

What's Been Happening

1 —In the Void of a China Trade Strategy — 1

[In One Sentence]

- Biden said he's "uncertain" whether he will be in a position to ease tariffs on China soon, stressing the need to first make sure that China meets its commitments under the Phase One deal.
- USTR Katherine Tai is planning to talk with China and ensure that China makes up for the "deficit" in its Phase-One purchase commitments "over the course of the next several years."
- Criticizing the Biden administration for a lack of action, the U.S. Chamber of Commerce called for the release of a cohesive strategy on trade to compete with China.
- The National Foreign Trade Council suggested that the Biden administration start pursuing "concrete deliverables" for U.S. businesses in trade such as new-market access opportunities and global standards for emerging technologies.

[Mark the Essentials]

- The Department of Agriculture found that retaliatory tariffs from China reduced U.S. agricultural exports by \$25.7 billion over the 2018-2019 period, though the Phase One deal did lead to an "impressive" but partial rebound of agricultural exports.
- Criticizing the Biden administration for continuing the Trump-era tariffs, a new *Wall Street Journal* op-ed piece contends that such tariffs increased prices for household goods and fueled inflation.
- In contrast to the conclusions of this op-ed, the United Steelworkers Union argued that the lifting of the Section 301 and Section 232 tariffs would be an "insult" to workers and employers who rely on a level playing field against non-market practices.
- U.S. importers are continuing to challenge the legality of the Trump-era Section 301 tariffs in court.

[Keeping an Eye On...]

- The Biden administration's "build back better" mantra clearly does not seem to extend to the U.S.-China trade relationship, at least thus far. The administration remains tardy in putting out a specific China trade engagement strategy despite multiple calls from both Capitol Hill and the business community. While the majority of the business community has called for the removal of or at least partial exclusions from the Section 301 tariffs, the administration has thus far shown little interest in considering such an option. At this point, the Section 301 tariffs should no longer be viewed exclusively as 'Trump-era tariffs.' The sad reality is that these tariffs appear to be trapped in a bog of political jockeying and economic tensions. Therefore,

without a proper resumption of trade talks with China, few positive deliverables can be expected on this front in 2022. It is understandable that the administration would prefer to work in concert with allies and partners first. This, however, seems to be the *only* plan of action so far, raising concerns that its China trade policy strategy essentially amounts to engaging everyone except the Chinese directly. And the unstated fear is that when the administration does, after its exertions, roll out the Indo-Pacific Economic Framework to outcompete China, it will be viewed as a damp squib by partners and adversaries alike—much like USTR Tai’s long-awaited China trade policy speech last October.

[Expanded Reading]

- [Joe Biden says he won’t lift tariffs on Chinese imports since Beijing hasn’t abided by phase one trade deal](#), *South China Morning Post*, January 20, 2022 [Paywall]
- [U.S. lawmakers urge USTR to expand tariff exclusions on Chinese goods](#), *Reuters*, January 20, 2022 [Paywall]
- [Pharmax Brings Tariff Challenge to Court of International Trade](#), *Law Street*, January 20, 2022 [Paywall]
- [U.S. Chamber calls for new U.S. trade deals, China strategy](#), *Financial Post*, January 10, 2022 [Paywall]
- [U.S. steps up trade pressure in Europe in response to Russia, China](#), *Politico*, January 10, 2022
- [Joe Biden’s Inflationary Trade Policy](#), *Wall Street Journal*, January 4, 2022 [Paywall]

2 — The Visage of the Indo-Pacific Economic Framework— 2

[In One Sentence]

- U.S. Trade Representative Katherine Tai said that the Indo-Pacific Economic Framework (IPEF) bears similarities with the U.S.-EU Trade and Technology Council (TTC) in scope and in intent.
- Kurt Campbell, former Assistant Secretary of State for East Asian and Pacific Affairs under President Obama and currently Indo-Pacific Coordinator in the Biden White House, said that the U.S. needs to strengthen digital engagement and standard-setting efforts in the Indo-Pacific.
- USTR Tai met with South Korean trade officials to discuss the IPEF, following parallel discussions with Japan, New Zealand, Australia, Singapore and Malaysia.
- Commenting on the IPEF, the U.S. Chamber of Commerce said that a robust approach to trade in Asia is essential to ensure U.S. leadership and provide a “meaningful alternative to competition from China.”

