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## What's Been Happening

### 1 — Trump 2.0 Starts with Mighty Bang of Executive Orders and Tariff Threats — 1

#### [In One Sentence]

- On January 20, 2025, Donald Trump was sworn into office as the 47th President of the United States. He promised to begin a major overhaul of the U.S. trade system, including replacing tax revenue with tariffs.
- The 45th and 47th President re-stated his plan to establish an External Revenue Service in his inaugural speech, an idea he initially announced earlier this month, to charge “those that make money off of us with trade.”
- President Trump also signaled that he plans to impose tariffs on Mexico and Canada as high as 25% as early as February 1, as well as a 10% levy on China for their failure to interdict fentanyl trafficking.
- Aside from trade issues, Trump vowed to tackle inflation, address the cost of living, cut government spending, and “stop all government censorship” and uphold the free speech rights of Americans.
- Trump also signed an executive order on Day One that suspends the ban on TikTok for 75 days in order to buy time to find a permanent solution to keep the popular video-sharing app operating in the U.S.

#### [Mark the Essentials]

- The new President wasted no time in signing a slew of executive orders on his first day in office, which included a declaration of a “national energy emergency” and encouragement for more oil and gas extraction; a withdrawal from the climate-focused Paris Agreement; and the formal establishment of the Department of Government Efficiency.
- Before extending the TikTok ban, President Trump suggested that the U.S. “should be entitled to get half of TikTok” and that the video-sharing app should continue to operate in the form of a joint venture, though he also warned that if China blocked the deal there would be “certain hostility” and additional tariffs.
- On his first day, Trump directed federal agencies to examine and make recommendations on various U.S. trade policies, including with regard to China.
- China’s Ministry of Foreign Affairs did not directly comment on Trump’s TikTok proposal but insisted that the “operation and acquisition of companies” should be “decided by companies” on the basis of market forces and in line with Chinese law.

- President Trump also pledged to revoke “the electric vehicle “mandate” in his executive order titled “Unleashing American Energy” and vowed to boost the U.S. auto industry’s prospects.
- Additionally, President Trump vowed to take back the Panama Canal in his inauguration speech, citing alleged control of the canal’s operations by China.

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

- So, folks in Beijing seem gratified that President Donald Trump would like to pay a visit to China during his first 100 days in office. A visit that early into an administration would surely be unprecedented. Let alone Joe Biden (who never touched down in China during his presidency), his Secretary of State did not even get there until the 30<sup>th</sup> month of the administration’s term in office. Surely, ‘The Donald’ understands, then, the value that can be unlocked via win-win bargains with China no matter how transactional, or so the thinking goes in Beijing. Ergo, Beijing would do well to rein-in its satisfaction and expectations. For when it gets wind of what President Trump would really like to obtain on the economic and trade front during his trip—and why not over a banquet within the walls of the Forbidden City like last time around—one suspects that Beijing will probably be hoping that Trump had not shown up until his 1,000<sup>th</sup> day in office. The America First Trade Policy executive order (EO) that the president issued on his first day in the Oval Office is replete with measures that will haunt the bilateral trade and technology relationship for years to come and could make his first term actions against China look puny by comparison. As per the EO, within 70 days, the U.S. Trade Representative is to recommend appropriate punitive actions to be taken after (presumably) finding that China is not living up to the terms of its Phase I market purchases agreement—which, to be clear, expired in 2021. Within 70 days, the U.S. Trade Representative is to suggest additional tariff modifications, particularly with respect to supply chains and third country circumvention, after a finding (presumably) that the original Trump 1.0 Section 301 tariffs and the additional tariffs tacked on by Biden are still insufficient. Within 70 days, the U.S. Trade Representative is to suggest additional Section 301 investigations and responsive actions against Beijing’s policies and practices too, including (most likely) with regard to China’s shipbuilding sector. A damning Biden administration probe of China’s shipbuilding sector already stands ready for actioning. USTR is also tasked with assessing legislative proposals that seek to strip China of its most favored nation (MFN) trade partner status—i.e., the basic, treaty-enabled non-discrimination right accorded to all trading partners. For his part, the Commerce Secretary is tasked with identifying, within 70 days, additional hardware and software items related to connected vehicles sourced from China that are to be barred for national security reasons. Within 70 days, the Biden administration’s outbound investment control rules *vis-à-vis* China are to be modified and expanded as well. And a larger review of the United States’ export controls system involving “strategic adversaries and geopolitical rivals” is to be finalized also, as well as “appropriate trade and national security measures” taken to stem the flow of fentanyl precursors from China. Over at the Treasury Department in the meantime, Secretary Scott Bessent has been tasked with reviewing the exchange rate and currency practices of the United States’ major trading partners, including China, within 70 days, as well as ridding Chinese imports subject to Section 201, 232 and 301 tariffs from benefiting from duty-free *de minimis* treatment following a review of the tariff revenues foregone by the exemption (Helpfully, Biden’s Customs and Border Protection agency provided this revenue figure just last week). An External Revenue Service to collect tariffs and other foreign trade-related revenues is to be established too. Simultaneously, the 75-day reprieve offered by President Trump to TikTok is beset with its own set of complications. Because TikTok’s parent Bytedance remains in control of developing the source code for all components that comprise TikTok, including the recommendation engine and, furthermore,

