



ICAS
TRADE N TECHNOLOGY
PROGRAM
DISPATCH

Volume 2 2022

Q4

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.

Learn more on the ICAS TnT Program webpage



ICAS

Institute for China-America Studies

October 6, 2022

Volume 2, Issue 20

What's Been Happening

1 — Where is IPEF Headed? — 1

[In One Sentence]

- Some IPEF countries suggested the possibility of reaching an early agreement on digital trade, but U.S. Trade Representative (USTR) Katherine Tai says talks of IPEF “early harvest” is “premature.”
- Although Cambodia, Laos and Myanmar have not been invited to join IPEF, ASEAN’s Secretary-General expressed the “hope” that all members become part of IPEF.
- The U.S. and EU have launched a new “Trade and Labor Dialogue” with business and labor representatives to discuss worker concerns, impacts of the digital economy, and the future of work.

[Mark the Essentials]

- The Office of the USTR published three broad negotiating goals for IPEF’s trade pillar: resilience, particularly of supply chains; inclusion, in terms of pursuing high standards in labor rights and digital economy; and sustainability, described as using trade as a tool to address climate and environment challenges.
- Addressing the topic of agriculture and IPEF, some advocacy groups have urged the administration to not just focus on “20th century” market access and deregulatory practices, but also devote at least as much attention to decarbonization, supply chain resilience and anti-corruption-related considerations.
- The United States recently announced plans to establish a “Trade and Investment Dialogue” with Pacific Island countries by the end of 2023 to “target [their] economic, investment and market-access needs.”

[Keeping an Eye On...]

- The Indo-Pacific Economic Framework (IPEF) has been billed as a new model or type of trade agreement. In one important respect though, IPEF represents continuity with the (supposedly broken) earlier model. From a transparency standpoint, there appears to be few or no plans to discard the secretive negotiating practices of the past. The substantive details of the IPEF negotiations are to be kept strictly under wraps during the course of the negotiations by the parties involved and proposals and materials exchanged are to remain confidential for a period of five years after the agreement enters into force. To be fair, such a confidentiality requirement is fairly standard in trade negotiations; though it is also worth pointing out in this context that in the U.S.-Mexico-Canada (USMCA) agreement Washington specifically inscribed a provision that if either Canada or Mexico were to sign a free trade agreement with China, the USTR must have “an opportunity to review the full text” of the envisaged FTA at least 30 days before its signing. Not much confidentiality, it seems, in that case. The USTR’s confidentiality requirement has long been a bone of contention, particularly for

protectionist-minded labor and ‘civil society’ constituencies looking to pick apart an on-going negotiation by pointing to a delicate or controversial pro-business provision. More recently, it has also been a bone of contention on the Hill as Congressmen and women of both parties have rightly pilloried the USTR for a lack of consultation and transparency during trade agreement negotiations with foreign nations. The Commerce Clause of the U.S. Constitution does, after all, give Congress the power “to regulate commerce with foreign nations.” And Congress has a right to know about the substantive concessions being exchanged that it will later be called upon to ratify. (Of course, no Congressional ratification is envisaged in the case of IPEF.) This lack of consultation has, if anything, been exacerbated by the Biden administration’s ‘new model’ or type of trade agreement, the structure, purposes and end-goals of which remain fairly abstruse, and which has never received formal congressional assent. Thus, it is instructive that even as USTR touts its new model of trade agreement, it remains wedded nevertheless to some of the least desirable and self-serving practices of the past. On transparency, the old model seems pretty good so far as USTR is concerned.

[Expanded Reading]

- [TTC, IPEF, and the Road to an Indo-Pacific Trade Deal: A New Model](#), Atlantic Council, September 29, 2022
- [U.S. seeks early results for Indo-Pacific trade initiative](#), *Nikkei Asia*, September 28, 2022 [Paywall]
- [ASEAN tells the US it welcomes opportunities not interference](#), *Radio Free Asia*, September 28, 2022
- [The Indo-Pacific Economic Framework for Prosperity: Biden-Harris Administration’s Negotiating Goals for the Connected Economy \(Trade\) Pillar](#), Office of the United States Trade Representative, September 23, 2022
- [Remarks by President Biden Before the 77th Session of the United Nations General Assembly](#), The White House, September 21, 2022
- [U.S. Trade Representative and U.S. Department of Labor Host Transatlantic Tripartite Trade and Labor Dialogue with Union and Business Leaders](#), USTR, September 21, 2022

2 — CHIPS, Tariffs, and Industrial Policy in Action — 2

[In One Sentence]

- USTR officials have noted that the Trump-era Section 301 tariffs are no longer only about compelling change in China’s practices, but are also part of the effort to promote U.S. domestic supply chain resilience.
- U.S. Secretary of State Antony Blinken told Central and South American countries that the CHIPS and Science Act will build a resilient semiconductor supply chain in the Americas by investing in manufacturing in the Western hemisphere.
- The U.S. Commerce Department is planning to implement guardrails against potential stockpiling practices intended to abuse the two-year moratorium on AD/CVD duties on Southeast Asian solar imports.
- The Court of International Trade ruled to allow the Commerce Department to draw adverse facts inferentially about China’s export financing program after the Chinese government “repeatedly stonewalled” U.S. inquiries.

[Mark the Essentials]

- The White House has recently named a leadership team tasked with implementing the CHIPS and Science Act. According to the administration, the selected officials are “experienced in large-scale program management, finance and the government’s needs for accountability.”
- Concluding its Section 232 investigation into neodymium-iron-boron permanent magnets, the Commerce Department found that, while increasing reliance on Chinese and other foreign imports constitutes a national security threat, it advises against imposing tariffs due to the “severe lack of domestic production capability.”

- In a separate lawsuit that challenges the legality of the Trump-era Section 301 tariffs on Chinese goods, plaintiffs are again urging the Court of International Trade to order a full removal of the tariffs.

[Keeping an Eye On...]

- Kudos to the Biden administration Commerce Department. Unlike the Office of the USTR, it both has the foresight to look beyond tariffs as the solution to every national economic welfare problem and does not feel compelled either to drum-up lame justifications to levy or maintain illegal tariffs. On September 21, 2022, after a year-long Section 232 investigation—the first such probe launched by the Biden administration—the Commerce Department recommended a broad menu of ‘industrial policy’ measures to lessen the national security threat arising from the import dependence of rare earth neodymium-iron-boron (NdFeB) permanent magnets from China. NdFeB magnets are not only key to numerous defense applications but also essential for critical infrastructure and climate change applications. And China currently holds a lock across the product supply chain. The ‘industrial policy’ measures that were recommended range from tax credits for domestic manufacturing, allocation of funds from the Bipartisan Infrastructure Law, utilization of authorities under the Defense Production Act to establish production facilities as well as facilitate industry-wide voluntary information sharing agreements, engagement with allies and partners, and minimum domestic and ally content requirements, among others. Crucially missing from the list of recommended measures are Section 232 tariffs of the variety that the Trump administration had imposed on imported steel and aluminum (and which a WTO panel will soon find to have been illegal). It was always clear that developing a domestic magnet value chain and reducing import dependency was better accomplished by rolling out a medium-term domestic transition plan, keeping market conditions predictable and undistorted, and providing policy support for materials sourced from outside China and/or processed into magnets outside China. And that it made particularly little sense to impose unilateral tariffs and disadvantage downstream users, such as U.S. electric vehicle manufacturers, through higher input costs. On industrial policy, the Biden administration has shown thoughtfulness and good judgment. Someday, it will hopefully be capable of bringing a similar level of insight to tariff policy.

