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TnT ICAS TRADE 'N TECHNOLOGY PROGRAM

The Institute for China-America Studies Trade 'n Technology (TnT) Program chronicles and analyzes the evolving dynamics of U.S.-China trade and technology affairs as they occur.

The goal of this program is to provide well-rounded, timely products on issues involving U.S.-China trade and technology developments and expand public dialogue surrounding this critical and contentious topic.

As one of the primary products of the ICAS TnT Program, the **TnT Dispatch** is a curated biweekly newsletter built to inform readers of notable recent developments in U.S.-China trade and technology ties.

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What's Been Happening

1 — G7 Touts Collective Approach, Aims at Tech Cooperation Beyond TTC — 1

[In One Sentence]

- From June 26-28, leaders of the Group of Seven (G7) met in Germany to discuss Russia, economic security and stability, digitalization and global infrastructure investment.
- The G7 leaders committed to continue developing “collective approaches” that were “also beyond the G7” to address China’s non-market policies.
- The leaders hoped to build on the standards-setting works by other multilateral frameworks, such as the Trade and Technology Council (TTC) and the Quadrilateral Security Dialogue (the Quad).

[Mark the Essentials]

- G7 leaders said they would continue “severe and enduring” sanctions on Russia, address economic stability and security amidst rising costs, support global infrastructure and investment as well as form an international Climate Club by the end of 2022.
- In a joint communique, G7 leaders committed to building a shared understanding of China’s “non-transparent and market-distorting intervention” and developing a coordinated action to “foster diversification and resilience to economic coercion, and to reduce strategic dependencies.” They also committed to removing forced labor from global supply chains.
- The leaders supported international cooperation “within the G7 and with like-minded partners” to deliver democratic and market-oriented standards in technology, trade and innovation, highlighting existing works of the TTC and the Quad.

[Keeping an Eye On...]

- For a precious few weeks in March and April, the G7 countries showed they were capable of swift and decisive action when they imposed ‘shock and awe’ financial, trade and export control sanctions on Russia. With the passage of time, though, the G7 has once again reverted to form—as in, being long on talk and short on action. The White House’s G7 fact sheet highlighting the membership’s supposedly unified approach on confronting China’s unfair economic practices is typical in this regard. The talk of a unified approach has been a recurring theme of G7 and trilateral (U.S.-EU-Japan) joint statements going back to the middle years of the Trump administration. Yet, after almost half-a-decade of talking up the issue, there is still no concrete negotiating proposal on industrial subsidies on the table; be it at the WTO in Geneva, within the G7 framework, or within the trilateral framework. A trilateral joint statement in January 2020 is the best that the

parties have been able to summon so far. On the other hand, detailed disciplines on China's industrial subsidy policies and practices are memorialized in the EU-China Comprehensive Agreement on Investment (CAI) and in the Phase Two U.S.-China draft text. If the U.S. and EU really mean what they say on holding China's feet to the fire on non-market industrial subsidy practices, all they have to do is take the Phase Two draft text and the already-finalized CAI out of the deep freezer and shepherd them to their logical destination points (i.e., a bilateral agreement with China on Phase Two issues and passage of the CAI in the European Parliament). The time has come for less talk and more action.

[Expanded Reading]

- [G7 Leaders' Communiqué - Executive summary](#), European Council, June 28, 2022
- [FACT SHEET: The United States Continues to Strengthen Cooperation with G7 on 21st Century Challenges, including those Posed by the People's Republic of China \(PRC\)](#), White House, June 28, 2022
- [G7 aims to raise \\$600 billion to counter China's Belt and Road](#), Reuters, June 27, 2022 [Paywall]

2 — Waving the Export Control Stick? — 2

[In One Sentence]

- The Bureau of Industry and Security (BIS) plans to prioritize “the most serious” export control violations, increasing penalties in “egregious” cases while putting minor cases on a processing fast track.
- The BIS recently added 36 entities to the Entity List, including 29 Chinese companies and six companies, five of them Chinese, “specifically for their continued support of Russia’s military efforts.”
- The Department also publicly identified two Chinese entities already on the Entity List as supporting Russia’s military.

[Mark the Essentials]

- Announcing a new “prioritization strategy,” BIS head Matthew Axelrod said the agency will now apply “existing aggravating penalty factors” more uniformly to “properly” identify “egregious” violations of export controls and “escalate penalty amounts where appropriate”.
- According to Commerce Secretary Gina Raimondo, the Entity List additions show that the U.S. and its allies and partners will “act swiftly to hold parties accountable who attempt to circumvent our controls.” She added that China is “watching our response closely”.
- Raimondo previously said that the Biden administration is “constantly” working to identify “bad actors in China” and add them to the Entity List.

[Keeping an Eye On...]

- The breakdown of U.S.-China economic relations during the Trump administration might have started as a trade and tariff war but it is the technology denial element that added the undeniable sting. Export controls have become the U.S. government's *de facto* number one tool of choice to slow down China's secular climb up the technology ladder. And why not? The controls are proving their worth in ways that the tariffs never could. Russia is providing a further proving ground for the sharpening of this dreaded tool. For the first time, the Foreign-Produced Direct Product (FDP) Rule has been applied to a whole country; previously, the rule was applied to individual entities only, such as Huawei, and the rule is expected to substantially limit the availability of key microeconomic parts and components and degrade Russia's technological base. Back-filling Moscow's chip requirements could invite a heap of trouble on Chinese producers. That said, export controls are not an entirely cost-free tool either. Its excessively unilateral use could lead to the ‘designing out’ of U.S.

parts and components from certain technology value chains who learn to operate without these U.S. supply chains. And technology embargo decisions, such as the one to curtail critical American technology support for China's homegrown wide-body civil aircraft manufacturing ambitions, has now led three major Chinese airlines to reject Boeing in favor of Airbus from a US\$37 billion aircraft order. There are zero unilateral technology denial sanctions imposed by the European Union on China for a reason. Some think this might have had something to do with the choice of Airbus. Using a 'stick' instead of a 'carrot' can lead to unexpected sacrifices if it is left unbalanced and waved for too long.

[Expanded Reading]

- [U.S. Aims to Expand Export Bans on China Over Security and Human Rights](#), *The New York Times*, July 5, 2022 [Paywall]
- [BIS Hammers 36 Russian Military Suppliers; Chinese Military Suppliers Get A Pass](#), *Forbes*, July 1, 2022 [Paywall]
- [Addition of Entities, Revision and Correction of Entries, and Removal of Entities From the Entity List](#), Bureau of Industry and Security, Federal Registry, June 30, 2022
- [US starts sanctioning China for supporting Russia](#), *Asia Times*, June 30, 2022 [Paywall]
- [US Says Five Chinese Companies Support Russia's Military](#), *Asia Financial*, June 29, 2022 [Paywall]
- [Export Controls 'Matter More Than Ever,' US Commerce Chief Raimondo Says](#), *Bloomberg*, June 29, 2022 [Paywall]
- [Remarks by U.S. Secretary of Commerce Gina Raimondo at the Bureau of Industry and Security \(BIS\) Update Conference](#), U.S. Department of Commerce, June 29, 2022

3 — A Few Tariffs may Go, but Decoupling Continues— 3

[In One Sentence]

- President Biden is yet to make a decision on whether to remove or reduce the Section 301 tariffs on China.
- U.S. Secretary of the Treasury Janet Yellen and China's Vice Premier Liu He discussed economic developments as well as the U.S. tariffs on China during a virtual meeting.
- Senator Tim Kaine urged the Biden administration to reduce tariffs on Chinese goods to combat inflation.
- U.S. intelligence agencies are warning companies and local governments of China's economic influence.

[Mark the Essentials]

- According to China's readout of Premier Liu He's meeting with Secretary Yellen, the Chinese side expressed concerns and called for the lifting of additional tariffs on China as well as the U.S.' sanctions, and also called for the fair treatment of Chinese enterprises.
- Calling the Section 301 tariffs on Chinese goods a "Trump tax," the Senator said that removal of the tariffs would allow the administration and Congress to fight inflation and increase U.S. competitiveness through legislation like the Infrastructure Act and the Innovation Act.
- According to the agencies, China is using partnerships and business deals and investments between Chinese and U.S. localities to create dependency and "press its agenda," "including improved U.S. economic cooperation with China and reduced U.S. criticism of China's policies towards Taiwan".

[Keeping an Eye On...]

