

What's Been Happening

1 — Supply Chain Security Needs Clash with Globalization — 1

[In One Sentence]

- The Biden administration is developing “sustainability standards” for critical materials and minerals within U.S. supply chains.
- A new World Bank report cautioned on global income loss if countries worked to reshore production.
- President Biden raised the domestic content threshold for “Buy America” rules, increasing sequentially to 75% in 2029.
- U.S. lawmakers disagreed about whether or not to support electric vehicle production within the U.S.
- Business groups are calling for an extended transition period before full implementation of the Uyghur Force Labor Prevention Act.

[Mark the Essentials]

- Following initial efforts on microelectronics, the White House plans to adopt comprehensive sustainability standards for essential minerals in strategic industries such as automotive and aerospace, steel and energy.
- According to the Bank’s report, countries that benefit the most from increasing global supply chain integration include Thailand, Malaysia, Turkey and Vietnam.
- The White House is also looking at further “Buy America” rulemaking for semiconductors, pharmaceuticals and advanced batteries.
- Republicans argue that an uptick in electric vehicle production increases U.S. dependence on components and materials produced in China.
- Several industry groups recommended a transition period of at least a year to allow companies to refine their due diligence programs, while others called for more clarity and transparency in the evidentiary standard.

[Keeping an Eye On...]

- Under its “Build Back Better” agenda, the Biden administration has sought to chart an ambitious program of “strategic industrial policy” investments in U.S. industrial capabilities. This agenda envisages a range of interventions in American hard and soft infrastructure that can support jobs and employment, sharpen America’s competitive edge, and avoid shortages of critical products. The resilience of supply chains is one of five core pillars of the administration’s 21st century industrial policy, the other pillars being targeted public investment, public procurement, building climate resilience, and advancing equitable outcomes. The administration has wasted no time in pursuing its supply chain goals, rolling out a number of initiatives in

the areas of semiconductors, critical materials and minerals, and large capacity batteries. Federal procurement preferences to pull forward demand in new clean energy products have also been thrown into the mix. More initiatives are planned later this year, including domestic summits that aim to align regional economic development strategies with the administration’s national supply chain strategy. There are apprehensions within the business community though that the supply chain resilience agenda—framed as it is in the context of the administration’s “extreme [strategic] competition” approach towards China—will accelerate the drift towards decoupling and perhaps even towards protectionism. At minimum, the emphasis on ‘reshoring’, near-shoring’ and ‘friend-shoring’ of supply chains, it is feared, will begin to reverse the forces of globalization and place many Asia-Pacific nations that have hitherto been staunch advocates of globalization and ‘open regionalism’ in a dilemma: Do they join Washington’s ‘friend-shored’ but ‘Beijing-decoupled’ supply chain or should they continue to place their regionally-integrated trade policy eggs in the China basket?

[Expanded Reading]

- [The U.S. Is Racing To Reduce Its Rare Earths Dependence On China](#), *OilPrice.com*, March 14, 2022
- [US-China Business Council Comments Regarding Enforcement of the Uyghur Forced Labor Prevention Act](#), US-China Business Council, March 10, 2022
- [Amid record gas prices, lawmakers divided over US energy future](#), *The Hill*, March 8, 2022
- [Hearing: “Charging Forward: Securing American Manufacturing and Our EV Future,”](#) Subcommittee on Energy (House of Representatives Committee on Energy and Commerce), March 8, 2022
- [Biden announces strengthened Buy American rule to help boost domestic manufacturing as he touts February job numbers](#), *CNN*, March 4, 2022
- [FACT SHEET: Biden-Harris Administration Delivers on Made in America Commitments](#), The White House, March 4, 2022
- [Reshaping Global Value Chains in Light of COVID-19 : Implications for Trade and Poverty Reduction in Developing Countries](#), The World Bank, March 4, 2022
- [FACT SHEET: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities](#), The White House, June 8, 2022

2 — Onboarding Allies and Partners within the IPEF — 2

[In One Sentence].

- The Biden administration again confirmed that it has no intention to address tariff barriers through the Indo-Pacific Economic Framework (IPEF).
- The Office of the U.S. Trade Representative (USTR) has solicited comments on the trade pillar of IPEF.
- Several Senate Finance Committee members criticized the lack of market-access commitments in IPEF.
- The U.S. deepened IPEF-related engagement with the United Kingdom and Australia, while a Taiwanese official commented on the island’s hopes to be a “full member” of the Framework.

[Mark the Essentials]

- IPEF’s trade module is to cover labor, environment and climate, digital economy, agriculture, transparency and good regulatory practices, competition and trade facilitation issues, while maintaining a studied distance from market access commitments.

- The USTR seeks comments on the practices of third-country entities that undermine fair market opportunities, among other general issues.
- Senators and analysts warned that a trade pillar focusing exclusively on digital trade, forced labor and trade facilitation might not be sufficient to attract Indo-Pacific partners.
- Senate Finance Committee Chair Ron Wyden and other lawmakers also called for more consultation and engagement with Congress.

[Keeping an Eye On...]

- At long last, the Indo-Pacific Economic Framework (IPEF) appears to be entering the final lap of consultations prior to its release. Stakeholder meetings are well under way and a formal document is expected to be released by end-April or soon thereafter. The hope that the IPEF would be released at the end of March to coincide with President Biden's hosting of a special summit with Association of Southeast Asian Nation (ASEAN) leaders was dashed, given that due to scheduling-related difficulties the summit had to be postponed to a later date. The Ukraine crisis has also diverted attention from the rollout of the Framework. That said, ASEAN nations as well as Japan, Australia, and Taiwan have already evinced interest in joining the IPEF. As currently envisaged, IPEF is in all frankness more show than substance. It lacks hard liberalizing commitments, is a mile wide but inch deep in its coverage of issues areas, and is primarily intended to elevate non-trade considerations such as labor and environmental protections rather than integrate trans-Pacific markets. Locking the United States within region-wide economic endeavors is a key priority however for a number of Asia-Pacific nations, especially at a time when Washington has sent mixed messages regarding its economic staying power in Asia. As such, when IPEF does formally see the light of day, it is expected to receive polite applause across the Pacific. Time will tell, however, whether an economic strategy for Asia that has no role for Chinese participation within its processes can prosper in the medium to long term.

