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What's Been Happening

1 — One Asia, Two (or More) Trade and Economic Frameworks — 1

[In One Sentence]

- When asked about the lack of market access provisions in the Indo-Pacific Economic Framework (IPEF), a senior U.S. official said that IPEF focuses on trade facilitation and other “backroom” elements that are “just as important as market access.”
- The U.S. and Taiwan concluded 2-day meetings under the U.S.-Taiwan Initiative on 21st-Century Trade, which aims to reach agreements on areas such as trade facilitation, regulatory practices, anti-corruption, digital trade, labor, environment, agriculture and state-owned enterprises.
- Singapore’s Prime Minister expressed his endorsement of China’s application to join the CPTPP.
- Underlining the importance of U.S. engagement in the Indo-Pacific, Japan again urged the United States to “return to” CPTPP “at an early timing.”
- Jakarta said that the key factors which attracted Indonesia to IPEF are “empowerment” and “market access” to the American and Indian markets.

[Mark the Essentials]

- According to the Office of the USTR, the Biden administration sees IPEF’s trade pillar as “an inclusive, holistic approach,” combining a “worker-centered trade agenda” and digital trade as well as traditional trade agreement elements and new ways of cooperation, such as sharing best practices.
- Some former U.S. officials have expressed support for IPEF’s focus on non-tariff barriers and regulatory obstacles instead of tariff liberalization, and have highlighted the need to strengthen ties with Southeast Asia.
- Australia announced that it will host IPEF’s first round of in-person negotiations, set to be held from December 10-15, 2022.
- Taiwanese officials have expressed “hope” for an “early harvest” by the end of 2022, stating that negotiations for some measures are at “a very mature point.” In a later announcement, Taiwan’s Executive Yuan, the executive branch of Taiwan’s government, said that it does not “preset a timetable” but believes that “fruitful results can be soon achieved.”
- Commentators have noted significant overlap in the issue areas covered by IPEF and the U.S.-Taiwan Initiative on 21st-Century Trade. Taiwan officials continue to seek membership in IPEF.

- The U.S. plans to host an Asia-Pacific Economic Cooperation (APEC) trade ministers meeting in Detroit in May 2023. U.S. officials see APEC as “an ideal platform” to advance the U.S.’ trade agenda and its “new approaches for trade and economic cooperation” in the region.

[Keeping an Eye On...]

- Mark the month May 2023 on the calendar. That month, in blue-collar Detroit (and swing state Michigan), the Biden administration will host the APEC trade ministers meeting. The ministerial will provide a platform to the administration to lay down important markers with regard to its “new approaches for trade and economic cooperation.” Given that the entire membership of IPEF is composed of a subset of APEC member states with the exception of India, the ministerial is likely to double up as an IPEF ministerial meeting. With in-person IPEF negotiations slated to being in Brisbane, Australia this December and with 2024 likely to be a barren year from a negotiations standpoint, given its proximity to the U.S. presidential elections, the U.S. chairpersonship of APEC in 2023 will be critical in terms of putting ‘pedal to the metal’ and harvesting tangible gains in the IPEF negotiations. By May 2023, it will effectively become clear if USTR’s vaunted “new approaches for trade and economic cooperation” has substance to it or, as some suspect, is meritless. Is the Framework the ‘real deal’—a meaningful economic and trade liberalization initiative—or is it mostly about telegraphing good intentions of U.S. commitment to the region? Is IPEF fit for purpose as a meaningful regional rules-setting undertaking? Or is it primarily a means to de-emphasize—and decouple—the role of China within existing Asian and trans-Pacific supply chains? At a time when the overwhelming priority in developing Asia is development, it is portentous that the trade and economics section in the Biden administration’s October 2022 National Security Strategy was placed next-to-last in the chapter on America’s Global Priorities. The administration’s moment to ‘walk its “new approaches” talk’ is fast arriving. It better come prepared. Vice President Kamala Harris’ remarks at the APEC Leaders Summit in Bangkok later today will provide an early inkling of the administration’s commitment to that cause.

