

## What's Been Happening

### 1 — Indo-Pacific Partnership Locked Within an Old Alliance Framework — 1

#### [In One Sentence]

- Securing regional supply chains is a key focus of the Biden administration's Indo-Pacific Economic Framework (IPEF).
- The Biden administration plans to engage in intensive consultations on the Indo-Pacific Economic Framework through spring and early summer.
- Singapore Prime Minister Lee Hsien Loong called the IPEF "baby steps" towards trade liberalization.
- U.S. lawmakers proposed deeper Quad cooperation on critical minerals supply chains.
- Large group of legislators have called on the administration to prioritize agriculture in the IPEF.

#### [Mark the Essentials]

- Commerce Secretary Raimondo emphasized supply chains for critical minerals and rare earths, highlighting a recent strategic dialogue with Australia and Australian industrial extractors and processors.
- According to Australian Trade Minister Dan Tehan, current IPEF efforts are aimed at ensuring broad buy-in from Indo-Pacific countries, and elements such as a digital trade pact, infrastructure financing and critical minerals cooperation could attract participation in the framework.
- According to Prime Minister Lee, a TPP-style pact is "ideal" but lacks support from the U.S. Congress, and IPEF's digital economy and sustainability cooperation thus work as alternative "baby steps" towards greater market access.
- A recent bill asks that the U.S. work with Australia, India and Japan to reduce dependence on China for critical mineral supplies, while more than 80 lawmakers said IPEF should ensure that U.S. agricultural exports have greater access to Indo-Pacific markets.

#### [Keeping an Eye On...]

- As discussed in previous TnT Dispatches, the Biden administration views economic and trade engagement with the Indo-Pacific region as an important component of its Indo-Pacific Strategy, and the Indo-Pacific Economic Framework (IPEF) as the primary pillar of that regional economic and trade engagement strategy. Lacking the will and political capital to push forward with hard-hitting liberalizing reforms however, the administration has plumped for a softer, non-binding approach in the IPEF that essentially amounts to an "optimistic" effort to "send a message" that the United States remains "committed to the region". At a time when its counterparts in Asia enjoy both the will and political capital to make deep trade and investment

liberalization-related reforms, it is not quite certain that Ambassador Tai and Secretary Raimondo's effort to send just an optimistic message of commitment to the region will strike a chord. Furthermore, the IPEF is conspicuous so far in its absence of any reference to China, much like the larger Indo-Pacific Strategy within which it is embedded. It is on the surface drafted as if China resides on another continent, if not another planet. This pretense is belied however by the fact that the IPEF's go-to counterparts are the 'usual suspects' - Washington's treaty allies and preferred regional partners with whom "common approaches and common standards to create mutual prosperity" is to be forged. A shallow framework that leaves no place in its midst for the region's most dynamic generator of mutual prosperity (China) is unlikely to leave a lasting impact. Be that as it may, for many Asian capitals, sipping the thin American gruel on offer is better than sipping none at all, as Prime Minister Lee seemed to suggest in his Oval Office meeting with President Biden.

### [Expanded Reading]

- [U.S. pitches 'defensive' Indo-Pacific trade rules in Singapore](#), *Nikkei Asia*, April 5, 2022 [Paywall]
- [U.S. trade chief Tai declines to say if Taiwan will be part of Indo-Pacific pact](#), *Reuters*, April 1, 2022 [Paywall]
- [Singapore PM's talks with Biden show US won't waver from Indo-Pacific focus to counter China amid Russia-Ukraine conflict: analysts](#), *South China Morning Post*, April 1, 2022 [Paywall]
- [PM Lee Hsien Loong at the Dialogue with the Council on Foreign Relations](#), Prime Minister's Office Singapore, March 31, 2022
- [Joint Statement – Inaugural Australia-U.S. Strategic Commercial Dialogue \(AUSSCD\)](#), U.S. Department of Commerce, March 31, 2022
- [Letter from Lawmakers to USTR Tai and Secretary Vilsack](#), U.S. Congress, March 30, 2022
- [Joint Statement – Inaugural Australia-U.S. Strategic Commercial Dialogue \(AUSSCD\)](#), U.S. Department of Commerce, March 30, 2022
- [Australia and United States to hold inaugural Strategic Economic Dialogue](#), Australian Ministry for Trade, Tourism and Investment, March 26, 2022