[Expanded Reading]

- [Dispatch from the Frankfurt Forum: How the US and Europe can turn crisis cooperation into sustained partnership](#), Atlantic Council, September 29, 2022
- [Frankfurt Forum on US-European GeoEconomics](#), Atlantic Council, September 28, 2022
- [Secretary Antony J. Blinken At the Ministerial Meeting of the Alliance for Development in Democracy](#), U.S. Department of State, September 20, 2022
- [Biden-Harris Administration Announces CHIPS for America Leadership](#), White House, September 20, 2022
- [Wiley Wins International Trade Dispute on Behalf of Coalition of American Millwork Producers](#), Wiley Law, September 16, 2022
- [Commerce Department Punishes U.S. Companies And Subverts Biden’s Effort To Fight Inflation](#), *Forbes*, September 15, 2022 [Paywall]

3 — Outbound Investment Screening to Further U.S.-China Decoupling — 3

[In One Sentence]

- Lawmakers, business stakeholders and experts discussed the potential outlook for outbound investment screening amidst continuous push for relevant legislative actions.
- Senator Pat Toomey said he is willing to legislatively support the creation of an outbound investment screening mechanism if it has a sufficiently narrow focus.
- Congressional leadership has called on President Biden to establish an outbound investment screening mechanism through executive action.

[Mark the Essentials]

- Arguing that legislation on outbound investment screening might not pass in the short-term, Senate Majority Leader Chuck Schumer, House Speaker Nancy Pelosi, and sponsors of the National Critical Capabilities Defense Act called for immediate executive action on outbound investment.
- A vocal opponent of the current outbound investment screening proposal, Senator Toomey argued that the outbound investment review framework should, at most, only apply to direct U.S. investment in Chinese entities and concern technologies that would have already been subject to export controls.
- Senator Toomey also expressed concerns that “a deliberative, open and democratic process” will be lacking if the White House is given authority to determine the scope of the outbound investment screening mechanism.
- At a hearing held in the Senate Banking, Housing and Urban Affairs Committee, Information Technology Industry Council (ITI) Executive Vice President of Policy, Robert Strayer, argued that the U.S. government should clearly define a limited and specific subset of technological capabilities as well as the types of transactions and ownership limitations that would be subject to outbound investment screening.
- Noting the important role global markets and global supply chains play in U.S. technological leadership as well as the private sector’s “best” data and understanding of the landscape, Strayer also advocated for an iteration of government-business consultations as the Administration and Congress get down to refining the particulars of the proposed screening mechanism.
- Meanwhile, former Assistant Secretary for Export Administration, Richard Ashooh, suggested that outbound screening be implemented through an interagency coordination mechanism that models the current institutional framework for export controls on emerging and foundational technologies.

[Keeping an Eye On...]

- Welcome to the newest arena of U.S.-China decoupling: outbound investment screening and controls. In July 2018, the attempt at trade decoupling was initiated with the Section 301 tariffs. In August 2018, the focus was on Chinese M&A activity and inward investment screening via the Foreign Investment Risk Review Modernization Act. In May 2019, the first round of technology denials began in earnest, with the Chinese telecommunications firm Huawei firmly in the crosshairs. In the time since, episodic efforts at data flow decoupling have also been undertaken. Screening and controls on China-bound investments is now the newest policy kid on the decoupling block; the urgency of which was highlighted by National Security Advisor Jake Sullivan in an important policy speech in July 2021. Fleshing out concrete legislative action is however turning out to be a heavier lift than anticipated, with neither the House introduced version of December 2021 (as part of the America COMPETES Act) nor the revised Senate version of June 2022 seemingly capable of drawing a bipartisan consensus. Questions abound on the particulars: What is a critical national capability? Which of these should be denied to China? How broad should this range of covered investments be? Where should the perimeter of extra-territorial

application of jurisdiction reside, etc? At this time, the locus of activity is shifting from the Hill to the White House. With a view to getting the ball rolling, the Biden administration is expected to establish this outbound investment screening framework by way of executive order later this fall. Down the line, the executive order is to be supplemented, and improved, via legislation, which is incidentally how the oversight of inbound foreign investment was also established—an executive order followed by statutory action.

[Expanded Reading]

- [Toomey Warns Against Establishing a Flawed Outbound Investment Regime](#), United States Senate Committee on Banking, Housing and Urban Affairs, September 29, 2022
- [Examining Outbound Investment](#), Hearing at United States Senate Committee on Banking, Housing and Urban Affairs, September 29, 2022
- [Closer Scrutiny of US Investments in China Is Sought by Lawmakers](#), *Bloomberg*, September 29 [Paywall]
- [Sand in the silicon: Designing an outbound investment controls mechanism](#), Center for a New American Security, September 14, 2022
- [Outbound Investment Screening Would be a Mistake](#), Council on Foreign Relations, June 30, 2022

October 20, 2022

Volume 2, Issue 21

What's Been Happening

1 — New Export Controls on China: A New Tech ‘Cold War’ Gathers Steam — 1

[In One Sentence]

- The Commerce Department’s Bureau of Industry and Security (BIS) announced a series of “targeted” export control measures to restrict China’s ability to purchase and manufacture advanced technologies.
- The measures expand the scope of licensing requirements for 28 existing Chinese entities that were added to the Entity List between 2015 and 2021.
- The White House is reportedly considering an executive order to establish an outbound investment review mechanism.

[Mark the Essentials]

- The new BIS rules expand export control restrictions to cover advanced and high-performance computing chips and computer commodities, advanced computing integrated circuits as well as certain foreign-produced advanced computing items. Semiconductor manufacturing equipment destined to China is subject to license requirements under a presumption of denial.
- Congressional leadership has urged the White House to utilize executive authority and introduce an outbound investment screening mechanism in sectors pertaining to national security, noting the slow legislative movement on this front.
- Highlighting a lack of consensus in Congress, other lawmakers argued that the establishment of an outbound investment review mechanism requires rigorous congressional consideration and that the scope of the review mechanism must be clearly—and potentially narrowly—defined.

[Keeping an Eye On...]

