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## What's Been Happening

### 1 —Progress Made During Blinken Visit to China, Many Challenges Remain—1

#### [In One Sentence]

- Secretary of State Antony Blinken returned contentedly from a recent visit to Beijing after making “progress” and “reach[ing] agreement on some specific issues” in meetings with China’s President Xi Jinping and top Chinese foreign policy officials.
- At a fundraiser event immediately following Blinken’s China visit, President Biden referred to Xi’s ignorance of the surveillance balloon which went astray in February as an “embarrassment for dictators.”
- China was highly critical of Biden’s remarks, calling Biden’s language towards Xi “extremely absurd,” “irresponsible,” and an “open political provocation.”
- The House voted to approve the (mini) trade agreement with Taiwan but reserved Congress’ right to consult on any future negotiations.
- China responded to a joint declaration by the U.S. and its allies against “non-market policies and practices” with a list of U.S. subsidies, policies, and actions which Beijing views as economic coercion.

#### [Mark the Essentials]

- During the meeting between Xi and Blinken, the two sides agreed to follow through on the common understanding and agenda set by Xi and Biden at their Bali meeting in November 2022 and to develop principles to guide the bilateral relationship. Both sides agreed to conduct follow-up senior engagements “at a mutually suitable time.”
- When asked at a regular briefing, China’s Foreign Ministry said U.S. President Biden’s comment went against facts, seriously undermined diplomatic protocol, and severely infringed on China’s political dignity. The White House later confirmed that China sent an official diplomatic reprimand to Nicholas Burns, the U.S. Ambassador in Beijing.
- In addition to approving the initial agreement under the U.S.-Taiwan Initiative on 21st Century Trade, the current bill—as approved by the House—also imposes additional “congressional consultation and transparency requirements” on any subsequent agreements under the initiative. A number of Senators had hoped to advance the bill through an expedited process but the attempt was blocked by Senator Tom Cotton citing the lack of time to conduct a due diligence review of the bill.

- China Foreign Ministry spokesman Wang Wenbin, listing out U.S. policies including the CHIPS and Science Act’s subsidies that bar recipients from expanding operations in China, U.S. restrictions of semiconductor exports to China, and U.S.’ “suppression” of Huawei and TikTok, questioned whether these actions count as “typical economic coercion” and “non-market practice.” Wang also highlighted the U.S. blockage of the WTO’s Appellate Body nomination process and observed that the country “tramples on market economy principles and international trade rules.”

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

- U.S. Secretary of State Antony Blinken’s successful visit to Beijing has opened a window of opportunity to establish a more stable U.S.-China relationship. Whether the two sides can take advantage of this opportunity going forward remains to be seen. The United States and China have arrived at this point of reconnection and engagement with very different strategies. The Biden administration’s strategy on China has been to 1) invest in domestic competitiveness, 2) align efforts with a network of allies and partners and, harnessing these two assets, 3) compete with China. Alongside, the administration has also sought to restrain China’s technological rise as well as to isolate it internationally via ideological (Democracy Summits) and plurilateral (Quad and IPEF) frameworks and through bodies such as the G7. Having incentivized or leaned on allies and partners to chip away at their relationships with China, Washington now seeks to establish a ‘floor’ under its own working relations with Beijing. For China, on the other hand, there are no illusions that it can enjoy a productive relationship with the United States. There is simply no pathway. There are no illusions either that the bilateral trade and technology frictions are a mere economic matter. They are intended, rather, to suppress China’s development and rise; eliciting, in turn, the call for a policy of “self-reliance”. That said, forging the ‘least worst’ relationship with the United States still retains value to Beijing from a geopolitical and developmental standpoint, given that ties could yet hurtle to the point of total breakdown. For the United States and China to stabilize their relationship at this juncture, the two sides will need to tread the narrow corridor that joins their two strategies. Treasury Secretary Janet Yellen’s visit and a proposed visit by presidential climate envoy John Kerry appear congruent with their overlapping functional interests—be it on global macroeconomic challenges, debt relief, or decarbonization. Had USTR Katherine Tai been able to formulate a recognizable China trade policy, she, too, might have been on the receiving end of an invitation to travel to Beijing. On the other hand, it is hard to see Secretary of Commerce Raimondo or Secretary of Defense Austin being invited to engage their Chinese counterparts in the months ahead given the hostility felt in Beijing against measures implemented by their agencies. The U.S.-China reconnection in the months ahead will necessarily be a halting and limited one, and the significant challenges in the relationship will not be resolved anytime soon—if ever. But, better that the two sides are on talking terms and engaging each other rather than sitting on the sidelines sullenly and taking potshots at each other.

