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What's Been Happening

1 — U.S. & EU Prepare Deliverables for Next TTC Meeting in April — 1

[In One Sentence]

- The fifth U.S.-EU Trade and Technology Council (TTC) meeting concluded on January 30 in Washington, DC.
- The two sides, for the first time, did not issue a joint statement following the TTC meeting but instead noted that “progress” was made towards delivering outcomes at the next TTC “capstone” meeting scheduled for “early April.”
- At the meeting, the U.S. and EU “showed a strong, shared desire to continue to increase bilateral trade and investment, co-operate on economic security and emerging technologies and to advance joint interests in the digital environment.”
- From January 31 to February 2, right after the fifth U.S.- EU TTC meeting, the U.S. Trade Representative Katherine Tai traveled to Brussels to meet with her European Commission counterparts.

[Mark the Essentials]

- During events directly following the U.S.-EU Trade and Technology Council (TTC) meeting, U.S. Secretary of Commerce Gina Raimondo and U.S. Secretary of State Antony Blinken emphasized the importance of the TTC in setting global standards for artificial intelligence and other cutting-edge and emerging technologies. Citing China’s role in international standards setting for telecom and digital infrastructure, Raimondo argued that U.S. and European absence in AI standards setting will allow China to continue to “eat our lunch.”
- Meanwhile, European Commission Executive Vice President Margrethe Vestager said that U.S. and EU businesses would benefit from a “very much aligned approach” to AI standards, but also noted that security concerns over new technologies have impeded international cooperation on relevant research.
- EU officials told a U.S. audience that the TTC should prioritize, among others, the expansion of mutual recognition agreements to cover conformity assessment for machinery and electrical equipment. EU officials argued that such agreements would “affect positively more trade value than all the five or six [free trade agreements] we have been struggling to conclude.”
- Noting upcoming elections in both the U.S. and EU, Raimondo stressed that both sides must be “realistic” on what the TTC can achieve in the next few months, but argued that the “successful” and “robust” stakeholder engagement might help continue the momentum of the TTC’s work. Vestager agreed on the importance of stakeholders and that regardless of the TTC’s future, both the U.S. and EU will benefit from the experience

gained from the framework. According to Vestager, the “ambition” from the European Union’s side is to try and maintain a positive trans-Atlantic relationship to facilitate alignment in economic security, supply chains, and technologies.

- Before the TTC meeting, the European Commission introduced a series of initiatives to increase bloc-wide and multilateral coordination on export controls, especially on emerging and advanced sensitive technologies, “against the backdrop of a geopolitical race for technology leadership.” They also launched a public consultation process on the potential establishment of an outbound investment monitoring and review mechanism.

[Keeping an Eye On...]

- From Bill Clinton’s New Transatlantic Agenda to George W. Bush’s Transatlantic Economic Council (TEC) to Barack Obama’s Transatlantic Trade and Investment Partnership (TTIP), U.S.-EU trade and investment frameworks have promised much and delivered little. The Biden administration’s Trade and Technology Council (TTC) appears to be following in a similar vein. Inaugurated with much fanfare and a 6,000-word joint statement, annexes included, in Pittsburgh in September 2021, the two sides could barely muster separate 600-word readouts following their fifth ministerial meeting in late January in Washington, D.C. There was no joint statement and no concrete outcomes. The notable highlight was two stakeholder events—on legacy semiconductors and on sustainable trade—which will quickly be forgotten. A sixth “capstone” TTC ministerial meeting is slated to be held later this spring, after which the TTC like much else will be drowned out by the Biden-Trump electoral pow-wow. The Spring ministerial provides a last opportunity for Washington and Brussels to produce something tangible, with a bilateral Critical Minerals Agreement (CMA) that would enable European companies to benefit from the sourcing requirements linked to the United States’ IRA-backed electric vehicle tax credits being the most likely candidate. Even this is not a given; the two sides have very different views on how the labor provisions in a CMA should be enforced. It is hard to exaggerate the extent to which the TTC has been a failure so far. On non-market economy practices, on trade and labor, on trade and environment, on state subsidies, the TTC has delivered nothing tangible. Indeed, the materially important deliverables that have been realized in U.S.-EU trade and investment ties during the past three years, such as the coordinated Russia sanctions, the Boeing-Airbus dispute settlement, and hitting the pause button on the Section 232 steel and aluminum tariffs, have all occurred outside the framework of the TTC. And while the TTC has provided a forum to exchange notes on domestic laws and rulemaking on such matters (investment screening, transatlantic CHIPS Act subsidies, critical technologies lists, AI norms, etc.) it is not obvious that the creation of the TTC was essential for exchanging these notes. It would have happened in any case and did not require a dedicated forum as such. Little wonder then that Commerce Secretary Raimondo was left musing plaintively that industry and stakeholders should see value in protecting the TTC’s survival, post-2024. Truth be told, the TTC looks set to go the way of its TEC and TTIP predecessors.

