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## What's Been Happening

### 1 — Stabler Prospects for U.S.-China Relations Following Yellen's Visit— 1

#### [In One Sentence]

- U.S. Treasury Secretary Janet Yellen returned from a visit to China after a series of conversations which she described as “direct, substantive and productive.”
- Despite existing efforts to cordon-off certain economic sectors, Yellen says that she and President Biden do not see the U.S.-China relationship “through the frame of great power conflict” and believe in the possibility of “healthy economic competition” that is “mutually beneficial in the long term.”
- Meanwhile, the U.S. pledged alongside its ‘Five Eyes’ partners—Australia, New Zealand, the United Kingdom and Canada—to formally coordinate export control measures through increased information sharing regarding attempts by third parties to skirt the rules.
- The President's Export Council urged the administration to address standards barriers with trading partners and promote acceptance of U.S. standards in key sectors and regarding critical and emerging technologies.
- In response to concerns raised at the World Trade Organization (WTO), China said its new export control measures on key semiconductor inputs accord with international usage, pointing to export control measures by the United States and other WTO members.

#### [Mark the Essentials]

- Although both the United States and China described Yellen's visit as constructive, neither Yellen nor Beijing suggested any changes to each side's trade, investment and technology policies. During the visit, the Chinese side reiterated concerns over U.S. sanctions and restrictions on China while Yellen conveyed concerns on China's market practices and acknowledged the existence of “significant disagreements” between the U.S. and China in terms of economic policy.
- President Biden's special envoy for climate change John Kerry announced plans to visit China and restart talks on U.S.-China climate cooperation—talks that were suspended after then-Speaker of the House Nancy Pelosi paid a visit to Taiwan in August 2022.
- Deputy National Security Advisor Mike Pyle recently said that the Biden administration does not see trade policy at “the core of international economic policy,” and instead highlighted the importance of using U.S.

domestic investment, in coordination with U.S. allies, to address “emerging set of challenges” such as supply chain resilience, climate and clean technology and the digital economy.

- Meanwhile, during her opening remarks for the meeting of the President’s Export Council, U.S. Secretary of Commerce Gina Raimondo said that it was “a shame” that the Export Council did not convene for seven years “because trade is important and underpins so many jobs in America and America’s place in the world.” Raimondo highlighted the Commerce Department’s new “National Export Strategy,” which establishes “a coordinated, whole-of-government framework” to “better equip American companies and workers to compete in global markets.”
- China recently issued export controls on gallium and germanium products, two important materials for semiconductors used for 5G communications, autonomous vehicles, renewable energy and military systems. Chinese officials said the export control measures are “non-discriminatory” and are “international customary practice,” arguing that EU members have also imposed export control over “relevant products and materials.” China has been critical of export control measures imposed by the U.S. and its allies on advanced semiconductor and manufacturing equipment.

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

- By most accounts, Treasury Secretary Janet Yellen’s visit to Beijing was a success. She communicated the principal objectives of the Biden administration’s economic approach to China. First, that the administration would secure the U.S.’ and allies’ national security interests, while not seeking to gain an unfair economic advantage. Second, that a healthy economic relationship was in the interest of both parties and that the United States was not seeking to decouple from China. And third, that both parties must cooperate on the key global challenges of the day; most notably, on tackling developing country debt distress and on climate change. For their part, the Chinese side also found value in airing their grievances directly, with requests that the U.S. remove the illegal Section 301 tariffs, stop containing Chinese companies, ensure fair treatment in bilateral investment, loosen export controls, and lift the bans on Xinjiang-related products. The integrity of Secretary Yellen’s constructive approach on China is beyond reproach. What is not beyond reproach, however, is whether the administration is as united in its view on economic engagement with China as Ms. Yellen says. In late April, U.S. National Security Advisor Jake Sullivan laid out the five pillars of the administration’s “foreign [and economic] policy for the middle class.” Four of the five pillars—modern industrial policy, as embodied by the Inflation Reduction Act and the CHIPS and Science Act; cooperation with ‘like-minded’ partners and allies; moving beyond traditional trade deals to new international economic partnerships, such as IPEF; and ‘small yard, high fence’ technology denial policies—are framed in part or outright opposition to China. Only pillar four—recapitalizing and repurposing multilateral development banks to tackle debt distress and fight climate change—lends itself to bilateral cooperation with China. Given the overarching nature of Mr. Sullivan’s remarks, the disconnect with the policy line communicated by Secretary Yellen cannot simply be swept under the carpet. Ms. Yellen’s ten hours of meeting in Beijing was an important down-payment towards maintaining open lines of communication with China. It should not be confused however as a new beginning in the administration’s economic approach towards China. The more things change, the more they stay the same.

