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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.

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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

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]

April 21, 2023

Volume 3, Issue 8

What's Been Happening

1 — Little Sign of U.S.-China Economic Détente Amid National Security

Concerns — 1

[In One Sentence]

- U.S. Secretary of State Antony Blinken and his EU counterpart Josep Borrell expressed shared concerns over China's position in the Ukraine conflict, highlighting China's "moral duty to contribute to a fair peace" and to not "sid[e] with the aggressor."
- The two also discussed challenges posed by economic coercion, the weaponization of economic dependencies, and non-market practices, "including [those] by the PRC."
- At the World Trade Organization (WTO), Beijing continued to criticize the U.S. for "[d]isruptive and restrictive measures" and "extreme unfairness" such as U.S. export controls and Section 301 tariffs.
- Meanwhile, Washington said the WTO is not the appropriate forum for national security discussions and reiterated "numerous" concerns over the transparency of China's industrial subsidy regime.
- In an important policy speech on U.S.-China economic relations, U.S. Treasury Secretary Janet Yellen sought to restart "healthy economic engagement that benefits both countries."
- Commerce officials are reportedly "lay[ing] groundwork" for a possible visit to China by U.S. Commerce Secretary Gina Raimondo.
- With recent trips to Japan and the Philippines, U.S. Trade Representative Katherine Tai is working to strengthen economic security ties among the three countries, but reiterated that the U.S. had no interest in negotiating a traditional free trade agreement with the Philippines—or, for the matter, any other country.

[Mark the Essentials]

- China has accelerated its timeline to build a technologically self-reliant, innovation-driven economy by re-organizing the country's Ministry of Science and Technology and increasing the Party's oversight over the ministry. Analysts and scholars said that the acceleration is partly prompted by U.S. efforts to restrict China's access to critical technologies.
- Secretary Yellen also observed—somewhat questionably—that the national security actions against China are not designed to stifle China's economic and technological modernization or accord a competitive economic advantage to the United States.

- According to a recent OECD report, export control measures on raw materials critical for the green transition increased more than fivefold over the past decade. China was among the countries instituting the largest number of measures and the Biden administration, more lately, has been seeking ways to bring critical mineral supply chains to America and reduce reliance on China.
- Japan said that it will impose new export restrictions on advanced semiconductor manufacturing equipment but stressed that the export controls measures are narrowly intended to prevent military use, in contrast to U.S. restrictions that are more broad-based.
- According to data announced by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, the trade of U.S. goods with China increased in February by a mere US\$400 million, while the U.S. trade deficit with China increased from US\$3.2 billion to US\$25.2 billion.

[Keeping an Eye On...]

- Call it a case of the shoe being on the other foot. After two years of sanctions and export control orders intended to suppress China's technological advancement as well as decouple critical supply chains, the Biden administration wants to play nice(r) with Beijing. On April 20, almost exactly a year to the day that she delivered an 'important' speech on "favoring the 'friend-shoring' of supply chains to a large number of trusted countries," Treasury Secretary Janet Yellen stepped on the podium and called this time for a "healthy economic engagement that benefits both [the United States and China]." The "world is big enough for both of us," she declared, and Beijing and Washington needs to "find a way to live together and share in global prosperity." Like her fellow cabinet secretary, Gina Raimondo, she looked forward to traveling to China "at the appropriate time," she observed. Whatever be the cause of the administration's changed tone on China—be it to open Chinese markets to U.S. exports on the lines of the Phase One agreement as Biden seeks reelection; seek a truce during the impending period of U.S. debt ceiling brinkmanship; or just stabilize overall bilateral ties—the problem is that the Chinese do not appear terribly enthusiastic to 'play ball.' In fact, after having patiently absorbed many 'blows to the chin,' Beijing appears to be gradually moving towards its own set of retaliatory countermeasures. Within the past few weeks, China has opened a cybersecurity review of the U.S. chip firm Micron, let it be known that TikTok's algorithm is covered by China's export control laws and hence unprocurable through foreign acquisition, sanctioned U.S. politicians, defense contractors and institutes for facilitating "Taiwan independence" separatist activities, and is in the process of adding high-performance rare earth magnets to its revised Catalog of Technologies Prohibited and Restricted from Export to protect "national security" and the "public interest of society." Surely, there will be more countermeasures in the pipeline. The United States and China, at this time, seem to be operating on incompatible timelines. The Biden administration has had two years to institute its economic security measures (action on an outbound investment screening mechanism and on TikTok is still awaited though) and most of these measures are now at the implementation stage; by contrast, the new Chinese government having taken office last month, is just getting started with its targeted actions. Looking ahead, U.S.-China economic rapprochement will, willy-nilly, move forward in fits-and-starts at best. Which means that Secretary Yellen, perhaps, and Secretary Raimondo, almost-certainly, may have to cool their heels awhile before boarding a flight to Beijing.

[Expanded Reading]

- [US trade rep seeks close economic security ties in Asia](#), *The Washington Post*, April 19, 2023 [Paywall]
- [US not keen on PHL free trade deal](#), *BusinessWorld*, April 19, 2023 [Paywall]
- [Yellen to Deliver Major Speech on US-China Economic Ties](#), *Bloomberg*, April 18, 2023 [Paywall]
- [Thailand, Indonesia emerge as bigger links in EV supply chain](#), *Nikkei Asia*, April 18, 2023 [Paywall]

- [Increasing Export Restrictions on Critical Minerals Threaten Energy Transition, OECD Says](#), *The Wall Street Journal*, April 11, 2023 [Paywall]
- [Raw materials critical for the green transition](#), OECD Trade Policy Working Paper, April 11, 2023
- ["Made in America" puts the brakes on electric vehicles Biden hopes to push](#), *Peterson Institute for International Economics*, April 10, 2023
- [Japan and the Netherlands Announce Plans for New Export Controls on Semiconductor Equipment](#), Center for Strategic and International Studies, April 10, 2023
- [Commerce officials heading to China to lay groundwork for possible Raimondo trip later this year, sources say](#), *CNBC*, April 7, 2023
- [Chinese government restructures science, tech agency with U.S. in mind](#), *Inside U.S. Trade*, April 6, 2023
- [U.S. trade deficit widens in February as goods exports fall](#), *Reuters*, April 5, 2023 [Paywall]
- [Secretary Antony J. Blinken And EU High Representative for Foreign Affairs and Security Policy Josep Borrell Remarks to the Press](#), U.S. Department of State, April 4, 2023
- [Even as U.S. Beckons, European Leaders Head to Beijing](#), *The New York Times*, March 29, 2023
- [China Shakes Up Bureaucracy With Eye on Technological Edge](#), *Newsweek*, March 22, 2023 [Paywall]
- [U.S. manufacturers say 'no' to more WTO IP waivers](#), *Politico*, March 20, 2023

2 — America's New Trade Story: Many Talks but Limited Delivery — 2

[In One Sentence]

- USTR Katherine Tai said that the Biden administration is advancing a “new story” on trade, reiterating the administration’s “vision” of a resilient, inclusive and sustainable trade agenda.
- A major element of this approach is that “industrial policy and trade policy must work hand-in-hand” to address supply chain issues spurred by the COVID-19 pandemic and geopolitical tensions.
- USTR Tai also expressed a need for flexibility and regionalization, with “different outcomes...in different contexts,” rather than a ‘one size fits all’ approach.
- Undergirding this trade agenda is a sensitivity to sustainability and workers’ rights.
- USTR Tai also touted the Biden administration’s consistent preference for multilateral approaches to complex trade problems through fora like the Indo-Pacific Economic Framework (IPEF), the Asia-Pacific Economic Partnership (APEC), and the World Trade Organization (WTO).
- On the Indo-Pacific Economic Framework (IPEF), the next negotiating round is set to take place from May 8-15 in Singapore.
- The U.S. Chamber of Commerce expressed its “profound concern” to the White House regarding the Department of Justice and the Federal Trade Commission’s objections to the competition and digital trade texts tabled by the USTR within the IPEF talks.
- The U.S.-EU Trade and Technology Council, meanwhile, has an upcoming meeting scheduled in Sweden from May 30-31.
- The European Union passed the European Chips Act to mobilize 43 billion euro of public and private investments to bolster Europe’s semiconductor industry.