- The Biden administration's tariff reassessment debate is being guided by three factors. First, the administration is up against a four year statutory deadline, as inscribed in the Section 301 law, to either extend or repeal the tariffs. This is the most important driver of the debate internally within the administration. Had this deadline not been in place, the tariffs would not have been reviewed before the midterm elections. Second is the unexpectedly high inflation print over the past couple of months, which is due to both excess demand and supply chain snafus. The thinking is that the spiraling pocketbook expenses of the average American can be brought down by releasing the tariff valve. This is true up to a point, but there is a tendency to overestimate the degree of price containment that can be achieved through tariff reduction. The tariffs, after all, have already diverted production elsewhere, so the cost reductions that will occur will be muted. Third and final, there are a few committed free traders in the administration, like Janet Yellen, who understand that tariffs are a tax on both consumers as well as domestic producers using imported intermediate inputs. Over the medium and long term, such a tax sidetracks an economy from operating at a level of productivity that is commensurate with its growth potential. Overall, the first two factors are driving the administration's tariff-related decision-making. And given that the first factor and the second factor are essentially at odds with each other, the net result as we see today is a half-hearted measure to remove a subset of the Trump-era tariffs. That said, any removal or reduction should be welcomed. The material impact economically might be limited but from a political standpoint, it will be a salient moment in the bilateral relationship—given that the imposition of the Section 301 tariffs in July 2018 had marked the first major shot of the U.S.-China 'new cold war' of the 21st century.

[Expanded Reading]

- [Biden says he has not decided on China tariffs, reviewing them 'one at a time'](#), *Reuters*, July 8, 2022
- [US Intelligence Warns of Chinese Influence Effort Against States](#), *Bloomberg*, July 6, 2022 [Paywall]
- [Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on July 5, 2022](#), Ministry of Foreign Affairs of the People's Republic of China, July 5, 2022
- [READOUT: Secretary of the Treasury Janet L. Yellen's Virtual Meeting with Vice Premier of the People's Republic of China \(PRC\) Liu He](#), U.S. Department of the Treasury, July 4, 2022
- [Opinion: Roll back the Trump tax on American households](#), *The Virginian-Pilot*, July 2, 2022 [Paywall]

On the Hill

[Legislative Development]

- Senate Minority Leader Mitch McConnell threatened to block the emerging China competition bill in the conferencing process if Democrats continue pursuing a partisan budget reconciliation bill.
- The White House criticized McConnell and Republican Senator John Cornyn for "holding hostage" the competition bill, but Cornyn said the White House was "confused".
- As Congress continues to reconcile the competition bill, five Republican Senators are calling on support for the House version of the bill's trade provisions while other lawmakers anticipated the trade title to be cut out of the bill.
- A bipartisan group of Senators led by Finance Committee Chair Ron Wyden proposed to restrict the export of personal data of large numbers of users citing China and national security concerns.

- Two Democratic lawmakers proposed to give berthing preference to U.S. exporters at American ports, arguing that it will help reduce trade imbalance with China.
- A bipartisan pair of Senators called on Commerce to initiate anti-dumping and countervailing duty (AD/CVD) investigations into Chinese mask imports.

[Midterm Election Outlook]

- Democrat and Republican election hopefuls alike are leaning into rhetoric about U.S. competition with China in an effort to win over voters ahead of the midterm elections this fall.
- Sen. Marco Rubio (R-FL) is staking a course as a leading 'China hawk' within the GOP. In addition to headlining campaign emails with subjects like "Dems <3 China," he recently delivered a fiery speech at the Heritage Foundation titled "Putin's War and the Threat from Communist China" where he portrayed U.S.-China relations as a battle between liberalism and authoritarianism that the Democrats are not poised to win. He leads his Democratic challenger, Rep. Val Demings, by nine points in the polls.
- Sen. Raphael Warnock (D-GA), who won his seat in a 2021 special election, is pushing the message that the CHIPS Act could mitigate the ongoing semiconductor shortage and avoid future plant shutdowns like one which hit a KIA factory in his state last year. He is currently leading his Republican challenger, Herschel Walker, by ten points in the polls.
- Sen. Mark Kelly (D-AZ) penned an op-ed in the *Phoenix Business Journal* endorsing the semiconductor provisions of USICA and successfully introduced a motion instructing House and Senate conferees to include the CHIPS Act's domestic semiconductor funding in the final version of the China competition bill. The Republican primary for Sen. Kelly's seat will not take place until August 2, but GOP Super PACs are already latching on to the incumbent's stake in a Chinese tech firm and portraying it as a source of undue influence (which Kelly denies). While no comprehensive polls for the general election have been conducted yet, Sen. Kelly's race is expected to be one of the Democrats' most vulnerable.

[Keeping an Eye On...]

- While competition with China is one of the few major areas of bipartisan consensus on the Hill, reconciling the House and Senate bills that tout this competition is turning out to be a much harder lift than anticipated. For this underwhelming state of affairs, much of the blame resides on the shoulders of the House Democrats. Given the Biden administration's mismanagement on the inflation front, fearful of the shellacking that they will receive in the midterms in November, and terrified of the amount of time they might have to sit in the opposition benches, the House Democrats have chosen to harvest partisan near-term legislative gains rather than hammer out a far-sighted consensus on the China competition bill, also known as the Bipartisan Innovation Act. A climate change, prescription drug pricing, and social spending package is sought to be passed by the Democrats on a party-line vote, more-or-less at the expense of the Bipartisan Innovation Act. Red meat, or maybe its vegetarian substitute, for partisan domestic constituencies is being readied for the national interest. As for the Bipartisan Innovation Act, expect it to be stripped down to its bare essentials (i.e., a funded CHIPS Act or a funded CHIPS Act-plus with its \$50 billion in semiconductor production-related investment tax credits) and passed on a bipartisan basis. In retrospect, if just the CHIPS Act funding is to be the final end-product in this 117th Congress, its passage on a bipartisan basis could have been achieved as early as Spring 2021. The mountain that was promised on the 'China competition' policy is in danger of delivering a molehill. Congress yet again is proving that in an election year, it is the place where good ideas come to die.

[Expanded Reading]

- [Rubio, Colleagues Voice Concerns with Provisions of the Senate's China Bill](#), Office of Sen. Marco Rubio, July 5, 2022
- [As China competition bill takes shape, Georgia lawmakers push for resources](#), *The Atlanta Journal-Constitution*, July 4, 2022
- [The \(new\) GOP plan to defeat Raphael Warnock and Mark Kelly](#), *Axios*, July 1, 2022
- [McConnell issues major warning to Democrats: GOP will walk away from China competition bill if they push party-line economic plan](#), *CNN*, June 30, 2022
- [Lawmakers Want To Favor Carriers That Prioritize US Exports](#), *Transport Magazine*, June 29, 2022
- [Wyden, Lummis, Whitehouse, Rubio and Hagerty Introduce Bipartisan Legislation to Protect Americans' Private Data from Hostile Foreign Governments](#), Office of Sen. Ron Wyden, June 23, 2022
- [Baldwin, Braun Defend Made in America Mask Manufacturers, Call on Commerce to Investigate Chinese Mask Dumping](#), Office of Sen. Tammy Baldwin, June 23, 2022
- [Is Time Running Out for Compromise on America COMPETES/USICA Act?](#), *HPC Wire*, June 22, 2022
- [How Good Bills Die in Committee](#), *The Wall Street Journal*, June 14, 2022 [Paywall]
- [Sen. Kelly Highlights His Bill to Boost Arizona Microchip Manufacturing in New Column](#), Office of Sen. Mark Kelly, May 16, 2022
- [My View: Bill to help Arizona lead in microchip production a step closer](#), *Phoenix Business Journal*, May 13, 2022 [Paywall]
- [Rubio Speaks on the Threat of Communist China at The Heritage Foundation](#), Office of Sen. Marco Rubio, March 29, 2022

July 27, 2022

Volume 2, Issue 15

What's Been Happening

1 — Are Export Controls the New Dragon Slayer? — 1

[In One Sentence]

- The Bureau of Industry and Security (BIS) is focused on negotiating a fifth multilateral export control regime aimed at the technological threat from China.
- BIS chief Alan Estevez suggested that the agency has “appropriate tools” available to deploy against Chinese technology transfers.
- The European Union is working closely with the U.S. to address export controls targeting China.

