

What's Been Happening

1 — Long March Towards an Indo-Pacific Economic Framework — 1**[In One Sentence]**

- Commerce Secretary Gina Raimondo said that the U.S. will “likely” launch a “formal process” in early 2022 to develop an Indo-Pacific economic framework.
- At the Asia Pacific Economic Cooperation (APEC) leaders meeting, President Biden pledged to deepen U.S. engagement in the Indo-Pacific.
- The U.S. and South Korea said they would “initiate new approaches” to address emerging trade issues.
- The U.S. and Japan launched a “partnership on trade” to address digital trade and “third-country concerns.”

[Mark the Essentials]

- Contending that the new Indo-Pacific framework would in some ways be “more robust” than the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement, Secretary Raimondo cited digital interoperability and technology standards as areas for cooperation.
- National Security Council Indo-Pacific Coordinator Kurt Campbell recently argued that the U.S.’ partnership with Asia-Pacific countries would take the form of “a series of mini-lateral and multilateral engagements” rather than through one “dominant” body.
- The U.S. and South Korea reaffirmed the “central role” of the Korea-U.S. Free Trade Agreement (KORUS FTA) in economic relations, hoping to deepen cooperation on supply chain challenges, emerging technologies, the digital ecosystem, and trade facilitation.
- The U.S. and Japan plan to hold periodic meetings, starting early 2022, to address bilateral trade issues of mutual concern and advance a “shared agenda of cooperation.”

[Keeping an Eye on...]

- Fleshing out an Indo-Pacific economic framework is, perhaps, the Biden administration’s most immediate and challenging economic and trade policy task, now that the U.S.-EU Trade and Technology Council (TTC) is alive and kicking. The creative element of the proposed Indo-Pacific framework is its combining of sector-specific as well as multi-sector engagement as well as mini-lateral and multilateral engagement to craft a region-wide liberalization and rules-setting strategy. Equally, the deficiency of the proposed framework is its combining of sector-specific as well as multi-sector engagement as well as mini-lateral and multilateral engagement to craft a region-wide liberalization and rules-setting strategy. The breadth—rather than depth—of ambition is the framework’s Achilles Heel. The hope is that, at the end of the day, difficult

reciprocal commitments will be exchanged that open markets and expand commerce. Two factors will define the success or failure of the Indo-Pacific economic framework: first, the positioning of China vis-à-vis the framework, given that almost every Indo-Pacific state has denser economic ties with Beijing than Washington and, second, the role of Congress in terms of approving the framework. More likely than not, an Indo-Pacific economic framework that is drawn up as an executive agreement and which does not require Congressional imprimatur will not be worth the paper it is written on.

[Expanded Reading]

- [Joint Statement by the Trade Ministers of the United States of America and the Republic of Korea on the Occasion of the Sixth Meeting of the Joint Committee of the U.S.-Korea Free Trade Agreement](#), Office of the United States Trade Representative, November 19
- [Beyond AUKUS and the Quad: What's Next for the U.S. Indo-Pacific Strategy](#), Event by United States Institute of Peace, November 19
- [U.S. says new Indo-Pacific economic framework not typical trade deal](#), *Reuters*, November 18 [Paywall]
- [United States and Japan Announce The Formation Of The U.S.-Japan Partnership On Trade](#), Office of the United States Trade Representative, November 17

2 — Prospects of a Postponed MC12 — 2

[In One Sentence]

- The World Trade Organization (WTO) announced that it will postpone the Twelfth Ministerial Conference (MC12) due to pandemic-related travel restrictions.
- The WTO negotiations on an IP waiver to proactively combat COVID-19 remain polarized.
- U.S. Trade Representative Katherine Tai previously called on WTO members to “speak candidly” about their “grievances and disappointments” at MC12.

[Mark the Essentials]

- WTO Director-General Okonjo-Iweala urged delegations to “maintain the negotiating momentum” as members pledged to continue working on their differences on key issues.
- U.S. politicians and stakeholders have urged President Biden to “use leadership power” and increase diplomatic pressure to assert an IP waiver on COVID-19 vaccines.
- Tai contended that the proposed IP waiver is a “very powerful message” from developing countries that they seek pandemic relief.