### [Expanded Reading]

- [Yellen’s latest trip helps set a new normal for the U.S.-China relationship](#), CNBC, July 10, 2023
- [China just fought back in the semiconductor exports war. Here’s what you need to know](#), MIT Technology Review, July 10, 2023
- [3 Takeaways From Janet Yellen’s Trip to Beijing](#), *The New York Times*, July 9, 2023 [Paywall]

- [Yellen says China talks ‘productive’ at end of Beijing trip](#), *Politico*, July 8, 2023
- [Yellen’s Beijing visit comes as U.S.-China economic ties fray](#), *Axios*, July 8, 2023
- [John Kerry to Visit China to Restart Climate Negotiations](#), *The New York Times*, July 6, 2023 [Paywall]
- [Yellen Faces a Diplomatic Test in Her High-Stakes Visit to China](#), *The New York Times*, July 6, 2023 [Paywall]
- [EU Is Pushing China to Narrow the Scope of Metal Export Controls](#), *Bloomberg*, July 6, 2023 [Paywall]
- [Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on July 5, 2023](#), Ministry of Foreign Affairs of the People’s Republic of China, July 5, 2023
- [China, EU & USMCA all on tap](#), *Politico*, July 5, 2023
- [GT Voice: US, its allies need to listen to China’s warning on key materials exports](#), *Global Times*, July 4, 2023
- [The Future of International Economic Policy with Deputy National Security Advisor Mike Pyle](#), Carnegie Endowment for International Peace, June 29, 2023
- [U.S. Department of Commerce Secretary Gina Raimondo Releases 2023 National Export Strategy](#), Department of Commerce, June 29, 2023
- [Five Eyes Partners Agree to Formalize Cooperation on Export Control Enforcement](#), Bureau of Industry and Security, June 28, 2023

## 2 — Above the Fray: The EU’s Position Between the U.S. and China— 2

### [In One Sentence]

- The Council of the European Union—made up of the leaders of all of the EU member states—released a six-paragraph document summarizing its approach to China.
- The European Council acknowledged that it shares with Beijing a desire for a rules-based international order, but that diverging interests in some areas necessitate a “multifaceted policy approach” that recognizes China as “simultaneously a partner, a competitor and a systemic rival.”
- Accordingly, the European Union first encouraged China to “take more ambitious action” on global challenges such as climate change, pandemic preparedness, food security and humanitarian aid and committed to engage with China on these matters.
- In the realm of trade, the Council asserted that it wants to maintain “balanced, reciprocal and mutually beneficial” exchanges with China and will, thus, seek to “reduce critical dependencies and vulnerabilities” without decoupling or turning inwards.
- Closer to home, the Council called on Beijing to “press Russia” to end its aggression in Ukraine as part of its mandate as a United Nations Security Council permanent member.
- Further afield, the Council expressed its concern over increasing brinkmanship in the East and South China Seas (the Taiwan Strait in particular) and affirmed its opposition to unilateral efforts to change the status quo.
- Finally, the Council reiterated its commitment to human rights and called on Beijing to engage in dialogue over its treatment of human rights activists, the “situation” in Tibet and Xinjiang, and the erosion of its commitments in Hong Kong.

### [Mark the Essentials]

- On July 5, 2023, the European Union confirmed that China asked to reschedule the High Representative for Foreign Affairs Josep Borrell’s planned visit to Beijing on July 10-11 without providing a specific reason. Separately, on July 3, 2023, China announced plans to impose export restrictions on gallium and germanium, two key semiconductor inputs, which a former top Chinese official said is “just the beginning” of possible countermeasures to Washington’s “high-tech restrictions on China.”

- Amidst continued trade tensions between the United States and China, European businesses expressed concerns that they are “paying for the competition between the United States and China.” Business leaders and officials of EU member states have also expressed frustration over the European Union’s slow response to external policies, such as the United States’ Inflation Reduction Act.
- Following last month’s meeting of the U.S.-EU Trade and Technology Council (TTC), EU officials noted that the Trans-Atlantic Initiative for Sustainable Trade is a “key” and “very important” deliverable of the TTC. According to EU officials, the initiative would increase trade and investment, strengthen trans-Atlantic cooperation, decrease “unwanted dependencies” and promote the green transition.
- Echoing continuing international concerns about the U.S. Inflation Reduction Act’s (IRA) subsidy policies, automakers and U.S. unions are pressing the Treasury Department for clearer guidance on its electric vehicle policies. Some seek clarifications regarding China’s role in U.S. supply chains, while others question whether it is practical and possible for automakers to fully exclude critical minerals sourced from “foreign entities of concern.”