[Mark the Essentials]

- Estevez suggested that one of the purposes of a new multilateral export control regime would be to better equip the U.S. to handle future geopolitical challenges, including potential Chinese aggression directed at Taiwan.
- On the issue of whether or not the BIS is able to also conduct outbound investment screening on American venture capital firms investing in Chinese technology companies, Estevez contended that a technology transfer would need to be part of the investment deal to be under BIS’ jurisdiction.
- Sabine Weyand, the European Commission’s director-general for trade, said that the concerns about China’s use of technology is focused on critical and emerging technologies that could be used by “authoritarian regimes” to set standards for future technologies.

[Keeping an Eye On...]

- During the final year of the Trump administration, a gruff diplomat and ex-businessman by the name of Keith Krach made the rounds of East Asia’s capitals selling them the idea of a ‘Clean Network’—a Clean Carrier, Clean Store, Clean Apps, Clean Cloud, Clean Cable, etc. Essentially, it would be a network cleansed of mainland China’s “untrustworthy” digital fingerprints. There was hardly any buy-in with even ally Japan flat-out turning it down. ‘America first’ was indeed America alone, and a cardinal lesson was re-learned along the way. If Washington insists on decoupling supply chains, given the sheer size of China’s market, such a decoupling strategy must be crafted in a nuanced manner. An expansively drawn economic security perimeter that thwarts allies and partners’ advanced technology exchanges with Beijing could well turn out to be the 21st century’s geo-economic equivalent of the Maginot Line, leading potentially to the ‘designing out’ of U.S. parts and components from ensuing value chains. The technology controls to back up these economic security and strategic competition goals should also be designed collaboratively—ideally, multilaterally. This is a lesson

that has been well-embraced by the Biden administration as it proceeds bottom-up, not top-down, with the construction of a new (fifth) multilateral export control regime to protect the West's leadership in the foundational technologies that will be key to the Fourth Industrial Revolution (FIR). The path to a fifth export control regime will be a long and complex one, given the size of China's economic footprint in the advanced manufacturing space. That said, the underlying principle that informs the administration's effort is the correct one.

[Expanded Reading]

- [Hearing on Assessing the U.S. Economic Policy Response to Russia's Invasion of Ukraine](#), House Committee on Foreign Affairs, July 19, 2022
- [US Official Sees Curbs on Exports to Russia as Template for China](#), *Bloomberg*, July 19, 2022 [Paywall]
- [Hearing on Advancing National Security and Foreign Policy Through Export Controls: Oversight of the Bureau of Industry and Security](#), Senate Committee on Banking, Housing, and Urban Affairs, July 14, 2022
- [Global crises pushing US and Europe into closer commercial partnership, top EU trade official says](#), *South China Morning Post*, July 14, 2022 [Paywall]
- [Rethinking Trade In a Geopolitical Context: Trends and Transatlantic Cooperation](#), Center for Strategic International Studies, July 13, 2022

2 — A Shared Understanding (Sans Commitments) Among U.S. & Partners — 2

[In One Sentence]

- The U.S. and 17 partnering nations of the Supply Chain Ministerial Forum will increase transparency to strengthen global supply chains.
- A leaked draft joint statement on the trade pillar of the Indo-Pacific Economic Framework (IPEF) outlined only broad trade commitments.
- A ministerial meeting of the Indo-Pacific Economic Framework for Prosperity countries is being held on July 26-27.
- The U.S. and Thailand signed a memorandum of understanding on supply chain resiliency to boost ties in critical areas like electric vehicles and batteries.

[Mark the Essentials]

- At the conclusion of the virtual Supply Chain Ministerial Forum meeting, the U.S. and 17 other nations committed to cooperatively pursue four principles in supply chain operations: transparency, diversification, security and sustainability.
- The leaked draft of the forthcoming IPEF ministerial meeting showed that except the U.S., the other 14 participants of the IPEF have not yet agreed to join the four pillars of the framework, which covers supply chain resiliency, clean energy infrastructure as well as tax and anticorruption.
- The U.S. and Thailand will share information on “markets, disruptions, shortages, or restrictions related to critical supply chains” and focus on key areas “such as electronics and their components, medicines, pharmaceuticals, health products, medical devices, safety equipment, telecommunications equipment, energy products, and electric vehicles.”

[Keeping an Eye On...]

- The May 23rd unveiling of the Indo-Pacific Economic Framework (IPEF) in Tokyo was a less-than-stirring moment in the history of regional trade liberalization. The sparse two-page joint statement amounted to a willingness to inaugurate collective discussions towards future negotiations—not actually launch negotiations.

As such, it should come as no surprise that the first post-launch ministerial meeting appears to have little to show by way of firm commitments. It bears remembering though that even after a dozen rounds of the Trans-Pacific Partnership (TPP) negotiations in the early-2010s, there were large gaps within the negotiation text. All of that changed in year two and year three of the second Obama administration as it raced to finalize the text and have it ratified under Trade Promotion Authority (TPA) rules before the clock ran out on its tenure in office. This, in turn, begs the operative question: What will be the forcing mechanism this time around that pushes the IPEF negotiations to the critical landing zone where many of the important reciprocal bargains are memorialized? The Obama administration more-or-less went through the TPP motions during its first term before ratcheting up the pace of negotiations during the second term. Judging by this short backstory, it is hard to see any driver that could instill urgency among the IPEF parties in the short or medium term. Aside from the Biden administration's interest in wrapping up detailed supply chain commitments with a selective list of interested East Asian partners, the rest of the IPEF discussions are likely to muddle along aimlessly for the time being.

[Expanded Reading]

- [U.S. to host first IPEF ministerial meeting](#), *Politico*, July 25, 2022
- [Joint Statement on Cooperation on Global Supply Chains](#), Department of State, July 20, 2022
- [IPEF draft ministerial text - trade pillar \(Jul 2022\)](#), ISDS Bilaterals, July, 18, 2022
- [United States-Thailand Communiqué on Strategic Alliance and Partnership](#), U.S. Embassy Bangkok, July 11, 2022

3 — Renewed Attention on U.S.-China Trade and Tariffs — 3

[In One Sentence]

- New findings suggest that the Section 301 tariffs hurt U.S. tech jobs and production.
- The Commerce Department self-initiated an anticircumvention case to prevent the avoidance of anti-dumping and countervailing duties on Chinese foil.
- Wang Yi told Blinken that Beijing wants the U.S. to remove tariffs on Chinese goods “as quickly as possible.”

[Mark the Essentials]

- The Consumer Technology Association released a new report and suggested that the Section 301 Tariffs “have not been effective in dealing with China and are instead hurting U.S. businesses and consumers” while calling for a removal of the tariffs to mitigate rampant and harmful inflation.
- The Department of Commerce will be looking into the level of Chinese investment in South Korea and Thailand, as well as other factors, to determine whether or not Chinese companies have been circumventing the anti-dumping duties placed on over 230 Chinese companies for 26 alleged subsidy programs.
- As part of his four “to-do” lists to improve U.S.-China relations, Chinese Foreign Minister Wang Yi told U.S. Secretary of State Anthony Blinken that the U.S. should cancel additional tariffs on China as well as technology sanctions on China.

[Keeping an Eye On...]

- One way or the other, the Biden administration's decision on the Section 301 tariffs should be known soon. The deafening silence in the White House on this issue is a sign of its consideration, especially with the president due to sit down for his virtual meeting with President Xi tomorrow. That said, a final decision is not

expected by the time of the meeting. As has been pointed out in previous editions of the *TnT Dispatch*, the administration is still having difficulty getting its story straight on this topic, given the vertical split within the administration on the issue. For those inclined to hope for the full removal of the tariffs, disappointment will be on the cards. A (small) subset of the Section 301 tariffs will be removed; i.e., the supposedly “irresponsible” ones, although truth be told all the Section 301 tariffs are “irresponsible” and illegal. And a larger subset of the tariffs might even be reduced. As for the extended Section 301 (and Section 232) tariff probe being conducted by the U.S. International Trade Commission (USITC), one should not be holding one’s breath for its findings. The findings are not due until March 2023, although one can be quite certain that even at that late date political jockeying with regard to the Section 301 tariffs will be alive and well.