[Expanded Reading]

- [EU and US take stock of trade and technology cooperation](#), European Commission, January 30, 2024
- [European Commission EVP Calls for Closer Transatlantic Cooperation in 2024](#), U.S. Chamber of Commerce, January 30, 2024
- [Secretary Antony J. Blinken And European Commission Executive Vice President Margrethe Vestager At the Fifth U.S.-EU Trade and Technology Council Ministerial Meeting](#), U.S. Department of State, January 30, 2024
- [Joe Biden says he won’t lift tariffs on Chinese imports since Beijing hasn’t abided by phase one trade deal](#), South China Morning Post, January 20, 2022 [Paywall]
- [Commission proposes new initiatives to strengthen economic security](#), European Commission, January 24, 2024
- [EU AI Act: First Regulation on Artificial Intelligence](#), European Parliament, June 8, 2023

2 — U.S. Derisks Trade with China, Advances Trade Ties with Taiwan— 2

[In One Sentence]

- On January 19, the U.S. and China revived their joint Committee on Cooperation in Agriculture, which was their first dedicated meeting on agricultural trade issues since 2015.
- In its *2023 Review of Notorious Markets for Counterfeiting and Piracy*, the Office of the U.S. Trade Representative warned against “substantial trademark counterfeiting or copyright piracy” from China-based e-commerce, social commerce, and physical markets.
- Industry representatives from the chip industry and beyond have urged the Bureau of Industry and Security to modify its export controls review procedures to address compliance burdens and disclosure difficulties.

[Mark the Essentials]

- At the International Dairy Foods Association’s (IDFA’s) annual Dairy Forum, Doug McKalip, chief agricultural negotiator at USTR, said that the team is making great efforts to “keep trade moving” and avoid future trade disruptions in Asia. Specifically, McKalip noted that USTR was looking forward to “wrap[ing] up” the U.S.-Taiwan Initiative on 21st-Century Trade’s agriculture chapter “in the near future” and was urging Beijing to offer more “certainty” and “reliable policies on import licensing.”
- According to a survey conducted by the American Chamber of Commerce in Taiwan, a majority of respondent companies in Taiwan named the U.S.-Taiwan Initiative on 21st-Century Trade as important to their businesses, highlighting the initiative’s contribution to reduce bureaucracy and regulations in Taiwan. According to the respondent companies, the U.S.-China trade tensions have continued to impact their businesses, but more companies have started to feel a positive economic impact compared with last year when the economic impact was primarily negative.
- During a recent event on the prospect of the United States’ automobile industry, both industry representatives and analysts agreed that the Biden administration should think “a little more strategically,” avoid a fully protected market and bring in “friends” to ensure that the U.S. electric vehicle industry remains globally competitive in the long run. Specifically, the analysts and representatives argued that instead of “keep[ing] China out entirely” and thus “fractur[ing] the U.S. industry from the rest of the world” while raising production costs, the Biden administration should develop a clear strategy on China to identify and expand “friends” and avoid losing existing partners.

[Keeping an Eye On...]

- For the first two-and-a-half years of the Biden administration, the U.S. and China could barely find time to sit across a table and converse with each other. Now, they can barely spend a week without chatting each other up. In the first 40 days of 2024, the two sides have already chalked up an impressive list of engagements. From January 8-9, the two sides held their first Defense Policy Coordination Talks since ex-Speaker Nancy Pelosi’s controversial visit to Taipei in August 2022. On January 11, Commerce Secretary Gina Raimondo spoke over the phone with her counterpart, Wang Wentao. From January 18-19, senior officials of the U.S. Treasury-People’s Bank led Financial Working Group held its meeting in Beijing. Also on January 18, Agriculture Secretary Tom Vilsack hosted his counterpart Tang Renjian in Washington, D.C. On January 27, it was the turn of National Security Advisor Jake Sullivan and CPC Central Commission Foreign Affairs Director Wang Yi, meeting this time in Bangkok. The Sullivan-Wang meeting was followed by the first meeting of the Counternarcotics Working Group, tasked to control the flow of fentanyl-related chemicals, in Beijing on January 30. And most recently, from February 5-6, the third meeting of the U.S. Treasury-Finance Ministry led

