

What's Been Happening

1 —White House Seeks Domestic Tools to Reinforce Trade Strategy— 1

[In One Sentence]

- The Office of the U.S. Trade Representative (USTR) told Congress that new strategies are needed to address China's harmful trade practices.
- The Pentagon called for a “whole-of-government response” to counter the impacts of China's government subsidy programs in the microelectronic manufacturing sector.
- The White House considers the Indo-Pacific Economic Framework (IPEF) to be a central pillar of its Indo-Pacific Strategy to counter China.
- The Biden administration is looking beyond traditional free trade agreements in favor of a “bespoke, tailor-made approach” to trade policy.

[Mark the Essentials]

- Calling domestic trade tools a “key focus of U.S. trade policy toward China,” the Office of the USTR said the administration will “strategically” use such tools, but did not elaborate on the specific choice of those tools.
- According to the Pentagon, U.S. microelectronic manufacturing capabilities must be strengthened to reduce America's reliance on Pacific Rim countries for the supply of critical military technologies.
- Aimed at countering China's influence by bolstering U.S. relations with “allies and partners” in the region, the IPEF, under the Indo-Pacific Strategy, plans to promote “high-standards trade,” catalyze investment in “transparent, high-standards infrastructure,” and “advance common approaches” to the digital economy and emerging technologies.
- A USTR official said the office is looking into ways to work with allies on “common challenges” from non-market economy practices on inclusiveness, workers rights, and other areas of “common interests.”

[Keeping an Eye On...]

- The Biden administration has a three-pronged approach with regard to its economic and trade strategies towards China. The first prong focuses on bilateral trade. In addition to holding China to its commitments in the Phase One trade deal, the administration presumably will seek to address and tackle fundamental issues, such as non-market industrial subsidy practices in any future trade negotiations with China. The second prong focuses on economically deepening region-wide partnerships with allies and partners in order to shrink China's relative economic footprint in the region. The soon-to-be formally released Indo-Pacific Economic Framework is the key deliverable in this regard. The final prong focuses on enhancing industrial

competitiveness at home and shielding domestic firms from the full brunt of Chinese competition, using existing and new trade policy tools. This third prong is frequently referred to as the administration’s ‘worker centered’ trade policies. The three prongs appear fine in theory. It is in their real-life application that the administration has so far found itself wanting. With the exception of the significant investments being made in U.S. industrial competitiveness, a common denominator across each of the three prongs is the administration’s lack of purposefulness and unwillingness to grapple with the hard challenges at hand. Top administration trade policy officials can barely sit across the table with China, lest the latter insist on the removal of the self-defeating tariffs. The administration’s regional consultation with allies and partners on the IPEF has been shallow, lest the latter insist on reciprocal access to U.S. markets. And the willingness to roll out new trade tools, as part of the worker centered philosophy, has been slow because the trade tools that the administration prefers will inevitably have a protectionist bent—and in some instances might even be WTO-illegal. Besides, not much intellectual or policy work has gone into the framing of these supposed new trade tools with partners, meaning tools like the IPEF and the U.S.-EU TTC will face difficulties delivering actionable blueprints in this regard.

[Expanded Reading]

- [Defense Department Releases Report on Strengthening Defense-Critical Supply Chains](#), U.S. Department of Defense, February 24, 2022
- [NOTEWORTHY: Indo-Pacific Strategy of the United States](#), Center for a New American Security, February 17, 2022
- [USTR says new trade tools needed to fight China state-led trade](#), *Reuters*, February 17, 2022 [Paywall]
- [USTR Releases Annual Report on China’s WTO Compliance](#), Office of the U.S. Trade Representative, February 16, 2022
- [Joe Biden’s new Indo-Pacific Strategy: A view from Southeast Asia](#), Lowy Institute, February 16, 2022
- [Navigating an Evolving Global Trade Landscape: What’s Ahead in 2022](#), LA Area Chamber of Commerce, February 16, 2022
- [FACT SHEET: Indo-Pacific Strategy of the United States](#), The White House, February 11, 2022