[Mark the Essentials]

- According to USTR Tai, the IPEF and the TTC both aim at building partnerships that focus on sustainability, resilience, inclusiveness and competitiveness.
- Having called China’s application to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) “deadly serious,” Campbell said that the U.S. must work “comprehensively” with allies on not just military advancements but also on technological progress in order to counter China.
- South Korea said its “basic stance” is to expand “regional economic cooperation” through the IPEF, while a Taiwanese official observed the IPEF is only “one component” of the administration’s Indo-Pacific strategy.
- The U.S. Chamber of Commerce said that an Indo-Pacific digital agreement is fundamental for U.S. enterprises and should be “front and center” of the IPEF.

[Keeping an Eye On...]

- The Biden administration has displayed a strong interest in drawing up an Indo-Pacific Economic Framework on lines that are similar to the U.S.-EU Trade and Technology Council’s format and work program. Both frameworks are comprehensive. Both frameworks are forward-looking. Both aim to set global rule-making and standards in critical industries and sectors. And both aim to rally like-minded allies and

partners to co-address challenges posed to global trade and investment by China. That being said, the successful launch of the TTC does not guarantee an equivalent success on the IPEF front. Not only is China the most important trading partner to almost every Indo-Pacific country but these countries are also tied intimately to China by way of regional value chains in ways that Europe simply isn't connected to China. Truth be told, almost every Indo-Pacific country, give or take one or two such as India, would prefer that the U.S. and China succeed in reestablishing a new and productive economic and trade *modus vivendi* that is fair and equitable to both sides, and beneficial to all. Their prosperity resides in a recoupled and successful relationship—not a decoupled or even selectively decoupled U.S.-China relationship. And if the IPEF is to serve as an exclusive alternative to the other existing regional economic initiatives which China has either spearheaded or applied to join, it will defeat the vision of inclusiveness that these countries have long sought to embed in their region-wide economic practices. That said, one must await the substance and details of the IPEF before passing further judgment. The first tantalizing hints of a template featuring topic-specific modules has been placed in the public domain, and the technical details will be eagerly awaited by ally and adversary alike.

[Expanded Reading]

- [Japan's role in selling Biden's Indo-Pacific agenda](#), *Politico*, January 24, 2022
- [Taiwan wants to join Biden's Indo-Pacific economic framework](#), *Nikkei Asia*, January 20, 2022 [Paywall]
- [Will South Korea Join the US Effort to Insulate Supply Chains From China?](#), *The Diplomat*, January 19, 2022 [Paywall]
- [In vying for economic preeminence in Asia, openness is essential](#), Brookings Institution, January 14, 2022
- [US and EU will work together to confront China in the aerospace industry, trade official says](#), *South China Morning Post*, January 13, 2022 [Paywall]
- [US will increase economic engagement with Asian nations, White House official says](#), *South China Morning Post*, January 8, 2022 [Paywall]

3 — East Wind: When Transatlantic Cooperation Meets China— 3

[In One Sentence]

- The next meeting of the U.S.-EU Trade and Technology Council is slated to take place in Europe this May.
- Industry sources note that the U.S. and the European Union are aiming for low-hanging fruit and “early victories” at the next TTC meeting.
- The U.S. and the UK have launched talks to resolve their disputes over the Trump-era Section 232 steel and aluminum tariffs.
- EU trade officials are seeking to loop China into a plurilateral negotiation at the WTO on subsidy reform and government trade intervention.

[Mark the Essentials]

- The U.S. and the EU are currently negotiating a “Global Sustainable Steel Arrangement,” which will discourage trade in high-carbon steel and aluminum that both sides say contribute to global overcapacity from other countries, such as (according to the White House) China.
- Noting their shared national security interests “as democratic market economies,” the U.S. and the UK agreed to promote “high standards” to address market-distorting policies in the steel and aluminum industries.

- Business representatives point out that the U.S. and the EU have yet to overcome their differences over the EU Digital Markets Act, the EU Digital Services Act, and the U.S. “Buy America” policy.
- U.S. officials have named the TTC as one of the Biden administration’s platforms to counter China while EU officials have stated that the EU did not want the TTC to simply devolve into an “anti-China exercise.”

[Keeping an Eye On...]