- On October 7, the Biden administration unleashed its hardest hitting export controls yet with regard to China. The Advanced Computing and Semiconductors Rule takes specific aim at the Fourth Industrial Revolution technologies that are blurring the lines between the physical, digital, and biological worlds—although the Rule’s ostensible focus is on tech-enabled military capabilities. The controls, which are layered upon each other and thereby interlock together, aim to throttle China’s high-performance computing, supercomputing and vibrant AI sector by denying access to high-performance chips. They also throttle China’s advanced chip fabrication capability by denying access to U.S.-origin components, throttle China’s chip design sector by denying access to U.S.-chip design software, and throttle China’s chip manufacturing capability by denying access to U.S.-built semiconductor manufacturing equipment. The controls essentially

aim to emasculate China's ecosystem of advanced computing capabilities, and reach far and beyond the chokehold that was placed on Huawei in August 2020. The export control order follows in the wake of a landmark speech delivered by National Security Advisor Jake Sullivan in mid-September, where he had listed computing-related technologies (microelectronics, AI, quantum information systems) as one of "three families of...force multiplier...technologies" that would determine the difference between victory and defeat in the technological and geopolitical landscape of the 21st century. Given the foundational nature of these technologies, "we (the U.S.) must maintain as large a lead as possible," he had added. With this wide-ranging Advanced Computing and Semiconductors Rule, it is becoming increasingly clear that the day has now passed when Washington might have leveraged its upstream prowess in the chips and advanced manufacturing sector to insist that market-based approaches and technology-neutral state aid become the principal basis of China's industrial and innovation policies. U.S. actions have less to do with fair and efficient competition and more with thwarting China's rise, which at the end of the day will leave both parties worse off. For the time being though, the listed technology embargoes will hurt China, and hurt it severely.

[Expanded Reading]

- [Revisions to the Unverified List; Clarifications to Activities and Criteria That May Lead to Additions to the Entity List](#), Bureau of Industry and Security, Federal Register, October 13, 2022
- [Commerce Implements New Export Controls on Advanced Computing and Semiconductor Manufacturing Items to the People's Republic of China \(PRC\)](#), Bureau of Industry and Security, Office of Congressional and Public Affairs, October 7, 2022
- [US Senate weighing limits on US investments in Chinese hi-tech businesses](#), *South China Morning Post*, September 30, 2022
- [Examining Outbound Investment](#), Hearing at the United States Senate Committee on Banking, Housing and Urban Affairs, September 29, 2022
- [Pelosi, Schumer push White House to screen American investments in China](#), *Politico*, September 27, 2022

2 — Deepen Trade with Allies or Just Sign Pacts? — 2

[In One Sentence]

- The Biden administration's new National Security Strategy emphasized "inclusive trade" and growing the "connective tissue" of technology, trade and security between allies and partners.
- U.S. Trade Representative (USTR) Katherine Tai said the IPEF's lack of market access provision is a "feature" to address past mistakes and persistent issues as well as the "growing inequality" caused by globalization.
- A senior White House official called on U.S. agencies to put "real dollars" and effort behind IPEF, G7 and other U.S. trade initiatives to support U.S. exporters and improve the lives of people around the world.
- A leaked European Commission report marked artificial intelligence, semiconductors, infrastructure financing in third countries, digital platforms, human rights and clean technology as potential deliverables for the U.S.-EU Trade and Technology Council (TTC), but warns of a growing mismatch between potential and tangible results.
- The U.S. is conducting a "real conversation" with the European Commission and South Korea over "deep" concerns about the allegedly discriminatory electric vehicle and renewable energy tax credit contained in the Inflation Reduction Act.
- The U.S. and EU are actively discussing U.S. concerns about European policies on data and the digital economy.

[Mark the Essentials]

- USTR Tai highlighted that the Biden administration has not “sworn off” market access and trade liberalization efforts, but instead argued that liberalization and tariff elimination cannot happen “at the cost of further weakening our supply chains, exacerbating high-risk reliances, decimating our manufacturing communities, and destroying our planet.”
- Contending that initiatives like IPEF is “no substitute” for traditional trade agreements, House Ways & Means Committee Trade Subcommittee ranking member Adrian Smith argued that the administration’s lack of a “robust and proactive trade strategy” has exacerbated economic problems such as inflation and high fuel costs.
- Civil, labor and religious groups have criticized the IPEF for its lack of transparency, noting that the confidentiality agreements over IPEF documents are even more extensive than the equivalent ones at the time of the mid-2010s Trans-Pacific Partnership (TPP) negotiations.
- According to a former U.S. trade official, the Biden administration’s reluctance to pursue trade liberalization, accompanied with a strong focus on the interests of U.S. workers, will make it difficult to secure buy-ins from allies and partners, especially on broader agenda items concerning climate change, sanctions on Russia, and a common front against China.

[Keeping an Eye On...]

- Fall is here, which means the season of trade policy conference diplomacy is upon us as well. Over the next two months, there will be ministerial-level meetings of the U.S.-EU Trade and Technology Council (TTC), the Indo-Pacific Economic Framework (IPEF) and the Asia-Pacific Economic Cooperation (APEC) grouping, among others. Substantive progress has been slow to come by so far; particularly within the TTC’s five annexed statement areas and 10 working groups (with the exception of export control cooperation vis-à-vis Russia) that were inaugurated with much fanfare in Pittsburgh on September 29, 2021. As for the IPEF trade pillar, the Biden administration released its “negotiating goals” in late-September, which are categorized as ‘resilience, inclusion, and sustainability.’ They could also be listed as ‘decouple, protect(ionism), and regulate,’ respectively. About the only common element listed in the ministerial statements across the four pillars of IPEF is the intention to promote labor rights based on the ILO Declaration on Fundamental Principles and Right at Work. This in and of itself is of no issue; nobody is ever going to be against it. But prioritizing labor over (trade) liberalization in the name of “inclusive trade” does not bode well insofar as a trade agreement is concerned. Furthermore, the administration’s overly ‘worker-centric’ focus will soon hit a wall in Asia when the IPEF negotiations begin in earnest. In all fairness, U.S. Trade Representative Tai is likely to face just as much pushback on the domestic front given that the design and contents of IPEF is as cryptic to members on Capitol Hill. IPEF bears only passing resemblance to an economic and trade agreement, at this time. When President Joe Biden addresses the APEC CEO Summit in Bangkok in mid-November on his trade policy philosophy and plans, perhaps more clarity will be available.

[Expanded Reading]

- [FACT SHEET: The Biden-Harris Administration’s National Security Strategy](#), The White House, October 12, 2022
- [Biden’s contradictory goals set to collide at G-20 and APEC](#) by Stephen Olsen, Hinrich Foundation, October 11, 2022

- [64th NABE Annual Meeting Shocks and Aftershocks](#), Event by National Association for Business Economics, October 9-11, 2022
- [Remarks by Ambassador Katherine Tai at the Roosevelt Institute's Progressive Industrial Policy Conference](#), Office of the United States Trade Representative, October 7, 2022
- [Squandering an opportunity on trade](#) by Rep. Adrian Smith, *The Hill*, October 5, 2022
- [IPEF confidentiality rules revealed](#), *Politico*, October 3, 2022
- [IPEF Secrecy Agreements Undermine Biden Administration's Claims of a New Trade Model](#), Public Citizen, October 3, 2022
- [EU Commission sets member states' expectations for next transatlantic meeting](#), *Euractiv*, October 3, 2022

Midterm Outlook

[Off to the Races]

- The U.S. trade relationship with China and the Indo-Pacific continues to fly far below the radar in midterm voters' minds, overshadowed by hot-button domestic issues like inflation, abortion, crime and immigration.
- Nevertheless, with factions in Congress both pushing against and egging on the President's trade agenda, the outcome of the midterms could have a marked impact on trade policy for the remainder of Biden's term.
- As it stands, it is forecasted that the Democrats will likely hold the Senate but lose the House to the GOP. Incumbent Democrats are favored in several key races, but redistricting and low turnout has left several red districts virtually uncontested.
- In short, the fate of the Senate rests on a few key states: Pennsylvania, Georgia, Ohio, Wisconsin, and Nevada. While Democrats have pulled ahead in Pennsylvania and Georgia after several gaffes and scandals on the other side, the margin in Nevada remains razor-thin while Republicans have pulled ahead in midwest races.
- While trade issues are not at the forefront of this election, Wisconsin's two candidates are diametrically opposed in this regard. Incumbent Republican Ron Johnson is one of the foremost proponents of free trade on the Hill, while his Democratic challenger Mandela Barnes has taken a staunchly protectionist position. This is not a universal divide however, as in Ohio both candidates are trying to outcompete each other for the 'tough on China, pro-American worker' label.