2 — Is U.S.-China Digital Economy Competition Up Next?— 2

[In One Sentence]

- The Office of the U.S. Trade Representative (USTR) added two Chinese e-commerce platforms to its “notorious markets” list, alleging that they have facilitated the trade of counterfeit goods.
- The U.S. Chamber of Commerce launched a new campaign to lobby for a “more robust” U.S. agenda on pursuing digital trade deals.
- The Indo-Pacific Economic Framework (IPEF) will emphasize the governance of the digital economy and “a common approach” to emerging and critical technologies.

[Mark the Essentials]

- The USTR said that the listed platforms “exemplify counterfeiting and piracy concerns” that can cause “significant harm to U.S. IP owners” and urged China to strengthen its enforcement actions. This year’s list also highlights the listed markets’ contribution to “exploitative” labor.
- Highlighting that the digital economy accounts for 10 percent of U.S. economic output, the Chamber of Commerce urged for the prioritization of digital trade deals to address the rise of “digital protectionism” and prohibit “forced localization” requirements.

- According to the Biden administration’s Indo-Pacific Strategy, the IPEF aims to “govern digital economies and cross-border data flows according to open principles” and promote “consensus-based, values-aligned technology standards.”
- The Indo-Pacific Strategy focuses on bonding with U.S. allies and partners such as Australia, Japan, Korea, the Philippines, Thailand, India, Indonesia, Malaysia, New Zealand, Singapore, and Vietnam, while emphasizing U.S. support for ASEAN and APEC.

[Keeping an Eye On...]

- The framework to govern digital economy trade and cross-border flows is expected to be the centerpiece of the forthcoming Indo-Pacific Economic Framework (IPEF). Digital trade policymaking is a frontier area of policy making, and one where the Biden administration can show appreciable regional leadership in standards-setting without having to be weighed down by protectionist interests at home. The U.S. takes a more-or-less *laissez faire* approach on cross-border data flows, with a strong bent favoring commerce over other considerations, such as privacy and antitrust. Supporting Big Tech’s ability to make deep inroads into lucrative markets overseas has been a longstanding policy priority. That said, the digital trade ‘module’ in IPEF faces a different set of challenges. Dynamic developments in the digital sector have tended to consistently outrun policymaking in their regard. The CPTPP’s digital chapter that the U.S. initially helped write is already out of date (with the exception of the U.S.-Japan digital trade agreement). Furthermore, Big Tech’s lobbying power within the Beltway has ensured that domestic law and regulation has been even slower to catch up with developments in the sector. This is now changing—for the better—within the Beltway, both from a privacy rights and personal data protection-perspective as well as from an antitrust perspective. Ironically, however, this recent activism in domestic policy making is adding more instability to cross-border data flow rulemaking, as domestic policy preferences run up against existing pro-Big Tech provisions in regional digital trade agreements. Hence, the moral of the story: on the digital front, it is best to get one’s regulatory house in order first before championing rules regionally and multilaterally. As an involved player recently noted, “if you are going to include digital trade commitments, you have to be consistent with what Congress is doing domestically. You can’t have a mismatch.” Ironically, the one party working feverishly to endow fixity to its domestic regulatory regime so that it can participate more actively in region-wide rules-setting for cross-border data flows—that would be China.