Economic Working Group was held in Beijing. Clearly, there has been no shortage of communication between the two sides, although U.S. Trade Representative Katherine Tai has still not been able to summon the courage to explain where matters stand on the Section 301 tariffs to her Chinese counterparts. As welcome as this breakout of dialogue has been, it should not be confused as being the dominant trend in U.S.-China ties. That trend, rather, is the steady selective decoupling of the two economies across a range of advanced technologies and frontier industries (namely, microelectronics, quantum, AI, biomanufacturing, clean energy) and attendant measures, many of a punitive nature, to implement this decoupling. The past 40 days have already seen the blacklisting of China's key memory chip maker, drone maker, lidar maker, and AI companies as "Chinese military companies," raids on the U.S. subsidiary of a Chinese auto parts manufacturer, and the rollout of a proposed rule geared to limit Chinese AI companies' access to the computing power of U.S. cloud providers to train their frontier AI models. Reciprocally, sanctions against five U.S. defense industrial and defense technology companies have been imposed by Beijing, and trade controls on the export of graphite and related products, essential to the manufacture of lithium-ion batteries in EVs, have also begun to bite. Communication and competition continues apace.

[Expanded Reading]

- [Japanese bid for U.S. Steel puts Biden in tight spot](#), *The Washington Post*, February 1, 2024 [Paywall]
- [2023 Review of Notorious Markets for Counterfeiting and Piracy](#), Office of the United States Trade Representative, January 30, 2024
- [U.S. agricultural imports expected to outpace exports in 2024](#), *Dairy Foods*, January 24, 2024
- [Dairy Forum 2024 Hub](#), International Dairy Foods Association, January 24, 2024
- [Japan's role in selling Biden's Indo-Pacific agenda](#), *Politico*, January 24, 2022
- [Statement from Agriculture Secretary Tom Vilsack on Meeting with China's Minister of Agriculture and Rural Affairs Tang Renjian](#), U.S. Department of Agriculture, January 18, 2024

On the Hill

[Legislative Developments]

- Countering House Foreign Affairs Chair Michael McCaul's proposal to limit outbound investment on a sector-specific basis, several Republican lawmakers from the House Financial Services Committee proposed a bill with a sanctions-based approach that will restrict U.S. investment to Chinese entities already sanctioned by the U.S. government.
- With the support of industry groups, legislators in the House and Senate have sought to reduce taxes on American manufacturing and encourage R&D spending to promote "American innovation and growth."
- A bipartisan group of senators introduced a bill which requires the Interior Department to collect data on the U.S.'s access to critical minerals, as a step towards supporting American companies that seek to divest from mining operations under Chinese control and thereby decrease reliance on China.

[Hearings and Statements]

- In an open letter to the Federal Maritime Commission (FMC), several House lawmakers urged the FMC to swiftly make rules for shipping exchanges to curb China's manipulation of the global ocean shipping market and ensure that "market participants" have "trusted, real-time data" on ocean shipping.
- A bipartisan group of Senators asked President Biden to "increase and enforce" the Section 301 tariffs on China's solar imports to protect the U.S. manufacturing and clean energy sectors.

- In a letter to U.S. Trade Representative (USTR) Kathrine Tai and Federal Trade Commission (FTC) Chair Lina Khan, a group of 50 House Republicans again criticized USTR's decision to withdraw support for certain digital trade proposals at the World Trade Organization, arguing that the agencies conducted "backroom deals" to prioritize antitrust efforts over U.S. interests in digital trade.
- House China Committee Chair Mike Gallaher and ranking member Raja Krishnamoorthi urged the Homeland Security Department to tighten enforcement of the Uyghur Forced Labor Prevention Act (UFLPA) by expanding the UFLPA entity list and raising the *de minimis* threshold for UFLPA enforcement.

[Expanded Reading]

- [Brown Leads push to increase and enforce solar tariffs](#), U.S. Senator for Ohio, February 5, 2024
- [Letter from House lawmaker Johnson, Garamendi to Federal Maritime Commission regarding China's ocean shipping](#), Congress of the United States, February 1, 2024
- [Better Investment Barriers: Strengthening CCP Sanctions and Exploring Alternatives to Bureaucratic Regimes](#), Financial Services Committee, January 30, 2024
- [Gallagher, Krishnamoorthi Urge Secretary Mayorkas to Strengthen Enforcement of the Uyghur Forced Labor Prevention Act](#), The Select Committee on the Chinese Communist Party, January 22, 2024
- [Strategic Importance of Digital Economic Engagement in the Indo-Pacific](#), Hearing in the House Foreign Affairs Committee, January 19, 2022
- [Cornyn, Colleagues Introduce Bill to Secure Critical Mineral Supply Chains, Counter Chinese Dominance](#), United States Senate, January 18, 2024
- [Mike Gallagher and Raja Krishnamoorthy's letter to Secretary of DHS, regarding UFLPA](#), The Select Committee on the Chinese Communist Party, January 17, 2024
- [Examining the Flow of U.S. Money into China's Military Might](#), Hearing in the House Foreign Affairs Committee, January 17, 2024
- [House Prepares to Drop China Investment Curbs from Defense Bill](#), *Bloomberg*, November 28, 2023