[On the Hill]

- Speaking at a virtual town hall event, Rep. Ro Khanna (D-CA) said that 'Big Tech' companies must not be allowed to influence digital trade rules to the extent that they gut labor standards and consumer protections.
- In a letter to the Secretary of Commerce, Sen. Elizabeth Warren (D-MA) and Rep. Pramila Jayapal (D-WA) wrote that they are concerned about the role that former employees of 'Big Tech' companies are playing in digital trade negotiations for IPEF and the U.S.-EU TTC.
- According to Sen. Bob Menendez (D-NJ), USTR has offered up "virtually nothing" in consultative talks with Congress on its ongoing trade negotiations, leading the Senator to stall the confirmation of a key agricultural negotiator until there is "greater oversight and transparency."

- House Republicans introduced their version of the ‘Taiwan Policy Act’ which would direct Congress to negotiate a bilateral free trade agreement with Taipei “as soon as possible” and call on the Commerce Department to work to ensure Taiwan’s participation in IPEF.
- Various Senators have attached trade-related provisions as amendments to the annual defense bill, with measures including lowering tariffs on trading partners targeted by China, bolstering and decoupling strategic supply chains which involve China, as well as strengthening trade ties in the Western hemisphere.

[Expanded Reading]

- [Silicon Valley’s congressman offers a midterm warning](#), *Axios*, October 17, 2022
- [Money Pours Into Senate Races as Midterm Campaign Enters Home Stretch](#), *The Wall Street Journal*, October 16, 2022 [Paywall]
- [Ahead of midterms, politicians warn against using China rhetoric that scapegoats Asians](#), *NBC News*, October 13, 2022
- [Wisconsin’s Ron Johnson Showing Strength in State Biden Won](#), *The Wall Street Journal*, October 12, 2022 [Paywall]
- [Senators seek billions more in military aid for Taiwan](#), *Politico*, October 12, 2022
- [Why Republicans Could Prevail in the Popular Vote but Lose in the House](#), *The New York Times*, October 11, 2022 [Paywall]
- [Five key issues that could decide the midterms](#), *The Hill*, October 9, 2022
- [Letter to Secretary of Commerce Gina Raimundo](#), Congress of the United States, October 6, 2022
- [Big Tech’s “Digital Trade” Attack on Working People & Labor Rights](#), American Civil Liberties Project, October 6, 2022
- [Path uncertain for US-Taiwan free trade deal despite Hill support](#), *RollCall*, October 3, 2022
- [Menendez puts hold on McKalip nomination for USTR’s chief ag negotiator](#), *AgriPulse*, September 28, 2022

November 17, 2022

Volume 2, Issue 22

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

December 2, 2022

Volume 2, Issue 23

What's Been Happening

1 — U.S. and China Resume Economic and Trade Talks, What Now? — 1

[In One Sentence]

- U.S. President Biden and Chinese President Xi agreed to resume high-level exchanges, previously put on hold following Speaker Pelosi's visit to Taiwan.
- Commerce Secretary Raimondo said the U.S. is "not seeking the decoupling from China."
- USTR Katherine Tai met with China's Commerce Minister Wang Wentao but neither side revealed much detail of the conversation.
- Analysts have suggested that China will maintain state interventionism while pursuing "high-quality opening" of its economy.
- Over 240 solar companies have urged the U.S. Commerce Department not to expand import restrictions on solar components from Southeast Asia.
- Noting the U.S. as the EU's most important ally and China as the EU's largest trading partner, top EU officials argued for an update on the EU's China policy.
- The U.S. and EU held a joint outreach event with stakeholders on export controls on dual use technologies.

[Mark the Essentials]

- The U.S.-China Business Council welcomed the restoration of U.S.-China high-level discussions, noting that "regular and close bilateral contact is indispensable for responsibly managing competition, lowering the temperature of the relationship, and working together to address issues of shared interest."
- According to analysts at the Brookings Institution, China will continue to focus on economic development but make national security and social and political stability top priorities, pursue "high-quality opening" of the Chinese market, and maintain the current trajectory on industrial policies and state-owned enterprises. If such approaches are to be taken, the analysts expect to see more tensions in China's relationship with not only the U.S. but also other trading partners and, thus, a less friendly environment for China's economic development.
- Top EU diplomat Josep Borrell observed that the EU must reduce its dependence on China concerning strategic vulnerabilities by coordinating with allies such as the U.S., highlighting areas of cooperation such as semiconductors and export control. Some EU officials also expressed concerns about China's involvement in critical infrastructure. Others warned against completely aligning with the United States' China policy and cutting ties with China pointing to the volume of China-EU trade.

- A WTO report called on G20 countries to reduce export restrictions on food and fertilizer, warning that existing export restrictions are exacerbating global food insecurity.

[Keeping an Eye On...]

- The Biden-Xi meeting in Bali achieved its '3R' bottom line—it *reestablished* a baseline of in-person, leader-led communications, it *restarted* senior official level dialogue channels, and it (attempted to) *reassure* the other side of one's strategic intentions and thereby lower the level of mistrust. Following the Biden-Xi meeting, Treasury Secretary Janet Yellen and USTR Katherine Tai held meetings with the People's Bank governor and the Chinese commerce minister, respectively. The restart of the economic working groups holds out the promise of a more engaged relationship in 2023. Of course, the proof of the pudding will be in its eating and we shall have to wait and see if the meetings translate into greater stabilization of the bilateral relationship and its economic component. The problem, after all, is not a lack of comforting intentions (past readouts of Biden-Xi virtual meetings have an abundance of them) but the inability or unwillingness to translate these intentions during the policy implementation process, mostly at the U.S. end. Too often, the Biden administration has diverged from the script, with the President himself—advertently—injecting questionable 'gray zone' tactics when discussing the Taiwan question. In this vein, and looking ahead on the economic front, an executive order establishing an outbound investment screening mechanism is expected to be issued later this month and a decision on the China-specific tariffs is due in Spring 2023. So, we will have to wait and see how the intentions expressed in Bali play out on the economic front over the next few months. That said, there is an evident desire on the part of the administration to draw a line and seek a somewhat more cooperative economic relationship with Beijing. Specifics are vague at this time and will be keenly awaited. For its part, China would be well served by signaling an ambitious commitment to structural reform at its first post-20th Party Congress Central Economic Work Conference (CEWC) later this month. Following President Xi Jinping's successful diplomatic foray in November, it would send an unequivocal signal that China remains committed to an internationally engaged strategy of reform and opening up. That signal has not always been spelt out clearly over the past three COVID-infected years, and implementation in its regard has been even slower to arrive.