[Expanded Reading]

- [Analysis of Section 301 Tariff Impacts on Imports of Consumer Technology Products](#), Consumer Technology Association, July 20, 2022
- [Importers paid \\$32 bln in U.S. tariffs on China tech imports-industry report](#), *Reuters*, July 19, 2022 [Paywall]
- [Certain Aluminum Foil From the People’s Republic of China: Initiation of Circumvention Inquiries of the Antidumping Duty and Countervailing Duty Orders](#), Federal Register, July 18, 2022
- [Blinken, China’s Wang Yi hold talks covering Ukraine war and trade](#), *Reuters*, July 9, 2022 [Paywall]

On the Hill

[Legislative Development]

- On July 27, the long-debated CHIPS Act, this time as a CHIPS-plus framework, passed the Senate by 64-33. The final bill will not include the trade titles in USICA or the trade provisions in the House’s America COMPETES Act.
- The “Countering Economic Coercion Act of 2022” was introduced in the Senate aiming at granting the president the authority to determine whether a U.S. trading partner is being subject to economic coercion, and to take steps to address it.
- Congressional efforts to reconcile the China competition bills are running into difficulties despite industry groups and Biden administration officials urging action.

[Hearings and Statements]

- Seven Democratic House members are pressing U.S. Customs and Border Protection to place Chinese solar companies on a new entity list which is linked to forced labor.
- Senate Finance Committee Chair Ron Wyden (D-OR) citing a new ITC report, says the U.S. must combat Chinese censorship.

[Keeping an Eye On...]

- A week is a long time in politics. It is an even longer time in CHIPS Act politics. Two weeks ago, the broad Bipartisan Innovation Act appeared to be in jeopardy with Democrats choosing to prioritize a climate change, prescription drug pricing and social spending package on a party-line vote. A week thereafter, the Bipartisan Innovation Act—specifically a skinny CHIPS Act bill—appeared to enjoy a respite with the Democrats’ climate change and social spending package falling by the wayside. At this time of writing, a more robust ‘CHIPS-plus’ bill appears to be on the anvil after clearing the Senate on a bipartisan basis. Contrary to the received wisdom,

the most transformative element in the package is not the multi-billion-dollar subsidies to be handed out to American, Korean and Taiwanese chip fabricators. Rather, it is the creation of a technology directorate within the National Science Foundation (NSF) which, by broadening the NSF's remit to applied research and commercialization, could qualitatively accelerate U.S. technology development. The 'CHIPS-plus' bill is not a done deal. It now goes back to the House for a vote stripped of its trade title which initially, at least, had been the magnet that drew many additional Democratic votes to the Bipartisan Innovation Act. How Speaker Pelosi and the Democrats choose to proceed on the fine print of 'CHIPS-plus' will be key to its swift passage—or not. The bill could yet go back to a conference committee to be hashed out in August and September. It ain't over till the fat lady sings. Watch this space.

[Expanded Reading]

- [How Congress' dream of a China confrontation got gutted](#), *Politico*, July 20, 2022
- [Senate advances more than \\$50 billion bill to boost U.S. semiconductor production](#), *CNBC*, July 20, 2022
- [Schumer tees up vote on limited China competition bill](#), *AXIOS*, July 14, 2022
- [Coons, Young introduce bill to counter economic coercion of allies](#), Office of Senator Chris Coons, July 13, 2022
- [Foreign Censorship, Part 2, Trade and Economic Effects on U.S. Businesses](#), International Trade Commission, July 8, 2022

August 12, 2022

Volume 2, Issue 16

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]

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- [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

August 26, 2022

Volume 2, Issue 17

What's Been Happening

1 — IPEF Moving Forward with Members Calling for Flexibility— 1

[In One Sentence]

- The next Indo-Pacific Economic Framework for Prosperity (IPEF) ministerial meeting could pave the way for additional members.
- Many IPEF member states, including Singapore, are calling for flexibility in the Framework to allow members to adapt.
- The U.S. plans to launch the formal negotiation at the IPEF ministerial meeting set for early September.

[Mark the Essentials]

- Earlier in August, Secretary of State Blinken said that he was confident more countries would seek to join IPEF, hinting at South and Southeast Asian countries including Bangladesh, Cambodia, and Laos.
- The Australian Trade Minister Don Farrell said that the next IPEF ministerial meeting will provide a clearer picture and encouraged the U.S. to “be as forward-leaning as they can to re-engage.”
- Deputy U.S. Trade Representative Sarah Bianchi met with the vice minister for foreign affairs of Thailand, another vocal IPEF member calling for more flexibility for developing countries, to discuss the ambitious economic framework.

[Keeping an Eye On...]

- The veritable ‘starting gun’ to formally launch the Indo-Pacific Economic Framework (IPEF) negotiations will be fired on September 8th in Los Angeles, California. Following a months-long scoping exercise, the expectation at the ministerial meeting is two-fold: first, that the various parties will at least lay out the various pillars in which they will participate; and second, that the Biden administration, the key driver of the initiative, will chart out what it considers to be a high-standards pathway for each of the four pillars. With market access off the table, the bait of private sector financing of clean(er) technologies is being dangled by Washington to gin up the membership—particularly within the supply chain resilience and the infrastructure, clean energy, and decarbonization pillars. Whether actual financing will materialize is another matter. The U.S. International Development Finance Corporation’s record of crowding-in private investors is not a promising one. And whether such financing can re-wire supply chains in the Indo-Pacific, except those pertaining to a narrow list of advanced manufacturing products, is even more tenuous. The IPEF negotiations come at a time when the chief structural tension in the Indo-Pacific region is the disconnection between the U.S.-centered hub-and-spokes security system and the regional economic order that is organizing along community lines and

in which the United States is ever less a driving force. As Beijing becomes a prodigious exporter of capital to its extended neighborhood as well as the primary final market for the region's production-shared output more gradually, this disconnect will only get starker. Does IPEF have an answer to this inexorable dilemma? We shall have to wait and see in early September.

[Expanded Reading]

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- [Singapore's trade minister: 'Workable' IPEF designed to be flexible](#), *Inside U.S. Trade*, August 17, 2022 [Paywall]
- [Readout of Ambassador Sarah Bianchi's Meeting with Thailand Vice Minister for Foreign Affairs Vijavat Isarabhakdi](#), Office of the United States Trade Representative, August 11, 2022
- [Readout of Secretary Raimondo's Meeting with Australian Minister for Trade and Tourism Don Farrell](#), U.S. Department of Commerce, August 10, 2022

2 — Taiwan, Trade, and CHIPS— 2

[In One Sentence]

- Representatives from the U.S. and Taiwan have agreed to begin formal negotiations on a trade agreement.
- Secretary of Commerce Gina Raimondo said that the Pelosi visit to Taiwan has “complicated” U.S.-China dialogue.
- House Speaker Pelosi suggested Congress should consider new trade legislation following her trip to the Indo-Pacific.
- The International Trade Administration is seeking public input on the barriers to U.S. exports of artificial intelligence (AI), which could become an issue of future trade negotiations with EU and Asian partners.
- United States Trade Representative (USTR) Katherine Tai suggested that the U.S. should “keep replicating” CHIPS Act efforts for other industries.

[Mark the Essentials]

- The issue areas of the U.S.-Taiwan trade negotiations mimic those found in IPEF, although the latter's pillar-based approach has been dropped from the former.
- Secretary Raimondo contended that back-channel communications with China are limited and the House Speaker's visit made these communications “a little more challenging.”
- Taiwanese media reported that Pelosi held a separate conversation with giant chipmaker TSMC to discuss the semiconductor industry and the CHIPS Act during her visit to Taiwan.
- While USTR Tai and other Washington officials applaud the CHIPS Act success, analysts cautioned those involved to not “out China” China.

[Keeping an Eye On...]

- Taiwan originally sought to be a founding member of the Indo-Pacific Economic Framework (IPEF). With other prospective Asian member countries balking at this prospect, given Beijing's exclusion from IPEF, the Biden administration dropped Taiwan's candidature. Instead, the two sides drew up a U.S.-Taiwan Initiative on 21st Century Trade within ten days of the unveiling of IPEF in late-May in Tokyo. In an early sign of how quickly the Washington-Taipei track is expected to proceed, the two sides then released their Negotiating Mandate on August 17th—three weeks prior to the anticipated September 8th launch of the IPEF negotiations in Los Angeles. The U.S.-Taiwan Initiative is not an unmixed blessing for Taipei. At one level, it is obviously a

coup for the self-governing island to be part of a preferential economic and trade arrangement in the Indo-Pacific ahead of its cross-strait counterpart. On the other hand, one of key purposes of the Biden administration's trade and economic focus in the Indo-Pacific, including in IPEF, is to lower its "untenable" supply chain exposure to the 'China risk'. Just to be clear, that 'China risk' also extends to the manufacturing of sophisticated parts, components and technologies on the Republic of China's soil. Thus, managed decoupling is sought not just from China but from Taiwan-based production too. On a happier note for Taipei, the Negotiating Mandate contains no reference to—and presumably no disciplines to be imposed on—its exchange rate practices. Both the December 2019 U.S.-Mexico-Canada (USMCA) Agreement and the January 2020 U.S.-China Phase One Agreement contained exchange rate commitments. For context, Taiwan has been Asia's leading currency manipulator, racking up overall current account surpluses in excess of 10% of its GDP annually since 2014. Recently, it has also consistently been featured in the U.S. Treasury Department's monitoring list for currency undervaluation in spite of the criteria to account for undervaluation being gamed in the relevant 2015 Act to quietly give Taipei a pass.

