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What's Been Happening

1 — IPEF: Modest Progress Made in Detroit, Many Questions Remain— 1

[In One Sentence]

- On May 27, 2023, the United States hosted a Indo-Pacific Economic Framework (IPEF) trade ministerial in Detroit, Michigan on the back of the Asia-Pacific Economic Cooperation (APEC) meeting.
- The 14 IPEF members announced the “substantial conclusion” of a supply chain agreement, which, according to U.S. Commerce Secretary Gina Raimondo, recognized “for the first time” that “workers and labor rights are a core component of what it means to have global resilient supply chains.”
- On labor rights, the United States is reportedly negotiating to create a “facility-specific” rapid-response mechanism to address labor rights inconsistencies.
- Many major U.S. business and agriculture groups continue to criticize IPEF for “sidelining” market-access and tariff reduction provisions that “could deliver meaningful benefits for American exporters.”
- Some “interested IPEF partners” are introducing a regional hydrogen initiative to “encourage widespread deployment of low-carbon and renewable hydrogen.”

[Mark the Essentials]

- A coalition of ‘non-dominant’ digital businesses—including Yelp, Proton and the Coalition for App Fairness—are urging U.S. officials to prevent the proposed Indo-Pacific Economic Framework (IPEF) agreement from empowering Big Tech platforms to “avoid accountability for monopolistic and discriminatory behavior.” Echoing arguments by Senator Elizabeth Warren’s office that certain Big Tech companies are getting special access to U.S. trade negotiations, the coalition said a few Big Tech entities are “dominating” IPEF negotiations, excluding the voices of small and medium tech companies, and targeting pro-competition policies in foreign markets by “branding” them as protectionist.
- U.S. Trade Representative Katherine Tai has again named labor concerns as a top and previously overlooked priority of trade policy, criticizing, for example, Asia-Pacific Economic Cooperation’s “oversight” for not having an “accompanying worker forum.” In response to Tai, New Zealand Trade Minister Damien O’Connor argued that trade should be “the solution, not the problem” and cautioned against the “trade or workers’ right” mindset. Meanwhile, World Trade Organization (WTO) Director-General Ngozi Okonjo-Iweala said it

is “surprising” that “people perceive” that the WTO has walked away from labor rights concerns, noting that employment and better living standards have been a focal point of WTO’s mission since its very foundation.

- IPEF negotiators are reportedly working towards a multilateral coordination framework to identify and address potential supply chain crises across all sectors. As trade in critical minerals with the United States is considered an important issue for some IPEF members such as Indonesia and the Philippines, a few among the gathered member states have argued that IPEF’s supply chain provisions could be brought “from zero to 100” by including critical minerals within the framework.

[Keeping an Eye On...]

- Like the hard-working mermaids who churn out colorful shells from their undersea factories, USTR Katherine Tai and Commerce Secretary Gina Raimondo produced a colorful shell too at the recent Indo-Pacific Economic Framework (IPEF) ministerial in Detroit. A colorful shell of an agreement, that is—a supply chain agreement, in this case. Don’t call it a formal agreement yet though. What the IPEF parties accomplished in Detroit is the “substantial conclusion of negotiations” towards a supply chain agreement, i.e., parties basically agreed to cooperate in the area of supply chains. Finalizing the finer details of the agreement is a matter that has been left to another day. Commerce Department publicists were quick to dub the agreement a landmark one, presumably because it extends rulemaking to supply chains—and on workers’ rights therein—in a multilateral arrangement for the first time. The agreement is expected to feature a number of bodies: an IPEF Supply Chain Council, an IPEF Supply Chain Crisis Response Network, and an IPEF Labor Rights Advisory Board, whose stated purpose is to foster coordination to identify potential regional supply chain challenges before they become widespread disruptions. The agreement’s unstated purpose is to reduce the dependence on China for critical goods as well as build out supply chains that do not rely on China. Chinese value added will presumably be barred by claiming (baselessly) that it is a product of forced labor. It is most unlikely that the agreement will achieve its latter purpose, given China’s central role in the region’s production-sharing networks across a wide range of goods as well as the size of its final consumption market. Rather, the agreement is likely to end up spawning a process-oriented talkshop that dwells on marginal issues like region-wide customs facilitation and cargo risk assessment practices, etc. A harbinger of the proposed agreement’s fecklessness is that it does not seem purpose-fit for building out even a critical minerals and battery supply chain (one of Washington’s hotter preoccupations these days), given that Beijing’s fingerprints are already too enmeshed regionally within these chains. And Washington would rather hammer out critical minerals or battery component supply chain deals individually with just a handful of regional countries. That which relates to sourcing requirements for critical minerals will be applicable in spades to other regionally produced goods. Don’t tell that to the industrious mermaids at USTR and Commerce though as they busy themselves churning out evermore emptier but colorful shells—called ‘pillars’ in the IPEF jargon—which collectively is to give form to their novel vision of a non-traditional type of regional trade agreement.