### [Expanded Reading]

- [China reprimands US ambassador in Beijing amid fallout from Biden’s comments](#), CNN, June 23, 2023
- [US House approves Taiwan trade deal, demands future oversight](#), South China Morning Post, June 22, 2023
- [US-China tensions: Biden calls Xi a dictator a day after Beijing talks](#), BBC, June 21, 2023
- [‘Hell of a job’: Biden’s reaction and 5 other takeaways from Blinken’s trip to China](#), CNBC, June 20, 2023
- [Secretary Blinken’s Visit to the People’s Republic of China \(PRC\)](#), Department of State, June 19, 2023
- [President Xi Jinping Meets with U.S. Secretary of State Antony Blinken](#), Ministry of Foreign Affairs of the People’s Republic of China, June 19, 2023
- [U.S. urged to correct its non-market practices: FM spokesperson](#), Xinhua, June 13, 2023
- [Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices](#),

- [Chips, subsidies, security, and great power competition](#), Lowy Institute, May 28, 2023

## 2 — Coordinated Efforts with Allies to ‘De-risk’ on China Accelerates — 2

### [In One Sentence]

- The U.S. plans to host a meeting in July to identify import dependencies of Indo-Pacific Economic Framework (IPEF) members and lay the groundwork for finalizing the IPEF supply chain deal.
- The European Commission is considering its own framework to restrict outbound investments in military and intelligence technologies by the end of the year, as part of a larger European Economic Security Strategy.
- The Organisation for Economic Cooperation and Development (OECD) adopted a ‘Strategic Framework for the Indo-Pacific’ to increase cooperation with ASEAN countries and align standards in supply chains, climate change, and the digital economy.
- A U.S. trade official said U.S.-EU trade and technology cooperation is not meant to counter or single out China but seeks to build a resilient alternative “to PRC models” that can “deliver for democracies.”

### [Mark the Essentials]

- According to U.S. officials, IPEF members have “substantially concluded” the supply chain pillar negotiations and intend to start “pre-implementation” during the meeting in July. The meeting will work on “supply chain monitoring and operations” and share best practices to “identify import dependencies and other potential supply chain bottlenecks” and “start some of the work that we have laid out.”
- In the recently released European Economic Security Strategy, Brussels expressed an European interest in preventing “actors who may...threaten international peace and security” from making advances in “a narrow set” of advanced dual-use technologies, and mentioned outbound investment screening as a possible means to achieve this objective. The Commission also stressed that any new policies would be implemented in “a proportionate and precise way” to limit “any negative unintended spill-over effects on the European and global economy.”
- The U.S. Department of Commerce has announced a plan for “fact-finding” trade mission visits to “link American exporters to opportunities in sectors wherein IPEF Partners are seeking increased diversification and resilience.” The U.S. also said it will utilize technical assistance and capacity building to increase investment in critical sectors, key goods, and physical and digital infrastructure.
- In discussing U.S.-EU cooperation on supply chains and infrastructure, Under Secretary of State for Economic Growth, Energy, and the Environment Jose Fernandez said that the U.S. and the EU do not seek to “decouple” from China but only to “de-risk,” adding that “you never want to be dependent on one or two suppliers for anything and not necessarily because they might weaponize that.”
- In laying out the negotiating objectives related to a critical minerals deal, the European Commission said it aims to diversify the international supply chains of critical minerals, facilitate trade, promote fair competition and market-oriented conditions, and ensure robust labor and environmental standards.

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

- The West’s march towards ‘de-risking’ its economic relationship with China continues steadfastly. On June 20, the European Commission released its European economic security strategy with a view to protect the Union against economic security risks, promote domestic competitiveness, and partner with the broadest range of like-minded nations to achieve the transition to a more resilient and secure economy. To this end, an expansive geoeconomic toolbox is to be employed, ranging from free trade agreements to digital partnerships, to green

alliances and partnerships, including raw materials partnerships. Insofar as the tools to be utilized to protect against the enumerated economic security risks—i.e., risks to the resilience of supply chains, to the physical and cybersecurity of critical infrastructure, in technology security and technology leakage, and regarding the weaponization of economic dependencies or economic coercion—these range from instruments targeting trade dumping, foreign subsidization, 5G/6G security, export controls, and foreign direct investment screening. To this toolkit, an outward investment-related instrument that will screen a narrow set of key outbound enabling technologies with military applications (in the areas of quantum, advanced semiconductors and artificial intelligence) is to be instituted as well. The key underlying principles that are to inform the economic security strategy are ‘proportionality’ and ‘precision’; ‘proportionality’ to ensure that the EU’s tools are in line with the level of economic risk and limit their unintended spillover effects and ‘precision’ to define exactly the goods, sectors or core industries that are to be targeted for protective measures. Multilateral cooperation and the rules-based framework is to provide the strategy’s essential foundation. It remains to be seen, going forward, if the economic security strategy can live up to its stated purpose as well as place guardrails on global economic fragmentation and protectionism as well as the trend towards a ‘might is right’ philosophy. Key in this regard will be whether the strategy is genuinely employed to facilitate derisking or is in fact a stalking horse for decoupling (as seems to be the case with the Biden administration’s approach despite the many protestations to the contrary). Establishing a list of key technologies that are indispensable to European economic security and assessing their risks is a critical next step. Much hinges on getting this step right—not least, to preserve the integrity of the European Union’s cherished single market.

