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## What's Been Happening

## 1 — USTR Tai Puts Pedal to the Metal on Trade Initiatives — 1

**[In One Sentence]**

- U.S. Trade Representative (USTR) Katherine Tai said that the USTR team is “doing so much work” on WTO reform, including on the negotiation function and the dispute resolution function.
- Talks to finalize the Indo-Pacific Economic Framework (IPEF) are envisaged to conclude as early as this November, with six rounds planned over the remainder of the year starting in Singapore this May.
- The U.S. and Japan signed a “free trade” deal on critical minerals, allowing Japanese manufacturers to access \$7,500 of U.S. electric vehicle tax credits made available in the Inflation Reduction Act.
- Democratic Senators criticized the Biden administration’s critical mineral deal with Japan for lacking congressional consultation and “meaningful” provisions on human rights and environmental concerns.

**[Mark the Essentials]**

- Lawmakers from both chambers are calling on the Biden administration to increase transparency and ensure congressional consultation as the U.S. accelerates on the IPEF negotiations front.
- Acknowledging a “very clear desire for more transparency,” U.S. Trade Representative Katherine Tai said she had released summaries of first-round IPEF text proposals and further committed to release “public summaries of the proposals that we have made.”
- A bipartisan group of House lawmakers are urging the administration to consult Japan and promote “fairness” on an alleged “imbalance in the Japanese video game market and the threat it can pose to the national video game industry,” arguing that it might undermine the U.S.-Japan Digital Trade Agreement.
- U.S. President Joe Biden expressed support for Canada to join IPEF during a meeting with Canadian Prime Minister Justin Trudeau.

**[Keeping an Eye On...]**

- *The lady doth mislead too much, methinks.* USTR Katherine Tai says that her team is “doing so much work” on WTO reform, including on its dispute settlement function. Is this really true? Expectations are low that much or any progress can be made, given the U.S.’ stance on the appellate body’s rulings, procedures and nomination process. To show goodwill and fair play, she could have at least ensured that the recent adverse WTO panel decisions against the U.S. would not be kicked into the long grass by appealing them to the WTO’s defunct appellate body. No such luck or expression of goodwill. It doesn’t help that senior U.S. trade policy ex-officials have privately *sotto voce* gone about telling their counterparts abroad that the U.S. does not intend to hew to

some of its WTO obligations. USTR Katherine Tai says that she realizes the “very clear desire for transparency” on Capitol Hill with regard to the on-going IPEF negotiations. Is that really true too? She trundled out a public summary of the anodyne first negotiating round text proposals when the real sparks are contained in the second-round texts on digital and labor. Surely it should not take more than two-and-a-half weeks after the round to release plain summaries of the tabled proposals. USTR Katherine Tai says that the U.S.-Japan critical minerals deal qualifies as a ‘free trade agreement’. Again, is that really true? Oh, the United States’ *real* free trade agreements are now categorized as “comprehensive free trade agreements” so that the critical minerals agreement with Japan—*boom*—becomes one of “free trade in critical minerals”. Well, one must concede that she has quite the facility as a linguist. What Congress or the U.S.’ international trade partners make of this remains to be seen. WTO rules require, after all, that “substantially all trade” is covered for an agreement to qualify as an FTA, not just a subset of trade or a trade sub-sector. The bigger question is this: whatever Congress or the United States’ international trade partners might make of it, what exactly are they going to do about it? So far, it seems to be to just write long bitter letters paired with angry denunciations on the Hill, and not much more. *No wonder, the lady doth thinketh that she can mislead and get away, methinks.*