[Expanded Reading]

- [Department of Commerce Statement on December IPEF Negotiations in Australia](#), U.S. Department of Commerce, November 14, 2022
- [United States and Taiwan Conclude Two Days of Productive Meetings Under the U.S.-Taiwan Initiative on 21st-Century Trade](#), Office of the United States Trade Representative, November 9, 2022
- [「臺美21世紀貿易倡議」將於11月8、9日在美舉行會議 \[Taiwan-U.S. Initiative on 21st-Century Trade to hold meeting on November 8 and 9\]](#), Executive Yuan, November 3, 2022 [in Chinese]
- [Ag Trade and Commodity Outlook for 2023](#), event by the Farm Foundation, November 1, 2022
- [Statement from Ambassador Katherine Tai on the 2023 APEC Trade Ministers Site Announcement](#), Office of the United States Trade Representative, October 27, 2022
- [Asian Architecture Conference 2022](#), event by Center for Strategic & International Studies, October 26, 2022
- [Japan-U.S. Vice-Ministers’ Meeting](#), Ministry of Foreign Affairs of Japan, October 25, 2022
- [Indonesia’s Economic Priorities: A Conversation with Coordinating Minister Airlangga Hartarto](#), event by Center for Strategic & International Studies, October 24, 2022
- [In skeptical Australia, Singapore PM says China ‘good’ for CPTPP](#), *Nikkei Asia*, October 18, 2022 [Paywall]
- [No consensus yet on China joining regional trade pact - Singapore PM](#), *Reuters*, October 18, 2022 [Paywall]
- [Taiwan signals US trade talks breakthrough, hopeful of ‘early harvest’ amid China tensions](#), *South China Morning Post*, October 18, 2022 [Paywall]
- [Representative to Guam urges Taiwan’s inclusion in Indo-Pacific Economic Framework](#), *Taiwan News*, October 17, 2022

2 — Where does the EU Stand Regarding the U.S. and China? — 2

[In One Sentence]

- German Chancellor Olaf Scholz visited China, accompanied by top executives of leading German companies.
- While concerned about China's growing "tendency" towards "autonomy and less economic ties," Scholz said Germany "stands ready for closer trade and economic cooperation with China" and opposes decoupling.
- The U.S.-EU Trade and Technology Council (TTC) will hold its third ministerial meeting on December 5.
- The EU said it seeks more TTC focus on "trade-expanding initiatives," climate change and sustainable trade.
- The U.S. and EU launched a task force to address EU complaints over the U.S.'s electric vehicle tax credits.
- The EU has reiterated that the EV tax credits' localization requirements are "clearly discriminatory."
- USTR Katherine Tai said her office is pursuing ways to ensure that U.S. industrial policies are "complementary" to trusted trading partners.

[Mark the Essentials]

- Eight CEOs of German companies—including industrial conglomerate Siemens, chemical company BASF, engineering and technology company Bosch, manufacturing company Schaeffler Group, logistics and transportation company Hamburger Hafen und Logistik AG (HHLA)—released an op-ed on German Business' China policy, with the following arguments:
 - Germany and Europe have enjoyed a mutually beneficial relationship with China through economic ties over the past few decades.
 - While the changing dynamics of power balance requires Germany and EU to develop a new approach and strategy to China, the German business community generally rejects the idea of decoupling since it hurts German business interests in China, potentially eliminates further opportunities to deepen its commercial presence and potential in the Chinese market, and fails to elevate Germany and EU leadership in global innovation.
 - A benign and healthy competition between Germany and China could help achieve two major goals in dealing with China: first, it will strengthen German and EU technological leadership which gives Germany and the EU more prestige and status in the world; second, the strengthened German status and prestige will bring more leverage when engaging with an increasingly assertive China over issues such as Taiwan, human rights, climate change and market access.
 - Germany and the EU need to reduce its dependency on critical materials from China but that cannot be achieved simply through decoupling. Innovation, stimulated by competition, is the key to reinvigorate German and EU power.
 - Germany and the EU should continue its engagement policy towards China to facilitate strong channels of communications, manage differences and explore further opportunities for cooperation and thereby continue their mutually beneficial relationship in the future.
- The German op-ed's authors do not include the CEO of Volkswagen or Deutsche Bank, although both joined Scholz's visit to China. Volkswagen and Deutsche Bank are already invested in the China market.
- EU officials see the Trade and Technology Council (TTC) as a way to increase trans-atlantic efforts on supporting and financing digital connectivity in developing countries, adding that "a lot of" developing countries' increasing dependency on China is "not acceptable from a strategic point of view."

