



## TRADE UPDATE September 7, 2020

### U.S./China

Ambassador Lighthizer and Chinese Vice Premier Liu He held a call on August 24<sup>th</sup> to discuss the implementation of the Phase One trade deal. USTR provided a brief [readout](#) of the call, stating: “The parties addressed steps that China has taken to effectuate structural changes called for by the Agreement that will ensure greater protection for intellectual property rights, remove impediments to American companies in the areas of financial services and agriculture, and eliminate forced technology transfer. The parties also discussed the significant increases in purchases of U.S. products by China as well as future actions needed to implement the agreement. Both sides see progress and are committed to taking the steps necessary to ensure the success of the agreement.”

While affirming their commitment to the Phase One deal, the reality is that the bilateral relationship between the two countries continues to deteriorate at a rapid rate, and each week seemingly brings forward aggressive policy proposals. For example, in the past several weeks:

- President Trump signed [executive orders](#) banning any U.S. citizen or entity from engaging in a transaction with ByteDance and Tencent, the respective Chinese parent companies of the social media app, TikTok and the electronic payment app, WeChat.
- The Treasury Department issued a [proposal](#) stating that Chinese companies with shares traded on U.S. stock exchanges should be forced to give up their listings unless they comply with rigorous U.S. audit requirements. Treasury also imposed [sanctions](#) on 11 senior Chinese and Hong Kong officials for undermining Hong Kong’s autonomy. In retaliation, the Chinese government sanctioned several U.S. officials, including Senators Marco Rubio (R-FL), Ted Cruz (R-TX), Tom Cotton (R-AR), Josh Hawley (R-MO), and Pat Toomey (R-PA).
- The Commerce Department announced an [amendment](#) to the Foreign Direct Product Rule to further restrict access to U.S. technology to Huawei, intending to close what they view as loopholes in the FDPR rule that still allowed Huawei to access certain technology. Commerce also added 24 Chinese companies to its [Entity List](#).

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Unsurprisingly, the Chinese government has reacted harshly to all of this, and has stated that such actions will harm the US more than China in the long run. While the threat of greater retaliation from the Chinese remains, we see little chance that there will be a de-escalation in tensions, particularly before the election.

### U.S./Taiwan

Taiwanese officials continue to advocate for a potential free trade agreement with the U.S., including speaking to media outlets this week about their desire to enter into negotiations by the end of the year. In an effort to help further this goal, Taiwan President Tsai Ing-wen announced that longstanding restrictions on U.S. beef and pork would be relaxed.

This comes as both Democrats and Republicans on Capitol Hill increase pressure on the administration to begin talks with Taipei. For example, last month Senator Cory Gardner (R-CO) , in a letter to USTR, urged the administration to “immediately initiate meaningful negotiations” between the two countries, while Representative Ted Yoho (R-FL) -ranking member of the House Foreign Affairs subcommittee on Asia- introduced legislation that would push USTR to do just that. Senator Rick Scott (R-FL) this week sent a letter to the administration stating that a free trade agreement with Taiwan “is long overdue.” Earlier this year, 150 House members from both sides of the aisle also sent a similar missive.

While the U.S. relationship with China will obviously impact such potential talks, the bipartisan view that engaging further with Taiwan for economic and geopolitical reasons continues steadily- and will likely continue regardless of the outcome of the November election.

### U.S./Japan

As a follow-up to recent hearings in the House Ways and Means and Senate Finance Committees, several senators and representatives sent USTR Lighthizer questions for the record related to the U.S./Japan trade deal. The questions all struck the same theme: namely, “when will negotiations begin?”

We received a copy of Ambassador Lighthizer’s answers to these members. To each he wrote: “negotiations with Japan have been delayed due to the coronavirus pandemic, but I expect to start phase-two negotiations with Japan in the next few months, using virtual or in-person formats as appropriate. The Administration is committed to negotiating a comprehensive trade agreement, as outlined in the U.S.-Japan Trade Agreement Negotiating Objectives published in December 2018. I cannot predict when the negotiations will conclude at this time.”

### U.S./U.K.

The fourth round of U.S.-United Kingdom trade negotiations is scheduled to begin on Sept. 8 and conclude on Sept. 18. A fifth round is likely in October. British officials have indicated that they hope to make progress on difficult issues, including on agriculture and procurement, but congressional staff who have been briefed by USTR have indicated to us that the focus, at least

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initially, will be primarily on consolidated chapter texts where there is more agreement than convergence. Ultimately, we see a fairly lengthy timetable to conclude such negotiations, regardless of the presidential outcome.

### USMCA

AFL-CIO President Richard Trumka stated this week that the union is planning to file labor complaints against Mexico this month under the new USMCA labor enforcement mechanism—specifically, the “Facility-Specific Rapid Response Labor Mechanism” that could halt exports from individual factories found in violation of labor rights provisions. Trumka indicated that union representatives are working with USTR on the complaints and is gathering information about the arrest and detention of Mexican labor attorney and activist Susana Prieto, who helped organize strikes at several dozen manufacturing plants last year.

Trumka also outlined his concerns that the Labor Department has been slow to disburse funds agreed to in USMCA to help Mexico strengthen its labor enforcement capacity, something that House Democrats are particularly focused on as well.

### Upcoming Hearings

September 10: The House Ways and Means Committee will hold a hearing entitled, “The Caribbean Basin Trade Partnership Act: Considerations for Renewal.”

September 24: The House Financial Services Subcommittee on National Security, International Development, and Monetary Policy will hold a hearing entitled, “An Examination of the Administration’s Implementation of Statutory Reforms to the Committee on Foreign Investment in the United States.”