[Expanded Reading]

- [Multi-Association Letter to Biden Administration Calling for Ambitious Indo-Pacific Economic Framework](#), Business Roundtable, February 22, 2022
- [China’s CPTPP trade-pact aspirations bring vows for reform as Beijing reaches out to members](#), *South China Morning Post*, February 18, 2022 [Paywall]
- [U.S. adds Tencent and Alibaba’s e-commerce sites to ‘notorious markets’ list](#), *CNBC*, February 17, 2022
- [USTR Releases 2021 Review of Notorious Markets for Counterfeiting and Piracy](#), Office of the U.S. Trade Representative, February 17, 2022
- [Multilateral Trade Agreements in the Asia-Pacific: What China’s Participation Means For MNCs](#), APCO Worldwide, February 16, 2022
- [FACT SHEET: Indo-Pacific Strategy of the United States](#), White House, February 11, 2022
- [America must be the standards setter — especially in the digital sphere](#), *The Hill*, February 11, 2022
- [The Digital Trade Revolution](#), U.S. Chamber of Commerce, February 9, 2022
- [Filling In the Indo-Pacific Economic Framework](#), CSIS, January 26, 2022

[Legislative Developments]

- A bipartisan group of Senators introduced the “Ocean Shipping Reform Act;” a companion to a House-approved bill to better protect U.S. exporters against “unfair practices” by ocean carriers.
- The former U.S. Innovation and Competition Act (USICA) is sought to be rebranded as the “Make it in America” bill by Democrats in the Senate.
- The House’s votes on the America COMPETES Act largely adhered to party lines, with one Democrat opposing the bill and one Republican supporting the bill.

[Hearings and Statements]

- U.S. Secretary of Commerce Gina Raimondo said that the successful reshoring of semiconductor manufacturing “depends entirely” on a swift passage of CHIPS Act funding.
- Raimondo earlier urged Congress to not let differences in trade provisions bog down the whole House-Senate conference process on USICA and America COMPETES Act.
- A bipartisan group of 41 Senators called for a “more comprehensive” exclusion process for Section 301 tariffs against Chinese goods.
- Senate minority leader Mitch McConnell criticized the House for “far left” attempts in its America COMPETES Act and its dismissal of the delicate bipartisan balance arrived at in the Senate’s USICA.
- Lawmakers leading the Congressional-Executive Commission on China called for more funding to implement the Uyghur Forced Labor Act.

[Keeping an Eye On...]

- With the Build Back Better Act having fallen by the wayside, at least for the time being, the America COMPETES Act and USICA conference process is the only game in town insofar as the China Challenge is concerned on the Hill. There is much ground to bridge as yet, however, on the part of the House-Senate conferees. From CHIPS Act funding to funding for scientific research and development to trade policy and foreign policy, the COMPETES Act and USICA are riddled with a number of divergent priorities. The Biden administration had sought to conclude negotiations in conference before Tuesday’s presidential State of the Union address, but it may well be weeks, maybe even months, before agreement is reached among conferees. One thing is certain though: having passed the COMPETES Act on a party line vote, it will be the House that will have to do much of the compromising within the conference process so that at least ten Republican senators (the minimum needed to break a filibuster) can be incentivized to sign on to the final product. Both China and Commerce Secretary Gina Raimondo, who has called for swift passage in order to secure CHIPS Act funding, will be watching eagerly from the sidelines.

[Expanded Reading]

- [Punchbowl News Pop-Up Conversation with Sec. Gina Raimondo](#), *Punchbowl News*, February 16, 2022
- [Schumer rebrands USICA as the ‘Make it in America’ bill](#), *Inside U.S. Trade*, February 8, 2022
- [Portman, Carper Lead Senate Call for Administration to Relaunch a Comprehensive Tariff Exclusion Process](#), U.S. Senator for Ohio Rob Portman Press Release, February 7, 2022
- [Remarks by U.S. Secretary of Commerce Gina Raimondo on Passage of the America COMPETES Act](#), U.S. Department of Commerce, February 4, 2022

- [Klobuchar Introduces Legislation to Ease Export Shipping Backlogs, Boost U.S. Exports](#), U.S. Senator Amy Klobuchar Press Release, February 3, 2022
- [S.3580](#) - Ocean Shipping Reform Act of 2022
- [Bipartisan CECC Leadership Seeks Increased Funding to Implement Uyghur Forced Labor Bill](#), Congressional-Executive Commission on China, February 2, 2022