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## What's Been Happening

### 1 — Desultory Progress on the U.S. Preferential Trade Negotiations Front — 1

#### [In One Sentence]

- Both the United States and the European Union have decided to extend the suspension of tariffs related to their steel and aluminum dispute in order to take a breather and push out the finalization of their Global Arrangement on Steel and Aluminum (GSA) to 2025.
- Analysts argued that U.S.-EU negotiations leading into the next Trade and Technology Council meeting have much to address including a transatlantic approach on China and initiatives on sustainable trade, while business groups on both sides remain concerned about digital regulations and EV-linked subsidies.
- U.S. Trade Representative Katherine Tai said “significant progress to achieving consensus” was made in more than five of the ten issue areas under the Indo-Pacific Economic Framework (IPEF)’s trade pillar but the trade pillar’s 2024 negotiation agenda is nevertheless “very full.”
- On the other hand, analysts and former officials maintain that negotiations of IPEF’s trade pillar likely will not conclude or make much or any progress in 2024, given the upcoming U.S. elections.
- Tai also stated that U.S. and Taiwanese negotiators have made “excellent progress” in concluding a broader trade agreement under the U.S.-Taiwan Initiative on 21st-Century Trade.

#### [Mark the Essentials]

- Following an earlier EU statement that it would suspend “rebalancing tariffs” related to the steel and aluminum dispute until March 31, 2025, the Biden administration announced that it would suspend tariffs on EU steel and aluminum imports through December 31, 2025. In a follow-up statement, USTR said that the U.S. suspension will “give both sides additional time to negotiate a global arrangement that addresses carbon intensity and non-market capacity in the steel and aluminum industries.”
- While recommending policies to promote U.S. manufacturing exports, U.S. President Biden’s Export Council argued that the United States should conclude critical minerals agreements with the European Union and the United Kingdom and pursue similar such agreements with other allies and partners. According to the Export Council, such agreements “harness the power” of the United States’ Inflation Reduction Act (IRA) to secure commitments from allies and partners on labor and environment “in pursuit of [the U.S.] global clean energy agenda,” while “expanding opportunities for U.S. exporters.”

## [Keeping an Eye On...]

- With the veritable ring of the ‘ode of joy’ in the Pittsburgh backdrop, the Biden administration and the EU kicked-off their much anticipated Trade and Technology Council (TTC) framework in September 2021. In the annex to their joint statement, they set out an ambitious set of trade policy goals, including on policy cooperation towards non-market economies (NMEs), on trade and labor cooperation, on new arrangements related to trade and environmental sustainability, and on avoiding a subsidy race, among others. Almost two-and-a-half years later, as the two sides gear up for their next TTC meeting at month-end (and perhaps the final one of this administration), that ‘ode to joy’ has given way to groans of frustration. On NMEs, on trade and labor, on trade and environment, on state subsidies, the standout feature has been the inability of the two sides to translate goals into outcomes or, for that matter, even make meaningful progress on these fronts. On non-market practices—forced technology transfer; market-distorting industrial subsidies; the establishment of domestic and international market share targets; and anti-competitive and non-market actions of SOEs—the two sides have failed to formulate a joint plan of action, much less binding multilateral or Euro-Atlantic rules. To the contrary, both sides have legislated their own—and not necessarily WTO-rules compliant—subsidy packages, which has in turn derailed their joint aspiration to avoid a subsidy race. On the trade and sustainable environment front, the two sides failed to close out their Global Arrangement on Sustainable Steel and Aluminum (GSA) by their self-imposed end-year deadline and have kicked this can out to 2025. The GSA was prompted by the need for the two sides to work out a successor trading arrangement following the United States’ Section 232 tariffs. On the trade and labor front, the two sides remain at odds over provisions related to labor violations-related investigations in third countries linked to a Critical Minerals Agreement (CMA) intended to enable European companies to benefit from the U.S.’ IRA electric vehicle-related sourcing requirements. One common thread ties together the inability of the U.S. and the EU to close out negotiations. Washington insists on expedient, self-serving solutions which more often than not violate multilateral rules and mechanisms, be it the subsidy rules in the Inflation Reduction Act (IRA) or provisions within the GSA and CMA. Brussels, on the other hand, is willing to partake of the commercial benefits flowing from these non-conforming executive and legislative measures in Washington, but is unwilling to jointly author new protocols in frontier areas of rulemaking (trade and environment sustainability; industrial subsidies; national economic security) that clearly digress from international principles and practices. In the course of discarding the multilateral rulebook to facilitate its ‘extreme competition’ with China, the Biden administration has also made it harder to draft ‘like-minded’ international rules-based coalitions against China. The desultory progress in negotiations with the EU is a prime example.