[Expanded Reading]

- [United States and Taiwan Commence Formal Negotiations on U.S. – Taiwan Initiative on 21st Century Trade](#), Office of the United States Trade Representative, August 17, 2022
- [US-Taiwan Trade Talks Kick Off in Long-Planned Counter to China](#), *Bloomberg*, August 17, 2022 [Paywall]
- [Pelosi dined with Taiwan computer chip executives during her brief visit](#), *The Washington Post*, August 3, 2022 [Paywall]
- [China Is the Wrong Industrial Policy Model for the United States](#), Scott Kennedy, Center for Strategic International Studies, August 9, 2022

Midterm Outlook

Given the importance of the upcoming midterm elections this Fall and their potential impact on U.S. trade and technology relations with China, instead of a 'On the Hill' focus section, the next few issues of the ICAS TnT Dispatch will conclude with a 'Midterm Outlook' focus section to highlight the key incumbents and candidates, their views and statements made on China, and their prospects in the midterms.

[Key Incumbents]

- Sen. Marco Rubio (R-FL)
 - Marco Rubio is running for re-election this November for a third term in the Senate.
 - Senator Rubio is one of the most outspoken members of Congress on issues concerning China. As a member of the Senate Committee on Foreign Relations, Rubio has centered much of his rhetoric on general appeals against China's rise and the dangers posed by the 'Chinese Communist Party.'
 - Nevertheless, the Senator has perennially introduced amendments that substantially affect trade and technology issues vis-à-vis China. Most recently, Senator Rubio attempted to amend the now-signed CHIPS and Science Act to address an absence of counterespionage provisions on semiconductor research and development and its lack of guardrails to prohibit funding recipients from using federal grants to expand production of older chip types in overseas markets like China. Senator Rubio has

also joined calls for the Department of Commerce to expand export controls on critical technologies bound for China, and has consistently voted against easing Section 301 tariffs on Chinese goods.

- Rubio currently leads his Democratic challenger, Representative Val Demmings, by 9 points in the polls.
- **Sen. Ron Johnson (R-WI)**
 - Ron Johnson is running for re-election this November for a third term in the Senate.
 - Senator Johnson occupies the classical liberal wing of the GOP, consistently voting in favor of free trade agreements and tax cuts while opposing tariffs and federal subsidies. This means that the Senator has voted against several measures designed to confront China economically, such as the United States Innovation and Competition Act (USICA) and the CHIPS and Science Act, as well as called on the USTR to review the tariff exclusion process and reduce tariffs on China altogether.
 - However, the Senator has responded to claims that he is too 'soft' on China by pointing to his support of measures to counter China in areas other than bilateral trade. For example, in March he introduced the Protect America's Innovation and Economic Security from CCP Act, which would reestablish an office in the Department of Justice to prevent Chinese spying against U.S. intellectual property and academic institutions. Senator Johnson also defended his vote against USICA by saying it did not adequately take China to task for stealing intellectual property and dodging investigations into the origins of the COVID-19 pandemic.
 - Johnson is currently trailing in the polls behind his Democratic challenger, Lieutenant Governor Mandela Barnes, who has contrasted himself with Johnson by specifically addressing the U.S.-China trade relationship. For example, the Barnes campaign unveiled a plan to boost local manufacturing that calls for an end to "bad trade deals and anti-competitive practices" that he believes are stymieing Wisconsin businesses' ability to compete with China.
- **Sen. Mark Kelly (D-AZ)**
 - Mark Kelly is up for re-election this November after winning a partial term in the 2020 special election.
 - As a member of the Senate Energy Committee, Senator Kelly's main contribution to U.S.-China trade and relations was his introduction of the REEShore Act in January . If passed by the next Congress, the bill would create a strategic reserve of rare earth elements (the global production of which is 97% controlled by China), phase Chinese-sourced materials out of Department of Defense systems, and investigate China's unfair trading practices in the global market.
 - Senator Kelly also offered a motion to instruct conferees to increase semiconductor production incentives in the final China competition bill, which came to fruition in the recently passed CHIPS and Science Act. Arizona is a key state for semiconductor manufacturing with both Intel and TSMC operating chips plants in the Greater Phoenix area, to be joined by TSMC in the near future.
 - Kelly currently is leading his Republican challenger, the Trump-endorsed venture capitalist Blake Masters, by 9 points in the polls.
- **Speaker of the House of Representatives Nancy Pelosi (D-CA)**
 - Speaker Pelosi is poised to win a 19th term in the House of Representatives this November, holding her firmly-Democratic district.

- Speaker Pelosi has taken a stand against China’s human rights record for decades and recently dominated the headlines with a controversial trip to Taiwan. Geopolitically important, her Taiwan visit also has implications for trade with one of her stops being a meeting with TSMC Chairman Mark Liu. The two reportedly discussed the key role of Taiwan in the U.S. semiconductor supply chain given that the island accounts for over two thirds of global semiconductor production.
- Specifically, the two brainstormed possibilities for how the recently-passed CHIPS Act could be implemented to both U.S. government and Taiwanese industry stakeholders’ benefit. TSMC’s funding of the aforementioned semiconductor foundry in Arizona, dependent on CHIPS Act subsidies, is a business model which Pelosi would like to continue if she remains Speaker.

[Open Races and their Candidates]

- **Sen. Rob Portman (R-OH)**
 - Rob Portman has announced that he will not be running for re-election in 2022, leaving an open race in Ohio this November.
 - The term of Senator Portman’s Democratic counterpart in the state of Ohio, Senator Sherrod Brown, will not end with this election cycle. Both Ohio senators, while divided by party lines, have worked together to protect their state’s manufacturing sector through measures like introducing legislation to strengthen trade remedy laws last year and, more recently, jointly urging President Biden to maintain Section 301 tariffs on Chinese goods. Brown has not ruled out running for re-election to the Senate come 2024.
 - As a former House Member, U.S. Trade Representative, Director of the Office of Management and Budget—and a Finance, Energy, and Foreign Affairs committee member in the Senate—Rob Portman consistently opposed what he saw as unfair trade practices in Beijing, including a successful WTO suit in 2005 against China’s improper duties on auto parts imported from America.
 - The race for Portman’s open seat is between Republican author and commentator J.D. Vance and long-time Democratic House member Tim Ryan. Vance is a Trump-style populist who has aligned himself with the former President’s rhetoric on China. Representative Ryan, while having deep roots in organized labor, has also positioned himself as a conservative-friendly candidate saying he “agreed” with Trump on trade during his administration while the then-venture capitalist Vance was touting the importance of free-trade agreements at the expense of local manufacturing jobs. The race is currently neck-to-neck with Ryan leading by one point on aggregate in the polls.
- **Sen. Pat Toomey (R-PA)**
 - Pat Toomey has announced that he will not be running for re-election in 2022, leaving an open race in Pennsylvania this November.
 - Senator Toomey, while serving on the committees of Banking and Finance, consistently sought to prevent trade barriers with China while addressing imbalances in the relationship by other means. For instance, he reached an agreement with Senator Brown on a bipartisan amendment to USICA that would have provided for sanctions on Chinese organizations involved in money laundering and intellectual property theft. However, Toomey ultimately opposed USICA for its government-directed spending that “imitate[s] Chinese central planning.” Toomey also repeatedly called for Section 301 tariff relief and for a reform of the exclusion process to feature in the final China competition bill.