- U.S. industry groups recently voiced concerns over the EU's policy on artificial intelligence and relevant standards development, arguing that progress within the TTC "will be rendered moot" if the EU continues to pursue "such exclusionary standards development practices."
- The EU argues that the United States' tax credits for electric vehicles and other climate-related technologies discriminate against products made outside of North America, and has called for a general waiver of these local content and local assembly requirements.
- While U.S. trade officials continue to engage with the EU on the tax credit concerns, U.S. Secretary of the Treasury Janet Yellen has said that the Biden administration has limited ability to twist requirements of what is now public law. Some U.S. lawmakers are proposing a bill that will delay the implementation of the localization requirement until 2026.
- Some of the United States' key Asia-Pacific allies (e.g. Japan and South Korea) are also concerned about the tax credits, while some sources say that the complaints could negatively affect wider negotiations such as the IPEF negotiations.

[Keeping an Eye On...]

- Chancellor Olof Scholtz's visit to Beijing has put the lie to the contention that China-Europe ties are in the doghouse. In fact, they were never as damaged as its detractors claimed or wished. It is true that COVID-19 delivered a serious setback, both in terms of the bitterness related to the virus' origins as well as in terms of suspending leader-level, senior officials-level, and business-level exchanges. Xi Jinping's close prior association with Vladimir Putin, author of the unjust war of aggression in Ukraine, did not help either. That said, there is much that binds the European Union to China geo-economically—not least the EU's desire for strategic autonomy or least some degree of strategic distancing from an increasingly-fickle United States. Productive business was conducted during Chancellor Scholtz's albeit brief 11-hour stay in Beijing. With Germany's Russia market in tatters, it is understandable that Berlin would prefer to shore up its China equities. More to the point, one should not be surprised if the supposedly shelved Comprehensive Agreement on Investment (CAI) between the EU and China gradually begins to see the light of day again. Important industrial subsidies-related disciplines are memorialized in that agreement, which stand to benefit both parties if implemented conscientiously. On the other hand, United States-European Union ties face a (minor) reckoning heading into the Trade and Technology Council (TTC) meeting in December. Most of the tall promises contained in their September 2021 joint communique have been slow to bear fruit (except vis-à-vis Russia and the revised data privacy framework). There is also an observable diminution of ambition, looking ahead, and a new set of irritants linked to the administration's discriminatory electric vehicles tax credit and other industrial policies that have cropped up. Five years after Washington and Brussels instituted a dedicated dialogue to pressure Beijing to level its tilted industrial subsidies playing field (which, by the way, has yet to deliver an actionable joint proposal), Brussels has now officially accused the Biden administration of "unfairly tilt[ing] the playing field to the advantage of production and investment in the United States at the expense of the European Union and other trading partners." There is much to iron out at the forthcoming TTC meeting and serious reengagement will be required.

