

## What's Been Happening

### 1 — “New” China Strategy Sheds Little Light on Current Trade Deadlock — 1

#### [In One Sentence]

- U.S. Secretary of State Anthony Blinken set forth the Biden administration’s approach to China in a delayed public speech made at George Washington University.
- The Biden administration remains conflicted on whether or not to remove the China Section 301 tariffs.

#### [Mark the Essentials]

- In his address, Secretary Blinken said that the United States is not “looking for conflict or a new Cold War” but urged Beijing to refrain from undermining the rules-based international order, listing concerns including the use of mass surveillance, the South China Sea, trade practices and China’s relationship with Russia.
- Summarizing the Biden administration’s overall strategy as “invest, align, compete”, Blinken also called on the congressional leadership to pass the China competition bill as soon as possible.
- After President Biden said that he is considering whether to remove the tariffs, U.S. Trade Representative Katherine Tai argued that the United States must be “strategic” about the final decision. Tai previously said that the tariffs offer Washington leverage in its approach to modify China’s trade practices.

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

- Invest. Align. Compete. In a long-awaited and wide-ranging policy speech, Secretary of State Antony Blinken laid out the Biden administration’s China strategy mantra. The administration has certainly ‘invested’. Its effort to forge domestic economy-wide ‘industrial policy’ outcomes is perhaps the most ambitious and activist of any administration since the end of World War Two. The administration has certainly ‘aligned’. It has restored multilateral and regional cooperation with allies and partners after Donald Trump’s ‘America First’ interlude. On the ‘compete’ front, however, success is questionable. The administration has framed its approach towards China as one of ‘extreme competition’ (within guardrails). In reality, the approach has been focused not so much on competing as much as selectively tilting the playing field through a series of supply chain decoupling and trade enforcement measures with ‘in-group’ allies and partners. The protectionist whiff surrounding the Section 301 tariff renewal debate in Washington encapsulates this less-than-forthright commitment by the administration to leveling the playing field. Of course, this state of affairs could change later this summer; particularly if Congress is successful in passing its extensive China competition bill. Be that as it may, Secretary Blinken’s speech is worth embracing for its milder tone on China. During the latter years of the Trump administration, just the announcement of a policy speech on China left a foreboding of

the depths to which the bilateral relationship would plumb in the weeks and months ahead. This is, thankfully, no longer the case.

### [Expanded Reading]

- [The Administration's Approach to the People's Republic of China](#), U.S. Department of State, Speech by Anthony J. Blinken, Secretary of State, May 26, 2022
- [US Must Be 'Strategic' on China Tariffs, Trade Chief Says](#), *Bloomberg*, May 23, 2022 [Paywall]
- [Both US, China benefit from bilateral commercial ties: US business leader](#), *China Daily*, May 19, 2022
- [China Market Challenges](#), International Trade Administration, January 4, 2022
- [U.S. Statement on the Trade Policy Review of China](#), Office of the United States Trade Representative, October 22, 2021

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## 2 — Official Launch of IPEF Casts Doubt on Trade Liberalization — 2

### [In One Sentence]

- On a diplomatic trip to East Asia, U.S. President Joe Biden officially launched the Indo-Pacific Economic Framework for Prosperity (IPEF).
- IPEF will focus on four pillars: fair and resilient trade; supply chain resiliency; clean energy, decarbonization and infrastructure; and effective taxation, anti-money laundering and anti-bribery.
- Analysts are uncertain about the extent of India's participation in IPEF, but 12 other nations are listed as initial partners in IPEF, with Fiji also joining soon after its launch.

### [Mark the Essentials]

- The initial 12 IPEF partners are: Australia, Brunei, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. Fiji later joined as the 14th founding member.
- According to U.S. Trade Representative Katherine Tai, IPEF's trade pillar will cover issues such as "the digital economy and emerging technology, labor commitments, the environment, trade facilitation, transparency and good regulatory practices, and corporate accountability."
- U.S. officials later confirmed that IPEF will not include market access, tariff liberalization or exemption from U.S. trade law enforcement, but will instead provide benefits through "incentives and opportunities".
- Commentators have observed that India's stance on data and digital economy makes it difficult to join the trade pillar of IPEF, but the other three pillars could be attractive as India seeks an alternative to China.

