

What's Been Happening

1 — A Window of Opportunity to (Not) Adjust China Tariffs — 1

[In One Sentence]

- China has displayed a visible interest in engaging with the U.S. on trade-related issues.
- U.S. Trade Representative Katherine Tai previously said that the U.S.-China trade relationship is continuing to undergo difficulties.
- The Biden administration is looking to adjust some of the currently active Trump administration-era tariffs against Chinese imports.
- The first Section 301 tariffs on Chinese goods are currently set to expire on July 6, 2022.

[Mark the Essentials]

- A Chinese embassy official told reporters that China “stands ready” to engage the U.S. at any time, but noted that the U.S. has not formulated a clear plan for the bilateral economic and trade relationship.
- Tai conceded that the U.S. does not have a vision for the long run of the U.S.-China relationship, adding that the “political” perspective on the issue should not be whether the approach towards China appears tough enough.
- Top U.S. officials said the administration is “looking at” adjusting the tariffs on China from an inflation control perspective.
- The Section 301 tariffs could be extended if a U.S. beneficiary of the tariffs submits a petition between May 7 and July 6 of this year.

[Keeping an Eye On...]

- As per the Section 301 statute, tariffs imposed under its authority are due to expire four years after their imposition, absent a request for continuation from domestic industry within the last 60 days prior to their expiration. Thus, the Trump administration’s List 1 additional tariffs of 25 percent *ad valorem* on \$34 billion of Chinese imports expire on July 6, 2022. If one or more requests for continuation are submitted, USTR is then obliged to publish an additional notice after July 6 announcing the continuation of the tariff action and thereafter proceed with a review of the tariffs. At that time, all interested parties will have an opportunity to provide comments. Because it is highly likely that a domestic beneficiary industry will seek the continuation of the tariffs, it is almost certain that a full review of the tariffs will be conducted later this summer. Cabinet-level officials are already weighing in on the debate, but it is not clear when the final decision on the tariffs will be made. Whenever the decision is made, at that point of time the Biden administration will for

better-or-worse ‘own’ the Section 301 tariffs. For those inclined to get their hopes up of an orderly return to a low tariff order, this TnT Dispatch would gently counsel otherwise. The Biden administration champions itself as a guardian of the rules-bound liberal international order. On trade, the administration is not liberal; it is protectionist. And as for the Section 301 tariffs themselves, they are not rules-bound; a WTO panel has judged them to be illegal.

[Expanded Reading]

- [China says it wants to resolve trade issues, but is waiting on the U.S.](#), *Inside U.S. Trade*, April 27, 2022 [Paywall]
- [The Trade Off: Economics versus the Environment](#), Hochschule für Politik München, April 26, 2022 [video]
- [Yellen Signals Openness to Paring Tariffs on Imports From China](#), *Bloomberg*, April 22, 2022 [Paywall]
- [White House adviser Singh suggests U.S. could lower tariffs on Chinese goods](#), *Reuters*, April 21, 2022 [Paywall]
- [Section 301 Tariff Exclusions on U.S. Imports from China](#), Congressional Research Service, February 17, 2022

2 — Export Controls and Sanctions: The Shield and Sword— 2

[In One Sentence]

- A top EU official said the next Trade and Technology Council (TTC) meeting in mid-May will provide an opportunity for in-depth discussion on export controls.
- Several technology groups have asked the Biden administration to include export controls in the Indo-Pacific Economic Framework (IPEF).
- While China cautioned companies against submitting to coercion to “choose sides” amid unilateral sanctions on Russia, the Bureau of Industry and Security (BIS) has noted that companies operating in China have largely adhered to U.S. export control measures.
- The U.S. and the EU jointly warned China against any support for Russia’s aggression against Ukraine.

[Mark the Essentials]

- U.S. and EU officials said prior works through the TTC allowed them to better coordinate export control measures against Russia. Meanwhile, European Commission’s Valdis Dombrovskis said the U.S. and the EU will discuss how they can continue to align export control measures “even beyond Russia” at the next TTC.
- Technology groups urged IPEF members to work on aligning export controls and coordinate implementation to “the greatest possible” extent.
- BIS said it is working with the Homeland Security Department and the FBI to ensure compliance with the Russia sanctions and will launch an investigation into possible export controls violations based on industry tips and intelligence reports.
- The joint U.S.-EU statement specifically urged China not to “circumvent or undermine sanctions against Russia” and said such actions will have consequences for their respective relationships with China.

[Keeping an Eye On...]

- Technology-focused outcomes are expected to be at the forefront of the next Trade and Technology Council (TTC) meeting scheduled for later this May. In Pittsburgh last September, the U.S. and EU established 10 working groups on areas such as export controls, supply chains, technology standards, and artificial intelligence. The export controls working group has been identified as a potential area of early harvest outcomes. Russia’s war in Ukraine has, if anything, been an early test of the successful application of

coordinated export controls. Whether the possibility exists to align export control measures “even beyond Russia”—i.e., to China—remains to be seen. It bears noting in this regard that, while Huawei has been at the receiving end of stringent U.S. export control measures for some time now, there has been no complementary technology control measure introduced by the Europeans against Huawei or China. And if anything, Russia’s savage actions in Ukraine has diverted Euro-Atlantic attention from China back to the old continent—though judging by the strong language emanating from Washington and Brussels against Beijing, one would be forgiven for thinking differently. Topics such as misinformation and disinformation, which were never intended to be priority topics, have now come to the fore within the Council’s work amid the war in Ukraine. Nevertheless, as Washington pushes for greater export control coordination with its allies and partners through multiple bilateral and multilateral economic frameworks as well as sharpens its sanctions sword, the scope of minilateral coalitions on trade and technology controls and decoupled supply chains congealing into a hostile bloc-based rivalry should not be discounted.