because Bytedance is a China-headquartered company that falls within the purview of China's National Intelligence Law, no amount of ownership jugglery of TikTok U.S. will resolve the matter (Trump has suggested a 50:50 or 51:49 joint venture). Rather, to conform to the national security requirements of the now Supreme Court-validated Protecting Americans from Foreign Adversary Controlled Applications Act, Bytedance will either have to: (a) move its HQ and controlling interest beyond the jurisdictional reach of Chinese intelligence cooperation or (b) surrender its recommendation algorithm—its beating heart—to TikTok U.S. so that there is no need for data transfers to Beijing to keep developing the algorithm. Neither would be palatable to Bytedance or to its masters in Beijing who have in any case export-controlled the algorithm. Perhaps, the easiest way out may be to cut the recommendation algorithm cord that ties TikTok U.S. to Bytedance, and spin-off and rebrand the outer shell that is TikTok United States' assets and 170 million users to an American buyer (with no Chinese minority interest involved). Be that as it may, and as difficult as these conversations—and transactions—might be, after President Xi bends to his liking on these various demands, the U.S. and China can enjoy a beautiful relationship that “makes the World more peaceful and safe”—or so President Trump thinks. The operative question is whether Mr. Trump's “very special person” in Beijing feels the same way too. One suspects not. The brief delight in China on Trump's reassuring messaging regarding a visit will soon run up against a cold reality—that Trump is less a win-win economic partner and more a modern-day Roman Emperor (or in China's case, a Mongol chieftain) out to plunder the temple gold. Stay tuned for the bilateral trade policy fireworks. During Trump 1.0, it took sixteen months for the first fireworks to erupt; this time around, the show could start in less than half that time.

### [Expanded Reading]

- [Tracking Trump's Executive Orders: What He's Signed So Far](#), *Axios*, January 21, 2025
- [TikTok Gets Reprieve With Trump Order But With Twist](#), *Reuters*, January 21, 2025
- [Trump Has Tossed TikTok A Lifeline. But China's Not Happy](#), *CNN*, January 21, 2025
- [Trump Warns Fate Of TikTok Deal Could Impact China Tariffs—Beijing Signals It May Not Block Sale](#), *Forbes*, January 21, 2025
- [Bessent Nomination To US Treasury Clears Senate Finance Committee](#), *Reuters*, January 21, 2025
- [Trump Plans To Impose 25% Tariffs On Mexico, Canada By Feb. 1](#), *Bloomberg*, January 20, 2025
- [From EVs To Tariffs, To Panama Canal: 5 Things Trump Said That Matter To Asia](#), *Nikkei Asia*, January 21, 2025
- [Trump Says He Intends To Impose 10% Tariffs On Chinese Imports On Feb. 1](#), *The New York Times*, January 21, 2025