## 2 — U.S.-China Trade Stalemate Risky— 2

### [In One Sentence]

- Several business groups are opposing the legislative expansion of the Commerce Department's antidumping and countervailing (AD/CVD) tools.
- The Office of the USTR reinstated Section 301 tariff exclusions for 352 categories of goods from China, but provided no updates on future plans for the tariff exclusion process.
- USTR Tai restated that the U.S. will look beyond "only pressing China for change."

### [Mark the Essentials]

- Business groups argued that the expanded AD/CVD tools would result in higher tariffs on goods from all U.S. trading partners, penalize legitimate trade and exacerbate the inflationary pressures within the U.S. economy.
- The reinstated exclusions apply retroactively from October 12, 2021 and will terminate on December 31, 2022.
- Lawmakers have been pushing for more clarity on future exclusion plans as well as USTR's strategy on China.
- According to a recent think tank analysis, the Section 301 tariffs increased consumer costs by more than \$50 billion in 2021.

## [Keeping an Eye On...]

- Almost fifteen months into her tenure as the United States Trade Representative, Ambassador Katherine Tai has little to show in terms of engaging her Chinese counterpart, let alone delivery from that engagement. The charitable explanation is that she would like to firm up her relationships with regional partners, notably by means of the Indo-Pacific Economic Framework, before engaging Beijing from a position of relative strength. The uncharitable explanation is that she and the administration are deeply divided on not just how to engage China but even on *whether* to engage China at all. For four decades, U.S. policymakers sought to utilize a combination of sticks and carrots to incentivize structural reform and trade liberalization in China. Perhaps they succeeded too well. Seeing bilateral trade and economic ties as the ballast of the U.S.-China political relationship, Chinese policymakers more-or-less delivered on these liberalizing reforms. Even during the Trump administration when an effort to decouple parts of the economic relationship set in, U.S. policymakers from Robert Lighthizer to Steven Mnuchin continued to pursue reform of China's intellectual property protection, forced technology transfer, and industrial subsidies regime. By contrast, the Biden administration and Ambassador Tai have drawn a complete blank in terms of setting out an agenda of structural reform deliverables to be sought from China. Without so much as even a cursory effort, the aim going forward seems to be to “turn the page” on the U.S.’ economic relationship with China and focus narrowly on “vigorously defending” U.S. interests through a strategy of trade enforcement, more trade enforcement, and even more trade enforcement. New enforcement tools are sought to be authorized and deployed vis-a-vis China—although even here the administration is divided on the specifics of the trade enforcement tools to be authorized. Understandably, U.S. business is concerned with this “murky” state of affairs. And it should be. If Chinese policymakers no longer see trade and economic engagement as a stabilizing political ballast, what is their incentive—beyond a certain modicum of diversification related benefits—to commit to multi-billion dollar ‘managed trade’ purchases of agricultural and hydrocarbon products from American commodity exporters?

## [Expanded Reading]

- [Level the Playing Field Act 2.0 is “Exactly in the Spirit of What We Need,” USTR Tai Says](#), Alliance for American Manufacturing, April 1, 2022
- [Katherine Tai Hammered in Hearings on Free Market, Market Access](#), Coalition for a Prosperous America, March 31, 2022
- [U.S. Trade Chief Says New Focus Needed as China Hasn't Changed](#), *Bloomberg*, March 30, 2022 [Paywall]
- [Biden Administration's 2022 Trade Policy Agenda](#), Hearing of the House Ways & Means Committee, March 30, 2022
- [Not 'sitting on its hands,' U.S. to up pressure on China, trade czar Tai says](#), *Reuters*, March 25, 2022 [Paywall]
- [The Total Cost of U.S. Tariffs](#), American Action Forum, March 24, 2022
- [Coalition Letter opposing inclusion of the “Eliminating Global Market Distortions to Protect American Jobs Act of 2021” in the Bipartisan Innovation Act](#), U.S. Chamber of Commerce, March 22, 2022