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

- After many months of exertion, the Biden administration has delivered not a mountain but a molehill. On May 23, the Indo-Pacific Economic Framework for Prosperity (IPEF) was launched in Tokyo, Japan alongside a sparse two-page joint statement. One would be forgiven for thinking that negotiations among the parties on the four pillars will now proceed, but this line of thinking is incorrect. Tokyo marked the launch of "collective discussions [only] towards future negotiations" on the various pillars—hardly a resounding affirmation of will and purpose. At this time, there are more questions than answers regarding the fleshing out of IPEF's bare-boned skeletal pillars, many of which will presumably be answered in the fullness of time. At this stage, IPEF appears to be more as a 'club' for joint standard setting as well as a vehicle for recreating a secure and resilient closed-circle supply chain that strips China out of its midst. For IPEF to leave its mark in the region's economic architecture, it must advance economic liberalization and integration in the Indo-Pacific region. And it must not become the Asian equivalent of the USMCA (U.S.-Mexico-Canada) agreement; the

first preferential trade arrangement to actually raise—not lower—cross-border barriers. Time will tell whether IPEF will prove its detractors wrong.

### [Expanded Reading]

- [IPEF viewed as effort to box in China](#), *China Daily*, May 27, 2022
- [Statement by National Security Advisor Jake Sullivan on Fiji Joining the Indo-Pacific Economic Framework for Prosperity](#), The White House, May 26, 2022
- [FACT SHEET: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity](#), The White House, May 23, 2022
- [On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework](#), The White House, May 23, 2022
- [Southeast Asia's reliance on China may upend US-EU plan for global tech standards](#), *South China Morning Post*, May 19, 2022 [Paywall]

## On the Hill

### [Legislative Development]

- House Speaker Nancy Pelosi said that Congress is “confident” about passing the China competition bill, “hopefully” before July 4th, but sources said that negotiators have yet to make progress on a number of key issues in the bill.

### [Hearings and Statements]

- A majority of the Senate urged the Biden administration to include Taiwan in the Indo-Pacific Economic Framework, citing supply chain needs as well as strategic and security concerns.
- A bipartisan group of Senators urged Biden to maintain the China tariffs in their current form and prioritize the enforcement of Phase One commitments.
- Lawmakers lauded the launch of the Indo-Pacific Economic Framework, but many reiterated the need to include market-access commitments.
- Eight Republican lawmakers called for more “meaningful” consultation with Congress on trade issues, including on the IPEF negotiations.

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

- The last time Congress adjourned early to enable senators and representatives to return to their districts and dive into midterm electioneering mode, the august body left an important trail of China-related accomplishments. The massive National Defense Authorization Act (NDAA) for fiscal year 2018-2019 barred China from participating in future Rim of the Pacific (RIMPAC) exercises (the 2022 edition of which will start at the end of June) and encouraged the administration to support Taipei’s acquisition of asymmetric warfare and undersea warfare capabilities. More importantly, by way of the Foreign Investment Risk Review Modernization Act, tucked away like its counterpart Export Control Reform Act in NDAA 2018-2019, the Treasury-led Committee on Foreign Investment in the United States (CFIUS) was subject to its most comprehensive expansion in order to block Chinese merger, acquisition or takeover of important U.S. companies. In a midterm year when Congress is once again seized of a momentous China-related legislative

matter—in this instance, the ‘conferencing’ of the China competition bills (America COMPETES Act and USICA), it would be useful to remember this recent history. At the time, Republicans held a majority in both the executive and legislative branches but passed the omnibus NDAA legislation on a bipartisan basis. Today, it is the Democrats who hold both the executive and legislative branches. The question going forward is this: can the Democrats make the necessary compromises this time around, particularly in the trade provisions of the COMPETES Act, to enable the ‘conferenced’ China competition bill to pass on a bipartisan basis? The clock is ticking.

### [Expanded Reading]

- [Portman, Bipartisan Group of Senators Urge President Biden to Keep Section 301 Tariffs in Place, Enforce Phase One Agreement with China](#), United States Senator for Ohio Rob Portman Press Release, May 25, 2022
- [Carper, Cornyn Welcome Launch of Indo-Pacific Economic Framework](#), U.S. Senator for Delaware Tom Carper Press Release, May 23, 2022
- [Chairman Menendez Statement on Pres. Biden’s Launch of the Indo-Pacific Economic Framework to Counter China](#), United States Senate Committee on Foreign Relations Press Release, May 23, 2022
- [Brady and A. Smith: Indo-Pacific Economic Framework Presents Strong Opportunity, But Isn’t Nearly Ambitious Enough](#), Ways and Means Republicans Press Release, May 23, 2022
- [Pelosi says she hopes U.S. Congress can pass China competition bill by July 4](#), *Reuters*, May 19, 2022 [Paywall]
- [Risch, Cantwell Encourage POTUS to Pursue Stronger Indo-Pacific Strategy](#), United States Senate Committee on Foreign Relations Press Release, May 19, 2022
- [Risch, Menendez Lead 50 Colleagues in Letter to POTUS Championing Taiwan’s Inclusion in Proposed Indo-Pacific Economic Framework \(IPEF\)](#), United States Senate Committee on Foreign Relations Press Release, May 18, 2022