## 2 — Biden Administration Wraps Up Final Week with a Slew of China-Linked Measures — 2

### [In One Sentence]

- During its last week in office, the Biden administration Commerce Department's Bureau of Industry and Security (BIS) released a final rule banning Chinese and Russian connected vehicle technology.
- BIS also introduced a comprehensive, first-ever export control rule on artificial intelligence (AI) models and worldwide license requirements for advanced chips.
- Earlier in January, the Justice Department had issued a final rule restricting bulk data transfers of sensitive U.S. personal data to foreign adversaries, including China.

- The Office of the U.S. Trade Representative (USTR) released its latest annual report of China's compliance with its WTO obligations, which criticizes China as a "predatory non-market economy" that aims to displace foreign competitors and secure dominance both domestically and in global markets.
- USTR also finalized its Section 301 investigation of China's maritime, logistics, and shipbuilding sectors, and concluded that the PRC's targeted dominance in these sectors amounts to being "unreasonable" and therefore "actionable" under Section 301 of U.S. trade law.

### [Mark the Essentials]

- In a joint report released by the U.S. Commerce Department and Norway's Ministry of Trade, the two countries urged the stepping up of efforts among "market-oriented countries" to counter China's dominance in critical minerals.
- Alan Estevez, the BIS head under the Biden administration, noted that the Biden-Harris administration was "committed to preventing the misuse of advanced U.S. technology and curbing the national security concerns raised by the PRC's military-civil fusion," in a statement explaining the administration's decision to impose export controls on AI chips, and vowed to plug holes in export control compliance procedures.
- Analysts have warned that with the Biden administration setting the regulatory stage for the incoming administration, the Trump team is likely to increase the use of recently-created export control tools in 2025 and beyond.
- China's Ministry of Commerce imposed restrictions on exports of dual-use goods to 28 U.S.-based defense contractors and added 10 of them to its Unreliable Entities List.

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

- They may have called him 'Sleepy Joe' but one thing was clear during his final week in office. He—or at least his administration—was wide awake...and not just to hand out preemptive pardons to all-and-sundry belonging to the Biden clan. A veritable torrent of China decoupling-linked measures and proposals were announced on each day last week. Let's revisit them in reverse order. On Friday, January 17, the U.S. Customs and Border Protection proposed that goods subject to Section 201, 232 and 301 tariffs (Chinese imports fall under each of these authorities) should be ineligible for *de minimis* treatment on national security grounds. *De minimis* treatment allows low value goods under the \$800 threshold to enter the U.S. duty free. The *de minimis* 'loophole' is under Trump's America First Trade Policy scanner as well. On Thursday, January 16, the U.S. Trade Representative issued a 182-page report outlining "unreasonable" subsidization measures that China has taken to support its maritime, logistics and shipbuilding sectors. Trump's USTR is likely to draw up the "responsive actions" that Biden's USTR failed to lay out in its report. On the next day, January 17, the Commerce Department issued an interim final rule that implements export controls on certain laboratory instruments and biological design tools which when coupled with AI could, in the department's view, generate large, detailed public health-related datasets that are exploitable for military ends. It bears remembering that ex-NSA Jake Sullivan had listed biotechnology and biomanufacturing as one of three "force multipliers" that would define the geopolitical landscape of the 21<sup>st</sup> century in an important speech in September 2022. On Tuesday, January 14, the Commerce Department issued a final rule prohibiting certain transactions involving the sale or import of connected vehicles integrating specific pieces of hardware and software—or those components sold separately—from China, citing the risk to U.S. national security. The Trump administration has vowed to revisit the rule and potentially expand the list of prohibited components. On that same Tuesday, the U.S. Trade Representative published a series of "model negotiating texts" on a range of issues including competition, non-market practices and inclusiveness,

