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## What's Been Happening

### 1 — As U.S.-China Relations Stabilize, Wide Differences over Trade Remain — 1

#### [In One Sentence]

- From August 27-28, 2024, U.S. National Security Advisor Jake Sullivan visited China and met with President Xi and senior Chinese officials including Foreign Minister Wang Yi and Vice-Chairman of China's Central Military Commission, General Zhang Youxia.
- Following Sullivan's visit, the White House announced that President Biden and President Xi would hold a phone call in "the coming weeks."
- During the meeting with Foreign Minister Wang, Sullivan expressed concerns over China's "unfair trade policies and non-market economic practices" and underlined that the U.S. would take "necessary actions" to prevent American technologies from being used to "undermine the U.S.' national security, without "unduly limiting trade or investment."
- In response, Foreign Minister Wang Yi charged that the U.S. is using "overcapacity" as an excuse to pursue "protectionism" that will impair "global green development" and "world economic growth."
- China's Ministry of Commerce has announced that U.S. Under Secretary of Commerce for International Trade Marissa Lago will meet with China's Vice Minister of Commerce Wang Shouwen for a second meeting of the bilateral Commercial Issues Working Group on September 7 in Tianjin, China.
- The Office of the U.S. Trade Representative has once again delayed the announcement of its final plan to implement additional U.S. Section 301 tariffs on Chinese electric vehicles (EV) and batteries, pushing the date from some time in August to early September.
- The Office of the U.S. Trade Representative is seeking public and stakeholder inputs on U.S. electric vehicle and renewable energy tax credits under the Inflation Reduction Act, noting the "major issues" that China has raised while challenging the tax credits at the WTO.
- On August 26, Canadian Prime Minister Justin Trudeau announced that Canada will impose a 100% tariff on China-made EVs and 25% tariffs on Chinese steel and aluminum, addressing concerns over China's "non-market practices" "in parallel with other economies around the world."

- A week later, on September 3, China, the world's largest oilseed importer, announced plans to initiate an anti-dumping investigation into canola imports from Canada as well as an "anti-discrimination investigation" with regard to the relevant restrictive measures taken by Canada.

### [In Other News]

- The European Commission has decided to reduce the tariffs that the European Union will impose on China-made Tesla EVs from 20.8% to 9%. According to the European Commission, the new tariff rate reflects the "level of subsidies" Tesla received in China after the Commission conducted a field trip in China to verify the relevant information. Nevertheless, some analysts argue that Tesla received significant local government loans, e.g. from the Shanghai government, and that Tesla has relied extensively on Chinese battery maker Contemporary Amperex Technology Limited (CATL), which also receives subsidies from the Chinese government.
- Following Canada's announcement of its plan to impose tariffs on China-made electric vehicles (EV), Canadian Minister of Export Promotion, International Trade and Economic Development Mary Ng highlighted the importance of working with the U.S. on "economic security," ensuring "greater economic and supply chain resilience" and addressing "certain non-market practices and policies related to electric vehicles as well as steel and aluminum."
- In a recent article, Peterson Institute for International Economics's Senior Fellow Mary Lovely and Research Analyst Jing Yan argue that the European Union and the United States are diverging in their approaches on trade ties with Beijing, which will inevitably impact their ability, down-the-line, to agree on national security and technology control policies related to China.

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

- The 'new normal' in US-China relations continues to take shape, one piece at a time. In late-August, it was the turn of U.S. National Security Advisor Jake Sullivan to pay a return visit to Beijing (his counterpart, the Director of the Foreign Affairs Central Commission Office, Wang Yi, had visited the White House last October). In Beijing, Sullivan and Wang, held "candid, substantive and constructive discussions", which apparently seems to be the case with all presidential, cabinet and principals-level bilateral exchanges these days! The two sides agreed to disagree on the fundamental strategic framing of their relationship. Washington seeks a relationship of competitive coexistence where 'extreme competition' in four competitive domains (military, economic, political, and global governance) is sought to be managed rather than resolved; Beijing, on the other hand, seeks a relationship of peaceful coexistence where the two sides first develop a "right strategic perception" of each other: that they are partners, not rivals. Beneath this overarching disagreement though, the two sides continued to harvest modest but useful deliverables in the areas of counternarcotics, climate change, mil-mil communications, and AI safety and risk management. This 'new normal' in US-China relations is not a 'new Cold War' as some have posited – although there is a palpable Cold War-style zero-sum equation settling into their competition to dominate the high-technology and advanced manufacturing industries of tomorrow. Nor is the 'new normal', on the other hand, merely a more contentious version of the mix of engagement and competition that characterized their four decade-long post-normalization period of ties. Strategic competition between the US and China is for real and, if mismanaged, could drift into outright rivalry and across-the-board conflict – both hot and cold. That said, there is no one typology of interaction that cuts across the 'baskets' of US-China issues; the two countries' interactions, rather, span the range from the productive to the icy. Positioned towards the former end of the spectrum is their multilateral cooperation on climate change as well as Washington's and