[Expanded Reading]

- [German Business Leaders Warn Against Pulling Out of China](#), *U.S. News*, November 10, 2022
- [Top-Manager zur Globalisierung: „Ein Rückzug aus China schneidet uns ab“](#) [Top manager on globalization: [Withdrawal from China cuts us off](#)], *Frankfurter Allgemeine Zeitung*, November 10, 2022 [in German] [Paywall]

- [EU says it has serious concerns about Biden's Inflation Reduction Act](#), *CNBC*, November 7, 2022
- [President Xi Jinping Meets with German Chancellor Olaf Scholz](#), Ministry of Foreign Affairs of the People's Republic of China, November 4, 2022
- [Germany's leader and top CEOs have arrived in Beijing. They need China more than ever](#), *CNN*, November 4, 2022
- [Launch of the US-EU Task Force on the Inflation Reduction Act](#), European Commission, October 26, 2022
- [Readout of U.S.-EU Trade and Technology Council Co-Chairs Call](#), Office of the United States Trade Representative, October 24, 2022
- [Virtual Event | Developing a Transatlantic Technology Strategy](#), event by Center for a New American Security, October 18, 2022
- [Fireside Chat with USTR Amb. Katherine Tai](#), event by the Bretton Woods Committee, October 13, 2022

3 — America's Mixed Trade and Tech Agenda and its China Pickle — 3

[In One Sentence]

- On November 14 in Bali, Indonesia, U.S. President Biden and Chinese President Xi met in-person for three-and-a-half hours, marking the first time the two had met in person in five years.
- The head of the Commerce Department's Bureau of Industry and Security (BIS) Alan Estevez said BIS's export control measures on China are "purely" about national security and not about China's economic destruction.
- Estevez added that impacts on trade will not be considered to balance out national security concerns.
- The U.S. and Korea launched a working group to coordinate dual-use export control policies.
- The Office of the USTR is seeking public comment on whether the Section 301 tariffs on Chinese goods are effective in eliminating discriminatory Chinese practices as well as their impact on the economy and U.S. industries.
- At the WTO, China challenged the U.S.'s new electric vehicle tax credits and semiconductor subsidies for distorting global trade and multilateral norms, while the U.S. questioned China's lack of transparency on state subsidies in several sectors.
- The Biden administration will defend in court the Trump administration's decision to tighten Section 201 import restrictions on bifacial solar panels.

[Mark the Essentials]

- House Foreign Affairs Committee ranking member Michael McCaul has been critical of BIS's licensing practices and alleged lack of congressional oversight, demanding greater clarity on whether BIS has effectively implemented export control rules on China after reports that the BIS denied less than 1% of licenses for exporting to Chinese companies Huawei and SMIC.
- Characterizing China as an "adversarial competition" and a "threat," Estevez said that "letting a foreign adversary use U.S. technology or allied technology...just goes against the grain" for him.
- Analysts have noted that BIS has been expanding and using all available tools to broadly freeze China's access to and development of advanced computing and semiconductor manufacturing technologies, noting that a similarly expansive approach can be applied to other technologies.
- CATL, a Chinese company that supplies batteries to automakers including Ford and BMW, is slowing its investment in battery plants in North America, reportedly concerned about recent U.S. laws that favor critical mineral sourcing from U.S. and allies and the consequent increase in production costs.

- A coalition of 30 civil rights groups are asking the U.S. Customs and Border Protection (CBP) to ensure and potentially expand public access to ocean shipping data, arguing that transparency in trade data is essential for the U.S. agency to enforce forced labor laws and for civil rights groups to share evidence of forced labor in U.S. supply chains.

[Keeping an Eye On...]