[Mark the Essentials]

- Commenting on transatlantic economic engagement so far via the Trade and Technology Council (TTC), European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis said that the

U.S. and EU must “deliver more on the trade side” and that the TTC should “be even bolder in its ambitions.” He pointed to the need for more efforts on digital and sustainable trade and for “clear trade deliverables” coming out of the next TTC meeting.

- Dombrovskis added that a U.S.-EU deal on the U.S. electric vehicle tax credits is a “necessary step” to demonstrate the United States’ “seriousness about removing unnecessary trade obstacles.” According to the Vice-Chair of the American Chamber of Commerce to the European Union (AmCham EU), Kaarli Eichhorn, the U.S. tax credits could be viewed as “distortive” under the EU’s Foreign Subsidy Regulation and lead to “structural or non-structural” countermeasures.
- U.S. businesses have again called for more transparency and deeper stakeholder engagement with regard to the on-going IPEF negotiations. Industry representatives have expressed concerns on the lack of clear benefits to justify U.S. private investment in IPEF member states as well as the Biden administration’s refusal to negotiate market-access provisions despite calls from other IPEF participants.
- *The Wall Street Journal* characterized the Department of Justice and the Federal Trade Commission’s intervention in the IPEF talks as an attempt by the Biden administration to lean on foreign governments to implement its “anti-business” antitrust agenda, given that the administration is falling short on this count on the Hill and in the courts.
- Meanwhile, U.S. officials “applauded” a new biofuel policy by Japan, which expands U.S. biofuel producers’ access to the Japanese market. The U.S. and Japan also concluded a deal on critical minerals in the same week, which the U.S. Department of Treasury cited as an “example” of a “free trade” deal that would allow industries in a U.S. ally state to benefit from U.S. electric vehicle tax credits.
- Under the recently passed European Chips Act, the EU plans to mobilize more than 43 billion Euro of “policy-driven,” public and private investment until 2030 to strengthen Europe’s technological leadership and bolster competitiveness and resilience in the EU’s semiconductor industry.

[Keeping an Eye On...]

- May 2023 promises to be a busy and critical month for U.S. Trade Representative Katherine Tai. She will host both the APEC and IPEF ministerial meetings in mid-May, followed by a trip to Sweden in late-May to engage her European Union counterparts within the Trade and Technology Council. To lay the groundwork for progress at these meetings, she has been racking up the air miles, visiting Japan and the Philippines this week. Three weeks earlier, she was in South Korea. Her most serious IPEF and TTC-related challenges might be closer to home, though. Within the past week, it has come to light that the Department of Justice (DOJ) and the Federal Trade Commission (FTC) have leant on the Office of the USTR and enjoined it to revise the digital economy and competition enforcement provisions in the United States’ IPEF texts. The specifics are not known. With prior digital economy chapters in trade agreements being a veritable *laissez-faire* giveaway to U.S. corporate interests, presumably the view of the Biden administration is that the time has now come to carve out wider policy space—in terms of worker-centric as well as consumer protections—to regulate dynamic and fast-paced digital markets. Presumably, the DOJ and FTC missive is also the reason why USTR has failed to release even a plain-vanilla summary of IPEF’s second negotiating round in Bali; a full month after its conclusion. Bali is, after all, where USTR had tabled the digital economy text. Critics have castigated the DOJ and FTC intervention as a backdoor attempt to foist the administration’s anti-trust agenda via international agreements, given the roadblocks on this front in the domestic court system and on Capitol Hill. Be that as it may, the DOJ and the FTC’s unseemly intervention has shone a spotlight on a cardinal truth: that

it is difficult to lock down international trade rules in fast-evolving policy areas where underlying domestic regulation is itself in flux. Without regulatory certainty at home, it is hard to negotiate purposefully abroad. That the U.S. is at the back of the queue among the major economic actors in terms of digital economy regulation—be in terms of anti-monopoly protections, privacy and data protections, fintech-related financial stability risk management, review of liability protection for intermediary service providers, development of rules for artificial intelligence (AI) applications or, for the matter, requiring the transparency of the structure, use, and impacts of algorithmic systems—is an added and untimely complication for the USTR. Stay prepared for further twists and turns in the digital economy and competition policy negotiations within IPEF’s trade pillar.

[Expanded Reading]

- [The FTC Is Working With the EU to Hamstring U.S. Companies](#), *The Wall Street Journal*, April 19, 2023 [Paywall]
- [EU takes on United States, Asia with chip subsidy plan](#), *Reuters*, April 18, 2023 [Paywall]
- [European Chips Act](#), European Commission, April 18, 2023
- [Stalled Chinese investment deal set to return to EU agenda next month](#), *South China Morning Post*, April 18, 2023 [Paywall]
- [EU's Dombrovskis sees some progress on steel, battery minerals talks with U.S.](#), *Reuters*, April 14, 2023 [Paywall]
- [Highlights from the Semafor World Economy Summit](#), *Semafor*, April 14, 2023
- [Indonesia to propose limited free trade deal with US on critical minerals](#), *Reuters*, April 10, 2023 [Paywall]
- [Remarks by Ambassador Katherine Tai at American University Washington College of Law](#), Office of the U.S. Trade Representative, April 5, 2023
- [Making the Foreign Subsidies Regulation work](#), AmCham EU, April 4, 2023
- [Factbox: Economic reliance on China that EU wants to 'rebalance'](#), *Reuters*, April 4, 2023 [Paywall]
- [Sweden to host Transatlantic Ministerial Meeting in May](#), Government Offices of Sweden, April 4, 2023
- [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
- [U.S. grants free trade status for Japan under new EV tax credit rules](#), *Kyodo News*, April 1, 2023 [Paywall]
- [Japan's New Biofuels Policy Allows for Increased Exports of U.S. Ethanol](#), Office of the U.S. Trade Representative, March 31, 2023

On the Hill

[Legislative Development]

- A bipartisan, bicameral group of lawmakers introduced a congressional resolution calling for U.S. leadership in the rulemaking of digital trade and the global digital economy.
- U.S. lawmakers introduced several bills to develop a “comprehensive sanctions strategy” “in response to any coercive action” by China against Taiwan.

- A number of bills were also introduced recently to address concerns on China's purchase of U.S. real estate as well as U.S. portfolio investment in China and in Chinese companies. Other proposed bills urge the Biden administration to incorporate national security concerns in its annual trade agenda, strip China of its PNTR (permanent normal trade relations) status, and develop a whole-of-government approach to counter China.

[Hearings and Statements]

- At a House's Ways and Means Committee hearing, U.S. legislators discussed concerns over China's "aggressive trade and investment agenda," covering issues such as economic coercion and the need to reform the *de minimis* "loophole" in U.S. import rules.
- House Ways & Means Committee's trade subcommittee Chair Adrian Smith accused the Biden administration of "blatant executive overreach" in planning to treat Japan and the European Union as "free trade partners" for the purpose of implementing the electric vehicle tax credits of the Inflation Reduction Act. The view was shared by subcommittee ranking member Earl Blumenauer, who said that the administration's proposed rules on the tax credits "contradicts congressional intent."
- House Ways & Means Committee member Carol Miller urged the Biden administration to "start prioritizing robust and meaningful trade and investment actions" in Central Asia to counter the influence of Russia and China.