- Toomey's departure has given way to a race in Pennsylvania between Republican television personality Dr. Mehmet Oz and Democratic Lieutenant Governor John Fetterman. Both candidates have vowed to 'get tough' on China and preserve the state's critical manufacturing sector. While Oz cultivated his anti-China bona fides during his primary race, he has come under fire in the general from Fetterman over his past partnership with a Chinese healthcare company and conspicuously rapid change in tone. Fetterman began pulling away in the polls this month and currently leads Oz by 10 points on aggregate.

[Expanded Reading]

- [Mehmet Oz says he'll be 'tough on China' as a senator. But a 2013 announcement from a Chinese health tech company offers a different perspective.](#), *Insider*, August 23, 2022 [Paywall]
- [The China campaign cudgel meets the midterms](#), *Politico*, August 18, 2022
- [Rubio Calls for New Export Control Laws](#), Office of Senator Marco Rubio, August 18, 2022
- [TSMC Chose the US. Now It Must Handle China](#), *Bloomberg*, August 5, 2022 [Paywall]
- [Taking Stock of Pelosi's Taiwan Trip](#), *The New York Times*, August 3, 2022 [Paywall]
- [Democrats Unite on Challenger to Wisconsin GOP Senator Ron Johnson](#), *Bloomberg*, July 29, 2022 [Paywall]
- [Rubio test-drives a new attack on Demings: She's on TikTok](#), *NBC News*, July 20, 2022
- [Tim Ryan's Ohio ad play: Run to the right](#), *Axios*, July 17, 2022
- [U.S. midterm elections and China policy](#), *Sup China*, July 14, 2022
- [As chip-making business returns to US, Washington – and Arizona – dangle subsidies in race against China](#), *South China Morning Post*, June 29, 2022 [Paywall]
- [Portman, Bipartisan Group of Senators Urge President Biden to Keep Section 301 Tariffs in Place](#), Office of Senator Sherrod Brown, May 26, 2022
- [Toomey: Section 301 Tariff Reform Critical to Aiding American Manufacturers Competing with China](#), Office of Senator Pat Toomey, May 4, 2022
- [Midwest Democrats go all-in on tough-on-China approach](#), *The Hill*, April 4, 2022
- [Kelly, Cotton Introduce Bill to End Reliance on China for Rare-Earth Elements](#), Office of Senator Mark Kelly, January 14, 2022
- [Senator Johnson and Colleagues Call on President Biden to End Self-Inflicted Harm from Tariffs](#), Office of Senator Ron Johnson, June 30, 2021

September 12, 2022

Volume 2, Issue 18

What's Been Happening

1 — The IPEF Ship Sets Sail — 1

[In One Sentence]

- The Indo-Pacific Economic Framework (IPEF) concluded its first in-person ministerial meeting on September 9, 2022.
- 13 of the 14 IPEF countries committed to joining all four pillars of the framework while India chose to opt out of the trade pillar.
- Ministers from the IPEF member states announced negotiating objectives for the four pillars: trade, supply chain, clean energy and fair economy.
- Before the IPEF meeting, U.S. lawmakers again called for more transparency and congressional consultation regarding the negotiations.

[Mark the Essentials]

- Regarding the trade pillar, the ministers said they seek “new and creative approaches to trade and technology policies,” underlining priorities on labor, environment, the digital economy, agriculture, transparency and good regulatory practices.
- According to U.S. Trade Representative Katherine Tai, IPEF countries also seek to develop standards on cross-border data flows and data localization.
- U.S. Secretary of Commerce Gina Raimondo, who leads the U.S. negotiations in three of the four pillars, said that “early harvest opportunities” will likely lie in the supply chain pillar.
- Deputy U.S. Trade Representative Sarah Bianchi said that IPEF countries are “supportive” of arranging IPEF as an executive agreement, adding that such an agreement will be “durable and lasting.”
- In a letter dated September 6, 44 Democratic lawmakers and one independent criticized the launch of IPEF for the lack of prior “robust stakeholder and congressional consultation” or “a mandate from Congress,” echoing similar calls from Republican lawmakers and others.
- Some commentators have questioned the enforceability and endurance of IPEF, while others marked it as an important first step to be followed by further, stronger regional economic efforts.

[Keeping an Eye On...]

- The first in-person ministerial meeting of the member states of the Indo-Pacific Economic Framework (IPEF) appears to have gone off without a hitch. Participation in the four pillars is wide-ranging and the hope is that

certain deliverables can be harvested early. While the four-pillar framework might—or might not—be a “new and creative approach” to trade policy liberalization and standards-setting, it does ring the death knell on the single undertaking approach of trade negotiation; at least insofar as the U.S.-led plurilateral trade agreement-related negotiations are concerned. Now, the hard part of IPEF begins in earnest. How the parties reconcile the competing priorities of ambition and inclusivity, liberalization without meaningful market access, enforceability without binding dispute settlement, and transparency without meaningful accountability will go a long way towards determining whether IPEF is truly the “new and creative” approach that it is advertised to be or just a journeyman effort to mark time at a moment when trade liberalization enjoys ever-fewer advocates on either side of the aisle on Capitol Hill. The proof of the pudding will be in its eating. Let the negotiations begin.

[Expanded Reading]

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- [United States and Indo-Pacific Economic Framework Partners Announce Negotiation Objectives](#), Office of the United States Trade Representative, September 9, 2022
- [Biden Administration Outlines Scope of Asian Economic Pact](#), *The New York Times*, September 9, 2022 [Paywall]
- [Commerce Department Launches the Indo-Pacific Economic Framework for Prosperity \(IPEF\) Upskilling Initiative](#), U.S. Department of Commerce, September 8, 2022
- [Remarks by Ambassador Katherine Tai at the Indo-Pacific Economic Framework Ministerial Welcome Event](#), Office of the United States Trade Representative, September 8, 2022
- [U.S. business leader outlines hopes for IPEF ministerial](#), *Politico*, September 6, 2022

2 — The Dismal Near-Term U.S.-China Trade Outlook— 2

[In One Sentence]

- U.S. Trade Representative Katherine Tai reiterated plans for an “alternative model” of trade policy, particularly with a view to China, and has for the time being extended out the Section 301 tariffs.
- The U.S. International Trade Commission (ITC) has finished seeking public comments on Section 232 and Section 301 tariffs.
- Surveys show that U.S.-China tensions are hurting American business sentiment with regard to China.

[Mark the Essentials]

- According to Tai, the USTR Office is working to move beyond “just” trade liberalization and market access. Instead, trade should be a “force for good,” such as rebuilding “confidence,” “resilience” and sustainable standards in the global economy, countering Chinese economic dominance, and facilitating U.S. innovation.
- Stakeholders hold conflicting views on the impact of the Section 232 and Section 301 tariffs on the U.S. economy. Labor and manufacturing organizations said the tariffs were necessary to “level the playing field” for U.S. industry, while customer-facing industries argue that the tariffs are harming U.S. businesses by raising costs and prices.
- An annual member survey of the U.S.-China Business Council indicates that U.S. companies are suffering from lost sales due to uncertainty in supply and the impact of nationalism on consumer decisions. While a majority of businesses said they will wait and see whether to change their level of commitment to China, China remains vital to American business revenues and business competitiveness.

[Keeping an Eye On...]

- Beware of the new and alternative approaches to trade. Eleven months ago, US Trade Representative Katherine Tai stood on a podium and unveiled the outlines of a “new approach” on trade policy to China. The approach was neither a “new” one or an “alternative” one; it was similar in substance—although not in tone—to her predecessor’s approach. That said, her predecessor, Robert Lighthizer, had the gumption to at least challenge the Chinese bilaterally on trade and further prise open the market by way of the Phase One trade agreement. Truth be told, one way of seeing it is that USTR Tai has failed not only to open the Chinese market by a small margin but has even ducked the challenge of sitting across from her Chinese counterpart. It is as clear as it can be that the Biden administration has little intent to reduce—let alone remove—the illegal Section 301 tariffs before the midterm elections. China’s zero-Covid restrictions are not helping the case for business sentiment and commercial exchanges either. The near-term U.S.-China trade outlook is about as bad as it gets. Hopefully, after the completion of the 20th Party Congress and the midterm elections, each side will do the responsible action at their end and the two sides will bilaterally create a pathway thereafter to restarting their trade and commercial policy dialogue.