- The Biden administration’s push to re-engage its European allies and partners will be put to the test again in May when the second TTC meeting takes place. ‘Early harvest’ deliverables, such as facilitating effective and practical U.S. and EU export controls cooperation, will likely be on the table. On the other hand, grappling with more contentious topics, such as the EU Digital Markets Act and Digital Services Act as well as the proposed electric vehicle tax credits in the Build Back Better bill, will put the U.S.-EU trade, technology and digital policy honeymoon to the test. As the *Dispatch* has also noted on previous occasions, the two sides’ less-than-congruent approaches on China will also test their relationship within the TTC. The EU seeks a trade and investment relationship with China that is grounded in fair, predictable and market-based practices. It much prefers that the EU-China relationship succeed on these terms. On the other hand, it is not as clear that this is the American interest or objective - although its willingness to engage China in a ‘Phase Two’ negotiation, if it was indeed willing, could clear the air significantly in this regard. One way or the other, the TTC will be worth following closely in 2022, and for reasons that reach beyond the two sides’ immediate bilateral trade and investment frictions.

[Expanded Reading]

- [Chips, batteries and other technologies: A US-EU partnership is crucial](#), *The Hill*, January 25, 2022
- [Can the U.S.-EU Trade and Technology Council Counter China?](#), *The National Interest*, January 23, 2022 [Paywall]
- [Will Europe Become a True Digital Power?](#), *The National Interest*, January 21, 2022 [Paywall]
- [How the Transatlantic Relationship Has Evolved, One Year Into the Biden Administration](#), Carnegie Endowment for International Peace, January 20, 2022
- [US, UK Begin Talks on Lifting Trump's Steel Tariffs](#), *U.S. News*, January 19, 2022
- [U.S.-EU trade, technology body to meet in Europe in 2022 - Tai](#), *Reuters*, January 12, 2022 [Paywall]

On the Hill



[Legislative Development]

- House Representative Earl Blumenauer introduced a bill to bar low-value imports from non-market economies from *de minimis* tariff benefits.
- A recently introduced bipartisan bill aims to reduce U.S. reliance on China for rare-earths by creating a strategic reserve and having the USTR investigate “unfair” Chinese trade practices.
- Sree Ramaswamy, senior advisor to Commerce Secretary Raimondo, said the government was capable of establishing various programs to address specific gaps, such as in semiconductors and EV charging, but lacked a clearly defined overall strategy to cohesively implement investments in critical industries and critical supply chains.

- Ramaswamy called for a single decision-making mechanism to strategically coordinate various programs and investments in supply chain resilience and critical industries.

[Hearings and Statements]

- Bipartisan lawmakers urged the Biden administration to swiftly act on the Indo-Pacific Economic Framework (IPEF) as “competitors” continue to shape the rules of the digital economy in the Indo-Pacific.
- Senator Coon said that the IPEF can be a stepping stone to greater climate change cooperation and to a broader trade agreement in the region.
- House Ways & Means ranking member Brady called on the Biden administration to work for authorization of fresh Trade Promotion Authority as well as a “second-phase” deal with China.

[Keeping an Eye On...]

- The push to decouple U.S.-China trade and technology ties continues unabated on Capitol Hill, for the most part. Lawmakers continue to push for newer and wider areas for decoupling, such as authorizing a new outbound investment review mechanism as well as creating a strategic reserve to reduce U.S. reliance on China for rare-earth materials. Lawmakers are also enjoying the rare opportunity to frame the contours of America’s global competitiveness strategy for perhaps a generation, if not more. How they proceed with their conferencing work on the United States Innovation and Competition Act (USICA) and the America COMPETES Act will convey a great deal about their aspirations for America’s continued dominance in the advanced manufacturing and digital sectors. Of course, most of this cannot come soon enough for U.S. business. But that being said, the Executive Branch deserves credit for its clear-headed and forward-looking thinking through of the coordination and implementation challenges ahead, given the huge sums—and stakes—involved and the inevitable bureaucratic challenges of putting the appropriated monies to their most productive uses.

[Expanded Reading]

- [Strategic Importance of Digital Economic Engagement in the Indo-Pacific](#), Hearing in the House Foreign Affairs Committee, January 19, 2022
- [Chairman Blumenauer Unveils New Legislation to Fix Import Loophole, Level Playing Field, and Boost Oversight](#), U.S. Congressman Earl Blumenauer Press Release, January 18, 2022
- [H.R.6412 - Import Security and Fairness Act](#), 117th Congress (2021-2022)
- [Cotton, Kelly Introduce Bill to End Reliance on China for Rare-Earth Elements](#), Senator for Arkansas Tom Cotton Press Release, January 14, 2022
- [S.3530 - REEShore Act of 2022](#)
- [Transcript: The Early 202: Rep. Kevin Brady \(R-Tex.\)](#), *Washington Post*, January 12
- [What a National Strategic-Industry Policy Should Look Like](#), Event by the Information Technology and Innovation Foundation (ITIF), January 11, 2022