[Expanded Reading]

- [U.S. Not Seeking Decoupling From China, Commerce Chief Says](#), *The Wall Street Journal*, November 30, 2022 [Paywall]
- [EU will not follow US' China policy, top diplomat says in fiery debate with lawmaker](#), *South China Morning Post*, November 23, 2022 [Paywall]
- [3rd Joint EU-US Stakeholders Outreach Event - Dual Use Research](#), EU Directorate-General for Trade, November 21, 2022
- [US and China trade officials meet in Thailand, resuming dialogue on economic policies](#), *South China Morning Post*, November 19, 2022 [Paywall]
- [Letter to the Honorable Gina Raimundo, Secretary, U.S. Department of Commerce](#), Solar Energy Industries Association, November 16, 2022
- [Readout of President Joe Biden's Meeting with President Xi Jinping of the People's Republic of China](#), The White House, November 14, 2022
- [Biden, Xi Chart Path to Warmer Ties With Blinken China Visit](#), *Bloomberg*, November 14, 2022 [Paywall]
- [Xi's sweep: Beyond China's 20th Party Congress](#), Brookings Institution, November 9, 2022

2 — Will 2023 be a Big Year for U.S. Economics and Trade? — 2

[In One Sentence]

- USTR Katherine Tai expressed optimism about prospects for U.S. trade in 2023, including in her assessment APEC, WTO reform and IPEF, among other initiatives and partnerships.
- The U.S. and Japan have agreed to push for an “ambitious negotiating schedule” for the upcoming IPEF negotiations.
- Business groups in the U.S. and the European Union are urging the EU to approve the new data privacy framework on transatlantic data flows.
- The U.S. and EU plan to focus on sustainable trade issues during the Trade and Technology Council’s next meeting on December 5, 2022.

[Mark the Essentials]

- According to USTR Tai, IPEF is gaining “momentum” to deliver “timely results” next year, and members are particularly interested in making new rules and norms for the digital economy. Tai said that IPEF is meant to address current challenges faced by its members while being flexible enough to accommodate new and emerging issues.
- Tai said that the APEC forum, which the United States will host in 2023, is “uniquely positioned” to catalyze cooperation and build a sustainable and resilient global economy. Tai also noted that trade policies should improve access to lower emission goods and services, promote investment in climate-friendly technologies, and help incentivize environmental protection.
- The Biden administration has issued an executive order and regulations to implement commitments related to the political agreement between the U.S. and the EU this March on establishing a new EU-U.S. Data Privacy Framework. The EU is undergoing its internal decision-making process to determine whether to approve the new framework.
- While specific topics related to the U.S.-EU sustainable trade initiative have not been finalized, possible areas of focus include green technology standards, supply chain resilience concerning solar and critical raw materials, and coordination of green subsidies and carbon taxes, especially with an eye on the localization requirements in the Inflation Reduction Act’s EV tax credit which has triggered concerns in Brussels.

[Keeping an Eye On...]

- 2023 needs to be a big year for both the Indo-Pacific Economic Framework (IPEF) negotiations in particular and U.S. trade in general. With the 2024 election cycle likely to kick-in early, the space for smart trade policy decision-making will begin to taper by the latter part of 2023. The first nine months of 2023 will be crucial, as such. If material progress is not made within the IPEF negotiations during this timeframe, expect the can to be kicked down the road beyond the mid-2025 timeframe. The U.S.-chaired Asia-Pacific Economic Cooperation (APEC) ministerial in May 2023 will provide an important platform to firm up an ‘early harvest’ package, with the digital economy chapter of IPEF’s Connected Economy (trade) pillar likely to be a key focus area. By that time, it will also become clear whether or not the EU-U.S. Data Privacy Framework has passed muster at the European Commission’s end in terms of sufficiency of safeguards *vis-à-vis* the United States’ intelligence operations. That said, it is important to stay realistic about the prospects for ambitious and timely results in the trade policy arena in 2023. In 2011, the Obama administration had played APEC host in order to infuse momentum into the, at-the-time, desultory Trans-Pacific Partnership (TPP) negotiations. By the time of the

APEC Leaders Meeting in Honolulu in November that year, it was clear that the strategy had failed to deliver-and in no small part due to the administration's eye on the electoral calendar and ensuing diffidence in tabling ambitious negotiating proposals. Not until the mid-part of the second Obama administration did the TPP negotiations gather steam under the able leadership of USTR Michael Froman. It is similarly foreseeable that the Biden administration's attempt to utilize its APEC 2023 chairpersonship as a forcing mechanism notwithstanding, substantive progress in the IPEF negotiations may have to wait until after the 2024 presidential election cycle. And for this to be the case furthermore, the Democrats will need to hold the White House.

[Expanded Reading]

- [EU demands rapid fix from U.S. to green subsidy law](#), *Reuters*, November 25, 2022 [Paywall]
- [Readout of Ambassador Katherine Tai's Meeting With Japan's Minister for Economy, Trade and Industry Nishimura Yasutoshi](#), Office of the U.S. Trade Representative, November 17, 2022
- [Readout of Ambassador Tai's Meetings With Government Officials in Singapore](#), Office of the U.S. Trade Representative, Office of the U.S. Trade Representative, November 17, 2022
- [The U.S.-EU Trade and Technology Council: Assessments and Recommendations](#), Center for Strategic and International Studies, November 16, 2022
- [U.S. and Europe trade agendas diverge on energy, China](#), *Politico*, November 7, 2022
- [Spotlight on Trade](#), *Bloomberg*, November 5, 2022 [Paywall]
- [Top US trade official urges EU to join forces on subsidies amid green deal tensions](#), *Financial Times*, November 2, 2022 [Paywall]
- [FACT SHEET: President Biden Signs Executive Order to Implement the European Union-U.S. Data Privacy Framework](#), The White House, October 7, 2022

On the Hill



[Highlights of the U.S.-China Economic and Security Review Commission Annual Report]

- In 2022, the U.S.-China Economic and Security Review Commission (USCC) looked into a number of issues and topics related to U.S.-China economic and trade relations, including:
 - U.S. supply chain vulnerability arising from reliance on China for rare earth elements, casting and forgings, active pharmaceutical ingredients and others;
 - alleged Chinese practices that subvert the global trading system (e.g. subsidies, overcapacity, intellectual property theft, and protectionist non-market policies) as well as possible actions that the U.S. can take to compel changes;
 - China's energy consumption, demand and import needs, as well as relevant carbon footprint; and
 - the decision-making process and internal politics of the Chinese Communist Party.
- Recommendations by the Commission to Congress include:
 - enacting new legislation to suspend China's Permanent Normal Trade Relations (PNTR) treatment if USTR finds that China has failed to comply with its WTO commitments;

- direct the Biden administration to strengthen the U.S. export controls regime, including by demanding regular reports on export control implementation and export license applications and developing a process to self-initiate and expedite the introduction of retaliatory import restrictions on China;
- direct the Biden administration to set up an office that oversees and coordinates cross-agency efforts on U.S. supply chain resilience, including by collecting more data on critical supply chains with a special focus on defense-related supply chain needs;
- direct the Biden administration to ensure that IPEF members are prohibited from using transportation and logistics public information platforms provided by Chinese state-affiliated entities at their ports;
- enact new legislation to establish a permanent agency that will develop plans for sanctions and other economic measures to respond to China's possible hostile action against Taiwan; and
- enact new legislation to improve the collection and translation of open source materials on China and Chinese senior officials.