[Expanded Reading]

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- [Most Say Sections 301 and 232 Tariffs Hurting America, but ITC Hears From Defenders, Too](#), *International Trade Today*, August 26, 2022 [Paywall]
- [USCBC 2022 Member Survey](#), U.S.-China Business Council, 2022
- [Economic Impact of Section 232 and 301 Tariffs on U.S. Industries](#), Federal Register, May 10, 2022

3 — Chips 4 Alliance and Rewiring Supply Chains — 3

[In One Sentence]

- The United States has proposed a “Chips 4 Alliance” among the U.S., Japan, South Korea and Taiwan.
- China released an “action plan” to improve the nation’s innovation capabilities and technological self-reliance.
- House Speaker Nancy Pelosi held an event to laud the passage of the CHIPS and Science Act.

[Mark the Essentials]

- The “Chips 4 Alliance” could facilitate discussions and coordination on issues such as industrial policy initiatives, manufacturing incentives, export controls, supply chain diversification and foreign investment practices.
- In a plan published by China’s Finance, Science and Technology ministries, provincial and local governments are instructed to strengthen core technology research and scientific innovation by incentivizing and supporting private enterprises, accelerating the reorganization of key national laboratories, and expanding talent recruitment efforts.
- Pelosi said that the bill “turbocharges” U.S. manufacturing, adding that the U.S. has to recommit to its innovative and technological “pre-eminence” in the world.

- Chinese semiconductor groups have criticized the CHIPS and Science Act, arguing that the law will create “chaos in the global semiconductor industry.”

[Keeping an Eye On...]

- Say hello to the newest export controls cartel in the multilateral system: the ‘Chips 4 Alliance’. The goal of this Alliance is to strangle the flow of advanced semiconductor inputs and technologies—be it of chip design, chip production, or chip production toolmaking—from entering the Chinese advanced manufacturing ecosystem. In the short-to-medium term, the ‘Chips 4 Alliance’ will constrict China’s semiconductor production capabilities across-the-board. And China is not in a position to assert its chips-related supply chain demands, given that it occupies a lower position in the value chain compared to all the Chips 4 countries. But for Seoul and Taipei, the ‘Chips 4 Alliance’ is not an unmixed blessing either. Korean semiconductor companies depend on the China market to fatten their revenues and profits, which is recycled back into advanced R&D at home. These bottom lines will shrink as local Chinese competitors gradually rise and elbow their way into the market spaces vacated by the Samsungs and SK Hynixs. As for Taiwan, the ‘Chip 4 Alliance’ cannot be seen in isolation from Washington’s Chips and Science Act, and it bears remembering that the Chips and Science Act was passed with a view to reduce America’s exposure to the ‘China risk’. That ‘China risk’ includes the risk of exposure to Taiwanese-based production as well. The logic of the ‘Chips 4 Alliance’ is therefore likely to lead to some degree of hollowing out of domestic chip production on the island, which will be ‘friend-shored’ overseas. So, a new era in advanced manufacturing supply chains is upon us. On the ground, all will not go as planned. Be prepared to expect the unexpected.

[Expanded Reading]

- [Korea to attend 'Chip 4' meeting as global doubts mounts over US initiative](#), *The Register*, August 22, 2022
- [Taiwan says it has not been informed of 'Chip 4' meeting](#), *The Hindu*, August 19, 2022
- [Speaker Pelosi Holds San Francisco Event on the CHIPS and Science Act](#), Speaker of the House Nancy Pelosi Press Release, August 18, 2022
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September 23, 2022

Volume 2, Issue 19

What's Been Happening

1 — The Multifaceted Multilateralism Game Again in Full Swing — 1

[In One Sentence]

- U.S. Commerce Secretary Gina Raimondo reiterated the goal of advancing sustainability, resilience and standards while negotiating the Indo-Pacific Economic Framework (IPEF).
- Asia-Pacific Economic Cooperation (APEC) is looking to chart out a role as an “incubator of ideas” through capacity building on sustainable and inclusive trade.
- The first U.S.-Pacific Island Country Summit is scheduled to take place for two days in Washington, DC starting September 28.
- The European Union opened an office in San Francisco to support digital policies and work related to the Trade and Technology Council (TTC).
- The U.S.-Japan Partnership on Trade initiated a second round of discussions on the digital economy and trade.

[Mark the Essentials]

- U.S. officials have framed IPEF as an “alternative” way—to China’s approach—of engaging with Indo-Pacific countries, while simultaneously highlighting the need for a new “paradigm” to address “new” trade issues such as standards setting, a clean economy, supply chain resilience and the digital market.
- India said it refrained from joining IPEF’s trade pillar due to concerns over its environment, labor, digital trade and public procurement provisions.
- APEC aims to build on the outcomes from the WTO’s 12th ministerial conference this June and advance discussion on issues such as fisheries subsidies, trade facilitation, agriculture, digitalization, sustainability and the customs duties moratorium.
- According to the White House, the upcoming U.S.-Pacific Island Country Summit will reflect the participant parties’ deepening cooperation on climate change, pandemic response, economic recovery, maritime security, environmental protection and united efforts to advance a free and open Indo-Pacific.
- The EU’s new office in San Francisco aims to promote EU standards and digital policies, strengthen cooperation with U.S. stakeholders, and advance the work of the TTC. American businesses have urged the Biden administration to increase transparency and engagement with industry stakeholders regarding the TTC’s agenda.

- Officials from the U.S. and Japan discussed ways to both coordinate a response to “several third-country regulations” of concern regarding the digital economy as well as jointly advance a “robust agenda in trade-related multilateral fora” such as APEC 2023.
- Japan recently hosted a delegation of American executives from the energy, infrastructure, healthcare, finance, technology and semiconductor sectors to discuss trade and investment opportunities.

[Keeping an Eye On...]

- Compared to his ‘America First’ predecessor, President Joe Biden cannot be faulted for his commitment to multilateralism, even if that multilateralism is of the ‘like-minded countries’ variant and seeks to exclude a particular country. (No prizes for guessing which that particular country is.) That said, multilateralism can devolve into process over product, and 20 months into the Biden administration’s term, the voluminous statements of intent—the September 2021 U.S.-EU TTC joint statement and annexes, for example, clocks in at almost 6,000 words—have only translated into meager on-the-ground deliverables. The momentum of forward progress appears to be stalling as well. Worse, there is a premonition among allies that, in the Biden administration’s view, they are not so much co-equals making economic policy decisions for the greater good as much as they are appendages being leashed to the immediate American domestic manufacturing and supply chain resilience-related self-interest. The Koreans certainly seem to think so with regard to the Chip 4 Alliance and the electric vehicle subsidy provisions in the Inflation Reduction Act, and so too do the Europeans with regard to the latter. Nurturing ‘like-minded’ multilateralist relationships requires good faith sacrifice. But such sacrifice means little when partners are not mutually supportive. In this regard, the forthcoming negotiations of the Indo-Pacific Economic Framework (IPEF) will be instructive to watch. The extent to which IPEF is a common endeavor to open markets and set standards as opposed to being a one party-driven exercise bent on trade diversion—euphemistically labeled as supply chain resilience—and pluralization of its domestic regulatory prerogatives over genuine liberalization, will go a long way in determining its appeal and durability in the region. It would be helpful, too, if the business community was offered a front row seat during stakeholder consultations. This has not been the case so far. IPEF does, after all, aim to expand cross-border commerce and commercial exchanges.

[Expanded Reading]

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- [Biden’s U.S.-Pacific island summit targets China’s growing influence](#), *Politico*, September 2, 2022
- [Statement by Press Secretary Karine Jean-Pierre on the First U.S.-Pacific Island Country Summit](#), The White House, September 2, 2022
- [US/Digital: EU opens new Office in San Francisco to reinforce its Digital Diplomacy](#), Delegation of the European Union to the United States of America, September 1, 2022
- [APEC Cultivates Common Goals Ahead of November’s Meeting](#), Asia-Pacific Economic Cooperation, August 31, 2022
- [Readout of the Second Meeting of the U.S.-Japan Partnership on Trade](#), Office of the United States Trade Representative, August 25, 2022

2 — The Good, the Bad, and the Ugly of U.S.-China Trade and Tech — 2

[In One Sentence]

- President Biden has signed an Executive Order on Ensuring Robust Consideration of Evolving National Security Risks by the Committee on Foreign Investment in the United States.

- U.S. Trade Representative Katherine Tai observed that the Section 301 tariffs on Chinese goods will remain in place as the office continues its review of the tariffs.
- Analysts say that tariff reduction has a limited effect on controlling inflation.
- USTR Katherine Tai said a new model of globalization and trade will also benefit U.S. partners and allies.
- U.S. lawmakers called for stronger economic and trade ties between the U.S. and Taiwan.