### [Expanded Reading]

- [United States to Participate in Third Indo-Pacific Economic Framework \(IPEF\) Negotiating Round in Singapore](#), Office of the U.S. Trade Representative, April 3, 2023
- [Fiji’s DPM and Minister for Trade updates Parliament on the Indo-Pacific Economic Framework](#), Fiji Government, March 29, 2023
- [The US-Japan Economic Partnership Roadmap Emerges](#), Wilson Center, March 29, 2023
- [United States and Japan Sign Critical Minerals Agreement](#), Office of the U.S. Trade Representative, March 28, 2023
- [US, Japan Strike Deal on Supply of Minerals for EV Batteries](#), *Bloomberg*, March 28, 2023 [Paywall]
- [Biden Smuggles Corporate Green Welfare Scheme Through New Critical Minerals Agreement with Japan](#), House Ways & Means Committee, March 28, 2023
- [Neal, Wyden Statement on Biden Administration’s Go-It-Alone Trade Action](#), Office of Rep. Richard Neal (D-MA), March 28, 2023
- [11 members of Congress argue Sony is unfairly hurting Xbox in Japan](#), *Axios*, March 27, 2023
- [Working with the United States to grow our clean economies and create good, middle-class jobs on both sides of our border](#), Office of the Prime Minister of Canada Justin Trudeau, March 24, 2023
- [Sens. Press Trade Rep. Tai On Market Access, Transparency](#), *Law 360*, March 23, 2023 [Paywall]
- [Trade Pillar | Indo-Pacific Economic Framework for Prosperity \(IPEF\)](#), Office of the U.S. Trade Representative, last updated March 21, 2023

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## 2 — China in the EU’s Political and Economic Crosshairs — 2

### [In One Sentence]

- European Commission President Ursula von der Leyen said that the EU must focus on “de-risking, not decoupling” from China, arguing that the latter is “neither viable nor in Europe’s interest.”
- She also warned that “how China continues to interact with Putin’s war [would] be a determining factor for EU-China relations going forward” and a “test” for how much the EU can cooperate with China.

- The EU reached an agreement to create an anti-coercion instrument against economic coercion by third countries, notably China, to any of the EU's member states.
- The U.S. presented the EU with a "first outline" of a "FTA-equivalent" critical mineral deal to address some EU concerns on U.S. electric vehicle tax credits.

### [Mark the Essentials]

- Commission President von der Leyen also noted that while "economic, societal, political and scientific ties" with China should not be cut, the EU's future relationship with China in sensitive high-tech areas as well as on human rights needed to be much more clear-eyed.
- According to a new report from the American Chamber of Commerce to the EU and the U.S. Chamber of Commerce, the U.S.-EU economic relationship proved "remarkably resilient" and strong despite "global economic and strategic disruptions," and U.S.-EU trade in goods and services reached record-high in 2022.
- Swedish Minister for International Cooperation and Foreign Trade Johan Forssell said that the transatlantic talks to resolve EU concerns on the U.S. Inflation Reduction Act are "moving in the right direction" despite remaining "problems."
- During a hearing in front of the Senate Finance Committee, U.S. Trade Representative Katherine Tai faced criticism for pursuing a "go-it-alone" trade policy without sufficient congressional consultation, including on the critical mineral deal with the European Union.

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

- China faces a foreign and economic policy balancing act of the first order. Russia is China's most important *geopolitical* partner in this current era of strife and uncertainty. It is an anchor relationship on the basis of which Beijing geopolitically engages the other major powers. To Beijing's fortune, Moscow has ceased to be a 'balancing power' among the major powers of the type that Beijing had itself been in the 1970s and early-1980s. The European Union, meanwhile, is China's most important *geo-economic* partner in this era of 'extreme [economic] competition' and advanced techno-digital decoupling. Beijing may well prefer that Washington fill that geo-economic partner role, but it takes two hands to clap. The essence of the strategic dilemma that China confronts, therefore, is the balancing of the relationships with its most important *geopolitical* partner (Russia) with that of its most important *geo-economic* partner (the EU); especially at a time when the Russians and Europeans are at loggerheads, Russia viewed as a repellant power, and China placed increasingly in the same doghouse with Russia in European eyes. There are no good answers for Beijing in the short-term. Longer-term though, there are powerful EU-China complementarities anchored in interests (markets and global rules in the area of trade, investment and the environment), not feelings and slogans. This forms the backdrop to the Emmanuel Macron-Ursula von der Leyen 'good cop-bad cop' show this week in Beijing. Beijing will be listening closely as to where the European Commission comes down with regard to redefining Europe's terms of engagement with China, particularly insofar as the 'derisking v. decoupling' debate as well as next steps on the (frozen) Comprehensive Agreement on Investment—if any. Hopefully, Commission President von der Leyen has come with more than just a lecture and a litmus test. As for Macron, he may not be able to remold China's behavior, but he might be able to incentivize Beijing to contemplate reaching beyond its comfort zone and adopting a more independent-minded posture in trying to *co-broker* peace in the Russia-Ukraine conflict—perhaps in tandem in France itself!