[Expanded Reading]

- [Hearing on Countering China's Trade and Investment Agenda: Opportunities for American Leadership](#), hearing in front of the House Ways and Means Committee, April 18, 2023
- [How we can counter the influence of Russia and China in Central Asia](#), *The Hill*, by Rep. Carol D. Miller (R-West Virginia), April 5, 2023
- [Smith: This is Unacceptable & Unconstitutional](#), Office of Rep. Adrian Smith (R-Nebraska), March 31, 2023
- [LaHood, DelBene, Smith, Bera Introduce Resolution to Promote the U.S. Digital Economy and Digital Trade](#), Office of Rep. Darin LaHood (R-Illinois), March 31, 2023
- [H.Res.270](#), Congress.gov
- [Cotton: No Chinese Citizen, Company Should Own American Land](#), Office of Senator Tom Cotton (R-Arkansas), March 30, 2023
- [S.1136 - Not One More Inch or Acre Act](#), Congress.gov
- [Sen. Rick Scott Introduces Bill Package to Combat Communist Chinese Influence in Financial Sector](#), Office of Senator Rick Scott (R-Florida), March 16, 2023
- [S.855 - TICKER Act](#), Congress.gov
- [King, Cornyn, Kaine Will Introduce Legislation to Create a China Strategy Commission to Confront Growing Competition](#), Office of Senator Angus King (I-Maine), March 16, 2023

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What's Been Happening

1 — Hope for U.S.-China Trade Persists Amid Apprehension Over Vulnerabilities — 1**[In One Sentence]**

- China issued a series of measures to stabilize trade volume, “optimize” foreign trade structures, and expand imports and exports of key products.
- A top Chinese trade official reiterated that China is willing and able to join the CPTPP.
- U.S. Treasury Secretary Janet Yellen said that the Biden administration “seek[s] a healthy economic relationship with China” but will not compromise on national security, human rights or China’s “unfair economic practices.”
- This national security focus was manifested recently with the announcement of a 90-day “sprint” review of Chinese influence in U.S. supply chains and firms by the Department of Homeland Security.
- Nine Republican Senators called on the Biden administration to pursue further measures against Chinese cloud-computing service providers such as sanctions, export restrictions and investment bans.
- National Security Advisor Jake Sullivan said the administration’s pursuit of “modern trade agreements” with “like-minded partners” is about “a different set of fundamental priorities” such as supply chain resilience and sustainability, rather than “simply bringing down tariffs.”

[Mark the Essentials]

- According to a recent survey conducted by the American Chamber of Commerce, companies have become more optimistic about the short-term and long-term prospects of China’s economy. Meanwhile, rising tensions between the U.S. and China remained the top challenge and concern for businesses, especially those in the services, research, and innovation sectors.
- In reviewing public comments to the USTR regarding the Section 301 tariffs on Chinese goods, researchers at the Council on Foreign Relations found that an “overwhelming majority” of comments seek an end to the tariffs. Businesses said that the tariffs drove up consumer costs, decreased wages and employment, and reduced investment in domestic research and development.

- At the same time, an analysis by the U.S.-China Economic and Security Review Commission argued that Chinese “fast fashion” platforms are “exploiting” loopholes in U.S. tariffs and customs procedures and “disproportionately” benefiting from U.S. de minimis import exemptions.
- At a hearing of the House Ways and Means Committee’s subcommittee on trade, former officials and lawmakers debated the possibility of revoking China’s permanent normal trade relations status, or subject the status to annual congressional review.

[Keeping an Eye On...]

- Two weeks ago, it was Treasury Secretary Janet Yellen’s turn to speak. At the School of Advanced International Studies (SAIS), host to one of the oldest and most extensive China studies programs in the country, Secretary Yellen laid out what was by most accounts one of the most constructive and conciliatory China speeches of the Biden administration so far. Last week, it was National Security Advisor Jake Sullivan’s turn at the Brookings Institution. He was far less charitable in his remarks. Beijing, he noted, had become neither “more responsible or cooperative, and ignoring economic dependencies that had built up over decades of liberalization had become really perilous.” NSA Sullivan’s prepared remarks were a notch down in intensity, though, compared to his September 2022 remarks where he had listed a “family of technologies” (computing-related technologies; biotechnologies and biomanufacturing; clean energy technologies) that were to be denied to Beijing. His remarks rather were a panoramic overview of the administration’s “foreign [and economic] policy for the middle class”—an eclectic mix of Donald Trump and Peter Navarro-style economic populism, Janet Yellen-popularized supply chain resilience-related “friendshoring”, and Katherine Tai-proposed worker-centered international economic partnerships (contrasted with traditional trade deals). The remarks were primarily directed at the U.S.’ favored set of ‘like-minded’ friendshoring partners in the developed and developing world; it was not meant so much as an outreach to China. While the remarks were unremarkable for the most part, they invite two larger questions. First, why did Mr. Sullivan and not Ms. Brainard deliver the remarks? She is, after all, the head of the Biden National Economic Council, has been a past undersecretary for international affairs at the Treasury Department, and this was a speech related to the administration’s international economic agenda; the topic was more ‘up her alley’ than his. Then second, and more importantly, what was NSA Sullivan trying to signal or accomplish? His remarks were less hawkish on China than previous ones but were clearly some distance removed in tone and approach from Secretary Yellen’s speech a week earlier. It is also known that in the time since his hawkish “family of technologies” speech of September 2022, he has been at the losing end of the internal White House debate on a China-related outbound investment screening mechanism. The Treasury Department’s view of a slimmed-down instrument appears to have carried the day, and an Executive Order is anticipated in terms of days, not weeks. Perhaps Mr. Sullivan wanted to dial down some of the pro-engagement optics of Secretary Yellen’s remarks? Or perhaps complement them by situating Secretary Yellen’s remarks on China within the administration’s larger economic policy approach—especially at a time when restrictive executive and legislative branch actions on outbound investment screening, social media applications (TikTok), and even perhaps trade policy are on the anvil? Time will tell, given that no new ground was broken as such in Sullivan’s remarks.

[Expanded Reading]

- [Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution](#), The White House, April 27, 2023
- [White House's Sullivan: US not looking to decouple from China economy](#), Reuters, April 27, 2023

- [US official says Chinese cloud companies like Huawei could pose threat](#), Reuters, April 26, 2023
- [Senate Republicans call on Biden administration to clamp down on cloud companies with ties to China](#), CNN Business, April 25, 2023
- [China's CPTPP trade aspirations still hinge on bloc's support as external pressures mount](#), South China Morning Post, April 24, 2023 [Paywall]
- [90-day People's Republic of China Threats Sprint](#), U.S. Department of Homeland Security, April 20, 2023
- [Remarks by Secretary of the Treasury Janet L. Yellen on the U.S. - China Economic Relationship at Johns Hopkins School of Advanced International Studies](#), U.S. Department of the Treasury, April 20, 2023
- [Yellen Calls for 'Constructive' China Relationship](#), The New York Times, April 20, 2023 [Paywall]
- [Katherine Tai, United States Trade Representative](#), The Foreign Correspondents' Club of Japan, April 20, 2023
- [The Cost of Trump's Trade War with China Is Still Adding Up](#), Council on Foreign Relations, April 18, 2023

2 — U.S. Trade Partners Frustrated by Differential Treatment on Subsidies — 2

[In One Sentence]

- A new negotiating round for the Indo-Pacific Economic Framework (IPEF) will be held in Singapore from May 8-15.
- The U.S.-EU Trade and Technology Council is also scheduled to meet in Sweden from May 30-31.
- A preliminary stakeholder meeting was held on May 4 to gather inputs on potential TTC digital trade initiatives (e.g., the use of digital technologies for Transatlantic trade facilitation).
- Viewing the U.S.-Japan critical mineral deal as “a good basis,” the EU expects to be treated no worse than Japan in pursuing a similar deal to gain access to U.S. electric vehicle tax credits.
- South Korean President Yoon Suk-yeol's admiration for the U.S. was fully on display during his state visit to Washington on April 26, but he left with a soft commitment from the White House to provide “special support and considerations” to Korean firms seeking to benefit from Inflation Reduction Act and CHIPS Act tax incentives.
- Some commentators, however, have decried the lack of detail and timeframe surrounding this supposed U.S. support for Korean manufacturers.