[Mark the Essentials]

- As per the September 15 CFIUS-related Executive Order, it is the policy of the United States to ensure that the foreign investment review process remains responsive to evolving national economic security risks arising from investments that fall outside the defense industrial base and involve “a country of special concern.”
- According to the USTR, a subset of U.S. industry representatives reported that the Section 301 tariffs have created “leverage” to “induce” China to eliminate “harmful policies and practices that are the target of the tariff action.” The representatives also said that the tariffs helped them to compete against Chinese imports and address unfair competition practices.
- According to some analysts, reducing or eliminating the tariffs would have some effect on inflation, but the effect is neither long-term nor substantial. Instead, adjustment of interest rates and taxation are much more effective and would constitute “real” responses to inflation.
- Listing initiatives such as IPEF and the “green” steel negotiation between the U.S. and EU, USTR Tai advocated for a more resilient version of globalization where the U.S. and its allies and partners jointly figure out ways to address climate change and ensure high labor standards.
- At a recent hearing on “the future of U.S.-Taiwan trade,” House Ways & Means Committee members supported stronger trade ties between the two, potentially through a trade agreement. Meanwhile, the Senate Foreign Relations Committee approved the Taiwan Policy Act, which contains “sense of Congress” provisions that advocate for resumed meetings under the U.S-Taiwan Trade and Investment Framework Agreement leading to a bilateral free trade agreement.

[Keeping an Eye On...]

- The Biden administration is getting its trade and technology policies on China both right and wrong. Exactly 40 months to the day that the Trump administration had issued a shockingly broad executive order (EO) on securing the U.S. information and telecommunications supply chain (and thereupon initiated the process of kneecapping Huawei), the Biden administration, on September 15, issued a more precisely-crafted executive order. This EO provides a bird’s-eye view of the key national economic security risk factors, sectors, technologies, and types of data that are to effectively be kept beyond the acquisitory reach of Chinese entities. It amounts to an enumeration of sectors, materials and technologies that are shortlisted for ‘selective decoupling’ including microelectronics, artificial intelligence, biotechnology and biomanufacturing, quantum computing, advanced clean energy (such as battery storage and hydrogen), climate adaptation technologies, critical materials (such as lithium and rare earth elements), and elements of the agriculture industrial base that have implications for food security. Whatever one’s view may be regarding the merits of ‘selective decoupling,’ there is merit in the EO’s conciseness and clarity, especially when compared to the haphazard issuance of sector-by-sector EOs with their laundry list of accompanying risk factors. On the other hand, United States Trade Representative (USTR) Katherine Tai continues to indulge her delusion that the Section 301 tariffs create leverage to induce China to eliminate its harmful policies and practices. Her predecessor, Robert Lighthizer, had in fact leveraged the tariffs to induce China to root out its coercive technology transfer practices, both in law and fact, and qualitatively

enhance its intellectual property protections. Both were memorialized in the U.S.-China Phase One agreement and, in exchange, the U.S. dropped its Section 301-based case against Beijing at the World Trade Organization. At this time, the tariffs no longer instill fear or pressure at the Chinese end; rather, they elicit a mix of anger and disgust. They also hurt American consumers and businesses, except those of the protectionist inclination that USTR Tai appears to share. And a WTO panel has found them to be illegal, too. Hopefully, USTR Tai's views on the Section 301 tariffs will evolve once the midterms are done and dusted.

[Expanded Reading]

- [Executive Order on Ensuring Robust Consideration of Evolving National Security Risks by the Committee on Foreign Investment in the United States - The White House](#), Presidential Actions, The White House, September 15, 2022
- [The Future of U.S.-Taiwan Trade](#), Hearing by the House Ways and Means Committee, September 14, 2022
- [U.S.-Taiwan bill sails through Senate panel despite White House misgivings](#), *Politico*, September 14, 2022
- [S.4428 - Taiwan Policy Act of 2022](#)
- [Carnegie Connects: The Biden Administration and Trade With Katherine Tai](#), Event by the Carnegie Endowment for International Peace, September 7, 2022
- [USTR Receives Requests for Continuation of China 301 Tariffs](#), Office of the United States Trade Representative, September 1, 2022
- [What is Priority Number 1? Inflation, Jobs, or Trade Policy – a Look at Tariff and Trade Policy](#), Event by Washington International Trade Association, September 1, 2022

Midterm Outlook

[Lay of the Land]

- As of September 22, the United States is now just 45 days away from the 2022 midterm elections.
- China's unfavorability rating has drastically increased across party lines since the last U.S. midterm elections were held in 2018. Almost 9 in 10 Americans (89%) consider China as an 'enemy' or 'competitor' while 67% feel 'cold' towards China, a sentiment that has expanded from 46% of the polled population in 2018.
- In an otherwise polarized election year, as perceptions of China have shifted in the eyes of voters, both parties are in rare agreement that there is a need to be 'tough on China.'
- In races where China has become an issue, the sincerity of the candidates' anti-China bona fides are debated more so than their substantive contrast in approaches on the underlying issue at stake. For instance, differences have cropped up where Democratic and Republican candidates disagree on how to balance free trade with protectionism, but this spectrum does not necessarily match up on party lines in every case.
- While the Democratic Party is currently favored to hold the Senate, the Republican Party is slightly favored to win the House.

[Key Races for Technology & Trade Issues]

- Wisconsin Senate
 - In the last Midterm Outlook edition, incumbent Senator Ron Johnson of the GOP was slightly trailing his Democratic challenger, lieutenant governor Mandela Barnes, in the polls. This trend has largely

continued with both candidates staying within 2 percentage points of each other while Barnes maintains his slight edge.

- This race, in a state with a large but struggling manufacturing sector, is one of the clearest examples of diverging views on trade with China. Sen. Johnson continues to oppose trade barriers on China and was one of the strongest critics of Presidents' Trump and Biden's trade agendas. In contrast, Barnes is staking much of his campaign on a manufacturing plan which calls for an end to "bad trade deals and anti-competitive practices."
- While the trade relationship with China has largely taken a backseat to issues like crime and abortion, the Barnes campaign has recently been pushing reports that Johnson's support for free trade across the Pacific could be informed by his personal benefit from business with China rather than concern for local enterprises.
- Ohio Senate
 - The Ohio Senate race has maintained itself as a neck-in-neck contest between the populist candidate J.D. Vance of the GOP and the pro-labor candidate Tim Ryan of the Democratic Party.
 - Unlike Wisconsin, little divides the two candidates substantially on trade with China with both supporting protectionist measures.
 - Ryan took the lead in this charge by centering a revival of manufacturing in the state as a key issue in his campaign, leading Vance to shift his own critiques of China to a more economic direction rather than sticking to traditional GOP rhetoric about national security and COVID-19 origins.

[Keeping an Eye On...]

- Rather than a strictly partisan divide on trade and technology relations with China in the leadup to the midterm elections, there exist parallel divides within each party between free trade advocates and protectionists. The protectionist views in each party have emerged from similarly perceived issues in the American economy (such as the declining manufacturing sector) but they manifest in different ways due to the diverging voter bases of each party. Democrats who support more protectionist measures tend to have deeper ties to organized labor, while Democratic candidates whose bases come from other voting groups tend to be less adamant about trade barriers. On the Republican side, support for protectionist measures tends to correlate with candidates who rely on support from the Trump base while candidates who rely more on business owners and 'main street' republicans tend to be more classically liberal—favoring free trade while countering China in other areas.

[Expanded Reading]

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- [China and the Lore of American Manufacturing](#), *The New Yorker*, September 15, 2022 [Paywall]
- [How the left and J.D. Vance learnt to despise each other](#), *The Economist*, September 15, 2022 [Paywall]
- [Biden highlights investment in electric vehicles, test drives car in Detroit visit](#), *The Washington Post*, September 14 [Paywall]
- [Indo-Pacific Economic Framework's fate could hinge on U.S. midterm elections](#), *Japan Times*, September 10, 2022 [Paywall]
- [Biden sets up post-election 'fight' as he drags out China tariffs decision](#), *The Washington Examiner*, September 10, 2022 [Paywall]
- [Yellen Embarks on Economic Victory Tour as Midterm Elections Approach](#), *The New York Times*, September 8, 2022 [Paywall]

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1919 M St. NW Suite 310
Washington, DC 20036
202 968-0595 | www.chinaus-icas.org