[Expanded Reading]

- [Biden Administration Announces Indo-Pacific Deal, Clashing With Industry Groups](#), *The New York Times*, May 27, 2023
- [IPEF Joint Statement for the Trade Pillar, Clean Economy Pillar, and Fair Economy Pillar](#), Office of the United States Trade Representative, May 27, 2023
- [Press Statement on the Substantial Conclusion of IPEF Supply Chain Agreement Negotiations](#), U.S. Department of Commerce, May 27, 2023
- [Press Statement for the Trade Pillar, Clean Economy Pillar, and Fair Economy Pillar](#), U.S. Department of

Commerce, May 27, 2023

- [Business and Agriculture Community Letter to the Administration on the Indo-Pacific Economic Framework \(IPEF\)](#), U.S. Chamber of Commerce, May 26, 2023
- [IPEF Coalition Letter - May 2023](#), available on Proton Drive, May 16, 2023

2 — Slow Crawl Ahead Towards a “Thaw” in U.S.-China Trade Relations— 2

[In One Sentence]

- U.S. Secretary of Commerce Gina Raimondo and China’s Minister of Commerce Wang Wentao held a “candid” and “constructive” conversation about U.S.-China economic, trade and investment relations.
- U.S. Trade Representative Katherine Tai also met with Wang on the margins of the Asia-Pacific Economic Cooperation (APEC) ministerial meeting.
- After China banned key infrastructure operators from buying Micron products for “serious network security risks,” U.S. officials and lawmakers criticized the move as “economic coercion.”
- Responding to a Group of Seven (G7) statement criticizing China’s “economic coercion,” China said that the United States’ “unilateral sanctions” and “acts of ‘decoupling’” made it “the real coercer,” urging the G7 not to become an “accomplice.”
- The U.S. and Taiwan have concluded negotiations on their U.S.-Taiwan Initiative on 21st Century Trade, covering issues such as trade facilitation, service regulation, and small and medium-sized enterprises.

[Mark the Essentials]

- According to official statements, U.S. Secretary of Commerce Gina Raimondo “raised concerns” about China’s “recent spate of...actions taken against U.S. companies,” while China’s Minister of Commerce Wang Wentao “expressed pressing concerns” on U.S. “semiconductor policy, export controls and foreign investment review” policy towards China.
- As part of the reform discussions to get the World Trade Organization (WTO) out of its current impasse, China has suggested that the WTO Secretariat should take the lead in identifying easily implementable reform proposals and have the discretion to “take steps on the improvements” if they are within the Secretariat’s mandate and capabilities. This would be a step further from the U.S. position, which has largely focused on procedural changes to increase WTO efficiency and has repeatedly voiced concerns about the “overreach” of other WTO branches (e.g., the WTO’s dispute settlement system).
- After the U.S. said that it had concluded negotiations on the U.S.-Taiwan Initiative on 21st Century Trade, Taipei said that an agreement under the initiative would be “the most comprehensive trade agreement signed between Taiwan and the United States since 1979” and would function as a “building block” for a “Taiwan-U.S. free trade agreement.” China has “deplored” and “strongly opposed” the U.S.-Taiwan Initiative as a “grave violation” of the One China principle and U.S. commitments to maintain only unofficial relations with Taiwan, holding that the negotiating or signing of an agreement “with implications of sovereignty” sends “wrong messages to separatist forces seeking ‘Taiwan independence.’”
- U.S. President Joe Biden vetoed a bill to maintain a 2-year tariff suspension on solar panels from Southeast Asian countries, whose companies are allegedly helping Chinese manufacturers circumvent U.S. antidumping duties against China. According to Biden, the United States has been “reliant” on Chinese solar panels “for too long,” and a 24-month “bridge” would support the American solar industry as the Biden administration’s laws and executive actions eventually improve solar panel manufacturing capabilities in the U.S.
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- As the Office of the U.S. Trade Representative (USTR) continued its statutory review of Section 301 tariffs on Chinese goods, USTR recently decided to again extend the exclusion of Section 301 tariffs on dozens of COVID-related medical products from China, stating that the extension is “not likely to adversely harm [relevant] domestic manufacturing.”

[Keeping an Eye On...]