[Legislative and Statements]

- A bipartisan group of House lawmakers introduced a resolution calling for more reshoring and nearshoring of supply chains in the Americas amid China's increasing economic engagement and influence in the Western Hemisphere.
- Senate Finance Committee Chair Ron Wyden (D-OR) warned that outgoing Sen. Rob Portman's (R-OH) hope for a bipartisan 'grand bargain' on trade policy—covering the reinstatement of the Generalized System of Preferences (GSP), the Trade Adjustment Assistance (TAA) program, Trade Promotion Authority (TPA), and a new Miscellaneous Tariff Bill (MTB)—was “a little ambitious for the lame-duck.” Instead, he plans to prioritize bringing back 'stand-alone TAA' without tying it to the primarily Republican-backed TPA, though possibly compromising by reauthorizing GSP or passing a new MTB.
- House Ways & Means Committee ranking member Kevin Brady (R-TX), who is retiring in January, commended Switzerland and Mexico for criticizing the White House's flexible approach to vaccine-related intellectual property at the WTO.
- Senate Foreign Relations Committee members Jim Risch (R-ID) and Mitt Romney (R-UT) called on Biden to promptly develop a “grand strategy” towards China as directed by the FY 2022 National Defense Authorization Act. Particularly, they insisted the president establish what the NDAA called an 'Advisory Board on United States Grand Strategy with Respect to China' where outside experts from “the private sector, academia, and think tanks” could provide input.

[Keeping an Eye On...]

- With the exception of a few China-related amendments that are to be tacked on to the 2023 defense authorization bill, such as a semiconductors-related one and a Taiwan arms sales-related one, the 117th Congress is more-or-less done with legislating on the China front. And Congress has, indeed, been productive on this front, headlined by the passage of landmark bills such as the Chips and Science Act and the climate provisions of the Inflation Reduction Act. With the two chambers now due to be split between the two parties, the 118th Congress is expected to be a very different creature on China policy compared to its predecessor. Like the 116th Congress rather, where the Democrats held the House and the Republicans the Senate and effectively accomplished very little legislatively on China, the 118th Congress will similarly witness a Democrat-led Senate

disposing of much that is proposed by a Republican-led House. The gridlock may intuitively appear to be a stabilizing factor. That would not be a correct assessment. The China-related legislative fireworks unleashed by the Republican-led House will reverberate much beyond Capitol Hill and could potentially influence the complexion of the presidential race in 2024. The House Republican leadership has already trained its sights on a plethora of China-related investigations and activities, ranging from enforcement action on export controls and against TikTok's data and privacy practices to questioning Covid's origins, the strict implementation of the Uyghur Forced Labor Prevention Act, the new limits on sale of natural gas to China, restrictions to Chinese access to U.S. capital markets and establishing a Select Committee on China to conduct intensive oversight on all legislative matters that are China-related. The 118th Congress may turn out to be short on legislative achievement on the China front (aside from a mechanism to screen outbound investments on which a loose bipartisan consensus exists), but it will certainly not be lacking in sound and fury. The world must stay tuned.

[Expanded Reading]

- [Brady: Why Are Switzerland and Mexico More Protective of American Medical Innovation than the Biden Admin?](#), U.S. House of Representatives Committee on Ways and Means, November 18, 2022
- [Risch, Romney Urge President Biden to Swiftly Implement Measure to Craft Grand Strategy to Counter China Threat](#), U.S. Senate Committee on Foreign Relations, November 17, 2022
- [Sires, Green Introduce Bipartisan Resolution to Secure Western Hemisphere Supply Chains Through Nearshoring](#), Office of Rep. Alberto Sires (D-NJ), November 16, 2022
- [H.Res.1480 - Promoting stronger economic relations between the United States and countries in Latin America and the Caribbean](#), Congress.gov, November 16, 2022
- [2022 midterm elections and outlook for the 118th Congress](#), Hogan Lovells, November 15, 2022
- [2022 Annual Report to Congress](#), U.S.-China Economic and Security Review Commission, November, 2022
- [Congress draws their lame-duck red lines](#), *Politico*, October 24, 2022

December 15, 2022

Volume 2, Issue 24

What's Been Happening

1 — The U.S.-EU Stalemate and (Marginal) Progress at TTC — 1

[In One Sentence]

- The U.S.-EU Trade and Technology Council (TTC) held its third ministerial meeting on December 5, 2022, to enhance transatlantic cooperation on emerging technology, semiconductor and sustainable trade.
- The U.S. and EU remain divided on the United States' allegedly "discriminatory" electric vehicle (EV) subsidy that is only eligible to North American-assembled vehicles.
- The new EU-U.S. Data Privacy Framework is awaiting internal EU approval.
- The U.S. and EU are reportedly considering a carbon emission tariff on steel products from China.

[Mark the Essentials]

- The U.S. and EU issued a Joint Artificial Intelligence (AI) Roadmap to inform their shared approaches to risk management, agreed to strengthen coordination of semiconductor supply chains through information sharing of subsidy programs, and made plans to launch a Transatlantic Initiative for Sustainable Trade.
- After analyzing the existing and prospective policy around AI in the EU, U.S. and China, analysts noted the possibility of increasing transatlantic alignment of regulatory regimes as well as a trajectory of digital fragmentation between EU and U.S. on the one side and China on the other.
- While acknowledging shared transatlantic concerns on China, European External Action Service Secretary General Stefano Sannino cautioned against responding to China in ways that are also "discriminatory" against the EU, alluding to the electric vehicle subsidies.
- A number of EU officials and leaders—including President of France Emmanuel Macron and European Commission President Ursula von der Leyen—have been critical of the EV subsidies, arguing that it could "fragment the West" or begin a transatlantic subsidy war. Meanwhile, European Parliament President Roberta Metsola warned against "the slippery road" towards "the very bottom of the protectionist race."
- The U.S. and EU said they made "preliminary progress" on the EV subsidy during the TTC meeting. European Commission Executive Vice-President for Trade Valdis Dombrovskis said the TTC meeting made him "slightly more optimistic" about the subsidy negotiation, but said there is still "a lot of work to do."
- Trade associations are urging the EU to swiftly approve the new data privacy framework, arguing that it will bring certainty to transatlantic data flows.