[Mark the Essentials]

- After the U.S. Department of Justice and the Federal Trade Commission announced plans to “assist with” the implementation of the European Union's Digital Markets Act, the U.S. Chamber of Commerce expressed “profound concerns” that U.S. agencies might help with what the Chamber called a “protectionist” policy to target select U.S. firms. Instead, the Chamber emphasized that the Biden administration is supporting efforts to “promote the EU's ‘tech sovereignty’ agenda.”
- A group of major U.S. trade associations are calling on the Group of 7 (G7) to take actions and strengthen “the ability to transfer data across transnational digital networks,” noting “unsustainable” increase in cross-border data restrictions. The G7 trade ministers have previously expressed “united” opposition to “digital protectionism and digital authoritarianism.”
- As the U.S. and EU continue their talks on transatlantic steel and aluminum trade, the EU is reportedly asking for a U.S. commitment to “permanently” remove all Section 232 tariffs and “any additional duties beyond MFN/BOUND tariffs” on EU steel and aluminum.

[Keeping an Eye On...]

- The vast amount of subsidy money available via the CHIPS Act and the Inflation Reduction Act (IRA) has divided beneficiary countries into two groups. There are those that are more or less comfortable or have made peace with the legislation and are ready to take advantage of the sums on offer even if it is to the relative discomfort of their China operations. Japan and Taiwan fall in this category. And then there are those that are uncomfortable with the legislation—they are not consistent with WTO rules and have touched off a subsidy race, uncomfortable with its implications related to their companies' exposure to the China market, but are unable to look away given the vast sums on the table. The European Union countries and South Korea fall into this category. The EU is unhappy that it isn't being offered the same critical minerals 'free trade partner' deal as offered to the Japanese. Lack of this critical minerals-linked battery sourcing requirement could make EU cars unable to cash in on US\$3,750 worth of tax credits. The EU did win a reprieve last December though when the Biden administration ensured that EU-assembled electric vehicles leased to private customers could be considered as commercial vehicles under the IRA's EV subsidy purview. South Korea is unhappy that the CHIPS Act contains intrusive profit and loss information sharing requests and large upside gains to be surrendered back to the government. The tall guardrails that prevent CHIPS subsidy beneficiaries from materially expanding their footprint in the China market is a source of concern too, given that huge revenues earned in that market are plowed back into R&D chip-development at home. That no existing South Korean EV model qualifies for IRA money in 2023 (plenty of American brands do) despite the windfall investment in new auto-factory and battery capacity in the U.S. by South Korean players, is a source of gripe too. That said, Seoul won a reprieve in late March when the Treasury Department interpreted certain battery components (cathode active materials) as a critical mineral, and not as a battery component. Had it been considered a battery component, it would have had to be sourced from North America, and not locally in Korea; as a critical material, now, and with Korea enjoying a real free trade agreement with the U.S., it can be incorporated into a battery locally and yet be eligible for US\$3,750 of the IRA's EV tax credit. Besides, Seoul has also been able to grandfather its semiconductor foundries in China within the CHIPS Acts' guardrails, but a certification dance on an annual basis looms. Besides, the expansion capacity of these foundries is severely constrained. Two implications flow from this fiendishly complicated state of play on the various industrial subsidies programs. First, tracking the flow of money based on the various mandates is an auditor's dream (or maybe nightmare). And second, however unhappy foreign parties may be with the broad contours of the CHIPS Act and the IRA for a variety of reasons, there is enough money on the table for them to keep their attention firmly glued to that table. NSA Sullivan was not wrong in noting in his Brookings address last week that, at the end of the day, the vast industrial subsidies will help, not hurt, the U.S. relationships with allies and partners. Call it a more-or-less happy enough camp of the 'like minded.'

[Expanded Reading]

- [Joint EU-U.S. Stakeholder Event - Transatlantic Cooperation on Digital Initiatives to Enhance Trade](#), European Commission, May 4, 2023
- [Top Biden Aide Says U.S. Subsidies Will Help, Not Hurt, Relationships With Allies](#), *The Wall Street Journal*, April 27, 2023 [Paywall]
- [Summit fails to bear fruitful results for Korean chipmakers: experts](#), *The Korea Times*, April 27, 2023 [Paywall]
- [South Korea ponders the high cost of being America's friend](#), *The Financial Times*, April 27, 2023 [Paywall]

- [Biden Sparks a \\$2 Trillion Arms Race Over Chips, Green Subsidies](#), *Bloomberg*, April 27, 2023 [Paywall]
- [Remarks by President Biden and President Yoon Suk Yeol of the Republic of Korea in Joint Press Conference](#), The White House, April 26, 2023
- [Europe approves its \\$47 billion answer to Biden's CHIPS Act — here's everything that's in it](#), *CNBC*, April 19, 2023
- [No deal yet on EU critical minerals](#), *Politico*, April 17, 2023
- [EU's Dombrovskis sees some progress on steel, battery minerals talks with U.S.](#), *Reuters*, April 14, 2023
- [Trump's tariff time bomb threatens to blow up transatlantic trade](#), *Politico*, April 5, 2023
- [Sweden to host Transatlantic Ministerial Meeting in May](#), Government Offices of Sweden, April 4, 2023
- [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
- [Yoon asks U.S. Trade Representative to address S. Korean firms' concerns over IRA, Chips Act](#), *Yonhap News Agency*, March 30, 2023
- [G7 Trade Ministers' Digital Trade Principles](#), Government of the United Kingdom, October 22, 2021

On the Hill



[Legislative Development]

- The House Ways and Means Committee voted to approve a resolution that would revoke the Biden administration's decision to suspend solar tariffs from Southeast Asian manufacturers that some argue are helping Chinese companies circumvent U.S. trade tariffs.
- Only one Democratic lawmaker on the Committee voted to support the solar resolution. Rep. Bill Pascrell, a sponsor of the bill who missed the voting, said he would have voted for the bill if he had been present.
- A bipartisan group of Senators proposed a bill to “promote diplomacy and combat Communist China's increased aggression in the Pacific” by sending a special U.S. envoy to the Pacific Island Forum.

[Hearings and Statements]

- Arguing for a “constructive rebalancing” of the U.S.-China economic relationship, Rep. Ro Khanna emphasized the need for “economic patriotism” and investment to increase U.S. manufacturing capability in aluminum, steel, microelectronics, automobile and green technology, among others.
- The White House said it “strongly opposes” the solar resolution and will veto the bill if it passes both chambers of Congress.
- In a letter to USTR Tai and Secretary of Commerce Raimondo, seven progressive Democratic lawmakers expressed “concerns” with digital trade negotiations at IPEF, calling on Biden to ensure that the digital trade rules complement efforts to promote competition, especially when it comes to regulation of Big Tech platforms.
- All first-term Democratic House lawmakers called on the Biden administration to ensure that U.S. Trade policy, including IPEF and its digital trade provisions, are worker-centered. The lawmakers also urged the administration to “work with us and our constituents in a transparent and inclusive manner” on trade policy and trade deal negotiations.

- House Ways & Means Committee Chair Jason Smith questioned Ford whether “taxpayer dollars,” especially electric vehicle tax credits under the Inflation Reduction Act, may be directed to a Chinese company through a partnership with Ford.