- Almost 900 days since the Biden administration was sworn into office and more than 600 days after she laid out a “new approach to the U.S.-China trade relationship”, USTR Katherine Tai finally met in-person with her Chinese counterpart Wang Wentao on the sidelines of the Asia-Pacific Economic Cooperation (APEC) meeting in Detroit. In her “new approach” on China remarks of October 2021- probably better described as “no approach” on China–USTR Tai had made two overarching points. First, that trade and tariff policy was a component of the administration’s broader worker-focused agenda, and trade policy will be taking a relative backseat until the administration’s infrastructure-building, competitiveness, and worker training agenda had been put into motion. For the most part, that infrastructure and worker-focused agenda has been put into motion. Second, that the U.S. was not seeking to decouple from China but would rather insist on reframing the terms of its ‘recoupling’. Those terms of ‘recoupling’ have been awfully slow to arrive. Be it a successor to the Phase One trade agreement–let alone negotiate a Phase Two ‘structural’ issues deal, readjustment of the Section 301 tariffs, or even drawing up the architecture of USTR’s engagement with its Chinese counterparts, there has been practically no movement forward. In the interim, a WTO dispute settlement panel has found the Section 301 tariffs to be in violation of international trade law. Indeed, truth be told, the terms of that ‘recoupling’ on the trade policy front may never fully arrive in earnest during this Biden term. At this time, a second phase of review of the Section 301 tariffs is glacially underway, with almost 1,500 stakeholders having submitted comments by the January 2023 deadline (300 of those comments were either exact duplicates or entirely empty!). USTR is presumably sifting through the comments at leisure, and it is highly unlikely that there will be any significant readjustment of these China tariffs (some tariff exclusions could be widened though) at this late stage in the administration’s term of office. Which, in turn, means that while USTR will try to sort out minor trade irritants with the Chinese side in the time ahead, not much more can be expected on this U.S-China trade policy front until a new president arrives in 2025 or Mr. Biden is reelected. There will no doubt be ‘candid and constructive’ discussions between the two sides during the interim, but little to show by way of actual delivery.

[Expanded Reading]

- [Chinese Commerce Minister Meets with US Commerce Secretary](#), Embassy of the People’s Republic of China in the United States of America, May 28, 2023
- [US ‘Won’t Tolerate’ China’s Micron Chips Ban, Raimondo Says](#), *Bloomberg*, May 27, 2023
- [U.S., China’s top commerce officials meet to discuss trade concerns](#), *CNBC*, May 26, 2023
- [Readout of Ambassador Katherine Tai’s Meeting with Minister of Commerce of the People’s Republic of China Wang Wentao](#), Office of the United States Trade Representative, May 26, 2023
- [Readout of Secretary Raimondo’s Meeting with Ministry of Commerce Minister Wang Wentao](#), U.S. Department of Commerce, May 25, 2023
- [U.S., Chinese commerce chiefs raise complaints on trade, investment, export policies](#), *Reuters*, May 25, 2023
- [G7 Hiroshima Leaders’ Communiqué](#), The White House, May 20, 2023
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- [Foreign Ministry Spokesperson's Remarks on G7 Hiroshima Summit's Hying up of China-related Issues](#), Ministry of Foreign Affairs of the People's Republic of China, May 20, 2023
- [Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on May 19, 2023](#), Ministry of Foreign Affairs of the People's Republic of China, May 19, 2023
- [USTR Announcement Regarding U.S.-Taiwan Trade Initiative](#), Office of the United States Trade Representative, May 18, 2023

On the Hill



[Hearings and Statements]

- At a hearing on the Biden administration's fiscal year 2024 budget request, several Senators led by Senate Appropriations Committee Chair Patty Murray argued that delays in passing appropriations bills would weaken the United States and "make China stronger."
- Addressing House Republicans' proposed solution to the debt ceiling crisis, U.S. Secretary of Commerce Gina Raimondo said that their tight budget plan will force Commerce to lay off "hundreds" of trade-related personnel and "massively" slow down trade enforcement works.
- U.S. Senator Sherrod Brown applauded the Treasury Department for "prioritizing American manufacturing" after the department decided to award solar companies with extra tax credit subsidies if they use steel, iron and other manufactured goods that are made in the U.S.
- As policy recommendations to "help end the Uyghur genocide" and "enhance Taiwan's deterrence," the House Committee on China suggested that Congress pass laws to lower the *de minimis* threshold of tariff exemptions on low-value shipments, sanction Chinese technology companies, and limit U.S.-originated investment to China's critical technology sectors.
- Criticizing China's decision to ban key infrastructure operators from buying Micron products due to "serious network security risks," Senate Majority Leader Chuck Schumer said the move was "a troubling use of economic coercion against the U.S."

[Expanded Reading]

- [US House China panel recommends Congress take action over Taiwan, Uyghurs](#), *Reuters*, May 24, 2023
- [Select Committee on the CCP Overwhelmingly Adopts Proposals on Uyghur Genocide & Taiwan](#), U.S. House Select Committee on the Chinese Communist Party, May 24, 2023
- [Micron chip ban in China to be addressed by Biden and top US Senator](#), *Reuters*, May 23, 2023
- [A Review of the President's Fiscal Year 24 Budget Request: Investing in US Security, Competitiveness, and the Path Ahead for the U.S.-China Relationship](#), hearing in front of the U.S. Senate Committee on Appropriations, May 16, 2023
- [Raimondo: GOP budget plan would curtail trade enforcement efforts](#), *Inside U.S. Trade*, May 16, 2023
[Paywall]
- [Following Brown's Urging, New Treasury Rules Prioritize American Manufacturing](#), Office of U.S. Senator Sherrod Brown (D-Ohio), May 12, 2023