### 3 — Brussels Draws Closer to Washington, Also Engages China — 3

#### [In One Sentence]

- The U.S. and the European Union reached an agreement in principle to replace the Privacy Shield framework.
- European Commission Executive Vice President Margrethe Vestager said that several deliverables are “in the pipeline” for the next U.S.-EU Trade and Technology Council (TTC) meeting in May.
- U.S. officials said the next TTC meeting will focus on “long-term economic challenges” posed by China.
- China and the European Union recently held top-level meetings at a bilateral summit.

#### [Mark the Essentials]

- An EU official said the finalization of the Privacy Shield successor agreement may take several months, while business groups continue to call for swift action to enable trans-Atlantic data transfer.
- According to Vestager, the next TTC meeting will refocus some of its work on the situation in Ukraine.
- National Security Council’s Peter Harrell said “near-term” supply chain actions are also on the TTC agenda.
- In addition to discussion on the Ukraine crisis, China and the European Union also mandated the High-level Trade and Economic Dialogue to address trade and economic issues between the two sides.

#### [Keeping an Eye On...]

- The European Union has worked closely with the U.S. to address trade and tech issues over the past year. The upcoming Trade and Tech Council meeting in May is expected to provide more low-hanging fruit, such as further progress towards the formalization of their recent agreement in principle on a successor to the Privacy Shield Framework to enable trans-Atlantic data flows. Joint efforts to address concerns over certain Chinese trade-distorting practices is also expected to be agreed upon. The recent Ukraine crisis has, if anything, galvanized U.S.-EU cooperation on complementary trade enforcement and export control approaches vis-a-vis adversaries. The EU nevertheless continues to strike out on its own too. Its Digital Markets Act, the text of which was recently finalized, is squarely aimed at curbing the monopolistic business models of U.S. Big Tech. The forthcoming Digital Services Act will similarly rein in U.S. Big Tech’s shoddy privacy and personal data practices. Just as importantly, the full range of EU-China dialogue mechanisms spanning trade and investment, development and climate change, digital policy, and people-to-people exchanges are to be restarted after a two year hiatus due to COVID-19. The EU, while understandably drawn closer to Washington because of the moral and geopolitical attack on its core values stemming from Russia’s unprovoked attack on Ukraine, remains deeply committed to its policy of strategic autonomy. It remains deeply in China’s interest, too, to nurture this European geoeconomic ambition for autonomy by making meaningful liberalizations within its domestic investment and industrial subsidies regime as well as by improving its poor human rights record.

#### [Expanded Reading]

- [Transatlantic Trade | US and Europe – Week of March 28, 2022](#), *The National Law Review*, April 4, 2022
- [Economic Watch: China-EU economic cooperation shows strong resilience, vitality](#), *Xinhua*, April 2, 2022
- [EU-China Summit: Restoring peace and stability in Ukraine is a shared responsibility](#), European Commission, April 1, 2022
- [China-EU Summit Highlights Diverging Paths](#), *The Diplomat*, April 1, 2022
- [China-EU - international trade in goods statistics](#), Eurostat, March 31, 2022
- [European agri-food products: exporting quality, safety and sustainability to Chinese consumers](#), European Commission Directorate-General for Agriculture and Rural Development, March 30-31, 2022

- [The U.S. and EU Announce an “Agreement in Principle” to Replace the EU-U.S. Privacy Shield Framework: What Employers Need to Know](#), Ogletree Deakings, March 30, 2022
- [US, EU sign data transfer deal to ease privacy concerns](#), *The News & Observer*, March 26, 2022 [Paywall]
- [Remarks by Executive Vice-President Vestager for the political agreement on the Digital Markets Act](#), European Commission, March 25, 2022
- [Shared values, shared impact: the power of the transatlantic relationship](#), AmCham EU, March 24, 2022
- [Digital Bridge: Ukraine policymaking — New antitrust era — Disinfo hunters](#), *Politico*, March 24, 2022