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What's Been Happening

1 — U.S.-China Division Unfolds as APEC Commits to Sustainability and Green Trade Liberalization — 1

[In One Sentence]

- U.S. President Joe Biden and Chinese President Xi Jinping held a summit meeting in Woodside, California.
- During the meeting, President Biden “emphasized” the competitive nature of the bilateral relationship and raised continued concerns about “the PRC’s unfair trade policies, non-market economic practices and punitive actions against U.S. firms.”
- President Xi warned against attempts to “stiffl[e] China’s technological progress” and asked the U.S. to lift its “unilateral sanctions so as to provide an equal, fair and nondiscriminatory environment for Chinese businesses.”
- Meanwhile, members of the Asia-Pacific Economic Cooperation (APEC) framework committed to increase focus on sustainability, resilience and inclusiveness regarding trade and investment in the region.
- APEC’s business advisory group had previously recommended members to liberalize trade in environmental goods and services to foster “just and affordable transition” towards sustainability and the green economy.
- Shortly after the Xi-Biden meeting, China’s General Administration of Customs lifted restrictions on poultry imports from seven U.S. states, and China’s anti-trust regulator (SAMR) approved the Broadcom-VMware deal with minor conditionalities attached.
- The U.S. Commerce Department announced plans to invest US\$3 billion to expand U.S. advanced packaging capacity as part of the implementation process of the CHIPS and Science Act.
- In its annual report to Congress, the U.S.-China Economic and Security Review Commission recommended a single export licensing system to tighten enforcement of export controls related to China.
- In the inaugural meeting of the cabinet-level Council on Supply Chain Resilience, the Biden administration committed to strengthen U.S. supply chains on critical technology and goods.

[Mark the Essentials]

- According to President Biden, China’s unfair trade policies and non-market practices harmed American workers and families, and the United States will “continue to take necessary actions to prevent advanced U.S. technologies from being used to undermine our own national security.” Meanwhile, President Xi argued that

the export control, investment screening and sanctions “seriously hurt China’s legitimate interests” and “is nothing but a move to contain China’s high-quality development and deprive the Chinese people of their right to development.”

- In a declaration concerning “principles on integrating inclusivity and sustainability into trade and investment policy,” APEC members upheld “policies that support a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment” as well as an increase in focus on trade and investment policies that advance sustainability, resilience and inclusivity. The declaration emphasized that APEC is a “voluntary, non-binding and consensus-based organization” and reflects the position of all APEC members, although the United States previously said China was the only economy that did not support the principles.
- Among concerns regarding Beijing’s “unfair trade practices,” the Biden administration specifically highlighted the electric vehicle (EV) market prior to the Xi-Biden meeting. President Biden argued that the manufacturing offshore had cost the United States “tens of thousands of auto jobs” and vowed to address the challenge and “outcompete China and everyone else in the world.”
- Following China’s announcement that producers have to acquire permits before exporting graphite out of China, representatives of North America’s automotive industry told reporters that restrictions on graphite could impact the manufacturing of EV batteries. According to the industry, the restrictions could be part of China’s attempt to counter U.S. preferential policies that encourage American, European, Japanese, and South Korean companies to ‘friend-shore’ to North America.

[Keeping an Eye On...]

- On November 15, President Joe Biden and President Xi Jinping held a successful summit meeting at the Filoli Estate, 30 miles south of San Francisco. The meeting threw up a number of lower-level ‘deliverables.’ The two sides agreed to: (1) resume their military-to-military dialogue, both at the ministers’ level as well as across their institutionalized defense dialogue mechanisms; (2) jointly tackle the fentanyl crisis, with Beijing pledging to crack down on shipments of fentanyl precursors chemicals to North America in exchange for Washington delisting the Ministry of Public Security’s Institute of Forensic Science from its entity list; (3) convene a U.S.-China working group to address the dangers of AI; and (4) increase direct flights as well as people-to-people contacts between the two countries. A day earlier, the two sides released a joint statement on enhancing cooperation on climate change, including at the on-going COP28 meeting. The breakout of mutual goodwill should not be exaggerated; ‘extreme competition’ and ‘selective decoupling’ remains the ‘new normal’ in ties. Just as an example, on December 1, the Treasury Department is expected to issue tax credit rules that strip out Chinese content to the maximum practicable extent from U.S. electric vehicle (EV) supply chains; China being designated as a “foreign entity of concern.” Just as promptly, on December 1, China’s controls on exports of several categories of natural and synthetic graphite, key materials used in the production of EV batteries and fuel cells, are due to kick-in. High-purity natural and synthetic graphite has vital uses in other clean-tech industries too, and the controls resemble similar curbs imposed in August on the export of germanium and gallium, two minerals critical to the production of semiconductors. The thinking, presumably, at the Chinese end is that if these minerals and materials are to be made available to non-Chinese players in the industry, those players will either have to set up production in China to source these inputs or plead with their national governments to allow Chinese-invested companies to set up production facilities on their home soil. While this strategy will cut no ice in Washington, it could sway outbound and inbound investment decision-making in European capitals. The contest to reshore and ‘friendshore’ and thereby re-wire supply chains has just begun, and there are many more chapters yet to be written.