[Expanded Reading]

- [Khanna Delivers Remarks on Rebalancing China with a New Economic Patriotism](#), Office of Rep. Ro Khanna (D-California), April 24, 2023
- [Exclusive: Biden would veto legislation to block solar tariff waivers](#), *Reuters*, April 24, 2023
- [Schakowsky, Lawmakers Reiterate Concern over Big Tech Pushing Digital Trade Rules That Conflict with Biden Competition Agenda and Pending Legislation](#), Office of Rep. Jan Schakowsky (D-Illinois), April 24, 2023
- [H. J. Res 39, Disapproving the rule submitted by the Department of Commerce relating to "Procedures Covering Suspension of Liquidation, Duties and Estimated Duties in Accord With Presidential Proclamation 10414"](#), Congress.gov
- [Kennedy introduces bipartisan U.S. and Pacific Islands Forum Partnership Act to counter communist aggression, strengthen diplomatic ties in Pacific](#), Office of Senator John Kennedy (R-Louisiana), April 19, 2023
- [S.1220 - U.S. and Pacific Islands Forum Partnership Act](#), Congress.gov
- [Automaker's Troubling Deal with Chinese Company Raises Questions About Democrats' Electric Vehicle Tax Credits](#), House Ways and Means Committee, April 17, 2023

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What's Been Happening

1 — U.S. Strives to “Out-China China” and Out-Compete it — 1

[In One Sentence]

- To counter China on the development and setting of international standards related to critical and emerging technologies, the White House plans to lead the way on digital trade agreements and negotiations.
- The Commerce Department is also considering expanding its authority to investigate subsidies provided by governments beyond their borders, potentially eyeing China's Belt and Road Initiative.
- Leaders of the G7 plan to address China's “economic coercion” practices in a joint statement.
- Meanwhile, the House Select Committee on China launched probes into four major clothing brands over their potential implication in “forced labor” practices in Xinjiang.
- China claimed that the U.S. is applying a “double standard on industrial subsidies”—accusing China of violating WTO rules through discriminatory subsidies and trade distortions even as Washington provides its own massive subsidies and incentives through measures such as the Inflation Reduction Act and the CHIPS Act.

[Mark the Essentials]

- U.S. Reps. Rosa DeLauro, Brian Fitzpatrick and Bill Pascrell recently introduced an expanded version of their outbound investment screening act. The National Critical Capabilities Defense Act of 2023 would create a “whole-of-government screening process” to broadly review private sector investment and business transactions related to “foreign adversaries like China and Russia” in “national critical capabilities sectors” to safeguard critical supply chains.
- Senate Democrats, led by Majority Leader Charles Schumer, are pushing for a new China competition bill that aims to curb the flow of advanced technology or investment to the Chinese government, increase domestic economic investment, and deepen economic and security alliances and partnerships.
- In a blog post on Washington's plan to screen outbound investment to China, Peterson Institute's Martin Chorzempa argued that such a regime must be carefully crafted, narrowly focused, and clearly defined to “avoid major unintended consequences.” Chorzempa also warned that U.S. allies would likely not join the U.S.' investment review regime and that expectations for the regime's future expansion could potentially prompt investors to flee the United States.

- Meanwhile, U.S. Ambassador to China Nicholas Burns openly criticized the latest version of China's anti-espionage law for expansively defining “acts of espionage.” Burns argued that “American businesses here ought to be free of intimidation from the government” and should not be targeted for “political differences and competitive differences in the U.S.-China relationship.”
- Business representatives and observers argue that as China’s Ministry of State Security ramps up visits, investigations and checks of American firms and businesses, the foreign business community has become increasingly concerned about the business and investment environment in China. The U.S. Chamber of Commerce has also criticized China’s anti-espionage law for “dramatically increas[ing] the uncertainties and risks of doing business” in China.

[Keeping an Eye On...]

- Noting that time was not on “our side” and that the United States needed to invest now so that it would remain “the leading superpower for generations to come,” earlier this month Senate Majority Leader Chuck Schumer previewed a new bipartisan initiative to craft a China Competition Bill in this 118th Congress. The initiative’s five key focus areas are: (i) limiting the flow of advanced technologies to China, including via additional export controls and sanctions; (ii) curtailing the flow of investment to China, including via the authorization of a screening mechanism for certain key sectors of capital outflow; (iii) securing greater domestic economic investment, particularly in areas like biotech and bio-manufacturing; (iv) underscoring the U.S.’ commitment to economic allies and partners, including by competing against China’s Belt and Road Initiative (BRI); and (v) safeguarding allies and partners, particularly Taiwan, via prescriptive sanctions measures and other policy actions that would deter China. The China Competition Bill, edition two, builds on the game-changing CHIPS & Science Act and the Inflation Reduction Act that were passed in the 117th Congress. Meanwhile at the other end of Pennsylvania Avenue, Treasury Secretary Janet Yellen was extending a hand of friendship to Beijing in a major policy speech towards the end of April. Healthy economic engagement benefitted both sides and Beijing and Washington needed to “find a way to live together and share in global prosperity,” she declared. Secretary Yellen was at pains to stress that the administration had imposed its technology denial measures for national security and not unfair economic competitiveness reasons, that it was not seeking to stifle China’s development or decouple from it, and that she looked forward to traveling to Beijing at the “appropriate time.” While all of the above might not be entirely accurate, there can be no doubt that the Biden administration seeks a refashioned *modus vivendi* with Beijing that is more in keeping with the ‘guardrails’ envisaged by Presidents Biden and Xi in Bali last November. While the executive branch is by no means done with instituting measures on the technology controls front (an executive order on outbound investment screening is awaited in the near term), it is certainly moving on a different track from the legislative branch on the China policy front. This push-and-pull between the two on China will define the contours of Washington’s management of economic relations with Beijing going into the Election 2024 cycle. The gap between the executive and legislative branches should not be exaggerated, though. The two branches might in fact be teaming-up to play a ‘good cop-bad cop’ routine. The administration lays the groundwork for economic engagement with China; Congress, meantime, legislates many of the administration’s own economic security priorities on China, ranging from an anti-economic coercion instrument, an outbound investment screening mechanism, and a jurisprudentially durable statutory framework to emasculate TikTok.

[Expanded Reading]

- [G7 struggles with response to China ‘economic coercion’ threat](#), *Al Jazeera*, May 17, 2023
- [DeLauro, Fitzpatrick, Pascrell Reintroduce Bipartisan National Critical Capabilities Defense Act](#), Office of

the U.S. Rep. Rosa DeLauro (D-CT), May 9, 2023

- [H.R.3136 - The National Critical Capabilities Defense Act of 2023](#), Congress.gov
- [Cold War through subsidies harms all](#), *ChinaDaily*, May 5, 2023
- [Even as China Reopens, Security Visits Spook Foreign Businesses](#), *The New York Times*, May 4, 2023 [Paywall]
- [FACT SHEET: Biden-Harris Administration Announces National Standards Strategy for Critical and Emerging Technology](#), The White House, May 4, 2023
- [New rules curbing U.S. investment in China will be tricky to implement](#), Peterson Institute for International Economics, May 3, 2023
- [House China committee targets top clothing brands in forced labor inquiry](#), *CNBC*, May 3, 2023
- [Crossing the Line: Transnational Subsidy](#), Center for Strategic and International Studies, January 22, 2022

2 — U.S. Settles down with Partners, Explores Pathways of Cooperation— 2

[In One Sentence]

- U.S. National Security Advisor Jake Sullivan said that the U.S. will turn its controversial domestic subsidies in the Inflation Reduction Act (IRA) “from a source of friction into a source of strength and reliability.”
- According to NSA Sullivan, the IRA is only the Biden administration’s starting point to “build a clean energy manufacturing ecosystem” in North America “and extending to Europe, Japan and elsewhere.”
- Developing country members of the Indo-Pacific Economic Framework (IPEF), such as Indonesia, are wary of Washington’s proposal that could limit data localization and their policy space for regulation in favor of relatively free cross-border flows of data.
- Ahead of the May 30 Trade and Technology Council ministerial meeting, U.S. and EU officials have planned for a critical minerals agreement to address IRA’s “frontline irritant” and further “shared goals” of boosting the two sides’ critical minerals access.
- Following the recent state visit by President Yoon Suk-yeol to Washington, South Korea announced their agreement with the U.S. on the need for “high-standard commitments across all four pillars” of IPEF.
- The U.S. said the third round of IPEF negotiations in Singapore made “strong progress on a wide range of issues” and highlighted the upcoming IPEF ministerial meeting in Detroit, Michigan on May 27 as “an important opportunity” to achieve “concrete progress as quickly as possible.”