## [Expanded Reading]

- [A Proclamation on Adjusting Imports of Steel Into the United States](#), The White House, December 28, 2023
- [Statement from Ambassador Katherine Tai on Steel and Aluminum Tariff Rate Quota Extension](#), Office of the U.S. Trade Representative, December 28, 2023
- [EU prolongs tariff suspension for US products related to the steel and aluminum dispute](#), European Commission, December 19, 2023
- [Fireside Chat with Katherine Tai](#), event by Aspen Institute, December 7, 2023
- [U.S. International Trade in Goods and Services, October 2023](#), U.S. Bureau of Economic Analysis, December 6, 2023
- [PEC Letter Manufacturing - November 29, 2023](#), President’s Export Council, November 29, 2023

## 2 — Moribund Outlook for Trade in 2024— 2

### [In One Sentence]

- The Office of the U.S. Trade Representative (USTR) once again extended COVID-related exclusions linked to the Section 301 tariffs on Chinese imports “to allow for...alignment” with the tariffs’ four-year review.
- In the leadup to the World Trade Organization’s (WTO) 13th ministerial meeting in February, senior officials debated whether to maintain low barriers on digital trade flows and the effect of e-commerce flows on developing economies.
- Following the Biden administration’s decision to withdraw support for a WTO proposal that would prohibit data localization and source code disclosure requirements, many analysts have argued that the decision has led to much uncertainty on global digital trade policy rulemaking since the United States is itself undecided and divided in this regard.
- Meanwhile, USTR Katherine Tai argued that it would be “massive malpractice” to finalize the U.S. position on e-commerce at the WTO when the United States is still “struggling” to have a “very robust regulatory system” for technology and data flows at home.
- While global trade has an increasingly integral role to play in addressing the climate crisis, analysts worry that progress will slow or even pause as the upcoming U.S. elections near.

### [Mark the Essentials]

- On December 26, 2023, USTR stated that it would extend the Section 301 tariff exclusions—which were originally set to expire on December 31, 2023—through May 31, 2024. USTR argued that the extension would make time for another round of public comments in early 2024 and “facilitate the alignment” of the exclusion decisions with the ongoing four-year review.
- Australia, Japan and Singapore (the three co-convenors of the WTO Joint Initiative on E-commerce) recently announced the substantial conclusion of negotiations on a number of issues including on electronic transactions framework, consumer protection and cybersecurity. Negotiations related to telecommunications, e-payments and certain information and communication technology remain to be finalized, while proposals on cross-border data flows, data localization and source code will not be included in the current round. The e-commerce joint statement initiative (JSI) at the WTO has more than 90 participants, including the United States, the European Union, and China.
- While the U.S. Congress is seen as unlikely to pass or advance controversial trade bills in 2024 given the funding fight and the upcoming elections, lawmakers and analysts argued that progress can still be made to reauthorize the Generalized System of Preferences, reform the *de minimis* system to limit access to the duty-free rule, and advance the Leveling the Playing Field 2.0 Act to provide the U.S. government more policy tools on trade remedy enforcement.

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

- On entering office, it took USTR Katherine Tai eight months to unveil the Biden administration’s “new approach” on trade policy towards China. When that approach was laid out, it was, for the most part, hollow and to the extent that there was some substance to it, this substantive element appeared similar to that of the Trump administration’s trade policy approach towards China. There were apprehensions at the time—borne out to be correct now—that some or many of the United States’ Section 301 tariffs, judged to be illegal by a WTO panel, would also become permanent. That unveiling of the administration’s “new approach” was nevertheless the high point of USTR’s China policy. In eight months, a policy—however incomplete—had at

least been tabled. Today, the speed of that China policy unveiling looks almost breakneck by comparison. On May 3, 2022, USTR initiated a review of the Section 301 tariffs on Chinese imports, one that was statutorily mandated. As per Ms. Tai, the review even after multiple extensions was set to be completed by Fall 2023. Come late-December, and with people's attention turned to festive matters elsewhere, the completion of that review was once again kicked out to sometime in 2024 (USTR will not give a 2024 final date of completion). As matters now stand, one should not rule out the possibility that there might never be a date of completion of the Section 301 tariff review in 2024. And if completed, that the review's findings will be kept under wraps through 2024, given that the administration would be disinclined to touch these tariffs with a bargepole in a combusive election year. Or maybe, on the other hand, the administration will openly embrace the tariffs after the review to underscore its protectionist credentials on the campaign trail and out-trump Trump's economic nationalist agenda. Regardless, it bears remembering that the first tranche of the Section 301 tariffs took less than one month to finalize and a little over three months to implement in the spring and summer of 2018. Now, it takes an eternity to review them, with USTR effectively kicking the review into the long grass. One way or the other, the outlook for the removal or significant reduction of the Section 301 tariffs looks bleak in 2024. And, truth be told, their substantive removal looks just as bleak even beyond 2024.