[Expanded Reading]

- [FACT SHEET: President Biden Announces New Actions to Strengthen America’s Supply Chains, Lower Costs for Families, and Secure Key Sectors](#), The White House, November 27, 2023
- [China lifts HPAI restrictions for seven US states - GAIN](#), *The Poultry Site*, November 27, 2023
- [CHIPS for America Releases Vision for Approximately \\$3 Billion National Advanced Packaging Manufacturing Program](#), National Institute of Standards and Technology, November 20, 2023
- [San Francisco Principles on Integrating Inclusivity and Sustainability into Trade and Investment Policy](#), Asia-Pacific Economic Cooperation, November 17, 2023
- [President Xi Jinping Meets with U.S. President Joe Biden](#), Ministry of Foreign Affairs of the People’s Republic of China, November 16, 2023
- [Readout of President Joe Biden’s Meeting with President Xi Jinping of the People’s Republic of China](#), The White House, November 15, 2023
- [Business Leaders: Embrace Collaboration to Tackle Global Challenges in Equity, Sustainability and Trade](#), APEC Business Advisory Council, November 14, 2023
- [Remarks by President Biden on Delivering for Working Families and Creating Good-Paying Union Jobs | Belvidere IL](#), The White House, November 9, 2023

2 — IPEF Still Far from Completion While Uncertainties Remain— 2

[In One Sentence]

- Members of the Indo-Pacific Economic Framework (IPEF) signed the IPEF Supply Chain Agreement (Pillar II) and announced the “substantial conclusion” of negotiations on IPEF’s Pillar III (Clean Economy) and Pillar IV (Fair Economy).
- Meanwhile, the White House acknowledged that more work is needed on Pillar I (Trade), while the Office of the U.S. Trade Representative (USTR) reiterated its commitment to “a mutually beneficial Trade Pillar outcome” that advances workers’ rights, “builds trust in the digital economy,” and benefits U.S. agricultural producers.
- IPEF members also intended to spur private-sector investment in green technologies and clean energy, partly through the establishment of an annual IPEF Clean Economy Investor Forum.
- The newly signed Agreement on the Indo-Pacific Economic Framework for Prosperity will create an IPEF Council to coordinate the collective operation of all four IPEF pillars, and a Joint Commission to monitor works under Pillars II-IV.
- In a separate statement by the White House, leaders of IPEF members also announced plans to launch a “critical minerals dialogue” to enhance regional economic competitiveness.
- The United States and Indonesia earlier elevated their relationship to “the highest possible level of cooperation” and acknowledged opportunities such as to achieving “tangible progress” on critical minerals, digital connectivity and investment.

[Mark the Essentials]

- While the United States and other IPEF members remain committed and optimistic about IPEF’s Pillar I on trade, negotiators reportedly believe that (much) more time would be needed to resolve differences on digital trade and labor issues, and that negotiations might be pushed into 2024 and perhaps further beyond. Meanwhile, a White House official told reporters that more efforts and possible progress might be expected “in the weeks and months ahead.”
- The USTR previously withdrew support for an e-commerce proposal addressing source code, the free flow of cross-border data and data localization requirements at the World Trade Organization (WTO), leading to a strong backlash from lawmakers, businesses and stakeholders. In defending the move, Deputy U.S. Trade

Representative and U.S. ambassador to the WTO María Pagán argued that the United States needed time to “rethink” its approach given that it is taking a “different tack on digital issues” during IPEF negotiations.

- Criticizing the USTR’s decision to withdraw support for the WTO data and source code proposal, the U.S. Chamber of Commerce argued that the U.S. digital policy was “a matter of U.S. law” and that USTR’s “change in U.S. policy” was not “well-vetted.” The chamber also questioned whether the administration was “transparent” enough about its policy and whether it remains committed to pursue “high-standard digital trade rules” in forums such as IPEF.
- U.S. officials reportedly revealed that significant progress has been made regarding IPEF Pillar I’s provisions on biotech and sustainable agriculture, and that some issues regarding artificial intelligence were resolved.
- Although the White House stated that it has consulted, and will continue to consult, “extensively” with Congress and stakeholders, House and Senate leadership have repeatedly called on the administration to increase consultation in advance and to improve IPEF negotiation transparency. The Biden administration has maintained that IPEF does not need congressional ratification as long as it does not contain market access and trade liberalization provisions.

[Keeping an Eye On...]