- China may be the United States' "most consequential geopolitical challenge" as per the Biden administration's new National Security Strategy but it is also one of its most consequential economic partners. It is welcome, therefore, that President Biden and President Xi were able to inaugurate a new phase of strategic communications in their bilateral relationship on the sidelines of the G20 Leaders Meeting in Bali, Indonesia. Although it remains to be seen whether the Xi-Biden meeting will set a new direction, establish a framework, and kick off a process that cements a "floor" under their relationship, one important takeaway of the meeting was the restart of dialogue mechanisms related to macroeconomic policies and economic and trade ties. The numerous harsh technology denial orders and embargoes instituted by this administration notwithstanding, the Chinese government would clearly prefer a Biden-led Democratic Party administration in the White House post-2024. The Biden team, facing recessionary headwinds, would presumably prefer an economic lift as well heading into the 2024 election season. Taken together, and with the midterms in the rear-view mirror, the stars appear to be aligning for a purposeful bilateral economic and trade dialogue opportunity that picks up the pieces from the now-defunct Trump-era Phase One agreement and perhaps even the stillborn Phase Two negotiations. For this to be the case, though, the Biden administration must first sort through the existing Section 301 tariffs on Chinese imports. No one expects them to be eliminated in their entirety; the USTR is too protectionist-minded to go down this path. But there is a need to come to a—hopefully positive—point of finality on the Section 301 tariff review process early next year, so that USTR Tai can credibly sit across the table with her as-yet-unknown Chinese counterpart; the government in Beijing is in transition mode as well. On a separate note, and notwithstanding the sweet smiles in Bali, stay tuned for a Biden administration executive order in the weeks ahead establishing an outbound investment screening mechanism that "prevent[s] China] from exploiting investments and expertise in ways that threaten [U.S.] national security."

[Expanded Reading]

- [Readout of President Joe Biden's Meeting with President Xi Jinping of the People's Republic of China](#), The White House, November 14, 2022
- [MOTIE co-hosts 1st Korea-U.S. Exports Controls Working Group meeting](#), Ministry of Trade, Industry and Energy, November 8, 2022
- [McCaul Oversight Request Examines Effectiveness of New BIS Rules in Protecting Critical Technology From CCP](#), Foreign Affairs Committee Republican, November 1, 2022
- [A Conversation with Under Secretary of Commerce Alan F. Estevez](#), event by Center for New America Security, October 27, 2022
- [WTO: China shows "mirror" to US on Washington's semiconductor subsidies](#), *Third World Network*, October 27, 2022
- [Exclusive: China's CATL slows battery investment plan for U.S., Mexico](#), *Reuters*, October 21, 2022 [Paywall]
- [Open Letter to CBP on Trade Data Transparency](#), Uyghur Human Rights Project, October 20, 2022



Midterm Recap

[Off to the Races and their Results]

- The 'red wave' predicted in the lead-up to last week's midterm elections failed to materialize. While Republicans narrowly flipped the House of Representatives, they failed to win by the expected margin. Democrats also retained control of the Senate, increasing their lead by at least one seat by flipping Pennsylvania and pushing Georgia to a runoff election that will be held in December.
- Outgoing Senator Pat Toomey (R-PA), Chairman of the Senate Banking Committee, is to be replaced by Lt. Gov. John Fetterman of the Democratic Party after he defeated his Republican opponent Dr. Oz by an over 200,000-vote margin. Oz was favored to win in a close race but the Senator-elect defied the odds - and a near-fatal stroke last May - by winning handily in this manufacturing state on a pro-labor agenda.
- Florida Republicans vastly outperformed the party at large, with incumbent Governor (and potential 2024 Presidential contender) Ron DeSantis and incumbent Senator Marco Rubio both winning landslide re-election victories. Republicans also fared well in Ohio, with populist Trump-ally J.D. Vance emerging as another one of the GOP's few big winners. Elsewhere in the 'rust belt,' Democrats won a 'trifecta' of offices in Michigan for the first time in decades, while Wisconsin Senator Ron Johnson, a free trade advocate, eked out a victory against his pro-labor Democratic challenger Mandela Barnes.
- Democrats also defied expectations in the Southwest by winning key Senate and House seats in Nevada and Arizona, where they also flipped the Governor's seat. In the wake of the results, these states will likely continue to be key targets of CHIPS and Science Act funding and other semiconductor investment opportunities.

[Keeping an Eye On...]