- According to an earlier fact sheet that the White House released in October 2021, the U.S. and EU have plans to “work to restrict access to their markets for dirty steels.” EU officials have internally looked into the legality of such a carbon tariff as well as the internal carbon pricing in the U.S. and the EU.

[Keeping an Eye On...]

- In mid-2013, at the start of the U.S.-EU Transatlantic Trade and Investment Partnership (T-TIP) negotiations during the second Obama administration, the then-USTR Michael Froman had observed that the negotiations would not be allowed to drift on interminably with no end in sight. The trade deal needed to be—and would be—swiftly negotiated on “one tank of gas.” In fact, the T-TIP negotiations consumed many a tank of gas, yet ended up in the ditch nevertheless three years later. Judging by its low octane outcomes, the U.S.-EU Trade and Technology Council (TTC) discussions appear to be trending in a similar direction. The most productive trade outcomes so far—on civil aircraft, the U.S.’ Section 232 steel and aluminum tariffs, and data flows and successor to Privacy Shield—have all occurred outside the TTC framework. Meanwhile, within the TTC framework, the energies have been diverted to addressing the discriminatory local content requirements attached to the renewable energy subsidies in the U.S.’ Inflation Reduction Act (IRA). The EU quite reasonably has taken umbrage to their WTO-inconsistent nature. The electric vehicle (EV) subsidy in particular will be a hard nut to crack. Despite the impression given by some within the administration that creative workarounds could be at hand, the blunt truth of the matter is that the administration has very little political interest in conjuring up the necessary definitional reinterpretations of the IRA language to allow European and East Asian-produced EV’s to enjoy the benefits of the subsidy. The U.S. is not about to exchange a mammoth trade deficit in internal combustion engine-powered automotive vehicles for an emerging series of deficits in electric-powered automotive vehicles. And Candidate Biden understands that his failure to sway the votes of non-college educated males (and particularly those with a persuasion for unionization) in the swing states of Michigan, Pennsylvania and Wisconsin could well doom his 2024 election chances *a la* Hillary Clinton-style. The EV subsidies in the IRA have less to do with revitalizing manufacturing in the Rust Belt and more to do with manufacturing employment in these critical swing states, regardless of the consequences for the long-term competitiveness of the industry or the integrity of the rules-based trading order that the U.S. itself did so much to inscribe in the wake of World War II.

[Expanded Reading]

- [US and EU reach stalemate on green subsidies](#), *DW*, December 8, 2022
- [The geopolitics of AI and the rise of digital sovereignty](#), Brookings Institute, December 8, 2022 [Analysis]
- [Parliament chief Metsola: I fear a Europe-first trade war with US](#), *Politico*, December 7, 2022
- [U.S. Proposes Green Steel Club That Would Levy Tariffs On Outliers](#), *The New York Times*, December 7, 2022 [Paywall]
- [US, EU Weigh Climate-Based Tariffs on Chinese Steel and Aluminum](#), *Bloomberg*, December 6, 2022 [Paywall]
- [US-EU Talks ‘Moved the Needle’ on Inflation Reduction Act Issues, Vestager Says](#), *Bloomberg*, December 6, 2022 [Paywall]
- [‘Not how you treat friends.’ Biden’s climate plan strains trade ties with Europe](#), *CNN*, December 6, 2022
- [US, EU agree to intensify talks on ‘green subsidies’ dispute](#), *Associated Press*, December 5, 2022
- [U.S., EU Agree to Coordinate Semiconductor Subsidy Programs](#), *The Wall Street Journal*, December 5, 2022 [Paywall]
- [U.S.-EU Joint Statement of the Trade and Technology Council](#), The White House, December 5, 2022
- [FACT SHEET: U.S.-EU Trade and Technology Council Advances Concrete Action on Transatlantic Cooperation](#), The White House, December 5, 2022

- [EU-US Trade and Technology Council addresses common challenges and responds to global crises](#), European Commission, December 5, 2022
- [Secretary Antony J. Blinken U.S.-EU Trade and Technology Council Ministerial Co-Chairs Joint Press Availability](#), U.S. Department of State, December 5, 2022
- [Tax credits for EU electric vehicles dominate U.S. trade talks](#), *Reuters*, December 5, 2022 [Paywall]
- [U.S. and EU positions on China are converging, top official says](#), *Axios*, December 5, 2022
- [Trade Associations Urge Support For The New EU-U.S. Data Privacy Framework](#), *mondaq*, December 5, 2022
- [How the EU and the US should overcome their trade and supply chain disputes](#), European Policy Centre, December 5, 2022 [Analysis]
- [The US and EU need a sturdier structure to resolve their trade squabbles](#), Atlantic Council, December 5, 2022 [Analysis]
- [The Trade and Tech Council is a way to unify against China — unless Europe derails it](#), *The Hill*, December 4, 2022 [Analysis]
- [European officials object to Biden’s green subsidies as protectionist](#), *The Washington Post*, December 4, 2022 [Paywall]
- [EU Chief Says Bloc Must Act Over US Climate Plan ‘Distortions’](#), *Voice of America*, December 4, 2022
- [The big problems you won’t hear about at the EU-US Trade and Technology Council](#), Atlantic Council, December 2, 2022 [Analysis]
- [The U.S. wants the EU to be strict with China. But Europe can’t afford it](#), *CNBC*, December 2, 2022 [Analysis]
- [Top EU Official Pulls Out of US Summit Over Climate Law Dispute](#), *Bloomberg*, December 1, 2022 [Paywall]

2 — IPEF Gets Down to the Grind in Brisbane— 2

[In One Sentence]

- The first in-person negotiations between the fourteen members of the Indo-Pacific Economic Forum (IPEF) kicked off in Brisbane, Australia on Saturday, December 10 and is set to run until the middle of this week.
- IPEF is the Biden administration’s flagship vehicle for economic engagement across the Pacific with an overarching aim of offering an alternative to China’s economic statecraft in the region.
- The meeting follows a formal summit in September where member states set out a timeline for negotiating the specifics of IPEF’s four ‘pillars’: trade, supply chains, clean economy, and fair economy.
- Trade ministers of the participating countries have welcomed Canada’s proposed announcement of intent to join the framework.
- In a December 1 letter to the White House on IPEF, the chairman and the ranking member of the Senate Finance Committee raised constitutional concerns regarding USTR’s procedural bypassing of congressional authority on trade.

[Mark the Essentials]

- The U.S. is co-empowered to set the agenda and approve any agreements reached during the Brisbane round of negotiations. According to senior administration officials, American negotiators intend to get the ball rolling by presenting draft texts covering each pillar. Save for India, which chose not to sign on to the trade pillar, the remaining thirteen IPEF members are involved in all four pillars.
- The draft text of the trade pillar negotiating agenda includes matters of trade facilitation, agriculture, good regulatory practices, and services domestic regulation. “Knock[ing] down barriers” in the trade of agricultural products appears to be the main thrust of this round of negotiations, but administration officials noted that negotiations will “touch on important digital issues” as well.