- For as long as the majority of the Asia-Pacific region’s economies favor rules-bound trade and economic liberalization, the Asia-Pacific Economic Cooperation (APEC) framework will remain a prominent feature of the region’s landscape. The institutional edifice envisaged by APEC’s intellectual architects was crafted in the image of the Asia-Pacific region and its colors tied intentionally to the mast of trade multilateralism, to cater to this need for regional trade and investment liberalization. APEC is sensitive to the region’s economic, cultural and ideological diversity and does not seek to outshine other regional forums or lend a platform to the largest participants to dominate proceedings. It seeks, rather, to concertedly push forward with step-by-step, pragmatic and sustained cooperation that complements the open and non-discriminatory multilateral trading system. The same cannot be said about the fly-by-night scheme conjured by the Biden administration, known as the Indo-Pacific Economic Framework for Prosperity (IPEF). It pays little attention to the plurality of social systems in the Asia-Pacific, it does not complement the region’s existing trade liberalization initiatives—the RCEP and the CPTPP, and has intentionally been crafted to discriminate against a regional player, China, particularly insofar as its supply chain pillar is concerned. That the negotiations on its trade pillar are collapsing in a heap, in part due to the thin gruel on offer in terms of market access incentives, should not distract from the fact that IPEF was simply envisioned in the first place as a placeholder to placate the region until the U.S. political establishment could get its story right on trade. Indeed, it might be quite a while before Washington gets its story right on trade, given the drift towards protectionism in both parties. If Donald Trump does return to office in 2025 and tosses the IPEF agreements and negotiations into the dustbin, as he has vowed to do, nobody will be any poorer off (aside from a whole lot of wasted bureaucratic time). In the meantime, APEC will keep humming on. And the United States’ participation within that framework will anchor its trade and investment policy presence in the region.

[Expanded Reading]

- [What’s at Stake for the United States at the 13th WTO Ministerial?](#), event by the Center for Strategic & International Studies, November 20, 2023
- [Joint Statement From Indo-Pacific Economic Framework For Prosperity Partner Nations](#), U.S. Department of Commerce, November 16, 2023
- [Leaders’ Statement on Indo-Pacific Economic Framework for Prosperity](#), The White House, November 16, 2023

- [U.S. Press Statement on Indo-Pacific Economic Framework Pillar I](#), Office of the United States Trade Representative, November 16, 2023
- [Remarks by President Biden at the APEC CEO Summit | San Francisco, CA](#), The White House, November 16, 2023
- [On-the-Record Press Call by NSC Coordinator for Strategic Communications John Kirby and Deputy National Security Advisor for International Economics Mike Pyle to Preview President Biden's Day Ahead at APEC](#), The White House, November 16, 2023
- [Joint Statement of the Leaders of the United States and the Republic of Indonesia: Elevating Relations to a Comprehensive Strategic Partnership](#), Ministry of Foreign Affairs of the Republic of Indonesia, November 14, 2023

On the Hill



[Legislative Developments]

- House Foreign Affairs Committee Chairman Michael McCaul and Ranking Member Gregory W. Meeks introduced a bill to “build on” the Biden administration’s Executive Order on outbound investment controls and enhance restrictions and transparency on outbound investment to China.
- A bipartisan group of nine Senators reintroduced a resolution to call for the Senate ratification of the United Nations Convention on the Law of the Sea (UNCLOS) to “counter countries like Russia and China that continue to exploit our absence from key ocean governance diplomatic forums.”
- The House Financial Committee unanimously advanced the Iran-China Energy Sanctions Act of 2023 to sanction financial accounts enabling Chinese purchases of Iranian oil.

[Hearings and Statements]

- Senators Sherrod Brown and Bob Casey cautioned the Biden administration against reducing Section 301 and Section 232 tariffs on Chinese goods, arguing that the tariffs serve as important means to combat “anti-competitive behaviors by China” and protect American steel and aluminum producers.
- Addressing the State Department’s ambassador at large for cyberspace and digital policy Nathaniel Fick, Senator Todd Young warned that failure to develop international rules on digital trade and data flow may “jeopardize” AI collaboration and cooperation between the United States and allies.
- A bipartisan group of Senators, most of which were from the Senate Finance Committee, called on U.S. Customs and Border Protection to step up oversight and enforcement regarding forced labor laws concerning Chinese companies.

[Expanded Reading]

- [Brown, Casey Urge Biden Administration To Keep Tariffs In Place On Chinese Imports](#), Office of Senator Sherrod Brown, November 21, 2023
- [Van Hollen Joins Hirono, Murkowski, Kaine in Reintroducing Resolution Calling on U.S. Senate to Ratify UN Convention on the Law of the Sea](#), Office of Senator Chris Van Hollen, November 16, 2023
- [Gottheimer & Lawler’s Bipartisan Iran-China Energy Sanctions Act Unanimously Passes House Financial Services Committee](#), Office of Rep. Josh Gottheimer, November 15, 2023
- [U.S. Leadership On Artificial Intelligence In An Era Of Strategic Competition](#), hearing in front of the Senate Foreign Relations Committee, November 15, 2023
- [Bipartisan Senators Urge CBP to Stop Imports of Clothing Made with Forced Labor By Ramping Up Oversight and Enforcement of Supply Chains](#), United States Senate Committee on Finance, November 15, 2023
- [McCaul, Meeks Introduce Bill to Restrict Outbound Investment](#), House Foreign Affairs Committee, November 13, 2023