[Keeping an Eye on...]

- Many issues remain in a state of suspended animation after the postponement of MC12 due to concerns over the new COVID-19 variant. The entrenched division on issues such as the IP waiver reveals the deep gap between developing countries and developed countries at the WTO. The waiver, which would permit states to sidestep elements of the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement, is championed by the former while the EU continues to oppose the waiver. For its part, the U.S. along with a few other developed countries would prefer to limit the waiver to vaccines only. A roughly similar developed v. developing country divide is evident too in the harmful fisheries subsidies negotiations, with large developing countries dragging their feet in this instance. Evidently, even a once-in-a-hundred-year pandemic is not sufficient to infuse a sense of common purpose in the multilateral trade arena.

[Expanded Reading]

- [U.S. trade chief to keep pushing on vaccine IP, WTO reform after meeting delay](#), *Reuters*, November 27
[Paywall]
- [General Council decides to postpone MC12 indefinitely](#), World Trade Organization, November 26
- [Biden calls for intellectual property waivers on COVID vaccines](#), *Al Jazeera*, November 26
- [Talks to waive patents on Covid vaccines are 'stuck', WTO head warns](#), *Financial Times*, November 25
[Paywall]
- [Senate Democrats call on Biden to push for COVID-19 vaccine patent waivers at WTO](#), *The Hill*, November 23
- [Prospects of Intellectual-Property Waiver on Covid-19 Vaccines Fade](#), *Wall Street Journal*, November 18
[Paywall]

3 — Post Biden-Xi Summit, Little Changed in Trade and Tech — 3

[In One Sentence]

- President Biden met virtually with President Xi to discuss the “complex” U.S.-China relationship and the importance of managing competition responsibly.
- National Security Council Indo-Pacific Coordinator Kurt Campbell noted that China’s application to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement is “deadly serious.”
- The Bureau of Industry and Security (BIS) added eight China-based technology companies to the Entity List.
- The Commerce Department has rejected an anonymous petition to investigate certain Southeast Asian companies for alleged circumvention of trade remedies against Chinese solar products.
- The U.S. Court of International Trade reversed the Trump administration’s Section 201 actions on solar products, ordering the tariff rate to be lowered and tariff exclusions to be reinstated.

[Mark the Essentials]

- Presidents Biden and Xi discussed bilateral trade and economic ties as well as the Phase One commitments.
- China has been “assertively” responding to the Biden administration’s “strategic movements” such as Build Back Better investments, vaccine engagement and Quad, as per Indo-Pacific Coordinator, Kurt Campbell.
- BIS said that the companies were sanctioned to prevent Beijing from using U.S. emerging technologies for military-related quantum computing efforts, as part of its military-civil fusion strategy.
- An anonymous industry group had asked Commerce to investigate and impose tariffs on companies allegedly circumventing AD/CVD remedies against Chinese solar products, leading to strong opposition by some industry stakeholders.
- U.S. solar industry had previously disagreed over whether the Section 201 measures should be extended.

[Keeping an Eye on...]

- The U.S. and China have hesitatingly begun to talk to each other on the trade and economic policy front, with a view to establish a *modus vivendi* for engagement going forward. For the most part though, the two sides continue to talk past each other on trade policy than *to* each other. China’s CPTPP application is an instructive case in point. Of course, it is a “deadly serious” undertaking. Didn’t China complete negotiations

with the Europeans on a high-standard investment agreement, which by the way has almost identical provisions in its industrial subsidies chapter as the EU-Japan agreement of 2019? Indeed, if the Biden administration was interested in harvesting these very gains, all it has to do is thumb through the Phase Two provisions of the ‘almost-completed’ negotiations that the Trump administration had engaged in, as part of the U.S.-China Ninety-Day negotiations in Spring 2019. This evidently seems to be either too hard or too politically impolitic for the Biden team at this time. Regardless, a question that the Biden administration will have to answer at the end of the day is whether the inclusion of China into the global trade and economic system is more advantageous than disadvantageous—or vice versa. No part of the answer to this question requires the administration to soften its approach on technology controls, particularly with regard to entities that have linkages to the People’s Liberation Army (PLA). But it must answer this question if the administration wishes its Indo-Pacific economic framework to be taken seriously.