[Mark the Essentials]

- Ahead of the third round of IPEF negotiations, the Office of Senator Elizabeth Warren again raised the issue of transparency and argued that ‘Big Tech’ is granted “special insider status” and “behind-the-scenes access” to USTR to “furtively push for rigged trade policies.” The report called for USTR to reject Big Tech’s digital trade agenda and make IPEF texts public, and for the Biden administration to commit to “transparency on all public engagement.”
- During a meeting with U.S. Secretary of Commerce Gina Raimondo, Korean Minister of Trade, Industry and Energy Lee Chang-Yang expressed the need to “reasonably resolve” the “uncertainty” and “great difficulties” that Korean businesses encounter in the face of U.S. semiconductor incentives and relevant “guardrails.” Lee also requested the “quick” enactment of “guidance” to address the “investment uncertainty” of Korean companies in light of the United States’ Inflation Reduction Act.
- Meanwhile, the U.S. and the Philippines announced new progress as the two plan to establish a Labor Working Group “to accelerate implementation of internationally recognized labor rights” and “facilitate exchange and dialogue among U.S. and Philippine governments and labor unions.”

- At a Senate hearing, U.S. Secretary of Commerce Gina Raimondo said that the U.S.-EU Trade and Technology Council is making “great progress” and will aim to work on semiconductors, export controls and new technologies. Raimondo also said that she would “think more properly” about whether it might be helpful to codify TTC agreements.

[Keeping an Eye On...]

- On May 27, the city of Detroit—currently playing host to the Asia-Pacific Economic Cooperation (APEC) Second Senior Officials’ Meeting—will play host to a ministerial meeting of the Indo-Pacific Economic Framework for Prosperity (IPEF) countries. Given that almost all APEC members are, except for India, also parties to the IPEF negotiations, the APEC ministerial is effectively doubling as an IPEF ministerial. There is prior form here on the part of the United States. In the third year (of the first term) of the previous Democratic administration, the Obama Administration too had volunteered to play the role of APEC chair, and had thereafter commandeered the APEC platform to aggressively push the Trans-Pacific Partnership (TPP) negotiations forward. The smaller TPP membership had also comprised states that were members of APEC and like IPEF’s membership excluded China. The upshot of the Obama Administration’s role as APEC chair in 2011 was to, both, suck the oxygen out of APEC’s agenda that year as well as make important progress in the TPP negotiations during the course of the year. With a U.S. presidential election looming in 2012, it was understood that the negotiating clock would effectively be put on hold at the end of the year. In the event, by the time of the APEC Honolulu Summit in November 2011, gaps still remained among the TPP parties, progress in the negotiations notwithstanding. It would not be until the third year of the second Obama Administration that the gaps finally began to close, with Japan’s Shinzo Abe courageously shouldering onerous liberalization commitments related to Tokyo’s cosseted agricultural sector. Will the past be a prologue insofar as the IPEF negotiations are concerned? It is clear that the Biden team has borrowed the Obama Administration’s APEC playbook to concentrate minds among the IPEF negotiating parties in this pre-election year. Will the completion of the IPEF negotiations nevertheless spill over to a second Biden administration (or be scrapped in its entirety by a Republican administration much like Trump summarily tore up the negotiated TPP text)? On the other hand, the substance of the IPEF negotiations bear no comparison to the depth and complexity of the TPP text (the IPEF texts on trade facilitation, good regulatory practice, and services regulation could have been completed as of yesterday). Or square-up to the level of Congressional oversight required. It was a given that Congress would get an up-or-down vote on the final product and that the TPP text would have to abide by Congress’ trade promotion authority (TPA) related strictures. As such, IPEF should be an easier agreement to close. Be that as it may, much rides on the completion of the IPEF negotiations by the time of the APEC Leaders Summit in San Francisco this November. With USTR Tai’s repeated utterances to a new type of modern trade agreement drawing more bewilderment than certitude, and with the U.S. self-marginalizing itself within the regional preferential trade liberalization circuit, a bird in hand would certainly be worth two in the bush. At worst, something—even a modest but underwhelming trade deal—is better than no deal at all.

[Expanded Reading]

- [Joint U.S. Department of Commerce and USTR Readout of Third Indo-Pacific Economic Framework Negotiating Round in Singapore](#), U.S. Department of Commerce, May 15, 2023
- [Readout of Ambassador Katherine Tai’s Meeting with European Commission Executive Vice President Valdis Dombrovskis](#), Office of the United States Trade Representative, May 9, 2023

- [Submission to IPEF Negotiators](#), American Association of the Indo-Pacific IPEF Taskforce, May 8, 2023
- [Strengthening Regional Supply Chain Resiliency Through the Indo-Pacific Economic Framework \(IPEF\)](#), Asia Society Policy Institute, May 2023
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- [New Investigative Report from Senator Warren Reveals Big Tech's Insider Influence on Digital Trade Rules](#), Office of Senator Elizabeth Warren (D-Massachusetts), May 2, 2023
- [US-EU Critical Minerals Deal Would Give EU Broader Trade Relief](#), *Bloomberg*, April 28, 2023 [Paywall]
- [Top Biden Aide Says U.S. Subsidies Will Help, Not Hurt, Relationships With Allies](#), *The Wall Street Journal*, April 27, 2023 [Paywall]
- [Adoption of Joint Declaration on the 70th Anniversary of the ROK-US Alliance...Washington Declaration, Technical Dialogue, etc.](#), Yongsan Presidential Office, April 26, 2023
- [A Review of the President's Fiscal Year 2024 Funding Request for the Department of Commerce](#), hearing in front of the United States Senate Committee on Appropriations, April 26, 2023
- [IPEF Pillar 1 text summaries](#), USTR, April, 2023

On the Hill

[Legislative Developments]

- Democratic Senators are pushing for another China Competition Bill package, which will cover the establishment of an outbound investment screening mechanism as well as trade provisions related to the Generalized System of Preferences and a Miscellaneous Tariffs Bill.
- Democratic Senator Michael Bennet joined Republican Senator Bill Cassidy to co-lead legislation that would intensify U.S. trade partnerships with Western hemisphere countries to counter China's influence.
- A bipartisan pair of senators introduced a bill that calls for U.S. "leadership" to reform the World Trade Organization and ensure rules such as special and differential treatment do not benefit "globally competitive countries" such as China.
- The Senate voted 56 to 41 to approve a bill that would revoke the Biden administration's suspension of solar tariffs on Southeast Asian manufacturers which some argue have helped Chinese solar companies evade U.S. sanctions.

[Hearings and Statements]

- In a Ways & Means field hearing on securing supply chains and protecting American workers against China's practices, witnesses called for tougher implementation of the Uyghur Forced Labor Prevention Act, increased Section 301 tariffs on China, and for increasing the *de minimis* tariff exception bar.
- Concerned that multinational giants might not do enough to implement the Uyghur Forced Labor Prevention Act, leaders of the House Select Committee on China have written to companies such as Nike, Adidas, Shein and Temu to scrutinize their supply chain's involvement with China's Xinjiang region.
- Arguing that USTR is granting 'Big Tech' "special insider status" to IPEF negotiations, the Office of Senator Elizabeth Warren called for transparency in IPEF and other trade negotiations.
- Highlighting Ford's plan to work with Chinese company Zhejiang Huayou Cobalt Company and Brazilian-owned Indonesian company Vale to establish a nickel processing plant in Indonesia, Senator Marco

Rubio urged U.S. officials to investigate the joint venture, verify Ford’s compliance with U.S. laws, and hold Ford “accountable.”