### [Expanded Reading]

- [Factbox: Economic reliance on China that EU wants to 'rebalance'](#), Reuters, April 4, 2023 [Paywall]

- [US and EU Near Critical Minerals Accord to Unlock US Subsidies](#), *Bloomberg*, March 29, 2023 [Paywall]
- [Commission welcomes key progress in triologue on Anti-Coercion Instrument](#), European Commission, March 28, 2023
- [Trade: political agreement on the anti-coercion instrument](#), European Council, March 28, 2023
- [Readout of Deputy Secretary of Commerce Graves' Meeting with Swedish Minister for International Cooperation and Foreign Trade Johan Forssell](#), U.S. Department of Commerce, March 27, 2023
- [U.S. lays out possible critical raw materials agreement with EU](#), Reuters, March 23, 2023 [Paywall]
- [Despite Headwinds, The Transatlantic Economy Set New Records in 2022](#), U.S. Chamber of Commerce, March 21, 2023

### 3 — Pascal Lamy: Truth-Teller — 3

#### [In One Sentence]

- Pascal Lamy, who served two terms as Director-General of the WTO, observed that the “weight of money in the [U.S.] electoral system” as well as rejection “of any international discipline that might not work to [America’s] advantage” are key factors behind the U.S.’ “protectionist turn.”
- In response to Republican criticism of the lack of a robust U.S. policy, USTR Tai asked Republican lawmakers to “meet me on the terms that we need to do things differently.”
- Faced with congressional and industrial concerns, Tai conceded that the U.S. critical mineral deals with Japan and EU will not produce tariff relief and better reciprocal market access for U.S. automakers.
- The Commerce Department announced disbursement rules related to a \$39 billion program to prevent CHIPS Act funds and benefits from flowing to “malign actors.”

#### [Mark the Essentials]

- Pascal Lamy also noted that the U.S. started a structural shift towards trade protectionism as early as 15 years ago and will continue the shift for long. Lamy proposed the building of a coalition “promoting open trade while respecting various collective preferences” but without the U.S., “hoping to create a disadvantage for them that would make them change their position.”
- In the 2023 Economic Report of the President, White House advisors argued that the U.S. and its partners have reached “a turning point in international economic policy” and though it is “desirable to maintain the benefits associated with international trade and investment,” the focus of trade policy needs to “expand beyond reducing barriers.”
- U.S. importers decided to appeal a court ruling that upheld the United States’ Section 301 tariffs on Chinese goods, arguing that the former Trump administration “flouted congressional limits in increasing tariffs seven-fold to cover virtually all trade with China.”

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

- Pascal Lamy would know a thing or two about trade negotiations and trade protectionism. As the EU’s trade commissioner and later the WTO’s Director-General, he was at the high table during those fateful days in July 2008 in Geneva when USTR Susan Schwab *de facto* killed the Doha Round negotiations by demanding an unrealistic ‘exchange rate’ of guaranteed agricultural market access in developing countries in exchange for moving on material reductions to the U.S.’ bloated agricultural subsidies. Agricultural interests groups can be quite the juggernaut on Capitol Hill, after all. The public narrative of Geneva July 2008 is remembered

differently, of course; it was the Indians' habitual naysaying—this time on the special safeguard mechanism—that effectively killed the Doha Round in Geneva. New Delhi's reactionary trade negotiating stances are (almost) never deserving of sympathy. But truth be told, Geneva 2008 was the moment when it became clear that trade partners would have to concede an arm and a leg in *multilateral* negotiations for the U.S. to sign on the dotted line so as for the agreement to pass muster on Capitol Hill. It is not a coincidence that the U.S.' fascination with large regional plurilateral agreements started post-2008. By the late-2010s, even conceding an arm and a leg was not good enough for a *plurilateral* negotiation to pass muster on Capitol Hill, Obama USTR Michael Froman's brave signature on the TPP dotted line notwithstanding. And today, under the Biden administration, even a conventional *bilateral* trade agreement—one featuring tariff cuts—is hard to come by (whatever IPEF may be, it is not a conventional trade agreement). Having politically self-excluded itself from conventional forms of liberalization, it is the U.S. that is increasingly finding itself on the outside looking-in. As noted earlier, the blunt truth about populism and protectionism today is that it is essentially about protectionism in one major country. The other key actors are all more-or-less committed to the rules-based trading system and conventional forms of liberalization, and the gravitational market pull of the latter far exceeds the pull of the former. The United States' original sin on the trade policy front goes back to the dawn of the post-Cold War world. It was the failure at that time to engage with the notion that imports are just as important as exports in good trade-policy formulation. As bilateral trade deficits racked up over the past three decades, the political reservoir on trade opening was gradually and now completely emptied. There are no good domestic political choices on trade anymore...but USTR Katherine Tai's choices today seem to be particularly ill-conceived ones.

