

What's Been Happening

1 — Fleshing out the IPEF amid Varying Visions— 1

[In One Sentence]

- The Biden administration's Indo-Pacific Economic Framework (IPEF) is increasing its outreach to lawmakers and private sector stakeholders.
- Business groups have called for the administration to pursue enforceable commitments, new market opportunities, and a wide adoption of high standards through IPEF.
- Official text regarding IPEF's digital economy provisions is yet to be released.
- Canada seeks to speak with the U.S. and explore "synergies" with the IPEF on digital trade and the economy.

[Mark the Essentials]

- Despite the administration's briefings to key committees, Congress still lacks clarity on the objective, specific form, and enforcement mechanism of the Indo-Pacific Economic Framework (IPEF).
- Multiple business groups jointly called for the IPEF to be a comprehensive approach to trade, technology and commerce "such as the CPTPP," stressing the importance of new market-access opportunities.
- USTR Tai has said that the Biden administration hopes to resolve agricultural producers' trade woes through exploring novel regulatory approaches and standards in the IPEF.
- On digital trade, business groups prioritized unrestricted cross-border data flows, customs duties on electronic transmission, and the protection of source code while Congress prefers that the administration focus less on "controversial" issues such as intermediary liability.
- The Canadian trade minister Mary Ng expressed interest in developing a digital economy deal within the IPEF that is similar to the Digital Economy Partnership Agreement (DEPA).

[Keeping an Eye On...]

- With President Joe Biden due in East Asia in late-May, the wheels have finally begun to move in earnest on finalizing a comprehensive Indo-Pacific Economic Framework plan. Domestic stakeholder consultations have begun, Request for Comment notices put out, and hearings scheduled on the Hill. The effort to garner buy-in from interested and affected constituencies is commendable. The nagging question, however, is whether these consultations with stakeholders will amount to much or is a more-or-less *pro forma* undertaking that is intended primarily to create an impression of stakeholder engagement. The administration has already let it be known that the IPEF will take the form of an administrative arrangement (meaning that its provisions will not be subject to congressional ratification) and that it does not seek to address tariff barriers at this time

(meaning that Indo-Pacific countries should not expect reciprocal and liberalized access to the U.S. market). As best as one can gauge, the administration's IPEF effort is geared towards obtaining "high-standard, worker-centered commitments" from its Asian partners as well as crafting trans-Pacific supply chains in the clean energy and advanced manufacturing sectors that cut China out. State-of-the-art digital trade provisions are also sought to be forged. None of these work streams make for an easy negotiation with Hill representatives, business stakeholders or Asian partners, and it may well be the case that the administration itself sees the IPEF as a placeholder until it can better cover its political flanks at home on trade policy before embarking on a more ambitious liberalizing effort later on. Regardless, the on-going stakeholder outreach has the virtue at this time of helping outside observers piece together the pieces of the administration's IPEF jigsaw. Hopefully, the final product will make for appealing reading.

[Expanded Reading]

- [Leading the Way to Inclusive Global Trade: Canada, the United States, and the World](#), Wilson Center, February 28, 2022
- [Biden Administration Plans for an Indo-Pacific Economic Framework](#), Congressional Research Service, February 25, 2022
- [Indo-Pacific Economic Framework: Business Recommendations](#), U.S. Chamber of Commerce, February 23, 2022
- [America must be the standards setter — especially in the digital sphere](#), *The Hill*, February 11, 2022

2 — U.S.-China Supply Chain Partial Decoupling Deepens — 2

[In One Sentence]

- The Biden administration released several assessment reports of supply chain vulnerabilities across six key industries.
- On the U.S. information and communications technology (ICT) supply chain, the assessment urges the administration to pursue a "comprehensive strategy" to revitalize domestic ICT manufacturing.
- The Department of Energy assessment argues for an increase in incentives and support for U.S. solar manufacturers to outcompete China and reduce reliance on the country.
- The administration has stated that its proposed tax credits linked to the manufacture of electric vehicles may be open to revision.

[Mark the Essentials]

- In its recent official release on critical supply chains, the White House emphasized a "friend-shoring" approach to supply chains while stressing the need to reduce dependence on China.
- The multi-departmental assessment also recommends financial support for "friend- and near-shoring manufacturing" of critical ICT components unlikely to be produced domestically in the near future.
- The Department of Energy assessment report calls for "the highest incentive" to support U.S. ingot and wafer production, which China currently dominates.
- According to Deputy USTR Jayme White, the proposal for electric vehicle tax credits can be "shaped and reshaped" but a Canadian official at the same event said mere talks of the proposal chills investment.

[Keeping an Eye On...]