- Texts are also being tabled covering decarbonization, labor rights, and anti-corruption, though officials noted that these matters are also “embedded” in negotiating aims across all pillars of the framework.
- U.S. negotiators were bolstered by Japan and Australia, both of which issued statements in favor of U.S. negotiating objectives before the meeting began.
- Australia and Singapore intend to use the negotiations to pitch elements of their bilateral Green Energy Agreement (GEA) to the gathered IPEF participants. The pact, signed in October, reduces trade barriers for environmental goods and facilitates carbon emissions trading.

[Keeping an Eye On...]

- In the week that senior trade officials from fourteen member states kicked-off their first in-person negotiating round towards an IPEF agreement, it is worth recalling an earlier U.S. trade policy strategy that was wholly welcomed in the region. Twenty years ago, the Bush administration’s USTR at the time, Robert Zoellick, unveiled his strategy of ‘competitive liberalization.’ The logic of ‘competitive liberalization’ was predicated on the belief that since multilateral liberalization at the WTO was difficult at best, preferential regional and bilateral deals should be adopted as a second-best route to achieve broader liberalization. Uneasiness about the possibilities of trade diversion notwithstanding, these bilateral and regional trading arrangements (in conjunction with negotiations at the WTO) would thereafter create momentum for global trade liberalization. ‘Competitive liberalization’ spawned thereafter the U.S.-Australia FTA, the KORUS FTA, and culminated in the finalized text of the Trans-Pacific Partnership (TPP) negotiations in the Indo-Pacific region. With the scuttling of the TPP pact by the Trump administration, it has been downhill ever since. Enter, then, the Indo-Pacific Economic Framework (IPEF) which is billed as the new approach to trade and economic engagement in Asia. Much rides now on the (narrow) shoulders of this (questionable) initiative. Like the strategy of ‘competitive liberalization’, IPEF aims to enhance the U.S.’ competitive capability. Unlike ‘competitive liberalization’, IPEF makes no aspiration to achieve a fundamental premise of competitiveness or liberalization; reciprocal market access. Like the strategy of ‘competitive liberalization’, IPEF aims to set next-generation standards and entrench the U.S. in trade policy rulemaking in Asia. In contrast to the era of ‘competitive liberalization’, the U.S. seeks to bind itself to these rules only at its own convenience—and as exemplified last week by its rejection of a WTO dispute settlement panel ruling on the illegality of its Section 232 steel and aluminum tariffs. Prior to the unveiling of his strategy of ‘competitive liberalization,’ USTR Robert Zoellick fought hard and obtained trade promotion authority (TPA) on a narrow 215-212 vote in the House. By contrast, USTR Katherine Tai plans to disregard Congress’ prerogative “to regulate commerce with foreign nations” by using the ‘sole executive agreement’ mechanism to finalize IPEF and bind the United States on what is frankly a broad matter of international trade. The Biden administration’s trade policy approach on IPEF will likely underwhelm for many of the same reasons that the Bush administration’s approach to bilateral and regional trade liberalization succeeded in Asia. It is not too late for the Biden team to make the necessary amendments to its trade policy approach to Asia and the world.

[Expanded Reading]

- [Negotiations kick off for U.S.-led Indo-Pacific Economic Framework](#), *Kyodo News*, December 10
- [Readout of Secretary Raimondo’s Meeting with Minister of Economy, Trade and Industry of Japan Yasutoshi Nishimura](#), U.S. Department of Commerce, December 9
- [No Higher Priority: Why IPEF Must Include Strong Digital Trade Rules](#), U.S. Chamber of Commerce, December 7

- [A Modern Alliance in a Changing Region: A Conversation with Penny Wong](#), Carnegie Endowment for International Peace, December 7
- [Caught in the Middle: How Asian Nations Are Navigating the U.S.-China Competition](#), Asia-Pacific Research Center, December 7
- [Imminent Negotiations For US-driven IPEF Look To Mirror The TPPA](#), *Scoop NZ*, December 7
- [Canada's IPEF bid has support from all members: trade minister](#), *Nikkei Asia*, December 6 [Paywall]
- [Joint Statement on Australia-U.S. Ministerial Consultations \(AUSMIN\) 2022](#), U.S. Department of State, December 6
- [Wyden, Crapo and Bipartisan Senate Finance Committee Members Raise Concerns about Process to Approve and Implement Indo-Pacific Trade Pact and Other Trade Agreements](#), Senate Finance Committee, December 1
- [Australia, Singapore to pitch green energy pact at regional talks](#), *Australian Financial Review*, November 29 [Paywall]

Keywords of the Year: 2022

[Strategic Competition with China]

- The Biden administration's industrial policy is framed in the context of its "extreme [strategic] competition" approach towards China. It is geared towards utilizing existing statutory authorities to encourage and expand the domestic advanced manufacturing base, especially for critical supply chain items (semiconductors, large-capacity batteries, critical minerals and materials, etc.).

[New Vision of Multilateralism]

- The Biden administration's new vision that pushes against traditional globalism and multilateralism could have a lasting impact in shaping America's view of the current world order as well as its assessment of the bilateral relationship with other great powers, especially that with China.

[Decoupling]

- In 2022, the White House has furthered the decoupling of key supply chains from China. Overall, the administration's supply chain focus has been to 'reshore', 'near-shore', and 'friend-shore' the production of critical items. From a U.S.-China strategic competition perspective, the desire to decouple key supply chains from China is understandable—even if it may not be the wisest decision. But is the logic of reshoring as compelling from a purely commercial perspective?

[Supply Chain Resilience]

- The emphasis on 'reshoring', near-shoring' and 'friend-shoring' of supply chains, it is feared, will begin to reverse the forces of globalization and place many Asia-Pacific nations that have hitherto been staunch advocates of globalization and 'open regionalism' in a dilemma: Do they join Washington's 'friend-shored' but 'Beijing-decoupled' supply chain or should they continue to place their regionally-integrated trade policy eggs in the China basket?

[Tariffs]

- The Biden administration champions itself as a guardian of the rules-bound liberal international order. On trade, the administration is not liberal; it is protectionist. And as for the Section 301 tariffs themselves, they are not rules-bound; a WTO panel has judged them to be illegal. It gets to the question whether the sun has begun to set on the role of the United States as a liberalizing force in the global economy.

[Chips and CHIPS]

- The White House pushed hard for strengthening and securing American chip-making capability through both domestic legislation and international cooperation. 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. The U.S. also formed the newest export controls cartel—the “Chip 4” alliance—to constrict China’s semiconductor production capabilities across-the-board.

[Export Control]

- 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. 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. 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. U.S. actions have less to do with fair and efficient competition and more with thwarting China’s rise, which at the end of the day will leave both parties worse off. For the time being though, the listed technology embargoes will hurt China, and hurt it severely.

[Midterm Election]

- 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.

The Institute for China-America Studies (ICAS) is an independent think tank in Washington D.C. ICAS focuses on the evolving dynamics in the U.S.-China relationship to promote greater collaboration and mutual understanding through sincere exchanges of fresh ideas, objective policy-oriented research, and fair assessments of this critical bilateral relationship.

We aim to provide a window into the worldviews of both the United States and China, and thereby serve as a vehicle to promote greater understanding between these two countries and societies.

ICAS is a 501(c)3 nonprofit organization

© 2022 Institute for China-America Studies. All rights reserved.



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