Beijing's multi-dimensional engagement on bilateral and multilateral macroeconomic and financial issues, helmed by their Economic and Financial Working Groups. 20-plus dialogue channels and communication mechanisms across a range of issue areas also continue to beaver away. On the other hand, the two countries' labor ministers have never met (the US insists that genocide and forced labor continues to be carried out in Xinjiang) and US Trade Representative Katherine Tai has yet to show up in-person in Beijing and explain her administration's stance on the Section 301 China tariffs. A complex relationship demands complex choices, built as much on ideology and values as on realism and objectivity. In an article in *Foreign Affairs* in August 2019, eighteen months before they assumed their role as the architects of the Biden administration's Indo-Pacific policy, Jake Sullivan and Kurt Campbell wrote of the imperative to establish a "clear-eyed coexistence [with China] on terms favorable to U.S. interests and values." America could, and should, both challenge and coexist with China. In Summer 2024, the spelling out of the terms of that 'clear-eyed coexistence' remains a work in progress. And while Beijing continues to pursue its bilateral interests reactively within this framework, this is not necessarily a losing proposition. A non-disruptive external environment, backed by a stable and coexistent relationship with the US, remains an essential ingredient of China's overarching #1 national interest priority – that being its re-rise and the fulfillment of its national modernization aspirations by the end of the first half of the 21<sup>st</sup> century.

### [Expanded Reading]

- [China hits Canada with anti-dumping probe on canola imports in response to EV tariffs](#), Reuters, September 3, 2024
- [Readout of National Security Advisor Jake Sullivan's Meeting with President Xi Jinping of the People's Republic of China](#), The White House, August 29, 2024
- [China-U.S. commercial, trade working group to hold second vice-ministerial meeting](#), The State Council of the People's Republic of China, August 29, 2024.
- [Xi Jinping holds surprise meeting with senior Biden aide in Beijing](#), *The Guardian*, August 29, 2024
- [Exclusive: Tesla asked Canada for lower tariff on China-made EVs, government source says](#), *Reuters*, August 29, 2024
- [Wang Yi and U.S. National Security Advisor Jake Sullivan Hold Strategic Communication](#), Ministry of Foreign Affairs The People's Republic of China, August 28, 2024
- [Xi tells Sullivan to view China 'rationally' ahead of planned Biden call](#), *Nikkei Asia*, August 28, 2024
- [While the US and China decouple, the EU and China deepen trade dependencies](#), Peterson Institute for International Economics, August 27, 2024.
- [Canada to Hit China With Tariffs on Electric Vehicles, Steel](#), *Bloomberg*, August 26, 2024
- [Tesla faces lowest duty on Chinese-made cars exported to EU](#), *The Guardian*, August 20, 2024

## On the Hill



### [Legislative Developments]

- Applauding the U.S. Supreme Court's decision to overturn the *Chevron* doctrine, which grants federal agencies considerable leeway to impose rules and regulations by expansively interpreting legislative languages, Senator Mike Rounds (R-SD) introduced a bipartisan resolution to establish a joint congressional committee to comprehensively review all federal rules and regulations that significantly impact the U.S. economy.

- Meanwhile, Senator Elizabeth Warren (D-MA) has led a group of influential Democrat lawmakers to introduce a bill that would legislatively codify the *Chevron* doctrine, arguing that the Supreme Court’s decision hinders important regulatory progress in climate, green energy, and public health by unduly limiting the government’s rulemaking authority.
- The Bureau of Industry and Security (BIS) is reportedly working with Senate Finance Committee Chair Ron Wyden (D-OR) to develop a National Defense Authorization Act (NDAA) amendment that would provide BIS the authority to regulate chips that can be remotely accessed, “fixing the loophole” that allow Chinese companies to rent AI chips from American companies like Amazon and Google via their cloud offerings.

#### [Hearings and Statements]

- Following the Supreme Court’s decision to overturn the *Chevron* doctrine and require federal agencies to provide more justification in their regulatory rulemaking, House Republican leaders and Committee Chairs have reportedly sent oversight letters to “nearly every agency in the Executive branch,” requesting information on agency rulemaking and documents to “reign in the vast, out-of-control administrative state.”
- Rep. John Moolenaar (R-MI), Chair of the House China Committee, and Senator Marco Rubio (R-FL), ranking member of the Senate Intelligence Committee, have urged the Defense Department to put China’s Contemporary Amperex Technology Co. Ltd (CATL) in its licensing blacklist, given CATL’s “contribution” to China’s civil-military fusion policy. The lawmakers argue that such a move would help “safeguarding America’s military infrastructure from exposure to the PLA,” and send “a powerful signal” to American companies that cooperate with CATL.

#### [Expanded Reading]

- [Rubio, Michigan Republican ask Pentagon to blacklist world’s biggest EV battery maker from contracts](#), *The Hill*, August 29, 2024
- [Letter to DoD Requesting Blacklisting of CCP-Linked Battery Company, CATL](#), The Select Committee on the CCP, August 28, 2024
- [Rounds Introduces RESTORE to Address Regulatory Reform](#), Office of Sen. Mike Rounds (R-SD), August 12, 2024
- [Warren Leads Senate Response to End of Chevron Doctrine](#), Office of Sen. Elizabeth Warren (D-MA), July 23, 2024