### [Expanded Reading]

- [We can work it out, say US and EU, but trade disputes linger](#), *Politico*, June 26, 2023
- [US and EU outbound investment – where are we?](#), *Linklaters*, June 22, 2023
- [An EU approach to enhance economic security](#), European Commission, June 20, 2023
- [US-led minerals partnership shortlists projects for green energy shift](#), *Financial Times*, June 14, 2023  
[Paywall]
- [EU moves forward with Critical Minerals Agreement negotiations with the US](#), European Commission, June 14, 2023
- [United States to Participate in Fourth Indo-Pacific Economic Framework for Prosperity \(IPEF\) Negotiating Round in South Korea](#), Department of Commerce, June 13, 2023
- [OECD Ministerial Council Statement and Outcomes](#), Organisation for Economic Cooperation and Development, June 8, 2023
- [FACT SHEET: U.S.-EU Trade and Technology Council Deepens Transatlantic Ties](#), The White House, May 31, 2023
- [Press Statement on the Substantial Conclusion of IPEF Supply Chain Agreement Negotiations](#), Department of Commerce, May 27, 2023



### [Legislative Development]

- A bipartisan group of lawmakers re-introduced a bill to prevent Chinese companies from purchasing U.S. farmlands by imposing a “foreign adversary”; specifically, a tax of 60%.
- Senate Homeland Security and Governmental Affairs Committee Chair Gary Peters introduced a bill to establish an intergovernmental task force to increase domestic production and recycling of critical minerals.
- House Ways & Means Committee trade subcommittee ranking member Earl Blumenauer introduced an updated version of the bill to exclude China from *de minimis* tariff benefits—the rule that enables imports valued at or below \$800 to be free from tariffs.
- Blumenauer’s *de minimis* bill echoes a similar legislative proposal by Senator Bill Cassidy and Senator Tammy Baldwin, which seeks to direct the Treasury Department to adjust *de minimis* thresholds to match “the threshold our trade partners use.”

### [Hearings and Statements]

- House China Committee Chair Mike Gallagher questioned the Biden administration about U.S. intelligence’s “awareness” of a “Chinese spy base in Cuba” and called for the administration to “have a stronger reaction [to] the development.”
- In discussing the enforcement of the Uyghur Forced Labor Prevention Act, a U.S. Customs and Border Protection official said the agency has noted “a lot” of evasion of U.S. enforcement and called for a close monitoring of commodities flowing out of Xinjiang.
- Commenting on the Department of Homeland Security’s decision to sanction two Chinese companies under the Uyghur Forced Labor Prevention Act, sponsors of the said bill noted that it was “a step in the right direction” but that continued work was necessary.

### [Expanded Reading]

- [Packages from China are surging into the United States. Some say \\$800 duty-free limit was a mistake](#), AP News, June 24, 2023
- [Peters Introduces Bipartisan Bill to Reduce Dependence on China and Other Adversarial Nations for Critical Minerals](#), Senate Homeland Security & Governmental Affairs Committee, June 22, 2023
- [S.1871 - Intergovernmental Critical Minerals Task Force Act](#), Congress.gov
- [Cassidy, Baldwin Introduce Bill to Stop China from Taking Advantage of Lax U.S. Trade Laws](#), Office of Senator Bill Cassidy (R-Louisiana), June 14, 2023
- [S.1969 - De Minimis Reciprocity Act of 2023](#), Congress.gov
- [Wisconsin Rep. Gallagher urges strong response to Chinese spy base in Cuba](#), Office of Congressman Mike Gallagher (R-Wisconsin), June 14, 2023
- [Rep. Van Duyne Leads Legislation to Prevent China, Other Adversarial Nations from Acquiring American Farmland](#), House Committee on Ways and Means, June 9, 2023
- [H.R.3996 - Protecting American Farmland Act](#), Congress.gov
- [Chairs Say Entity List Additions a “Step in the Right Direction” but Robust Enforcement of UFLPA Still Needed](#), Congressional-Executive Commission on China, June 9, 2023