- Despite President Biden's 41% approval rating and increasing economic insecurity in the U.S., Democrats broke the historical pattern whereby the party of a first-term incumbent President suffers a mid-to-heavy defeat in the midterms. The explanation for this lies in the importance of key domestic issues, such as abortion and election legitimacy, which motivated the base and independent voters to turn out for the Democrats on election day. On abortion, for instance, 76% of voters who cited it as their most important issue voted Democratic. In the wake of the *Dobbs* decision in June which overturned *Roe v. Wade*, fervor on the left to protect abortion rights clearly outpaced conservative enthusiasm over the prospects of restricting abortion access. Many independents were also deterred by the slew of Republican candidates who questioned the results of the 2020 elections, and put pocket book issues aside to cast their votes for Democrats. Several Trump-endorsed GOP candidates were also rejected at the ballot box which left the former President bruised as he announced his 2024 Presidential re-election bid on Tuesday. These results, when viewed in light of the relative success of donor-favorite Governor DeSantis, may increase the viciousness of the 2024 Republican primary election fight.
- The Republican victory in the House, however narrow, is nevertheless a meaningful shift on the Hill which is bound to have implications for Biden's domestic and international agendas. While mudslinging and finger-pointing surrounding the Republicans' lackluster result is abound, Nancy Pelosi's decades-long role at the head of the Democratic House caucus is coming to a close, and her replacement as Speaker is bound to change the pace and tone of work in the south wing of the Capitol. A Republican-led House will do its best to

block Biden's Congressional agenda such that House Democrats may scramble over the mini-'lame duck' period to pass measures—like raising the debt ceiling—before they lose control over fiscal policy. The establishment of a China Select Committee as a bipartisan executive oversight body in Congress has been a long-term goal of the recently re-elected House Republican Leader Kevin McCarthy (R-CA) and it is likely that the House GOP will move forward with these plans when McCarthy assumes the speakership. A Republican Speaker can also be expected to package numerous Republican amendments and provisions which were not included in the CHIPS and Science Act into another expansive China bill, primarily using mechanisms like foreign agent registration, supply chain compliance, and export controls as opposed to the Democrats' emergent industrial policy approach. How the Democrat-led Senate, and the Biden administration's Department of Commerce, will work with the House on this front remains to be seen. Key differences exist between Democrats and Republicans concerning Taiwan relations (with many GOP legislators rhetorically challenging the long-standing policy of strategic ambiguity), export controls oversight, trade barriers, and domestic spending on strategic supply chains. All of these dynamics may force Biden to slow down, compromise, and increase Congressional consultation on his signature trade policy initiative—the Indo-Pacific Economic Framework—for the remainder of his term.

[Expanded Reading]

- [The midterm election's impact on foreign policy and economic issues](#), Brookings, November 15, 2022
- [McCarthy wins GOP vote for Speakership handily over right-wing challenge](#), *The Hill*, November 15, 2022
- [GOP puts on a show of disunity as it edges toward House majority](#), *CNN*, November 15, 2022
- [Democrats will have to balance rhetoric and reality post-midterms](#), *Financial Times*, November 14, 2022
- [Biden says midterm wins strengthened the U.S. overseas](#), *The Washington Post*, November 14, 2022
- [Will U.S. Midterm Results Affect Washington's Foreign Policy?](#), *Foreign Policy*, November 11, 2022
- [Takeaways from the 2022 midterm elections: Battle for control of the House and Senate still up in the air](#), *CNN*, November 10, 2022
- [The tech sector could face more 'disruptive' policies if Republicans take control of Congress](#), *CNBC*, November 10, 2022
- [Carnegie China Global Dialogue: U.S.-China Relations After the Midterms](#), event by Carnegie Center for International Peace, November 9, 2022
- [What the Midterm Elections Mean for U.S. Foreign Policy](#), Council on Foreign Relations, November 9, 2022
- [US Midterm Election Outcome Expected to Shape US Policies on China](#), *Voice of America*, November 9, 2022
- [House of Dragonslayers: The 117th Congress' Legacy on China and Implications for Future Bilateral Trade and Technology Engagement](#), Institute for China-America Studies, November 2, 2022