[Expanded Reading]

- [Readout of Secretary Raimondo’s Meeting with European Commission Executive Vice-President Margrethe Vestager](#), U.S. Department of Commerce, April 28, 2022
- [Dombrovskis: Next TTC meeting a ‘good venue’ to deepen export controls talks](#), *Eudebates.tv*, April 25, 2022 [video]
- [U.S.-EU: Consultations Between EEAS Secretary General Stefano Sannino and United States Deputy Secretary Wendy Sherman](#), U.S. Department of State, April 22, 2022
- [Readout of Secretary Gina M. Raimondo’s Meeting with European Commission Executive Vice President Valdis Dombrovskis](#), U.S. Department of Commerce, April 21, 2022
- [SEMI comments on the Indo-Pacific Economic Framework](#), Regulations.gov, April 11, 2022
- [Intel - DOC Request for Comments on the Proposed Fair and Resilient Trade Pillar of an Indo-Pacific Economic Framework](#), Regulations.gov, April 10, 2022
- [SIA Response to DOC-USTR Federal Register Notices regarding IPEF Comments](#), Regulations.gov, April 10, 2022

3 — The IPEF as a Model of the New Multilateral Economic Order?— 3

[In One Sentence]

- U.S. stakeholders have advised the Biden administration to incentivize participation in the Indo-Pacific Economic Framework (IPEF) through market access commitments and infrastructure financing.
- Taiwan and the Philippines have both expressed interest in joining the IPEF.
- South Korea has officially decided to pursue membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- The Office of the USTR said it has been working with “like-minded producing countries” to tackle bottlenecks and chokepoints in the semiconductor supply chain.
- The WTO, IMF, OECD and World Bank jointly called for international cooperation to establish rules for industrial subsidies.

[Mark the Essentials]

- While they have generally agreed that market-access commitments would be ideal, U.S. stakeholders have also proposed alternative approaches including incentives conditional on participation in particular pillar(s), access to infrastructure financing, and assurances that the U.S. will not levy Section 201 or Section 301 tariffs against IPEF participants.
- The Philippines' Trade and Industry Secretary Ramon Lopez said that the Philippines' "offensive interests" are aligned with the objectives of the IPEF, including but not limited to advancing resilience and inclusiveness and competitiveness.
- According to U.S. Trade Representative Katherine Tai, semiconductors will likely touch every pillar of the Framework.
- In a joint report, the heads of the multilateral organizations warned that failure to establish international rules on industrial subsidy could erode public trust on open trade and lead to backpedaling on economic prosperity.
- Beijing has said it is open to discussions on industrial subsidies as long as agricultural subsidies are also on the table for discussion.

[Keeping an Eye On...]

- Within the space of a few days, Treasury Secretary Janet Yellen and US Trade Representative Katherine Tai have both alluded to a vision of a new international economic order where economic efficiency should cease to be the primary concern of economic policymaking and "free but secure trade" featuring "friend-shoring" of critical sectors and working with "trusted countries" should become the norm. Both cabinet officials have paired their respective observations with hawkish statements on China. It bears noting though that the two officials are coming from very different places regarding China. Secretary Yellen is speaking from a position of strength, knowing that the 'shock and awe' financial sanctions imposed on Russia and its central bank have rocked many economic officials back on their heels in emerging markets, including in China. On the other hand, USTR Tai is speaking from a position of weakness, attempting to mask her failure to draw up a minimally intelligible China trade policy with hawkish bluster toward Beijing. This having been said, the soon-to-be-released Indo-Pacific Economic Framework (IPEF) could well be an early prototype of the brave new multilateral economic order that has been envisioned. IPEF features 'like-minded countries', excludes China, elevates non-commercial considerations to the fore, favors an *a la carte* approach towards trade negotiations over the single undertaking approach, and most importantly, is flexibly conceived so as to facilitate both entry and exit. It is fairly clear what the Biden administration is attempting to sell to its allies and partners; only time will tell whether these allies and partners are just as eager to purchase this product—or not.

[Expanded Reading]

- [Subsidies, Trade, and International Cooperation](#), International Monetary Fund, April 22, 2022
- [PH, US Dept. of Commerce discuss strengthening strategic economic partnership and cooperation](#), Republic of the Philippines Department of Trade and Industry, April 21, 2022
- [PHL seeking to join US-led Indo-Pacific Economic Framework](#), *Business World*, April 19, 2022
- [South Korea officially decides to join CPTPP to strengthen supply chain](#), *Business Standard*, April 19, 2022
- [Taiwan seeks Indo-Pacific Economic Framework membership with U.S.](#), *Reuters*, April 19, 2022 [Paywall]
- [Building Resilient and Secure Supply Chains Through Trade](#), Office of the United States Trade Representative, April 14, 2022

- [CTA to Commerce: Use Indo-Pacific Framework to Bolster Supply Chains](#), *Consumer Electronics Daily*, April 14, 2022 [Paywall]
- [ITI Encourages Biden Administration to Prioritize Digital Commitments, Consider Market Access in Indo-Pacific Economic Framework](#), Information Technology Industry Council, April 11, 2022