laying out what it said was a blueprint for a fairer and more resilient trading system. The next day, it labelled China's economy as a "predatory" one in its annual report to Congress on China's World Trade Organization compliance. Finally, on Monday, January 13, the Commerce Department dropped an AI-related interim final rule, dubbed the "mother of all regulations." The rule establishes a worldwide license requirement for AI-linked advanced computing chips, creates a three-tiered export control framework applicable to transfers of such chips (a license exception for 18 allies and partners, bans on countries subject to U.S. arms embargoes and licensing requirements such as China, and end-user quotas for all other countries), and implements new controls on the model weights—i.e., the numerical parameters that help determine an AI model's outputs in response to inputs—of the most advanced closed-weight AI models. To the annoyance of U.S. industry, the regulation was shoved down its throat with the barest of consultations. Be that as it may, there can be no denying the fact that Sleepy Joe's administration clearly had an active final week in office trying to decouple the U.S.-China trade and technology relationship. Much of what was announced will almost certainly be revisited and altered beyond recognition—most likely for the worse—over the next four years. And on this sour note, the Biden administration demitted office.

### [Expanded Reading]

- [Commerce Strengthens Restrictions On Advanced Computing Semiconductors To Enhance Foundry Due Diligence And Prevent Diversion To PRC](#), U.S. Department Of Commerce Bureau Of Industry & Security, January 15, 2025
- [The Parting Blow – Biden Administration Issues Sweeping Export Controls On AI Models And Advanced Chips](#), *The National Law Review*, January 16, 2025
- [US Finalizes Rules Banning Chinese, Russian Smart Cars](#), *Voice Of America*, January 14, 2025
- [Reflecting On The Commerce Department's Role In Protecting Critical Technology With Under Secretary Of Commerce Alan Estevez](#), *Center for Strategic & International Studies*, January 14, 2025
- [Biden's Trade Chief Says China's Shipbuilding Practices Warrant U.S. Response](#), *Politico Pro*, January 16, 2025

## On the Hill



### [Legislative Developments]

- The first GOP-led trade bill in the 119th Congress, the "Reclaiming Congress's Constitutional Mandate in Trade Resolution," aims to transfer some of the functions and responsibilities of the Office of the U.S. Trade Representative back to the legislative branch.
- Democrats have backed the "Prevent Tariff Abuse Act" with the hope of narrowing the Trump administration's discretion to set tariffs and import quotas.

### [Hearings and Statements]

- Marco Rubio was unanimously confirmed by the U.S. Senate as the next Secretary of State on January 21. The former Senator of Florida repeatedly knocked Beijing for its control of key supply chains and its human rights record during his confirmation hearing.
- Senate Majority Leader John Thune (R-SD) warned that sweeping tariffs could trigger retaliatory measures against U.S. agricultural exporters and suggested that President Trump consider a more targeted approach on tariffs.
- Technology groups and companies, in open letters and statements, have urged the Trump administration to review the sweeping new interim final rule on AI export controls, complaining that the rule was rushed through without adequate consultation.

### [Expanded Reading]

- [Griffith Introduces The Reclaiming Congress's Constitutional Mandate In Trade Resolution](#), Office of Rep. Morgan Griffith (R-VA-9), January 9, 2025
- [DelBene, Beyer Introduce Legislation To Block President From Imposing Unchecked Tariffs](#), Office of Rep. Suzan Delbene (D-WA-1), Nov 20, 2024
- [Senate Votes To Confirm Marco Rubio As Secretary Of State, First Trump Cabinet Official To Be Approved](#), CNN, January 20, 2025
- [Marco Rubio Warns China Is America's 'Biggest Threat,' Affirms Value Of NATO Alliance](#), AP News, January 15, 2025