[Expanded Reading]

- [12 more Chinese companies are placed on US export blacklist](#), *South China Morning Post*, November 25 [Paywall]
- [Addressing the ‘Global Challenge’ Posed by China](#), United States Institute for Peace, November 22
- [Readout of President Biden’s Virtual Meeting with President Xi Jinping of the People’s Republic of China](#), White House, November 16
- [Xi calls for sound, steady China-U.S. relationship](#), *Xinhua*, November 16
- [U.S. Trade Court Reinstates Bifacial Tariff Exclusion, Returns Section 201 Tariff Rate to 15%](#), Solar Energy Industries Association, November 16
- [Commerce Rejects A-SMACC Solar Panel Circumvention Petition](#), *National Law Review*, November 11

On the Hill



[Legislative Development]

- House Speaker Nancy Pelosi and Senate Majority Leader Chuck Schumer agreed to move the United States Innovation and Competition Act (USICA) to conference and “immediately” begin reconciling differences.
- Citing the need to “re-shore” semiconductor manufacturing, governors joined the Commerce Department in the call for congressional funding of the Creating Helpful Incentives to Produce Semiconductors for America Act (CHIPS Act).
- In a report to Congress, the U.S.-China Economic and Security Commission called for increased scrutiny of U.S.-China financial ties and a mechanism to review outbound investment.

[Hearings and Statements]

- A bipartisan group of 20 House lawmakers urged Biden to pursue a digital trade agreement in the Indo-Pacific region, arguing that such a deal would “expand American economic leadership” and “concretely demonstrate U.S. commitment to a free and open Indo-Pacific.”
- All Republican members of the Senate Finance Committee have also urged Biden to negotiate an Indo-Pacific digital trade agreement to counter China.

- Nine lawmakers from the “Friends of Australia Caucus” called on Washington to develop a U.S.-Australia digital trade agreement to counter China.

[Keeping an Eye on...]

- Congress remains active on U.S.-China trade, investment and competition issues, especially with the year-end deadline looming to pass a number of budget-related bills. The passage of the \$1.2 trillion bipartisan infrastructure bill in November, which supports investments in key high tech areas, was an important political victory for the White House. The possible passage of USICA on a party-line vote will provide an equally important competitiveness-related boost to the U.S. economy in the 21st century race to capture the commanding heights of the new economy. That being said, one critical component to fund America’s tech competition with China, the funding for various CHIPS Act programs, is still missing from legislation even at this late hour - attesting to the divided nature of political and policy priorities on the Hill even on China competition-related issues. Perhaps, the CHIPS Act funding along with an outbound investment review mechanism will get tacked onto the FY2022 National Defense Authorization Act but this remains to be seen.

[Expanded Reading]

- [Trade Subcommittee Hearing on Supporting U.S. Workers, Businesses, and the Environment in the Face of Unfair Chinese Trade Practices](#), Ways and Means Committee, December 2
- [Commerce secretary says House needs to pass CHIPS Act immediately to ease semiconductor shortage](#), CNBC, November 29
- [Reps. Bera and Chabot Lead Bipartisan Members in Urging USTR to Pursue Digital Trade Agreement with Partners in Indo-Pacific](#), Representative Ami Bera Press Release, November 22
- [Pelosi, Schumer Joint Statement on Bicameral Agreement to Conference the Senate-Passed United States Innovation and Competition Act](#), Speaker of the House Nancy Pelosi Press Release, November 17
- [2021 Report to Congress](#), U.S.-China Economic and Security Review Commission, November 17
- [Gallagher, Courtney Lead Friends of Australia Caucus Letter Pressing for Digital Trade Agreement Between the U.S. and Australia](#), Congressman Mike Gallagher Press Release, November 17
- [Governor Wolf, Bipartisan Governors Urge Congress to Pass CHIPS Act to Create American Jobs, Boost Semiconductor Production](#), Governor Tom Wolf Press Release, November 10
- [Senators Write To Biden Calling For Increased Digital Trade In The Indo-Pacific](#), Senator Chuck Grassley Press Release, November 8