[Expanded Reading]

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- [Thune, King Introduce Bipartisan Resolution to Confront China’s Exploitation of WTO Trade Status](#), Office of Senator John Thune (R-South Dakota), May 9, 2023
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- [US Senate repeals solar panel tariff suspension, Biden expected to veto](#), Reuters, May 4, 2023
- [Leader Schumer Launches Initiative To Advance National Security And Create China Competition Bill 2.0](#), Senate Democrats, May 3, 2023
- [New legislation to counter China pushed by Senate Democrats](#), Associated Press, May 3, 2023
- [Bennet Joins Landmark Americas Act to Expand Partnerships Across the Western Hemisphere](#), Office of Senator Michael Bennet (D-Colorado), May 3, 2023
- [US Senator Rubio seeks probe of Ford's Chinese partnership on nickel plant](#), Reuters, May 3, 2023
- [Gallagher, Krishnamoorthi Send Letters on Forced Labor Concerns to Nike, Adidas, Shein, Temu](#), House Select Committee on the CCP, May 3, 2023
- [Nike, Adidas, Shein, Temu Sent Letter From House China Committee About Forced Labor](#), Forbes, May 2, 2023
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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
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- [Press Statement for the Trade Pillar, Clean Economy Pillar, and Fair Economy Pillar](#), U.S. Department of

Commerce, May 27, 2023

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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]

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- [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
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- [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
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- [Following Brown's Urging, New Treasury Rules Prioritize American Manufacturing](#), Office of U.S. Senator Sherrod Brown (D-Ohio), May 12, 2023

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What's Been Happening

1 — The White House's Trade Ambitions and Its Critics— 1

[In One Sentence]

- U.S. Trade Representative Katherine Tai defended the Biden administration's economic policies by listing out new challenges to be tackled and highlighting the need to reshape trade policies to bolster U.S. manufacturing and exports.
- Facing criticism from high-ranking members of Congress, Tai and Secretary of Commerce Gina Raimondo insisted that the Biden administration has been in consistent engagement with Congress during its negotiation of the Indo-Pacific Economic Framework for Prosperity (IPEF).
- Meanwhile, the State Department cited trade policy as a key tool in the Biden administration's efforts, in concert with the European Union, to end and reverse deforestation.
- Commerce Secretary Raimondo plans to use the recently revitalized President's Export Council to support the administration's efforts with regard to IPEF's supply chain pillar.

[Mark the Essentials]

- USTR Tai listed out the pandemic, Russia's invasion of Ukraine, the climate crisis, and the "digital transformation" inspired by technological development as the major challenges the administration currently seeks to address.
- At the same time, Katherine Tai prioritized the imperative for investment in U.S. domestic manufacturing, and suggested that it is a prerequisite for policies to bolster U.S. exports—a goal previously advocated by many critics on Capitol Hill.
- While both Tai and Raimondo repeatedly assured lawmakers that the administration is in constant engagement with Capitol Hill on the IPEF negotiations, Senate Finance Committee Chair Ron Wyden and other members of the panel felt that the administration was failing to achieve sufficient congressional engagement and therefore had not addressed their concerns about how "agreements like the IPEF will be approved". Further, Chair Wyden expressed his frustration that the administration was moving ahead on the IPEF negotiations without seeking Congressional approval.
- Commerce Secretary Gina Raimondo said that she will join the President's Export Council on a "fact-finding mission to select IPEF markets" to boost U.S. exports and investment overseas.

[Keeping an Eye On...]

- For all its vaunted talk of ‘modern trade agreements’, the Biden administration seems to be satisfying no one with its novel approach to trade and economic engagement; not Congress, not business, not allies and partners or, for that matter, the letter and spirit of multilateral trade law. As best as one can understand, the new approach to trade and economic engagement aims to flip the existing policy dynamic inside-out. Rather than reinforce existing supply chains and their cost efficiencies, ‘modern trade agreements’ intend to diversify them and make them more resilient—even at the expense of undermining their underlying cost structures. Rather than perpetuate a supposed race-to-the-bottom dynamic, ‘modern trade agreements’ intend to create a race to the top. Exactly how this happens is a mystery. But it cannot be disputed that ‘building from the bottom up and from the middle out’ sounds at least eye-catching. The problem with this novel approach to trade and economic engagement is two-fold. First, it runs counter to Congress’ constitutional prerogative to regulate trade. It didn’t have to be this way; modern trade agreements don’t have to run against the will of Congress. But embarrassed by these agreements’ lack of substantive content—they don’t contemplate economic incentives and lack third party enforcement mechanisms in most cases—the Biden administration has chosen to bypass Congress. Second, this new approach to trade and economic engagement engages multilateral trade law from an *a la carte* perspective. It would be nice if global trade rules can be accommodated within the approach; if they cannot be accommodated, then those rules be damned. It is as if the international trading order is not part of the ‘rules-based order’ but instead centered on America’s rules and America’s version of order. At the end of the day, the crux of the Biden administration’s trade policy dilemma is this: as a trading superpower, the American government needs to be doing ‘something’ on trade; given the rise of economic nationalism domestically, it cannot continue to do the same thing that it used to do; so, it is attempting to do something else—anything else—which is not quite adding up; it is having difficulty explaining what exactly this ‘something’ is (it’s easy to explain what it isn’t), hence the trundling out of worker and labor-centered narratives; and all along it is hoping that whatever the ‘something’ it is attempting to do will somehow restore long-term wage growth and build out the middle class. Note to the Biden administration: building out the middle class is a task for budget and tax policy. Let trade policy focus on opening markets overseas and polishing economic competitiveness at home. USTR’s “unapologetically positive vision” on trade is in fact an “unapologetically *empty* vision.”

[Expanded Reading]

- [Ambassador Katherine Tai’s Remarks at the National Press Club on Supply Chain Resilience | United States Trade Representative \(ustr.gov\)](#), Office of the United States Trade Representative, June 15, 2023
- [Bipartisan resentment grows as Biden pursues new trade talks](#), *Politico*, June 13, 2023
- [2023 Leadership Summit](#), Foreign Policy for America, June 11-13, 2023
- [Tai’s Friendshoring Field Trip to Latvia](#), *Politico*, June 12, 2023
- [Bidenomics and Its Contradictions](#), *The Wall Street Journal*, June 8, 2023 [Paywall]
- [Wyden Dissatisfied with Admin Response](#), *Politico*, June 5, 2023
- [Detroit, recent Apec host, embodies Joe Biden’s trade policy goal of renewal](#), *South China Morning Post*, June 5, 2023 [Paywall]
- [Ambassador Tai Tackles Trade: A Conversation With United States Trade Representative Katherine Tai](#), *Forbes*, May 31, 2023 [Paywall]
- [Reporting on Whole-of-Government Approaches to Stopping International Deforestation](#), U.S. Department of State, May 31, 2023
- [Letter from USTR Tai and Commerce Secretary Raimondo to Sen. Wyden, Chair of the Senate Finance Committee](#), Office of the USTR and Department of Commerce, May 30, 2023

- [Substantial Conclusion of Negotiations on Landmark IPEF Supply Chain Agreement](#), Department of Commerce, May 27, 2023
- [The Biden Administration Is Right on China and Trade, but Must Aim Higher](#), *National Interest*, May 21, 2023 [Paywall]

2 — TTC Progress Inspires More Expectations, as well as Concerns— 2

[In One Sentence]

- At the end of the 4th U.S.-European Union Trade and Technology Council (TTC) ministerial, Secretary of State Antony Blinken lauded the “remarkable convergence” between the U.S. and EU in areas such as critical minerals, investments in clean technologies, and relations with China.
- Stakeholders and officials at the 4th TTC ministerial were happy about TTC’s progress, but business, labor groups and some EU and member state officials say that the outcomes need to be more ambitious.
- European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis said that the European Commission must seek a negotiating mandate from its member states before proceeding with negotiations with the U.S. on binding provisions in a potential critical minerals agreement.
- Industry representatives warn about critical challenges ahead in trans-Atlantic talks for global steel and aluminum arrangements and doubt that the U.S. and EU could meet the October deadline.

