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What's Been Happening

1 — Citing Competition with China, a Slimmer CHIPS Act Plus is Signed — 1

[In One Sentence]

- On August 9, President Joe Biden signed the long-awaited and landmark *CHIPS and Science Act of 2022*.
- On July 27, the Senate passed the CHIPS Plus bill with the House swiftly passing it the following day.
- Ahead of the Senate vote, the White House framed the bill as necessary for national security and economic competitiveness.

[Mark the Essentials]

- The *CHIPS and Science Act of 2022* includes over \$52 billion in funding for semiconductor manufacturing incentive programs, other related scientific and technological research as well as workplace development.
- The original scope of the *Bipartisan Innovation Act (USICA + America COMPETES Act)* was pared down due to the unresolved differences over several areas such as its trade title, which ultimately led to a revised, slimmer version of the legislation.
- Before the Senate vote, the administration was reported to have repeatedly lobbied for the legislation while referring to both the U.S. competition with China and national security concerns.

[Keeping an Eye On...]

- After a summer-long conference process of twists and turns, but little overall progress, the *CHIPS and Science Act of 2022* passed the Senate and the House in quick succession on July 27 and July 28, respectively. On August 9, President Biden signed the bill into law, adding a new legislative feather to his presidential hat. In short, the *CHIPS and Science Act of 2022* is a slimmed down version of the proposed *Bipartisan Innovation Act* that was under consideration in conference. It is also an improvement over the *Bipartisan Innovation Act*, given that it strips out the protectionist-leaning trade title of the proposed act and as much as US\$19 billion of subsidies is now expected to flow into chip production on U.S. soil in FY2022 alone! Now, the international dimension of the *CHIPS and Science Act of 2022* takes center stage. In exchange for multibillion-dollar subsidies, *CHIPS and Science Act* beneficiaries, which are expected to include South Korean and Taiwanese chip producers, are prohibited from expanding their advanced semiconductor manufacturing capabilities in China for the next 10 years. In parallel, the U.S. Department of Commerce is seeking to form a 'CHIP 4' cartel with Japan, South Korea and Taiwan to prevent the leakage of advanced chipmaking knowledge into the Chinese industrial ecosystem. With this, the decoupling game in the semiconductor sector has begun in earnest. How South Korean and Taiwanese manufacturers fare—a few of which might even fail—in this

contest given their dependence on sales and revenues earned on the Mainland will be just as important a factor as the extent to which China is elbowed out of the high-end segment of global semiconductor design and manufacturing.

[Expanded Reading]

- [Biden signs China competition bill to boost U.S. chipmakers](#), *CNBC*, August 9, 2022
- [Biden signs \\$280B CHIPS act in bid to boost US over China](#), *AP*, August 9, 2022
- [Biden signs CHIPS Act, intended to relieve the pandemic-era computer chip shortage](#), *ABC News*, August 9, 2022
- [Here's what's in the bipartisan semiconductor chip manufacturing package](#), *CNN*, August 9, 2022
- [FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China](#), White House, August 9, 2022
- [H. R. 4346 The CHIPS and Science Act of 2022](#), U.S. Senate Committee on Commerce, Science, & Transportation, July 29, 2022
- [Biden meets CEOs, labor; backs bill to boost U.S. chips production](#), *Reuters*, July 25, 2022 [Paywall]

2 — The IPEF is in Need of More Flesh on Bone— 2

[In One Sentence]

- Lawmakers called on the Biden administration to boost transparency in the Indo-Pacific Economic Framework (IPEF) via consultation involving both Congress and outside stakeholders.
- Some IPEF members called for transition periods for member countries to meet the high commitment standards at the IPEF ministerial meeting in late July.
- More than 100 civil society and labor groups have also called for transparency in the IPEF talks.
- Secretary of State Antony Blinken said that the U.S.-Japan Economic Policy Consultative Committee will complement the IPEF.

[Mark the Essentials]

- Nine lawmakers sent a letter to the top officials in charge of trade policy in the Biden administration to address concerns of the executive branch bypassing the legislative branch on trade agreements and called the announcement of IPEF “abrupt.”
- During the virtual ministerial meeting of the 14 IPEF members, Malaysia and multiple other Asian countries sought to establish flexibilities within the IPEF pillars; particularly over transition periods.
- Advocates calling for greater transparency in IPEF have suggested that the Biden administration replace corporate input with an “on-the-record public process” to avoid the problems encountered during the Trans-Pacific Partnership (TPP) negotiations.
- Secretary Blinken joined Commerce Secretary Gina Raimondo and their respective Japanese counterparts at an inaugural “Economic 2+2” meeting where they raised concerns over China, promised cooperation to address barriers on cross-border data flows, and backed joint efforts on export controls for critical technologies and supply chain resilience.

[Keeping an Eye On...]

- For almost two decades now, U.S. Congressmen and women have shouted themselves hoarse about the Executive Branch’s lack of consultation with Congress at the time of negotiating trade agreements. After all, the U.S. Constitution does vest Congress with the authority to regulate foreign commerce, as they correctly argue. More often than not, the loudest voices have emerged from the Democratic side; particularly from

