinese companies to blacklist over Xinjiang](#), *Reuters*, July 9 [Paywall]
- [Commerce adds 34 firms to trade blacklist for assisting China, other adversaries](#), *Politico*, July 9
- [U.S. blacklists 23 more Chinese entities over Xinjiang abuses, military ties](#), *Axios*, July 9
- [US, EU establish trade and technology council to compete with China](#), *The Hill*, June 15
- [America and Europe will create a joint tech council to craft new rules on trade](#), *CNBC*, June 15

2 — Export Control: Too Little or Too Much — 2

[In One Sentence]

- President Biden has announced Alan Estevez, a former Defense Department official, as his pick for Undersecretary of Commerce to lead the Bureau of Industry and Security (BIS), which is in charge of administering U.S. export control policy.
- On the same day, four former directors of the BIS cautioned against taking an overly broad and holistic solution - for its lack of nuance - to blocking China from accessing crucial U.S. foundational technologies at an event hosted by China Tech Threat.
- Earlier in the week, Rep. Michael McCaul (R-TX) and Sen. Bill Hagerty (R-TN) urged Commerce Secretary Gina Raimondo to add Chinese Yangtze Memory Technologies Company (YMT) to the department's Entity List.

[Mark the Essentials]

- Alan Estevez, a DoD veteran who oversaw acquisition, technology and logistics, was nominated ahead of Kevin Wolf, a former Obama administration official and an export-control lawyer with abundant experience in devising and implementing export-control regulation.
- Former BIS director Bill Reinsch cautioned that if the U.S. over-controls its technology exports, it would end up undermining domestic industry and add to the incentives for China to become self-reliant.
- In the open letter, Rep. McCaul and Sen. Hagerty urges Secretary of Commerce Raimondo to add YMT to the entity list for having "clear ties to the Party-state and military and plays a significant role in CCP plans to

control the supply chain for a strategic dual-use sector.”

[Keeping an Eye on...]

- If confirmed, Alan Estevez will be overseeing the maintenance and revision of the Entity List, which is a key component of the Biden administration’s strategy to limit China’s access to crucial cutting edge U.S. technology. The Biden administration is still reviewing its controls policy before it decides whether to sustain, remove, or strengthen the various export control measures placed by the Trump administration. The nomination of Estevez, a DoD veteran, instead of Kevin Wolf, an export control lawyer, signals that the administration would likely address the export control matter through the lens of and with a greater emphasis on national security. Estevez’s testimony before the Senate during his confirmation hearing is expected to provide further clues on how the Biden administration wishes to advance its export control objectives in light of the rapidly-growing U.S.-China technological competition.

[Expanded Reading]

- [Biden taps ex-Pentagon official for key China tech position](#), *Reuters*, July 13 [Paywall]
- [Biden taps ex-Defense official for key post on China tech policy](#), *Bloomberg*, July 13 [Paywall]
- [McCaul, Hagerty letter to Raimondo re. YMTC](#), *The Washington Post*, July 12 [Paywall]

3 — The Ghost of the Trump Deals — 3

[In One Sentence]

- Secretary of Treasury Janet Yellen criticized the Phase One trade deal and the tariffs on Chinese imports placed under the Trump administration in her interview with the New York Times.
- Congressional members encouraged the Biden administration to consider joining the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) agreement as they argue that the Trump administration’s decision to pull out of TPP was shortsighted.
- National Security Council Coordinator for Indo-Pacific Affairs Kurt Campbell said that the Biden administration is “quietly” exploring potential trade initiatives in the Asia-Pacific region during an event hosted by the Asia Society.

[Mark the Essentials]

- Secretary Yellen said that the Phase One trade deal with China, which was drawn-up by the Trump administration, failed to address fundamental problems between the U.S. and China, and she argued that the Section 301 tariffs that remain in place on Chinese imports are not helping the U.S. economy.
- Congressional lawmakers Sen. Tom Carper (D-DE) and Sen. John Cornyn (R-TX) are among those calling for the Biden administration to consider joining the CPTPP amidst reports that China expressed interest in joining the agreement, and that New Zealand had offered to engage informally with China in this regard.
- NSC Indo-Pacific Coordinator Kurt Campbell said that the Biden administration “fully recognizes” the importance and need to establish a forward looking trade agenda with allies in the Asia-Pacific region and explore potential trade initiatives with allies and partners; especially on digital trade.