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

- On June 30, 2023, in the space of six short paragraphs, the European Council revealed the yawning gap between its economic approach towards China and that of the United States’. Europe’s ‘multifaceted’ March 2019 policy approach where China is simultaneously a partner, competitor, and systemic rival remains unchanged, despite the many negative developments that have occurred in the intervening time (i.e., outbreak of COVID-19; human rights violations in Xinjiang; wolf warrior diplomacy; suspension of the China-EU Comprehensive Agreement on Investment; Russia’s war in Ukraine and China’s lack of condemnation). More importantly, the European Union seeks a “constructive and stable” relationship with Beijing that is anchored in U.N.-centered international law, and not just a rough-and-readily coexistent relationship that is fastened to a one-sided version of improvised international law. Just as importantly, the European Union does not seek to decouple from China or flirt with populism, protectionism, and economic nationalism. Derisking (and diversifying) supply chains is not code word for decoupling; turning inwards is not an option either. Granted, that the EU has been active of late in building out its economic security toolbox with a focus that is primarily China-driven. These include instruments that target trade dumping, foreign subsidization, 5G/6G security, export controls, and inbound and outbound foreign investment screening. But these measures are seen by the EU not as a stepping-stone towards a deeper rupture in ties but as a means to rebalance an incompletely reciprocal relationship at a time of economic security concerns so as to set ties on a pathway that could realize its immense potential. Much credit is due at the Chinese end. It would have been easy to write Brussels off as Washington’s vassal in the latter’s strategic rivalry *vis-à-vis* Beijing. Instead, Beijing elevated the European Union to the role of its top geoeconomic partner as early as Summer 2019 and has patiently stuck to the script, despite the many bouts of turbulence in the time since. Four years on, this perseverance is finally paying off. When Secretary of State Blinken, Commerce Secretary Raimondo and USTR Tai meet their EU counterparts later this fall, they will be left to reflect on how little has been achieved on their vaunted common approach on China within the Trade and Technology Council (TTC) framework. Joint commitments of a binding nature have been few and far between. And this, during the term of a pro-EU, multilateralist-minded U.S. administration. Come election season next year, and should the Republicans capture the White House, China might be the least of the EU’s worries.

## [Expanded Reading]

- [European firms look for footing in China-U.S. spat, French execs say](#), *Reuters*, July 10, 2023 [Paywall]
- [Can US High-tech Restrictions on China Succeed?](#), *The Diplomat*, July 10, 2023 [Paywall]
- [China unexpectedly cancels top EU diplomat's Beijing visit](#), *CNBC*, July 5, 2023
- [EU parliament trade chief calls for tariffs on US hydrogen](#), *Euractiv*, July 5, 2023
- [EU Ambassador Regrets Lack of Progress With China on Trade](#), *Voice of America*, July 2, 2023
- [European Council conclusions on China, 30 June 2023](#), Council of the European Union, June 30, 2023
- [EU agrees to de-risk from China and debates what this means](#), *Reuters*, June 30, 2023 [Paywall]
- [Annex I: Transatlantic Initiative on Sustainable Trade](#), European Commission, June 29, 2023
- [Don't piss off China! EU prepares to tone down its battle with Beijing](#), *Politico*, June 28, 2023
- [EU and US minerals agreement getting closer](#), Chartered Institute of Procurement & Supply (CIPS), June 22, 2023
- [Why automakers are fretting over four words in the Inflation Reduction Act](#), *SupplyChainDive*, June 15, 2023

## On the Hill

### [Legislative Developments]

- A bipartisan pair of lawmakers of the Senate Finance Committee's trade subcommittee introduced a bill that would authorize the President to initiate trade negotiations with "trusted trading partners" to address medical product shortages and thereby increase U.S. supply chain resilience.
- Senator Tom Cotton moved to block the attempt to unanimously pass a bill to approve the recently negotiated U.S.-Taiwan trade agreement in the Senate, arguing that "several of my colleagues and I" needed to study the "complicated" agreement further before deciding their position.
- Eleven Democratic lawmakers from the House Ways and Means Committee introduced a bill that will reauthorize and update three key trade programs: the Generalized System of Preferences, the Trade Adjustment Assistance program, and a Miscellaneous Tariff Bill.

### [Hearings and Statements]

- The Office of the U.S. Trade Representative is attempting to send a "really strong message" to Congress in support of the reauthorization of the Generalized System of Preferences, according to Deputy USTR Sarah Bianchi.
- Former Ohio Senator Rob Portman urged Congress to pass a Trade Promotion Authority (TPA) bill that will grant the President limited power to negotiate free trade agreements in accordance with enumerated congressional objectives and interests in trade. TPA is traditionally considered after the administration proposes a need for such a bill, but Portman argued that Congress should "grab the bull by the horns and move forward if the administration refuses to."
- House China Committee Chair Mike Gallagher and Oversight and Accountability Committee Chair James Comer are asking the U.S. Postal Service to provide records of mail and shipments that enter the United States from China. The lawmakers seek to investigate how Chinese e-commerce platforms "take advantage of the de minimis rule" and ship products directly to U.S. consumers "without paying duties and fees or subjecting their products to investigation by authorities."

### [Expanded Reading]

- [House Democrats Introduce Legislation to Reauthorize and Update Key Trade Programs](#), *Lexology*, July 7, 2023
- [Gallagher, Comer Request Chinese Shipment Data from USPS Postmaster](#), U.S. House, the Select Committee on the CCP, June 28, 2023
- [The State Of Trade: A Conversation with The Honorable Rob Portman](#), event by flexport, June 28, 2023
- [US trade official supportive of Philippines' GSP renewal](#), *Philstar*, June 27, 2023
- [Senators Carper and Tillis Introduce Bill to Strengthen Medical Supply Chains and Boost U.S. Economic Resilience](#), Office of U.S. Senator Tom Carper (D-Delaware), June 22, 2023
- [S.2115 - Medical Supply Chain Resiliency Act](#), Congress.gov