protectionist-minded Democrats hoping to torpedo an ongoing trade negotiation by pointing to a supposedly perfidious corporate giveaway or suchlike that was under wraps during the course of a negotiation. How appropriate it is, then, that the shoe is on the other foot now as a protectionist-minded U.S. Trade Representative from the Democratic Party has to answer calls from Congress to be more transparent on the state of the Indo-Pacific Economic Framework (IPEF) consultations. This is a tough ask for USTR Tai for two reasons. IPEF is designed as a trade executive agreement (TEA) that skirts meaningful congressional oversight and, crucially, congressional ratification. The recent spate of TEA's, such as the rules of origin annex in the U.S.-Japan trade agreement, is itself a matter of questionable constitutionality. More embarrassingly, the demand for transparency from the Hill will blow open the specious quality of IPEF's substantive content under negotiation. With no market access on tap, no third-party enforceability, inclusivity prioritized over ambition, and an *a la carte* approach to participation in hand-picked pillars, the IPEF negotiations resemble the ASEAN-led regional trade agreements in Asia that Washington has invariably derided. The 14 countries constituting the current membership of IPEF are expected to launch the negotiation phase of the proposed framework in early-September. For reasons deriving from the framework's substantive hollowness (except perhaps for its supply chain and digital trade commitments), it is understandable that the Biden administration would prefer to conduct negotiations under a veil of relative secrecy. Whether Congress is prepared to accept this remains to be seen. They are probably not. And the extent of its subsequent pushback remains to be seen.

[Expanded Reading]

- [Biden Administration Hosts the First Indo-Pacific Economic Framework Ministerial: Updates, Outlook, and Remaining Questions](#), Covington, August 4, 2022
- [DeLauro, Warren Call for Better Engagement with Congress, Public on Proposed Indo-Pacific and Americas Trade Deals, No TPP 2.0](#), United States Representative Rosa DeLauro, August 2, 2022
- [GOP senators use McKalip hearing to slam Biden trade agenda](#), *Agri-Pulse*, July 28, 2022 [Paywall]
- [Hearing to Consider the Nomination of Douglas J. McKalip, of the District of Columbia, to be Chief Agricultural Negotiator, Office of the United States Trade Representative, with the Rank of Ambassador](#), United States Senate Committee on Finance, July 28, 2022
- [U.S. to host first IPEF ministerial meeting](#), *Politico*, July 25, 2022

On the Hill

[Legislative Development]

- After a year of impasse, the Senate passed the budget reconciliation deal which includes billions of dollars for clean energy programs.
- Senator Jim Risch introduced the *Economic and Commercial Opportunities and Networks Act*, which would bolster the State Department's effort to combat intellectual property theft and forced technology transfers.
- With the CHIPS Act cleared and signed into law, Senate Majority Leader Chuck Schumer noted that he hopes to reach an agreement in September on the China competition bills still stuck in conference proceedings.

[Hearings and Statements]

- During her visit to Taiwan, House Speaker Nancy Pelosi said a trade agreement between the U.S. and the self-governing island might be possible and could be arranged soon.
- The Senate Foreign Relations Committee will hold a business meeting to address the *Taiwan Policy Act of 2022*.
- A bipartisan group of legislators introduced resolutions calling on the Biden administration to negotiate new digital trade rules with “like-minded” countries to uphold democratic values in a digital world that is increasingly under threat from China.
- Lawmakers expressed serious concerns over the “revolving door” between the Commerce Department and big technology companies, citing its impact on global digital trade policy rulemaking.

[Keeping an Eye On...]

- In his long-awaited China policy speech in late-May, Secretary of State Antony Blinken had summarized the Biden Administration’s strategy in three words: invest, align, compete. On August 7, the U.S. Senate delivered a massive down-payment towards realizing the Biden administration’s strategy by voting 51-50 to pass the *Inflation Reduction Act*. The Act is soon expected to pass the House in its current form and subsequently be signed into law by President Biden. The Act authorizes the single largest investment in climate and energy policy measures in American history—to the tune of about \$370 billion—mostly by way of investment tax credits. These provisions are expected to usher in a new burst of innovation and deployment of clean energy at scale by crowding-in the private sector’s immense entrepreneurialism and equally immense financing capabilities. Just as venture capital firms poured their billions into microelectronics (in a style similar to that of what happened in Silicon Valley) and biomedicine and incubated the great ‘unicorns’ of today only after the Defense Department and the National Institute of Health had invested their billions in the funding of upstream research, development and initial procurement, so also the Energy Department’s forthcoming multi-billion investments in upstream research, development and initial procurement is expected to spawn the great climate-focused discoveries and ‘unicorns’ of tomorrow. The impact of two landmark pieces of legislation in the space of two short weeks—the *CHIPS and Science Act of 2022* and the *Inflation Reduction Act of 2022*—could yet reverberate for years and decades to come. The U.S. has invested, is aligning, and stands ready to compete. Is China ready to put up? Bring on the competition.

[Expanded Reading]

- [Sweeping budget package passes Senate; House on deck Friday](#), *Roll Call*, August 7, 2022
- [PELOSI’S VISIT: CHIPS act opens door for deeper ties, Pelosi says](#), *Taipei Times*, August 4, 2022
- [White House Lobbies Democrats Against Deepening Taiwan Ties](#), *Bloomberg*, August 3, 2022 [Paywall]
- [DelBene, LaHood, Bera, Chabot Introduce Bipartisan Resolution to Promote the U.S. Digital Economy and Digital Trade](#), U.S. Congresswoman Suzan DelBene Press Release, July 28, 2022
- [Risch Introduces Legislation to Strengthen Economic and Commercial Diplomacy](#), United States Senate Committee on Foreign Relations, July 27, 2022
- [Van Hollen, Sasse Call for U.S. to Negotiate a Tax Agreement with Taiwan](#), U.S. Senator for Maryland Chris Van Hollen Press Release, July 22, 2022
- [Warren, Jayapal Question Raimondo on Big Tech Revolving Door at Department of Commerce and Its Impact on Global Digital Trade Rules](#), U.S. Senator Elizabeth Warren Press Release, July 21, 2022