[Keeping an Eye on...]

- The Biden administration is currently conducting a bottom-up review of America’s trade policy ties with China, the first such review in almost 15 years . Although the USTR official website called the Phase One trade deal “a historic and enforceable agreement”, due to various reasons, including the COVID-19 pandemic,

the deal has not produced its expected outcome. Research at PIIE finds that China's purchase of American goods is still behind target. Although Secretary Yellen claimed that her comment on the trade deal and tariffs are her own personal view, it may have implications regarding the Biden administration's China tariff-related policies, especially insofar as they relate to revising or reversing the Trump administration's Section 301 and 232 tariff impositions on China. The future of these tariffs and the Biden administration's approach to addressing the fundamental market access issues with China needs to be followed closely. Meanwhile, the Court for International Trade (CIT) has granted a temporary halt to the liquidation of Section 301 duties as it reviews the case of over 3,500 American companies challenging the legality of the tariffs, which they argue has hurt U.S. businesses. How the CIT rules on the Section 301 tariffs could have a knock-on impact on how the Biden administration proceeds with addressing its trade policy challenges with China.

[Expanded Reading]

- [Peru's Govt welcomes Congress' ratification of CPTPP trade agreement](#), *Andina*, July 15
- [Court of International Trade Issues Preliminary Injunction in Unprecedented Section 301 Litigation](#), JD Supra, July 8
- [U.S. and China can co-exist peacefully, says White House's Kurt Campbell](#), *CNBC*, July 6
- [China's US trade deal commitments more than 30 per cent short of year-to-date target, report says](#), *South China Morning Post*, June 30 [Paywall]

On the Hill



[Legislation]

- The United States Innovation and Competition Act (USICA), and its House version, the National Science Foundation for the Future Act, which was described by Senate Majority Leader Chuck Schumer (D-NY) as a crucial effort to enhance U.S. competitiveness against China, were passed in their respective chambers despite significant differences between the two versions.
- Both the Senate and House versions of the USICA commit to invest in semiconductor related technological innovation and development through a federal approach, although the level of commitment and scope of the research initiatives and incentives vary.
- The Democrat-sponsored Ensuring Global Leadership and Engagement Act, which also aims to counter China, received strong pushback from House Republicans, who criticized the bill's lack of language on export controls.

[Hearings]

- The Senate Finance Committee approved the nomination of Sarah Bianchi for deputy U.S. Trade Representative for Asia, Africa, investment, services, textiles, and industrial competitiveness.
- During her confirmation hearing, Ms. Bianchi was questioned heavily by lawmakers about the Biden administration's China strategy, particularly on issues related to digital trade partnership, new trade agreements, and re-engaging allies in the Asia-Pacific.
- Senate Finance Committee member Mike Crapo (R-ID) and Chuck Grassley (R-IA) urged the Biden administration to fill the role of the chief intellectual property negotiator at USTR, a position that has

remained vacant since its creation during the Obama administration, in order to better combat intellectual property theft particularly by China.

[Keeping an Eye on...]

- Competition with China appears to be one of the few bipartisan areas of agreement on Capitol Hill. However, both sides of the aisle have different visions and scope as to how the United States should prepare and engage in this competition. The lack of a clearly laid out competition strategy vis-a-vis China by the executive branch further increases this uncertainty as the administration is still carefully reviewing and assessing the current situation and approaches. It is important to keep an eye on the development of the Endless Frontier Act and see how the two parties on the Hill work their differences out and come together to present a more comprehensive and cohesive legislative product that provides clearer insight as to how the U.S. plans to engage in competition with China.

[Expanded Reading]

- [Senate Finance advances deputy USTR nominees](#), *Politico*, July 13
- [House passes bills to make U.S. science more competitive with China](#), *Axois*, June 29
- [House Science bills greenlit by leadership](#), *Politico*, June 28
- [U.S. House Republicans oppose Democratic-led China bill](#), *Reuters*, June 28 [Paywall]
- [Deputy Trade Picks Vow To Use Allies To Counter China](#), *Law360*, June 24 [Paywall]