### [Expanded Reading]

- [USTR Extends Exclusions from China Section 301 Tariffs to Allow for Comments on a Review of the Exclusions and Alignment with Four-Year Review](#), Office of the U.S. Trade Representative, December 26, 2023
- [WTO Joint Statement Initiative on E-commerce: Co-Convenor Statement by Australia, Japan and Singapore](#), Ministry of Foreign Affairs of Japan, December 20, 2023
- [USTR Tai's Justification to Take a Time-out on Digital Trade Does Not Hold Up](#), Information Technology & Innovation Foundation, December 13, 2023
- [Remarks by Ambassador María L. Pagán at Virtual World Trade Organization mini-Ministerial](#), Office of the U.S. Trade Representative, December 11, 2023
- [After USTR's Move, Global Governance of Digital Trade Is Fraught with Unknowns](#), Centre for International Governance Innovation, December 11, 2023
- [Fireside Chat with Katherine Tai](#), event by Aspen Institute, December 7, 2023

## On the Hill



### [Legislative Developments]

- The House's Foreign Affairs Committee voted 35-8 to advance a bill that seeks to give the President more tools to address and alleviate the impact of "economic coercion" of U.S. allies and partners. The bill will now be sent to the House floor for further discussion and voting.
- A bipartisan pair of Senators introduced a bill to "modernize U.S. customs laws" by bolstering U.S. Customs and Border Protection's data collection and increasing inter-agency data sharing practices.
- The House's Foreign Affairs Committee advanced four bills that propose reforms to the existing export control system, including by facilitating inter-agency coordination and expanding transparency and disclosure requirements.
- U.S. Senator Marco Rubio introduced a bill that would prevent automakers from receiving federal tax credits, grants, and loans if they offshore manufacturing from the United States.

## [Hearings and Statements]

- A group of progressive Democratic lawmakers, including Sens. Elizabeth Warren, Amy Klobuchar, Bernie Sanders and Rep. Mary Gay Scanlon, called on the Biden administration to support the European Union's Digital Markets Act and continue efforts to "rein in the Big Tech."
- An opposing bipartisan group of more than 20 lawmakers urged the President to "immediately investigate Europe's 'digital sovereignty' agenda" and protect American firms and consumers from "E.U. overreach."
- In a report on how to "win America's economic competition with the Chinese Communist Party," the House Select Committee on China supported a number of existing bills and proposals, including the renewal of the Generalized System of Preferences, congressional authorization to facilitate and encourage negotiations of digital trade deals and measures to promote the free flow of cross-border data.
- The House China Committee also called for the establishment of a new tariff framework for Chinese imports, for *de minimis* reform, and for finding alternative markets for U.S. exports, e.g. agricultural products, to "offset the adverse effects of PRC retaliation."
- Senate Energy and Natural Resources Committee Chair Joe Manchin has asked the General Accountability Office for a legal opinion on whether the Treasury Department should have sought congressional review before releasing its guidance on the new electric vehicle tax credits. Sen. Manchin argued that the interpretive guidance plainly "violates" the written provisions of the Inflation Reduction Act.
- In a joint letter, Sens. Bob Casey, John Fetterman and Rep. Chris Deluzio urged the Committee on Foreign Investment in the United States (CFIUS) to block Nippon Steel's proposed acquisition of U.S. Steel, arguing that the deal to acquire the renowned steelmaker poses a national security threat to the United States.
- Several Republican lawmakers criticized the Biden administration's decision to remove China's Institute for Forensic Studies from the Entity List, a move seen as a quid-pro-quo for China's commitment to help the United States fight the infiltration of fentanyl chemical precursors into North America.

## [Expanded Reading]

- [Casey, Fetterman, Deluzio Urge Secretary Yellen to Block U.S. Steel Acquisition](#), Sen. Bob Casey, December 19, 2023
- [Exclusive: US lawmakers warn Biden to probe EU targeting of tech firms -letter](#), Reuters, December 18, 2023
- [Correa Leads Bipartisan Call On Biden Administration To Protect American Firms, Consumers From E.U. Overreach](#), Office of Rep. Lou Correa, December 18, 2023
- [Manchin Requests GAO Legal Opinion on Administration's Ability to Issue Temporary IRS Guidance That Violates the Inflation Reduction Act](#), Office of Sen. Joe Manchin, December 18, 2023
- [Bera-Led Countering Economic Coercion Bill Advances in House Foreign Affairs Committee](#), Office of Rep. Ami Bera, December 14, 2023
- [Warren, Klobuchar, Scanlon, Lawmakers Urge President Biden to Continue Supporting Efforts to Rein in Big Tech, Reject Lobbying](#), Office of Sen. Elizabeth Warren, December 13, 2023
- [House Foreign Affairs Committee Chair Seeks Major Reform of U.S. Export Control Regime](#), HKTDC Research, December 13, 2023
- [Reviewing the Bureau of Industry and Security, Part II: U.S. Export Controls in an Era of Strategic Competition](#), hearing by the House Foreign Affairs Committee, December 12, 2023
- [House committee calls for reset on China-U.S. economic relations](#), *The Washington Post*, December 12, 2023
- [Select Committee Adopts Proposal to Reset Economic Relationship with The People's Republic of China](#), The Select Committee on the CCP, December 12, 2023
- [Cassidy, White House Introduces Bill To Bring U.S. Customs Laws Into The 21st Century, Stop Illicit Trade](#), Office of Sen. Bill Cassidy, December 8, 2023
- [Rubio, Colleagues Introduce Bill Protecting American Auto Jobs](#), Office of Sen. Marco Rubio, December 5, 2023