[Mark the Essentials]

- While the officials hailed the achievements made at the TTC ministerial, stakeholders highlighted the disconnect between the consultation process and TTC outcomes, particularly when it came to resolving differences over digital regulation and data governance.
- The European Union is concerned about the prominence of geopolitical problems within the TTC discussions, which it fears will divert attention from addressing longer-term concerns.
- Commissioner Dombrovskis suggested that the U.S.-EU critical mineral agreement could include meaningful provisions on labor and environment issues, which is lacking in the U.S.-Japan critical minerals deal.
- While USTR is confident on reaching an agreement with the EU on steel and aluminum, citing their “shared commitment to joint action and deeper cooperation in the steel and aluminum sectors,” some industry leaders criticized the U.S. approach to resolving the disagreement as a “tariff scheme based on the differential in carbon intensity” while the EU focuses more on its carbon border adjustment mechanism.

[Keeping an Eye On...]

- Twenty months after its establishment in Pittsburgh in September 2021, the U.S.-EU Trade and Technology Council (TTC) remains bogged down in high principles, vision statements, task force formations, and general good intentions. Most of the materially important deliverables that have been realized, such as the Russia sanctions, the Boeing-Airbus dispute settlement, on the Section 232 steel and aluminum tariffs, have occurred outside the TTC framework, even if the TTC has claimed authorship. On China, the head of steam built up to confront it tri-laterally (U.S.-EU-Japan) to modify its non-compliant industrial subsidy and non-market economy practices has been set back by non-market and non-compliant industrial subsidy practices in the U.S.—particularly in the Inflation Reduction Act, which predicate the disbursement of subsidies upon the use of domestic over imported goods. Finalizing work on an ambitious Global Sustainable Arrangement for Steel and Aluminum or on a bilateral electric vehicles-related critical minerals and battery components pact by the time of TTC’s fall meeting could provide a penultimate chance to salvage a meaningful accomplishment before the election-cycle-driven curtains come down for good on the U.S.-EU trade, investment and environment front

until mid-2025. In any case, certain work-streams within the U.S.-EU transatlantic framework may be overshadowed by the U.S.-United Kingdom economic work program encapsulated in the action plan under the recently launched 'Atlantic Declaration'. The plan includes an economic security framework to advance close-knit cooperation on critical and emerging technologies (quantum, AI, semiconductors, cutting-edge telecoms, synthetic biology) as well as develop stronger protective toolkits for technologies and supply chains. Like the AUKUS pact, this U.S.-UK framework could well allow for deeper and more substantive collaboration on many of the transatlantic challenges on which Washington and Brussels have only been able to forge a superficial connection. The few substantive economic policy accomplishments that the Biden administration has been able to rack up have in any case occurred within bilateral or small plurilateral group settings (think: chip controls cooperation with the Netherlands and Japan or the budding minerals security partnership). They are more cohesive, are based on a tighter understanding of security interests, and are more amenable to the U.S.' my-way-or-the-highway approach. If the TTC is to stay relevant, it needs to deliver—and deliver quickly.

[Expanded Reading]

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- [The Atlantic Declaration: A Framework for a Twenty-First Century U.S.-UK Economic Partnership | The White House](#), The White House, June 8, 2023
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- [U.S. Struggles to Turn Steel Imports 'Green' With Tariffs](#), *The Wall Street Journal*, June 7, 2023 [Paywall]
- [What's next for EU-US relations?](#), European Institute of Innovation and Technology, June 6, 2023
- ['We're not going back': The U.S. and Europe are entering a new trade era](#), *Politico*, June 3, 2023
- [Joint Statement EU-US Trade and Technology Council of 31 May 2023 in Lulea, Sweden](#), European Commission, May 31, 2023

On the Hill

[Legislative Development]

- The four legislative sponsors of the Uyghur Forced Labor Prevention Act (UFLPA) lauded the expansion of the UFLPA Entity List as a “clear guidance to American companies for supply-chain mapping,” but vowed to bring more measures to “stop imports of forced labor made goods” such as car parts, solar panels, rayon and fashion garments.
- The House Transportation and Infrastructure Committee voted in overwhelming support of the Ocean Shipping Reform Act; a bill that seeks to investigate China's shipping exchanges and logistics software.
- House Ways and Means Committee trade subcommittee Chair Adrian Smith said he is working with lawmakers across the aisle to pass bills on the Generalized System of Preferences and Miscellaneous Tariffs.
- Meanwhile, a bipartisan, bicameral group of influential lawmakers are pushing to pass the “Level the Playing Field 2.0 Act”; a bill to reform U.S. trade remedy law and give the Commerce Department new enforcement tools to counter China.
- Bipartisan leaders of the Senate Finance Committee and the House Ways and Means Committee announced support for a bill that would “approve the first trade agreement signed under the U.S.-Taiwan Initiative on

21st-Century Trade and set robust transparency and consultation requirements for any future agreements negotiated under the initiative.”

[Hearings and Statements]

- During a hearing of the House Judiciary Committee, lawmakers from both sides of the aisle warned against the further expansion of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement at the WTO, arguing that doing so would undermine innovation and potentially disadvantage U.S. IP *vis-à-vis* China.
- Sens. Chris Coons (D-DE) and Kevin Cramer (R-ND) introduced the “Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency Act” which would direct the Energy Department to study and quantify U.S. emissions and compare them with other countries’, so that this information could be factored thereafter into trade policy decision-making.
- Lawmakers led by Rep. Barry Moore (R-Ala.) penned a letter calling on the Department of Agriculture and the USTR to press China on its restrictions on U.S. poultry exports which violate the Phase One trade deal.
- The leaders of the House Foreign Affairs and Select China committees called on Commerce Secretary Raimondo to press South Korea and Japan not to let their companies back-fill the market share in China of the recently-banned U.S. semiconductor firm Micron. They suggested that Commerce should use the Anti-Boycott Act of 2018 or recommend new amendments to swiftly respond to the ban.

[Expanded Reading]

- [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
- [US bans imports from China-based Ninestar over Uyghurs](#), Reuters, June 9, 2023
- [Wyden, Crapo, Smith and Neal Announce Bipartisan, Bicameral Legislation to Approve First Taiwan Trade Initiative Agreement](#), United States Senate Committee on Finance, June 9, 2023
- [Brown, Young Introduce Legislation To Strengthen Trade Remedy Laws, Protect American Workers](#), Office of Sen. Sherrod Brown (D-Ohio), June 7, 2023
- [Reps. Johnson, Sewell Introduce Bipartisan Legislation to Level the Playing Field for American Workers](#), Office of Rep. Bill Johnson (R-Ohio), June 7, 2023
- [Leveling the Playing Field 2.0 Act Introduced to Update and Strengthen U.S. Trade Remedy Laws](#), Wiley, June 7, 2023
- [Senators Coons, Cramer introduce legislation to study global emissions intensity and hold countries with dirty production accountable](#), Office of Sen. Chris Coons (D-Del.), June 7, 2023
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- [Bill Proposes Limits on China and its Influence on Ocean Shipping](#), *Maritime Executive*, March 29, 2023
- [Rep. Barry Moore urges USDA to help restore Chinese poultry market access](#), Office of Rep. Barry Moore (R-Ala.), May 26, 2023
- [To deter China, the US must lead in Latin America](#), *The Hill* (by Rep. Carol Miller), May 24, 2023
- [T&I Committee Approves Package of Bills to Strengthen America’s Supply Chain](#), House Committee on Transportation & Infrastructure, May 23, 2023

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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]

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- [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
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- [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.

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- [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
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- [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
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- [H.R.3996 - Protecting American Farmland Act](#), Congress.gov
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