### [Expanded Reading]

- [The slow American protectionist turn](#), VOX EU, March 27, 2023
- [Katherine Tai goes viral](#), Politico, March 27, 2023
- [Hearing on the Biden Administration's 2023 Trade Policy Agenda with United States Trade Representative, Ambassador Tai](#), House Ways & Means Committee, March 24, 2023
- [2023 Economic Report of the President](#), The White House, March 2023
- [Commerce Department Outlines Proposed National Security Guardrails for CHIPS for America Incentives Program](#), Department of Commerce, March 21, 2023
- [U.S. Court of International Trade Upholds Section 301 Duties on China](#), Wiley, March 21, 2023

## On the Hill

### [Legislative Development]

- Reps. Dusty Johnson and John Garamendi, co-authors of the Ocean Shipping Reform Act of 2022, proposed a new bill that would establish a “formal process” at the Federal Maritime Commission to receive complaints and investigate Chinese shipping companies and shipping exchanges.
- Senate Finance Committee members James Lankford and Bob Menendez introduced a bill to require that the administration's annual trade agenda reflects and advances American foreign policy and national security objectives.

- Senators introduced a number of bills on U.S. competition with China including on issues concerning grand strategy, a whole-of-government approach, and on the research and development front.

### [Hearings and Statements]

- Republican members of the House Ways & Means Committee criticized the Biden administration for lack of “a clear trade agenda,” arguing that “not pursuing new tariff-reducing enforceable trade agreements breaks a four decade long bipartisan approach to trade policy” and puts “U.S. farmers, workers, and job-creators at a disadvantage against China.”
- Criticizing the Biden administration for “unilateral” movement on negotiating a critical mineral deal with the EU, Senator Finance Committee Chair Ron Wyden said such trade agreements require consultation and consent from Congress.

### [Expanded Reading]

- [H.R.1836 - Ocean Shipping Reform Implementation Act](#), Congress.gov
- [The Ocean Shipping Reform Implementation Act gives the FMC the authority to protect U.S. ports, shippers, and manufacturers from the CCP's influence](#), Congressman Dusty Johnson Press Release, March 28, 2023
- [Hearing on the Biden Administration's 2023 Trade Policy Agenda with United States Trade Representative, Ambassador Tai](#), U.S. House Ways & Means Committee, March 24, 2023
- [S.958 - American Economic Diplomacy Act](#), Congress.gov
- [Lankford, Menendez Want US Trade, National Security Objectives Aligned](#), United States Senator for Oklahoma James Lankford Press Release, March 24, 2023
- [Letter from members of the House Committee on Ways & Means to President Biden](#), Office of Rep. Ron Estes (R-NE), March 23, 2023
- [The President's Fiscal Year 2024 Budget with Treasury Secretary Janet L. Yellen](#), Hearing of the Senate Finance Committee, March 16, 2023
- [S.866 - American Innovation and Jobs Act](#), Congress.gov, March 16, 2023
- [S.863 - A bill to establish a temporary commission to develop a consensus and actionable recommendations on a comprehensive grand strategy with respect to the United States relationship with the People's Republic of China for purposes of ensuring a holistic approach toward the People's Republic of China across all Federal departments and agencies](#), Congress.gov, March 16, 2023
- [S.805 - Fighting Trade Cheats Act of 2023](#), Congress.gov, March 15, 2023
- [S.794 - CTPAT Pilot Program Act of 2023](#), Congress.gov, March 14, 2023
- [U.S. and Europe Angle for New Deal to Resolve Climate Spat](#), *The New York Times*, March 8, 2023 [Paywall]