- On the same day that the Biden administration sought to have the Chinese government condemn its Russian partner for the latter's invasion of Ukraine, the White House proudly advertised the fruits of its labor with regard to the further decoupling of key supply chains from China. Such are the dilemmas of governing. The

occasion was the one-year anniversary of Executive Order 14017, which had directed an all-of-government approach to assessing vulnerabilities in—and strengthening the resilience of—the United States’ critical supply chains. More activities are planned in this regard later this year, including domestic summits that aim to align regional economic development strategies with the administration’s national supply chain strategy. To the administration’s credit, it has done more to integratively think through and reshape U.S. industrial policy using existing statutory authorities in one year than all administrations, put together, had managed over the past 40 years. Overall, the administration’s supply chain focus has been to ‘reshore’, ‘near-shore’, and ‘friend-shore’ the production of critical items. From a U.S.-China strategic competition perspective, the desire to decouple key supply chains from China is understandable—even if it may not be the wisest decision. But is the logic of reshoring as compelling from a purely commercial perspective? Emerging research suggests that this may not be the case. Engagement in global value chains helps dampen rather than accentuate exposure to risk and allows unexpected shocks to demand to be better managed than in a world of predominantly reshored or near-shored production. And rather than promote geographic diversification—i.e., friend-shoring—of input sourcing, better inventory management might well be the key to management of more resilient supply chains for critical products.

[Expanded Reading]

- [USMCA: Building a more competitive, inclusive, and sustainable North American economy](#), The Brookings Institution, February 28, 2022
- [Solar Photovoltaics Supply Chain Review](#), U.S. Department of Energy, February 24, 2022
- [Assessment of the Critical Supply Chains Supporting the U.S. Information and Communications Technology Industry](#), U.S. Department of Commerce and U.S. Department of Homeland Security, February 23, 2022
- [Executive Order on America's Supply Chains: A Year of Action and Progress](#), The White House, February 7, 2022

3 — Pursuit of Fundamental Issues Stall U.S.-China Trade Negotiations— 3

[In One Sentence]

- The Office of the USTR has a new Strategic Plan, its first since 2013.
- House Republicans urged the Biden administration to more strictly enforce the phase-one trade deal and seek “damages” for failed commitments.
- USTR Katherine Tai observed that trade talks with China over Beijing’s failed purchase commitments have gotten “more difficult over time.”
- Chinese solar suppliers have established separate production lines free from forced labor concerns for U.S.-bound goods.

[Mark the Essentials]

- Despite containing multiple mentions of China, the USTR’s new Strategic Plan provides little new information about the Office’s overall China policy.
- Led by House Minority Leader Kevin McCarthy, Republican lawmakers also asked whether the administration plans to negotiate a new and “fully enforceable” trade deal with China.
- According to USTR Tai, conversations are increasingly focused on building resilience and trust in the global economy, as well as calling China to join these efforts and “play by our rules.”

- According to industry analysts, China's domestic demand would be "almost" sufficient to consume all of the polysilicon produced in the Xinjiang region.

[Keeping an Eye On...]

- U.S.-China trade negotiations are currently stalled, and for good reason: there has simply not been concerted top-level engagement between the two sides. Indeed, at no point in the past 30 years going back to the first Clinton administration has there been as little high-level contact between the USTR and Beijing in the first 14 months of an administration as is the case currently with the Biden administration. Past administrations sat across the table and sought to press Beijing to liberalize its trade regime and implement structural reforms. Not this administration however, for reasons best known to itself. It is somewhat rich, therefore, for USTR Katherine Tai to suggest that conversations with Beijing—and especially conversations with regard to an agreement that has formally expired—have gotten "more difficult over time." The administration appears to be comfortable, in fact, with maintaining the status quo in U.S.-China trade relations and moving ahead with other, more urgent, matters; even at the expense of leaving matters unresolved for U.S. businesses. Witnessing this diffidence and perhaps worse, the continuing unwillingness or (political) inability to remove the Trump-era tariffs, Beijing too has continued to reciprocate the attitude by limiting cooperation on trade policy matters to the lowest common denominator level. However, there is a certain inevitability that the two sides, down-the-line, will engage more forthrightly on trade policy matters, perhaps after the administration's Indo-Pacific Economic Framework (IPEF) is released. It is also becoming increasingly clear that trade policy is no longer the ballast of the bilateral relationship that it used to be in yesteryears. Large market purchases by China, be it of aircraft or corn, no longer elicits the same goodwill across the American political spectrum that it used to. And as for China's leaders, techno-nationalism rather than two-way trade is viewed as the indispensable ingredient that will deliver the economy to a more sophisticated production structure—especially as the U.S. goes about imposing a range of technology controls on the country.

[Expanded Reading]

- [U.S. Solar: Supply Chain, Legislation and the Complex Road Ahead](#), FTI Consulting, March 3, 2022
- [Strategic Plan: FY 2022 – FY 2026](#), Office of the U.S. Trade Representative, March 1, 2022
- [US-China trade war: was the phase-one trade deal a 'historic failure', and what's next?](#), *South China Morning Post*, February 27, 2022 [Paywall]
- [Agricultural Outlook Forum](#), U.S. Department of Agriculture, February 24, 2022
- [Bury the U.S.-China Trade Agreement](#), *The Wire China*, February 20, 2022 [Paywall]
- [Letter from House Republicans to President Biden](#), Congress of the United States, February 15, 2022