[Expanded Reading]

- [Readout of Ambassador Sarah Bianchi's Third Day in Australia](#), Office of the U.S. Trade Representative, March 16, 2022
- [The Promise and Challenge of Strategic Trade Engagement in the Indo-Pacific Region](#), House of Representatives Committee on Finance, March 15, 2022
- [Wyden Statement at Finance Committee Hearing on the Promise and Challenge of Strategic Trade Engagement in the Indo-Pacific Region](#), House of Representatives Committee on Finance, March 15, 2022
- [Indo Pacific strategy faulted in hearing for lack of new market access](#), *AgriPulse*, March 16, 2022
- [Joint Statement on U.S.-UK Consultations on the Indo-Pacific](#), The White House, March 11, 2022
- [Request for Comments on the Proposed Fair and Resilient Trade Pillar of an Indo-Pacific Economic Framework](#), Office of the U.S. Trade Representative, March 10, 2022

[Legislative Developments]

- More than 140 lawmakers called for a swift conferencing process on USICA and the America COMPETES Act in order to secure funding for semiconductor incentives.
- A bipartisan group of House lawmakers introduced the “Facilitating American-Built Semiconductors Act” (FABS Act) to create an investment tax credit for the semiconductor industry.
- The Senate Commerce Committee advanced the Ocean Shipping Reform Act by voice vote, a bill to tighten regulation of ocean freight carriers.
- House Ways & Means trade subcommittee Chair Earl Blumenauer said that a conference bill for USICA and America COMPETES can “absolutely” be drafted by Memorial Day (May 30).

[Hearings and Statements]

- The House Oversight Committee initiated an investigation into “predatory” ocean carrier practices that impact U.S. imports and exports.
- Senator Tom Cotton demanded an explanation on the Biden administration’s decision to delay launching a new Section 301 investigation into Chinese industrial subsidy practices.
- Several lawmakers disagree over whether to launch an investigation on Southeast Asian entities allegedly used by China to circumvent U.S. trade restrictions on Chinese solar panels.

[Keeping an Eye On...]

- The China competitiveness-related legislation continues to trudge its way through the two chambers of Congress. By the end of March, the hope is to have the procedural arrangements in place to move forward with the conference process to reconcile the differences between the House-passed America COMPETES Act and its Senate counterpart, the U.S. Innovation and Competition Act (USICA). And then to have the final product clear the floor in the two chambers thereafter by Memorial Day. The latter looks like an optimistic timetable. For one, the Ukraine conflict has diverted legislative energies away from the China focus. More importantly, the America COMPETES Act is festooned with a number of partisan giveaways, especially in its trade title, and Republicans are loth to support a package containing numerous indigestible elements. Much negotiating behind closed doors remains to be done. How the two parties—and chambers—‘spilt the baby’ will be the key element to watch, going forward. Republicans would much prefer that the core competitiveness-related provisions in the final conference product, such as the semiconductor funding provisions, pass as cleanly as possible. Sensing a final opportunity for a legislative victory on domestic policy priorities prior to the midterm elections, the Democrats for their part would much prefer to retain as many of their ‘Build Back Better’ agenda items in the final conference product. Despite a broad overlap across parties on the key innovation and competition-related elements vis-a-vis China, final passage of this critical legislation in this 117th United States Congress remains as yet a toss-up.

[Expanded Reading]

- [Senate Committee Approves Ocean Shipping Reform Act](#), *Transport Topics*, March 22, 2022
- [Kelly and Bipartisan Members Introduce Facilitating American-Built Semiconductors Act](#), Office of Rep. Mark Kelley (R-PA), March 17, 2022

- [Letter from Sen. Tom Cotton to USTR Katherine Tai](#), Office of Sen. Tom Cotton (R-AR), March 15, 2022
- [Washington Week Ahead: Omnibus done, Congress to-do list includes shipping reform](#), *AgriPulse*, March 13, 2022
- [Klobuchar and Thune tout bipartisan progress on shipping](#), Office of Sen. Amy Klobuchar (D-MN), March 11
- [Commerce buys time to review solar module dumping claim](#), *Renewable Energy World*, March 11
- [Brown, Portman Urge Commerce Secretary to Accept Anti-Circumvention Petition, Support U.S. Solar Manufacturing & Ohio Jobs](#), Office of Sen. Sherrod Brown (D-OH), March 9, 2022
- [Letter from 142 Lawmakers to the Congressional Leadership](#), Office of Rep. Doris Matsui (D-CA), March 8, 2022
- [Letter from SEIA Members to Commerce Secretary Gina Raimundo](#), Solar Energy Industries Association, March 7, 2022
- [Testimony of Chairman Maffei before Congress: “Executive Session and Ocean Shipping Reform Act Hearing.”](#) Federal Maritime Commission, March 7, 2022
- [Chairs Clyburn and Krishnamoorthi Seek Information from Ocean Freight Carriers About Price Increases for Americans](#), House Committee on Oversight and Reform, March 2, 2022
- [U.S. solar producer asks Biden administration for new tariff probe](#), *Reuters*, February 9, 2022 [Paywall]
- [S.2107 - Facilitating American-Built Semiconductors \(FABS\) Act](#), Congress.gov, June 17, 2021